

Mya Ayer Group of Companies

Accounting & Finance Policies & Internal Control Procedures

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Introduction

Mya Ayer Group of Companies (“MAG”) is a Myanmar-incorporated company. MAG is a limited liability company registered in Myanmar. MAG is a market-driven, commercial enterprise that aims to produce and export value-added products from Organic Coconuts in order to maintain sustainable and inclusive business with good social impacts.

The purpose of this document is to outline important controls, procedures and processes in the accounting, finance, reporting and treasury functions of the company. This document is a must-read for employees that operate in the finance and accounting team as well as for employees that are involved in operations. This document will describe important accounting processes and policy, identify key personnel involved in the various processes, provide sample documents/templates used for processing transactions, delineate authority limits by position, and explain rationale for certain processes. Adherence to the policies described in this document will ensure accuracy and completeness in accounting and reporting, facilitate timely generation of reports, prevent misstatements and errors, instill requisite checks and balances, mitigate risk of loss, etc.

In keeping with the company’s mission to constantly improve effectiveness and efficiency of operations and internal processes, to exceed expectations of internal and external stakeholders and to always strive for excellence, this document is intended to be reviewed periodically and revised to reflect incremental improvements and best practice modifications in response to changes in the operating environment. Employees involved in operations or the accounting and finance team should always be attentive to areas where the company can improve operational efficiencies and effectiveness.

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I. General

A. Accounting Period

The fiscal year will be from 01 April to 31 March. The fiscal quarters correspond to the following period-end dates: Fiscal Q1- 30 June, Fiscal Q2 – 30 September, Fiscal Q3 – 31 December, Fiscal Q4 – 30 March. The 01 April to 31 March accounting period corresponds to the tax year and the statutory reporting period in Myanmar.

Please note that the accounting period for other reporting purposes may differ. For example, the Water for Livelihood Program has an accounting period that corresponds to calendar year (i.e. 01 Jan to 31 December).

B. Myanmar Government Taxation Period

Myanmar Government taxation period is 01 April to 31 March.

C. Reporting currency

Reporting currency is Kyats (Ks).

D. Exchange Rate Policy

We revalue monetary items using the prevailing exchange rate and we recognize any unrealized gains or losses.

E. Abbreviations and Terminologies Used in This Document

- BUM - Budget Unit Manager who supervise BUO.
- BUO - Budget Unit Owner who have delegated authority and responsibility to formulate and manage a specific budget
- DH - Department Head
- PR - Purchase Requisition Form
- PO - Purchase Order
- OPEX - Operating Expenses
- CAPEX - Capital Expenses
- SOFP - Statement of Financial Position
- SOCI - Statement of Comprehensive Income
- GIN - Goods Issued Note
- GRN - Goods Receipts Note

F. Account Head System using Excels

The company uses Microsoft Excels and Words, which are designed to support analysis of financial information and reporting to varying levels of detail, by using an “account-heads” to denote specific balance sheet or profit & loss line item. The account heads are specified by CPA.

Account Head Name	Description
Assets	An asset is a resource with economic value that corporation owns or controls with the expectation that it will provide future benefit.
Liabilities	A liability is a company's legal debt or obligation that arises during the course of business operations.
Equity	On a company's balance sheet, the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses). Also referred to as shareholders' equity.
Income	Income is money that a business receives in exchange for providing a good or service or through investing capital.
Manufacturing Expenses	Cost of goods sold (COGs), measures the amount of cash a company spends to produce a good or a service sold by the company. The direct cost of sales only includes the expenses directly related to production. The direct costs generally include direct materials, direct labor, utilities and shipping costs.

Account Head Name	Description
Expenses	An expense consists of the economic costs that a business incurs through its operations to earn revenue.
Corporate Expenses	Direct cost allocation from head office for executives' remuneration and business expenses.
General & Administration	G&A is mainly for recurring expenses
Sales expenses	Selling expenses are expenses that can be directly linked to the sale.
Marketing expenses	Marketing expenses are expenses of DTRFs' for trail.

By using the account-head, business management and accounting will be able to analyze the full expenses to produce custom financial statements (FSs), budget variance analyses (BVA) or other custom reports.

G. Capitalization Policy

Fixed asset purchases with a cost basis of over 300,000/- Kyats (USD equivalent of \$250 approximately) and a useful life of greater than three years will be capitalized on the balance sheet.

H. Depreciation and Amortization

Fixed assets will be depreciated on a straight line basis. Fixed asset categories include:

Computers	-	20% (5-year depreciation period)
Furniture and Fixtures	-	10% (10-year depreciation period)
Vehicles	-	20% (5-year depreciation period)
Equipment (Office & Factory)	-	10% (10-year depreciation period)
Buildings	-	5% (20-year depreciation period)
Mill & Machines	-	10%(10-yeardepreciationperiod)
Generators & Transformers	-	10% (10-year depreciation period)
Website	-	20% (5-year depreciation period)
Land	-	0% (N/A-year depreciation period)

I. Approval Authority

Authorization limits and approving authorities will vary depending on the type and nature of expenditure. These controls are established to ensure checks and balances, prevent unauthorized or inappropriate spending, ensure sound commercial judgement and decision making, mitigate risk and exposure, ensure compliance to company expenditure policies, and ensure good use of company resources. The authorization limits and approving authorities are summarized by expenditure type below.

J. Internal Financial Reporting Requirements and Schedule

On a monthly basis, the company will generate financial statements (including balance sheet and profit & loss) and management reports (including actual to budget variance

analysis and review of operations).

Monthly financial reports are due on the 18th of the following month. Due to consolidation requirements at quarterly and fiscal year-end, the due dates for these cutoff periods may be earlier.

The Monthly Financial Reports shall be done by appointed external audit and audit report and management report shall be available every month.

K. Statutory Reporting Requirements (Import tax & regulatory filing dates)

1. Myanmar

Income declaration form to Internal Revenue Department (Minister of Finance and Revenue) due 01 April to 30 June.

L. Budgeting Process

A budget will be prepared by the company at the beginning of each fiscal year. The budgeting process is important for planning, cash and resource management, performance tracking and accountability, setting financial and operational goals/targets, establishing a roadmap for the upcoming year, managing different business areas within company, etc. Templates are provided to facilitate the budget building process. (Appendix – 1)

M. Allowances

1. Taxi Using policy

All staff are allowed the following taxi charges, if they come to office/work site out of office hours or getting back home late in the evening and travelling to other locations which is out of base location for business trip.

Office staff – If coming to office/work site before 7:00 am and getting back home from office/work site after 7:30pm, taxi charges can be claimed. (Maximum taxi charges – Ks 4,000 for one person. Should two or more persons used same vehicles, the charges will have to be divided by the number of persons and claim actual charges)

2. Travelling staff meal allowance policy

Applied to travel between offices or project sites for business trip less than 2 weeks of continuous travelling from base office to other offices or sites.

Meal allowance per diem for foreign trip – the rate will be decided by executive depend on the country; they went.

Meal allowance per diem for local trip:

- Manager Level – 6,000 Kyat
- Supervisor Level – 5,000 Kyat
- Staff – 4,000Kyat
- Driver – 4,000 Kyat (including extra service fee)

3. Travelling staff hotel accommodation

Hotel accommodation cost is reimbursable. For Manager and supervisor level, company recommended hotels or use reasonable judgment for other staff, the reimbursable amount is up to 4,000 Kyat per day with original receipts.

4. Travelling staff meal allowance for long trips.

If the duration of trip is over 2 weeks and one month, line manager will decide for accommodation and meals allowances. If over one month, please referred meal allowance for field offices or sites staffs.

5. Meal allowance for field offices or sites staffs.

If company provides meal at field office, there is no more meal allowance for that office.

If company didn't provide meal service at field office,

- For Office staff – 3,000 Kyat per day (except for weekend and holiday)
- For Field staff – 3,000 Kyat per day

II. Revenue Cycle

The revenue cycle covers a process starting from the delivery of goods/services to the receipt of payment. Activities that take place in the revenue cycle requires extensive coordination from many functional areas of the company, including sales, credit, warehouse and inventory, shipping and implementation, accounting, etc. In general, the process includes the following key elements:

a) Sales Order Entry

- Take customer order
- Customer credit check – to be coordinated in conjunction with criteria for rural lending program offered by commercial bank
- Verify inventory availability
- Customer communication

- b) Delivery or shipping
 - Picking and packing items to fulfill customer order
 - Shipping to customer
 - Coordination with implementation team
- c) Billing
 - Invoicing
 - Depending on customer payment method, entry into accounts receivable or documentation package may be required for submission to lending bank in the event of financing.
- d) Cash Collection
 - From customer or from bank depending on payment method

III. Disbursement Cycle

The disbursement cycle covers a process starting from the acquisition of goods/services to the settlement of obligations. In general, the process includes the following key elements:

- a. Purchase Requisition
 - Request for goods/services by an authorized person
 - Requisition circulated to supervisor/manager for approval
- b. Purchasing
 - Review of requisition, selection of supplier, purchase order generated
 - PO copies sent to supplier, receiving department, accounts payable
- c. Receiving
 - Quality control and inspections
 - Comparing of goods received with PO
 - Receiving Report
- d. Accounts Payable
 - File receiving report with related purchase requisitions and purchase orders pending receipt of vendor's invoice
 - Once voucher package complete, review for accuracy and authenticity before entering into Accounts Payable
- e. Cash Disbursement
 - Follow cash disbursement procedures covered separately

The key elements or steps described above apply to all expenditures but there may be nuances due to the nature of the expenditure or the activity. Different types of expenditures are described below and important controls and procedures that are specific to each expenditure type are discussed in detail.

Expenditure Types covered are:

1. Inventory Purchases – Raw Materials
2. Inventory Purchases – Packaging Materials
3. Project related CAPEX (facility, building, farm preparation, infrastructure, etc.)
4. Recurring Overhead (Office, Facility, utilities, etc.)
5. Employee Reimbursement
6. External Services
7. Payroll

Please also refer to appendix section for flow charts covering the various expenditure type.

1. Inventory Purchases – Raw Materials

a. *Purchase Requisition* (Appendix - 3)

- Procurement department (need to identify) will make requisition requests.
- Requisition circulated to supervisor/manager for approval. Approval authority of individuals will have set \$ limits. Requisition order amounts greater than certain Ks thresholds may require multiple signatures.
 - Approval limit (Ks) - ≤ 300,000/-
 - Approval person - BUO
 - Approval limit (Ks) - ≤ 1,000,000/-
 - Approval person - Procurement & Purchase Manager
 - Approval limit (Ks) - ≤ 3,000,000/-
 - Approval person - GM
 - Approval limit (Ks) - > 3,000,000/-
 - Approval person - Executives

b. *Purchasing*

- Review of requisition
- Compliance procedures – supplier on qualified vendor list, materials ordered not on banned substance list, etc.
- Selling prices offered by qualified vendors to be reviewed periodically to determine competitiveness. Alternative vendors need to be identified and evaluated periodically as well.
- Prepared purchase order and PO circulated to supervisor/manager for approval. Approval authority of individuals will have set \$ limits. Purchase order amounts greater than certain Ks thresholds may require multiple signatures. (Purchase Order – Appendix)

- Approval limit (Ks) - ≤ 300,000/-
- Approval person - BUO
- Approval limit (Ks) - ≤ 1,000,000/-
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - ≤ 3,000,000/-
- Approval person - GM
- Approval limit (Ks) - > 3,000,000/-
- Approval person - Executives

- Purchase order generated

PO copies sent to supplier, receiving department and accounts payable.

c. Receiving

- Quality control and inspections – verify quantity, quality from visual inspection noting any damaged packaging, sample testing in accredited laboratory (recommended for first time suppliers), etc.
- Comparing of goods received with PO
- Receiving Report (GRN – Appendix - 3)

d. Accounts Payable

- File receiving report with related purchase requisitions and purchase orders pending receipt of vendor’s invoice
- Once voucher package complete, review for accuracy and authenticity before entering into Accounts Payable

e. Cash Disbursement

- Follow cash disbursement procedures covered separately

2. Inventory Purchases – Packaging Materials

a. Purchase Requisition

- Procurement department will make requisition requests based on the following information:
 - Monthly forecasted sales of drip systems to be updated on a monthly basis
 - Existing inventory levels based on perpetual inventory records – physical verification to be performed if necessary
 - Analysis of weeks-of-supply on hand
 - Vendor lead times
- Requisition circulated to supervisor/manager for approval. Approval authority of individuals will have set \$ limits. Requisition order amounts

greater than certain Ks thresholds may require multiple signatures.

- Approval limit (Ks) - $\leq 300,000/-$
- Approval person - BUO
- Approval limit (Ks) - $\leq 1,000,000/-$
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - $\leq 3,000,000/-$
- Approval person - GM
- Approval limit (Ks) - $> 3,000,000/-$
- Approval person - Executives

b. Purchasing

- Review of requisition Selling prices offered by qualified vendor to be reviewed periodically to determine competitiveness. Alternative vendors need to identified and evaluated periodically as well.
- Prepared PO and PO circulated to supervisor/manager for approval. Approval authority of individuals will have set Ks limits. Purchase order amounts greater than certain Ks thresholds may require multiple signatures. (Purchase Order – Appendix - 3)

- Approval limit (Ks) - $\leq 300,000/-$
- Approval person - BUO
- Approval limit (Ks) - $\leq 1,000,000/-$
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - $\leq 3,000,000/-$
- Approval person - GM
- Approval limit (Ks) - $> 3,000,000/-$
- Approval person - Executives

- Purchase order generated
- PO copies sent to supplier, receiving department, accounts payable

c. Receiving

- Quality control and inspections – verify quantity, quality from visual inspection noting any damaged packaging, etc.
- Comparing of goods received with PO
- Receiving Report (GRN – Appendix - 3)

d. Accounts Payable

- File receiving report with related purchase requisitions and purchase orders pending receipt of vendor's invoice
- Once voucher package complete, review for accuracy and authenticity before entering into Accounts Payable

e. Cash Disbursement

- Follow cash disbursement procedures covered separately

3. Project related CAPEX (facility, building, farm preparation, infrastructure, etc.)

a. Purchase Requisition

- Procurement department (need to identify) will make requisition requests based on the following information:
 - Approved Capital Expenditure Budget for the project (Refer to CAPEX budget template)
- Requisition circulated to supervisor/manager for approval. Approval limits of individuals set by Ks amount of requisition. Approvals from different functional areas of organization required such as operations, engineering, finance, etc.

- Approval limit (Ks) - ≤ 300,000/-
- Approval person - BUO
- Approval limit (Ks) - ≤ 1,000,000/-
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - ≤ 3,000,000/-
- Approval person - GM
- Approval limit (Ks) - > 3,000,000/-
- Approval person - Executives

b. Purchasing

- Review of requisition
- At least 3 quotes required for items exceeding a certain Ks limit. Special procedures required for contractors.
- Approval limit (Ks) - ≤ 300,000/-
- Approval person - BUO
- Approval limit (Ks) - ≤ 1,000,000/-
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - ≤ 3,000,000/-
- Approval person - GM

- Approval limit (Ks) - > 3,000,000/-
- Approval person - Executives
- Prepared purchase order along with requisition circulated to supervisor/manager for approval. Approval authority of individuals will have set Ks limits. Purchase order amounts greater than certain \$ thresholds may require multiple signatures. (Purchase Order – Appendix - 3)
- Approval limit (Ks) - ≤ 300,000/-
- Approval person - BUO
- Approval limit (Ks) - ≤ 1,000,000/-
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - ≤ 3,000,000/-
- Approval person - GM
- Approval limit (Ks) - > 3,000,000/-
- Approval person - Executives
- Purchase order generated.
- Please note PO is not required, if purchase can be made at retail outlet.
- PO copies sent to supplier, receiving department, accounts payable

c. Receiving

- Quality control and inspections – verify quantity, quality from visual inspection noting any damaged packaging, etc.
- Comparing of goods received with PO
- Receiving Report (GRN – Appendix - 3)

d. Accounts Payable

- File receiving report with related purchase requisitions and purchase orders pending receipt of vendor’s invoice
- Once voucher package complete, review for accuracy and authenticity before entering into Accounts Payable

e. Cash Disbursement

- Follow cash disbursement procedures covered separately

4. Recurring Overhead (Office, Facility, utilities, etc.)

Due to recurring nature of these expenditures, requisition and purchase order generation is not necessary.

a. Accounts Payable

- Before entry into Accounts Payable, review of invoice should include:
 - Accuracy

- Billing period
- Bona fide expense to company
- Comparison to prior period amount for reasonableness
- Any anomalies

b. Cash Disbursement

- Follow cash disbursement procedures covered separately

5. Employee Expense Reimbursement

The company's expense reimbursement policy is covered by the allowance policy described above (Section N – Allowances)

Employees need to fill the expense claim form (Refer to Appendix) for travel and qualified business expenses. Original voucher/receipts should accompany expense form. If not available, a written explanation will have to be presented. The explanation will be considered by the Finance/Accounting Manager and/or BUO. The Finance/Accounting Department will review the form for accuracy, eligibility of expenses and presence of supporting documents. The form will require review and approval by their reporting head. After requisite approvals obtained, form will be submitted to the accounting department for processing of reimbursement.

6. External Services

External services cover fees related to service providers such as accountants, lawyers, consultants, engineers, travel agent/air lines and other professional service providers. Transaction with contractors would be covered under project related CAPEX discussed in point 3 above. Line Manager will raise Service Requisition form for specific service to the BUO. BUO checks the request against the approved budget for the BU. If the request is within the budget and project scope, BUO requests sign off from the executive. An open tender procedure will be established for services above Ks 200 million contract. In case fewer than 3 quotations are available, a written justification from the selection committee is required. At least 3 individuals from different department/ levels of authority are involved in selecting the service provider above Ks 200 million contract.

a. Contract or engagement letter

- All service providers should provide an engagement letter which sets out the fee structure, the scope of work, the timetable and schedule for completion, dedicated engagement resources, and other terms and conditions of the engagement.
- In general, the company will not enter into contracts where the fee structure is based on billable rates and time. In complying with the company's culture and principles, fee structures for engagement letters should be based on

measurable and tangible deliverables. Any contract that has a time-based fee structure will require a contract value ceiling (i.e. not to exceed KsX clause).

- Signing of engagement letter by authorized individuals will serve as requisition and approval to proceed with services. Approval authority of individuals will have set Ks limits. Contract values greater than certain Ks thresholds may require multiple signatures.
- Approval limit (Ks) - ≤ 300,000/-
- Approval person - BUO
- Approval limit (Ks) - ≤ 1,000,000/-
- Approval person - Procurement & Purchase Manager
- Approval limit (Ks) - ≤ 3,000,000/-
- Approval person - GM
- Approval limit (Ks) - > 3,000,000/-
- Approval person - Executives

b. Accounts Payable

- Invoices received from service provider must be approved by the appropriate party liaising with the service provider or managing the project. Invoices will be reviewed for accuracy, performance of scope of work, performance in timely manner, billing according to terms of engagement letter, etc.
- In the absence of periodic invoices, the accounting department may need to accrue for fees/expenses related to the service provider for services incurred but not yet billed. Estimates based on % of total completion may be required in order to make such accruals.

c. Cash Disbursement

- Before payment in full for the contract value, a review should be conducted on the performance of the service provider ensuring that the entire scope of work as delineated in the contract has been fulfilled and to the company's satisfaction.
- Follow cash disbursement procedures covered separately

7. Payroll

Due to sensitivity of payroll information, only dedicated personnel within the accounting department will process payroll.

a. Payroll Worksheet

- To be prepared prior to the payroll pay date which takes place once a month.
- Salary information on the payroll worksheet will be compared to the prior period's worksheet. Any changes from the prior period will need to be traced

to approved changes in employee's personnel files, including new employees and salary adjustments to existing employees.

- For hourly employees, hours on the worksheet will be reconciled with the employee attendance record maintained by the human resource department.

b. Cash Disbursement

- Company will pay payroll in MMK currency which is converted based on the spot exchange rate of the pay date so that the company can make direct deposits into respective bank accounts and minimize handling of cash. (in case the company has dollar-based employees)
- The pay day will be 2nd of every month. If the 2nd of a certain month is a holiday, the company can decide one day earlier or later to its convenience.
- Reconciliation between payroll worksheet and disbursement amount to the bank to be performed.
- Contribution to Social Security Board will be made to Social Welfare Department on monthly basis.
- Personnel Income Tax will be deposited to respective Inland Revenue Department on quarterly basis.

IV. Cash Procedures (Forms for Disbursements and Reconciliation) Myanmar is still very much a cash-based society. While company efforts are being made to migrate more to check payments and electronic transfers, a high volume of transactions will still need to be conducted using cash.

A. Receipt Voucher

This voucher is used for the receipt of cash. Source of cash:

1. Customer collection
 2. Borrowings (local) – authorized from KKS & LS
 3. Internal borrowings
 4. EE Collection
- Original voucher (blue) to *Payor*,
 - First copy (white) to accounting department and
 - Second copy (green) to remain in voucher book for *cashier*.
 - Approved signatory on Receipt vouchers:
 - Yangon Office: Accounting Manager/Supervisor
 - Field Office: Budget Unit Owner

B. Payment Voucher

This voucher is used for every payment of cash or cheque based on weekly cash disbursement approved by KJS/LS

- Original voucher (white) to remain in accounting department
- First copy (blue) to Payee and
- Second copy (gray) to remain in voucher book for cashier.
- Approved signatory on payment vouchers:
 - Yangon Office: Accounting Manager/Supervisor – up to 1,000,000 Ks
 - Yangon Office: General Manager - over 3,000,000 Ks
 - Yangon Office: Executive – over 3,000,000 Ks and above

 - Field Office: Accountant - up to 1,000,000 Ks

 - Field Office: Budget Unit Owner/Yangon Account Team – over 3,000,000 Ks
 - Field Office: Executive – over 3,000,000 Ks and above

Note: Payment is allowed with submission of original voucher. If not available, a voucher will need to be created (except defined allowance e.g. taxi charges, meal, travelling allowance, etc).

C. Cash Advance Requisition Form

This form is used for cash advance requests.

- Prepared by cash recipient
- Checked by accountant and
- Approved by: Department Head or Direct Line Manager
- Cash released with **Payment voucher** attached with this form.

D. Cash Advance Settlement Statement

This form is used for settlement of cash advance payments.

- Prepared by cash recipient, detailing use of funds with supporting documentation
- Checked by accountant and
- Approved by **Line Manager or Department head (if there is a deficit**

balance)

- If there is a surplus balance, cashier receives surplus money using **Receipt voucher**.
- If balance is **deficit**, cashier pays deficit money using by **Payment voucher**.
- Advance period – one month (for general advance)
 – 2 days after trip (for trip advance)

Note: Payment allowed with **original voucher**. If not available, voucher will need to be created (except defined allowance e.g. taxi charges, meal, travelling allowance..... etc.)

E. Debit Note Form

This form is used when company pays expenses for collaborating companies on their behalf. We also used for intercompany transactions. Debit notes must be issued every end of month.

- Prepared by **Accountant**
- Approved by **Finance Manager/Supervisor or COO**

F. Reconciliation

1. Cash Book and Cash in Hand is reconciled on daily basis.
2. Finance Manager or Accountant checks and verifies cash book transactions and approves the daily cash balance.
3. Balance per books need to be reconciled with Bank balance on pay dates
4. On a weekly basis, Cashier will reconcile unpresented cheque and uncleared cheque with bank balance.

V. Physical Inventory Procedures

Full physical inventory count will be conducted on the last day of the fiscal year.

Quarterly cycle counts will also take place throughout the year.

A. Preparation on the day of physical count

- a. Organization and general cleanup will facilitate physical stock-take & ensure accuracy.

A thorough cleanup will involve:

- Putting away of any tools in their respective places
- Scan warehouse for misplaced inventory items
- Return all misplaced inventory to designated locations

- Cleaning (ie, sweeping, disposing of rubbish & empty boxes, etc.)
- b. Other activities that should take place on the day of the physical count include:
 - Pre-stock take meeting
 - Discuss this document
 - Clarify any uncertainties
 - Nominate first counters
 - Nominate second counters

B. Tagging Procedures

- a. Pre-numbered Tags will be printed based on inventory listing generated from MYOB
- b. Tags will be applied to corresponding inventory in the warehouse
- c. Any un-applied tags will be investigated
- d. Any inventory without corresponding tags will require a manually generated tag
- e. Supervisor to maintain control of all tags issued, not used, and destroyed

C. Generated Tags

All tags will contain the following preprinted information:

- a) Unique tag number
- b) Date
- c) Location
- d) Part Number
- e) Description
- f) First Count
- g) Second Count

D. The Counting Procedure

- a. Before the physical count takes place, supervisor will do a walk through to ensure:
 - All inventory to be counted has been tagged
 - All goods received on day of stock take have been segregated from the warehouse inventory.
 - Any obsolete, damaged, or excess inventory has been identified (These items will not be tagged or counted)
- b. All participants will report to supervisor for assignment of counting areas.
- c. All participants will neatly write quantities and initial on each tag.
- d. Designees will perform 2nd count to verify the accuracy of original counts.
If original counts are consistently inaccurate, supervisor will demand the counter

to recount the entire section.

- e. All items need to be physically viewed when counting (ie. All boxes need to be opened in order to be accurately counted.)
- f. Items to be counted will be selected based on the following:
 - High dollar value inventory items
 - All items not counted in previous quarter

E. End of Count

- a. At the end of the physical count (both 1st and 2nd counts). All tags will be collected by Supervisor.
- b. When all tags have been collected, they will be sorted in sequence of their unique tag number.
- c. Once sorted, tags are to be submitted to the accounting department for data entry
- d. After data entry, accounting department will investigate material differences
- e. There will be no movement of inventory

VI. Appendix

1. Internal Forms

- Purchase Requisition Form
- Purchase Order Form
- Good Received Note (GRN)
- Good Issued Note (GIN)
- Expenses Reimbursement Form