

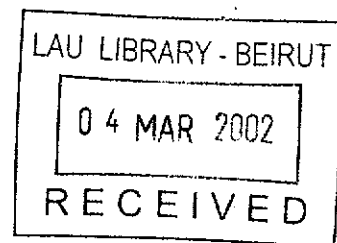
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THE RE - ENGINEERING OF THE ACCOUNTING
SYSTEM OF A CONTRACTING AND
TRADING COMPANY IN LEBANON

A RESEARCH TOPIC
PRESENTED TO BUSINESS SCHOOL
BEIRUT UNIVERSITY COLLEGE

IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE
MASTER DEGREE OF SCIENCE
IN BUSINESS MANAGEMENT

BY
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MARCH 22, 1996
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APPROVAL OF RESEARCH TOPIC

CANDIDATE : AMAL MAMDOUH FIDDA DATE: MARCH 22, 1996

DEGREE : MASTER OF SCIENCE IN BUSINESS MANAGEMENT

TITLE OF RESEARCH TOPIC :

"THE RE - ENGINEERING OF THE ACCOUNTING SYSTEM
OF A CONTRACTING & TRADING COMPANY
IN LEBANON"

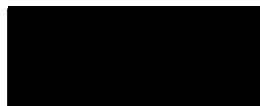
The following professors nominated to serve as the advisors of the
above candidate on his research work.

ADVISORS :



SIGNATURE

DR. ABDALLAH EL DAH
NAME



SIGNATURE

ACKNOWLEDGMENTS

I would like to extend my sincere gratitude to:

- Dr. Riad Aweida for his valuable contribution and help in achieving a real - business - life work.
- Dr. Abdallah El Dah for serving as a second reader.
- Mr. Hani Darwish for he has zealously conveyed to me all his accounting life - long experience and helped in the narration of this work.

DEDICATION

I dedicate this work to my eldest brother Fuad Fidda for his continuous support and for the major role he has played in every success I have ever achieved.

A final and special dedication is to my mother who has helped me become the person I am today.

TABLE OF CONTENTS

1. Introduction
Methodology
2. Procedures to Modify the General Ledger Chart of Accounts
3. Bank and Cash
 - 3.1 Introduction
 - 3.2 Cash at Sites
 - 3.3 Cash at Head Office
 - 3.4 Bank Accounts
 - 3.5 Reporting
4. Accounts Receivable / Sales
 - 4.1 Introduction
 - 4.2 Contracting - LEB
 - 4.3 Trading - LEB
5. Accounts Payable / Purchasing
 - 5.1 Introduction
 - 5.2 Local Purchases
 - 5.3 Foreign Purchases
 - 5.4 Expenses
 - 5.5 Reconciliations
 - 5.6 Reporting
6. Inventory
 - 6.1 Introduction
 - 6.2 Contracting - LEB Cost of Sales
 - 6.3 Trading - LEB Cost of Sales
 - 6.4 Central Purchases Agency Cost of Sales
 - 6.5 Interbank Transfers
 - 6.6 Reconciliation
 - 6.7 Reports
7. Fixed Assets
 - 7.1 Introduction
 - 7.2 Purchases
 - 7.3 Sales
 - 7.4 Depreciation
 - 7.5 Reconciliation

8. Payroll
 - 8.1 Introduction
 - 8.2 New Appointments
 - 8.3 Termination of Service
 - 8.4 Salary Increases
 - 8.5 Time Sheets / Personal Accounts
 - 8.6 Leave, Paid & Unpaid
 - 8.7 Loans / Advanced Payments
 - 8.9 Personal Temporary Cash Advances
 - 8.10 Payment of Salaries
 - 8.11 Disciplinary
 - 8.12 Gratuity

 9. Prepaid Expenses
 - 9.1 Introduction
 - 9.2 Recording of Prepaid Expenses
 - 9.3 Allocation of Prepaid Expenses

 10. Inter-Company Accounts

 11. Other Income

 12. Other Expenses

 13. Accrued Expenses

 14. Year End Adjustments

 15. Capital
- Appendices

" A " BRIEF COMPANY PROFILE PRESENTATION

"A" is a construction services company. Its strength comes from an experience of more than 20 years of supplying general contractors with construction materials and/or providing smart economical alternatives.

Responding to a growing concern for construction materials, protection and environmental problems, its product range is carefully chosen to serve today's increasing demand for advanced engineering materials.

Recognizing the complexity of these problems, the firm relies on a highly qualified and motivated team of Engineers/Supervisors and applicators who gained their specialized long experience and know-how through frequent technical seminars and intensive field-training.

Founded in Lebanon, in 1993, "A" can truly assure its premium quality service, both in material supply and installation, in the fields of :

- Waterproofing & Dampproofing
- Concrete Repair & Protection
- Light Weight Foam Concrete
- Environmental Engineering (Ponds & landfill Lining)
- Geosynthetic Engineering.

Partners:

The major partner is a Saudi established group, which is placed 48 among the 100 prominent leading companies in the Kingdom.

Present in the market since 1980, the group has gone through a steady expansion and had evolved from a roofing sub-contractor to a leading specialized engineering firm, serving the whole Saudi market through its branches in Jeddah, Riyadh, Makkah, Madinah, Abha and Dammam.

The second major partner is a Lebanese established group. The remaining partners are Lebanese businessmen who gained their professionalism from more than 15 years experience in the Saudi Group.

a) **COMPANY PRESENT STRUCTURE**

Group : Commerce & service

Category : SARL

Location : Beirut only

Trading In:

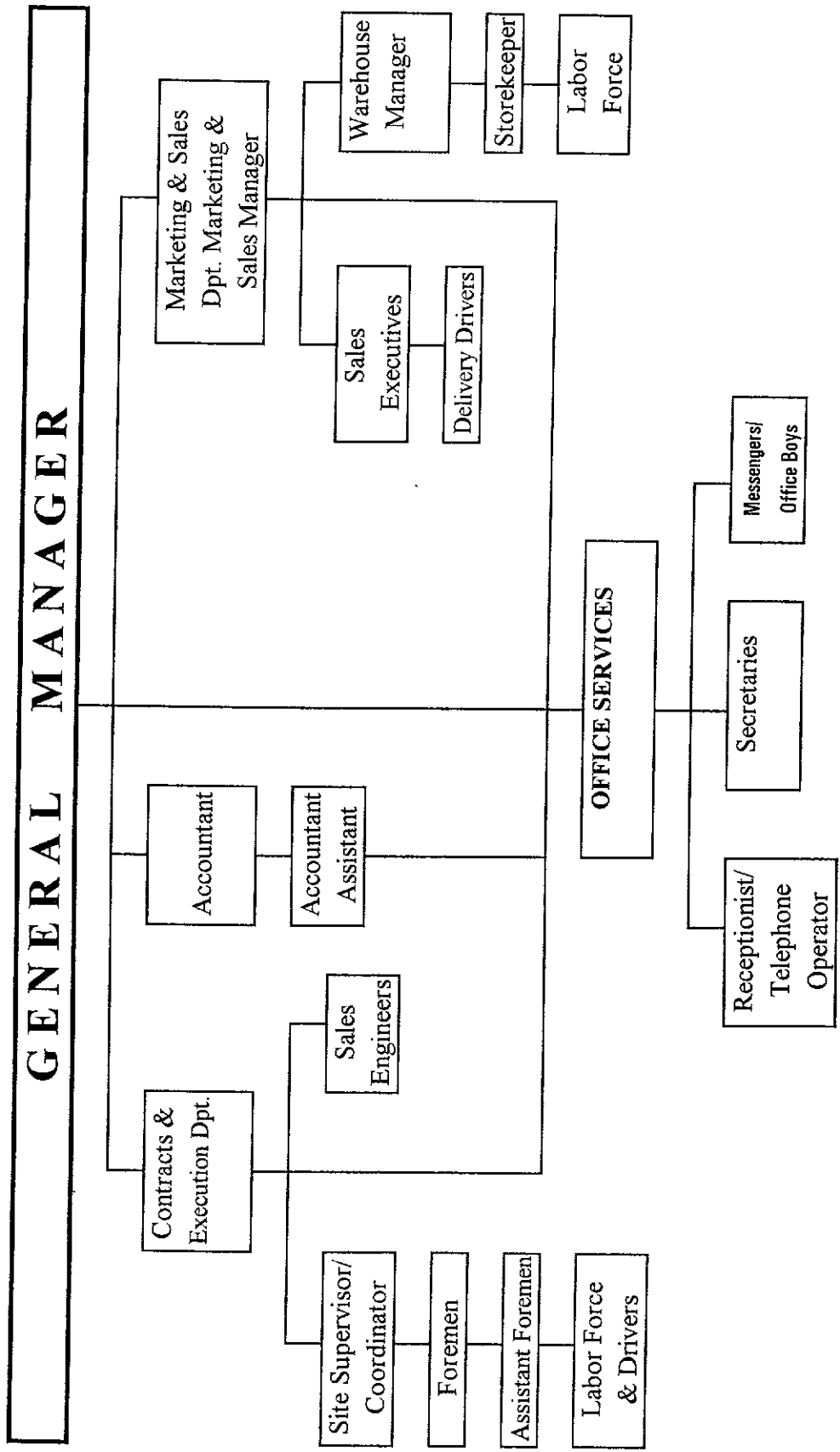
- Pipes industry
- Sealant
- Polyethylene films
- Decoration articles
- Moquette
- Curtains
- Adhesive
- Expanded metal
- Carpet tiling
- Vinyl tiling
- Insulation & Waterproofing Contracting (since Fall '95)

Departments

Currently there is no clear organization distribution. However, had we have to classify the activities into separate entities (which does not actually exist) we would end up with three main ones (Figure 1):

- a) The Contracting Department
- b) The Sales Department
- c) The Accounting Department.

FIGURE 1 : THE COMPANY'S PRESENT STRUCTURE



b) **STAFF**

The Management

The General Manager: he has 15 years experience in Saudi Arabia as a Regional Manager in the Waterproofing business. He is now the only one with a professional Waterproofing expertise and capable of negotiating important bids.

He is training the Sales management and staff to grasp the technical aspects of the huge range of products newly introduced into the market and to be able to skillfully obtain waterproofing contracts.

Currently he is the only one who prepares and costs the contracts (i.e. determines the types, qualities, and quantities of materials required for every specific project, the number and quality of labor, terms of payment, completion period, ...etc.).

The Sales & Marketing Manager: He has long experience in Sales, marketing, and Sales & Marketing Management. He has been trained for one year in Saudi Arabia to handle the new products and to be familiar with the Waterproofing business.

He manages and controls everything in the company because the General Manager is not yet always present in Lebanon as well as handling the role of the Administration and Personnel Manager.

The Accountant: She has several years accounting experience in an insurance company. She has a wide range of authorities and responsibilities. She signs cheques alone up to a certain amount and jointly with the S&MM from that amount up. She holds and controls books and money.

Other Personnel

Sales Engineers and Salesmen (6): They are all holding a BA/BS degrees in Business. Now the company is seeking to recruit Civil Engineers due to the difficulties that Business graduates face in understanding the technical aspects of the Contracting World. They require a lot of training.

Assistant Accountant: She is a BA/BS fresh graduate in Business with no previous experience.

Site Supervisor: He has sixteen years Waterproofing experience in Saudi Arabia as a Site Supervisor and Coordinator.

ORGANIZATION FUTURE STRUCTURE

It consists of three separate accounting entities.

- **CONSTRUCTION - LEB (C)**

Specialized construction services company involved in the supply and installation of waterproofing material for projects in Lebanon.

- **TRADING - LEB (T)**

Selling a wide range of building materials.

- **Central Purchasing Account (CPA)**

A separate department responsible for the overall management of construction and trading including the purchase of all materials.

Location:

Head office located in Beirut with branches in Tripoli and Saida

Accounting

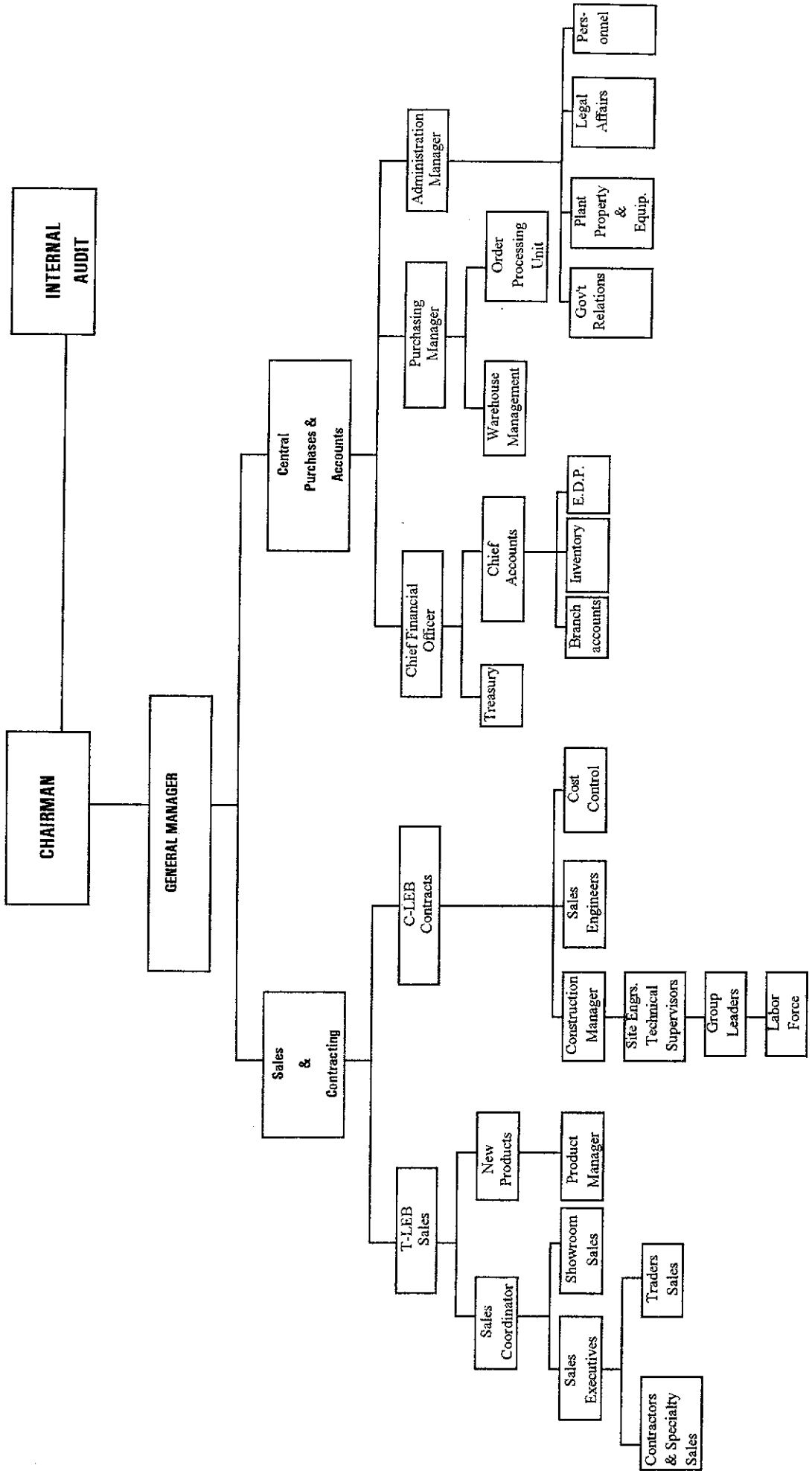
Each company and branch has a separate chart of accounts on a PC network.

Organization Chart

See Figure 2.

FIGURE 2

ORGANIZATION CHART



THE EXISTING SYSTEM

ASSETS

Cash

Under the existing accounting system Corporate Petty Cash, Site Petty Cash, and Payroll Fund are not separate but rather grouped under one account called CASH.

Journal Vouchers, Bank Payment Vouchers, and Cash Payment Vouchers are manually prepared. The accountant prepares and approves the vouchers.

There is an accounting form where there are columns for the code, description and amount. Then it will be entered into the computer by the accountant herself or by her assistant. It is a must that posting will be done by the accountant.

Petty Cash

The accountant can alone initiate petty cash replenishment.

The Site Supervisor records details of all cash invoices on a Project Expense Report and sends a copy with the invoices to the accountant for replenishment.

The Petty Cash Expense Report is written in three copies. One copy is kept by the Site Supervisor, a second is attached to the Payment Voucher, and a third is put in the project file.

The Accountant

- prepares and signs a Payment Voucher and a cheque and
- sends them to the S&MM and/or GM for approval and second cheque signatory if the amount is over the allowed limit.

When analyzing a certain project's expenses, the GM and S&MM review the related Project Expense Reports and ensure they are all valid project expenses.

Sometimes they process the transaction without ensuring the site reports and invoices are all valid project expenses. The latter is due to the fact that they all trust each other for the Site Supervisor and the GM have been working together in Saudi Arabia for at least ten years.

Bank Account

a) Cash at Bank

The Bank Account is manually done and monthly reconciled with the bank statements.

A daily bank position is manually prepared.

b) Letters of Credit / Letter of Guarantee

Letters of Credit and Letters of Guarantee are mixed and the company uses a global account for all bank facilities.

At maturity date, to know that a L/C or B/G was processed one should go through all vouchers, bank statements, or the Supplier's file.

Accounts Receivable & Retention Accounts

Progress and Final Invoices are prepared by the GM. The Excess Materials-On-Site reports are prepared by the Site Supervisor and checked and approved by the GM. Invoices are approved and signed by the GM and/or S&MM and the accountant. All entries related to the Invoices and Materials are prepared by the GM. Accordingly, the accountant prepares the Invoices and journal vouchers.

Accounts Receivable are fully computerized. Monthly and annual aging reports are generated.

Retention reports are prepared manually. Retention aging reports are also calculated and generated manually from the monthly and annual Accounts Receivable aging reports.

Retention account is mixed with the Accounts Receivable.

Unbilled Revenue is not used yet because it is their first year in the Contracting Business.

Fixed Assets

Detailed lists of fixed assets do not exist. Calculation of Fixed Assets depreciation is manually done.

Inventories

After delivery or receipt, the inventory items are entered into the computer with the quantity, cost price, and selling price by the accountant.

The warehouse clerk manually enters stock items and quantities on the stock cards.

At the end of each month, the accounts reconcile their lists with the warehouse's stock cards and Inventory Movement Report.

Inventory lists can be generated at any time but are reliable only after manual reconciliation with the warehouse stock cards.

Prepaid Expenses

Prepaid Expenses are prepared, amortized, and approved by the Accountant. Current period allocation is done manually every three months or more.

LIABILITIES & OWNERS' EQUITY

Accounts Payable

Recording of Accounts Payable is computerized but aging reports still cannot be generated.

Advance payment from contractors and advance materials-on-site are still combined and not recorded by center. To follow certain project, one has to go through all payment vouchers and journal vouchers..

Owners' Equity

Each partner has the right to a certain percentage of the Company's Profit according to his contribution to the original investment.

At the end of the year, nominal accounts are closed to retained earnings. The present computer system does not have the capability to automatically close all nominal accounts to retained earnings so this should be done manually by the accountant herself and entered into the computer by the accountant or by her assistant.

INCOME STATEMENT

Revenue

Revenue can be divided into categories

- a. Product
- b. Product Category
- c. Salesman

Other Income

Income is usually generated from trading and contracting. However, an additional income comes from bank interest done on a monthly basis by the accountant after the approval or initiation of the General Manager.

DIRECT COSTS

It is very hard to determine costs incurred by different departments or divisions for there is no cost center. If ever you want to determine the cost incurred by one department, you must run the statement of accounts and rely on the explanation in the journal voucher under the description column or to be more reliable, you must go through every JV.

Cost of Materials is summarized in total without cost centers.

Project Expenses are all manually done and cost is recorded in total with no cost centers, thus no Cost Reports can so far be generated.

Payroll

Payroll has recently become computerized as to full-time employees cost. However, daily company labor is manually prepared and without cost center. Payslips are still not used and data on employees are so far not available.

The Accountant prepares everything, signs cheques and payment vouchers, and pays the employees. The Site Supervisor pays the labor force. Each laborer signs a card. All cards are sent back to accounts.

The Sales & Marketing Manager interferes if there is something unusual.

REPORTS

Management reports like Balance Sheet and Income Statement are not generated automatically. One must run the entire trial balance and from there, the reports needed by the Management are prepared manually.

No cost reports can so far be generated. Reports are made upon request and not sent every agreed-upon period.

CLOSING

At year-end, nominal accounts (Profit & Loss Accounts) are closed manually by preparing closing entries.

GOODS FLOW IN DEPARTMENTS

TRADING

Order

The Salesman visits the client and manually prepares the sales order, invoice, and Delivery Note. The Invoice is made up of 3 copies signed by the accountant or the Sales & Marketing Manager and by the client.

- . Invoice original copy to client
- . Invoice copy as supporting document to the JV
- . Invoice copy to files

The Delivery Note (duly signed by the warehouse manager) is made up of 2 copies:

- . to Warehouse
- . to whoever receives the goods

The Marketing and Sales Manager approves on the pricing and sends them to the Accountant.

The Accountant verifies the calculation, gives the invoices a serial number, stamps and signs them, makes sure they have the right legal form, and then sends them back to the salesman.

The Salesman gives them to clients and delivers the goods himself.

CONTRACTING

Invoicing

The Site Supervisor measures the work executed, assesses the progress on each job and presents his report to the General Manager to prepare the Progress or Final Invoices¹.

The Cost Budget of projects is prepared by the General Manager and the Sales & Marketing Manager with information support from the accounts. However, projects that need professional knowledge are prepared by the General Manager alone.

Both managers, sometimes with the help of the Site Supervisor, prepare and sign the invoices (Progress or Final Invoices) and send them to the Accountant.

The Accountant ensures the legal form of the invoices, signs and stamps them, and sends them back to the S&MM or GM for approval.

The S&MM or GM sends the invoice to the client.

The Progress or Final Invoice is made up of 3 copies signed by the Sales & Marketing Manager or General Manager and by the client.

- . Original copy to client
- . Copy to accounts
- . Copy to files

¹The General Manager is the only one in the company with a Professional Waterproofing experience. That's why he is taking care of everything related to Contracting until the staff grasps the techniques used and the huge range of products newly introduced.

Materials Delivered to Projects

Procedures

Delivery Orders are prepared only when materials are delivered to projects, that is, not for Trading purposes. They exist in three (3) copies.

Individual Delivery Orders are manually prepared and approved by the Site Supervisor and sent to the GM or S&MM for approval and signature.

They together discuss the Delivery Orders to ensure they agree and are within the projects' budgeted materials then, they approve and sign it and it is transferred to the accountant, who verifies the calculation, gives the DO a serial number, signs and stamps it.

Copy Distribution:

- 1- Accounts
- 2- copies to the Warehouse for delivery

ACTUAL DELIVERY OF GOODS

- The Accountant notifies the Warehouse Manager that goods will be delivered and gives him the packing list with the two copies of the Delivery Note/Delivery Order.
- According to the latter, the Warehouse Manager
 - 1- prepares the requested goods
 - 2- notifies the accounts if there are any shortages
 - 3- signs the Delivery Note/Delivery Order.

- Whoever receives the goods signs the two copies of the delivery note/delivery order to acknowledge receipt of the goods in good condition and full quantities and takes a copy.
- No copy is sent to accounts since the invoice/copy of delivery order kept with the accounts is similar to the delivery note/delivery order.
- The warehouse clerk or store keeper updates the inventory cards.
- The accountant updates the inventory system.
- At the end of each month the accountant reconciles the inventory system with the inventory cards and corrects the discrepancies - if any.

LOCAL PURCHASES

The Salesman, Sales Engineer, or Site Supervisor

- prepares the Purchase Order and has it authorized by the Sales & Marketing Manager and/or General Manager
- send copies of the Purchase Order to:
 - the supplier (Original)
 - Warehouse
 - Accounts

Warehouse:

- Receive the inventory
- Check the inventory to the Client Delivery Note and Purchase Order
- Sign the Client Delivery Note
- Prepare a Goods Receipt Voucher and send a copy to accounts
- Update the inventory cards
- Submit the Inventory Movement Report to accountant at the end of each month

Accounts

- Receive a copy of the Purchase Order from the S&MM and/or GM
- Receive a copy of the Goods Receipt Voucher from the Warehouse
- Receive the original Invoice and Delivery Note from the Supplier
- Match all documents and ensure they agree
- Update the Stock System

FOREIGN PURCHASES

Sales or Contracts Representatives present the orders. The Sales & Marketing Manager² and/or the General Manager³

- verify if the required goods are available in the warehouses. If not
- confirm prices, terms of payment and conditions of delivery
- prepare a Purchase Order and authorize it.
- send the purchase order to the supplier

The Accountant

- prepares an order file and assigns shipment numbers
- prepares the necessary Letter of Credit and Letters of Guarantee
- a letter of claim to the insurance company must be prepared for any shortages reflected on the goods receipt voucher.

²In cases of Sales Orders and simple and small projects.

³When Waterproofing Projects are concerned, especially complicated ones that need professional expertise.

Sales & Marketing Manager and/or General Manager, Accountant, and Site Supervisor

- arrange for the delivery of goods
- verify the actual clearance with the payment done
- receive the clearance invoice and verify with the order and approve them.
- receive the goods receipt voucher
- check the goods receipt voucher to the shipping advice and purchase order

The Accountant

- prepares a cheque and payment voucher and has them authorized by the General Manager and/or Sales and Marketing Manager
- checks the receipt details to the Movement Stock Report or to the Valorized Movement Stock Report
- receives the Final Invoice
- matches the invoice to the purchase order, shipping advice, and goods receipt voucher.
- records the goods in the inventory system. This will update the general ledger.
- ensures reports are correctly prepared and agree to the supporting documents
- puts copies of the reports in the order file
- prepares the necessary entries and the computer operator enters them into the computer.

METHODOLOGY

There are two sources of information, primary and secondary.

I - Primary Sources

1 - Company One:

Activity: Contracting - mainly Waterproofing
Address: Saudi Arabia - Jeddah

2 - Company Two:

Activity: Contracting mainly Aluminum
Address: Saudi Arabia - Jeddah

Individuals involved:

- 1 - Area Manager of Co.2
- 2 - Regional Manager of Co.1
- 3 - Chief Accountant of Co.1

The information contributed (mainly related to Contracting) helped in the understanding and design of :

- Chart of Accounts
- The flow of documents within the company
- Company's charts
- The role and division of the accounting department
- The Budget
- Cost analysis
- Purchases of construction materials
- Managerial roles

They also contributed supporting documents and reports for further illustration.

3 - Company Three

Activity: Trading and newly engaged in the contracting business
Address: Lebanon - Beirut

Individuals involved:

- 1 - General Manager
- 2 - Marketing & Sales Manager
- 3 - Accountant

Information contributed (mainly related to Trading)

- Present structure - Flowchart
- Helped in the design of company's flowcharts
- Access to the computer accounting software
- Access to the accounting documents
- Legal Information

II - Secondary Sources

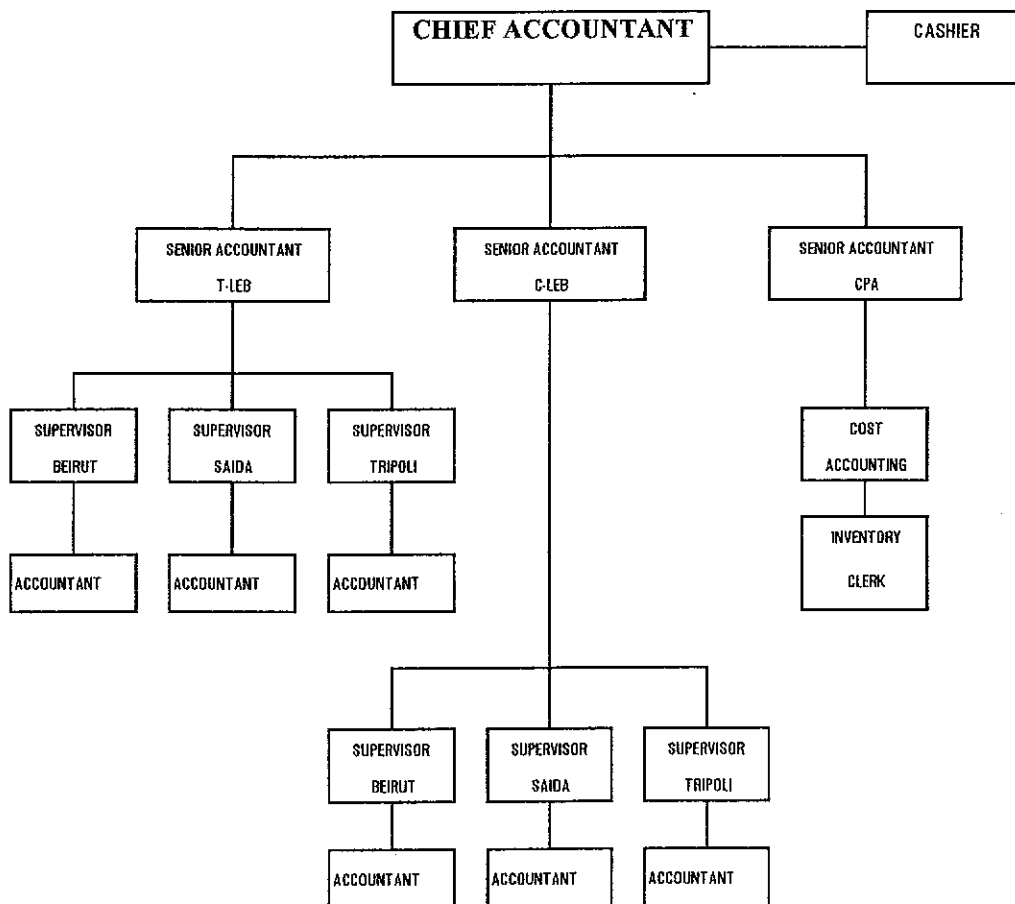
1 - Joseph Torbey, Andre Prost, Gerard Stirn, Plan Comptable General Libanais, Guide d' Application Comptable et fiscal, Dar AN-Nahar, Beyrouth 1982.

- 2 - قواعد المحاسبة الدولية, لجنة قواعد المحاسبة الدولية, تعريب - الدكتور عصام مرعي, تقديم مجموعة سابا وشركاهم
- 3 - التصميم المحاسبي العام للمؤسسات - الدليل التطبيقي, الدكتور جوزف طرييه

**THE PROPOSED
ACCOUNTING SYSTEM**

Staffing

The staffing structure of the accounting department in a FLOWCHART form is as follows:



2. Procedures

the procedures to alter, add or delete accounts in the chart of accounts are as follows:

Senior Accountant/Accountant

- . Ensure that an account number does not already exist in the chart of accounts.
- . If the change affects a sub account or cost center, the change may be put through immediately. Before the new number is added a review must be made of the current coding to ensure the sub accounts and cost centers maintain a consistent structure.
- . If the change will affect a main account or higher, refer the matter to the Chief Accountant.

Supervisor

- . Determine what the change will be and fax through to the Chief Accountant describing:
 - the account coding change;
 - the reason.

Chief Accountant

- . Review the fax from the Supervisor or the information supplied by the Senior Accountant and authorize the change.
- . Send a memorandum to each branch informing them of the availability of the new account number and ensure the manual procedure is updated.

DEFICIENCIES

The Company has newly entered the contracting business. It needs time to reorganize and adjust its staff and system accordingly.

At the current relatively small level of operation, the practice procedures can be acceptable and enough. However, a larger volume would entail chaos and loss.

Most of the deficiencies are common to most departments and due chiefly to the company's introduction into the contracting world without prior division and reorganization of accounts and procedures.

The following deficiencies are common to most departments:

- **Absence of Cost Centers** which may impair analysis, the period allocation, and control.
- **Merging of Accounts** which may entail confusion, misinterpretation of Financial Statements, and impairment of analysis.
- **Lack of Automation and Absence of an MIS department:**
Currently nobody can have access to the system if someone is already inside. Vouchers have to be entered one at a time. In fact, there is only one computer in the accounting department in which all details are entered. There is an additional PC for secretarial work.
To be able to automate the Company's accounts, there should be a multi-user system that interrelates all departments. Every user should have a password that enables him/her to have access to certain selected parts of the system. This would enhance control and save time, errors, and duplication of efforts.

Deficiencies specific to CASH & BANK which will be treated in the next chapter:

- 1- The following accounts are not treated separately:
 - Imprest Fund, Payroll fund, and Petty Cash Fund
 - Letters of Credit and Letters of Guarantee
 - L/Cs and L/Gs Margin Accounts
- 2- The following accounts are prepared manually:
 - Payment Vouchers, Receipt Vouchers, and Journal Vouchers
 - Management Reports
 - The Bank Account and the Daily Bank Position are prepared manually and printed on EXCEL to be presented to Management.
- 3- The accountant should not have the authority to initiate, authorize, or sign vouchers, petty cash, cheques, or anything else without supervision from a higher management level.

3. BANK AND CASH

3.1 Head Office

The accounting procedures and account types utilized under bank and cash are determined by the entities nature of business which are:

- . Contracting,
- . Retailing, and
- . Purchasing

The accounts utilized by all businesses are:

- . Cash at office
- . Cash at branch(es)
- . Local bank accounts
- . Foreign bank accounts

The accounts specific to the contracting business are:

- . Cash at project sites
- . Deal accounts
- . Letters of guarantee
- . Letters of credit

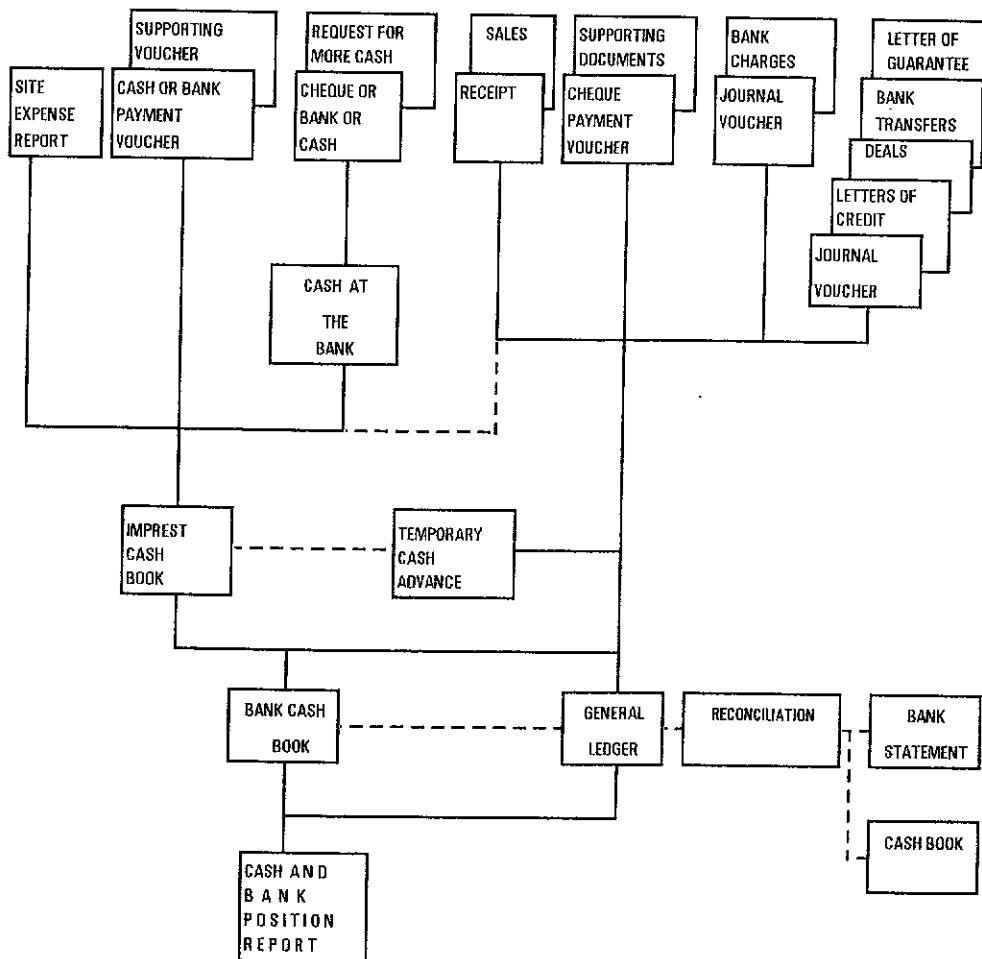
A description of each of these accounts is as follows:

Cash at office &/branch account

Cash at the offices or the branches should be utilized solely for cash expenses. Everything else should be paid by a check to track backwards if necessary.

There are also cases where cash from sales is utilized for expenses. This is however to be avoided wherever possible. Cash sales should be banked intact.

An overview of the bank and cash system in a FLOWCHART form is as follows:



The bank and cash procedures are described under the following headings:

- . Cash at sites
- . Cash at office
- . Bank accounts
- . Deal accounts
- . Reporting

Local bank account

This is utilized for all bank requirements.

Cash at project account

The cash at project is used for the day to day cash requirements of the project and is managed by the site supervisor.

Foreign bank account

The company maintains a number of foreign currency accounts to purchase materials from sources outside Lebanon. The foreign currency accounts are aimed at reducing losses from fluctuations in exchange rates.

Deal account

The company will enter into forward foreign exchange deals whereby they agree to purchase a fixed amount of foreign currency at a fixed exchange rate at some time in the future. All these transactions are recorded in deal accounts.

Letter of guarantee margin account

The contracting industry and purchases require letters of guarantee to be issued by the company in favor of third parties. This is all done through the Central Purchases Accounts entity.

The bank concerned requires that a certain percentage, usually 3%, to be maintained in cash at the bank as security for these guarantees. This is recorded in the above account.

Letter of credit margin account

When a letter of credit is granted by the bank, a certain percentage, usually 3% is required to be kept in cash at the bank as security. The letter of credit margin account records this amount.

3.2 Cash at Sites

3.2.1 Receipt of funds

When a project is operational, the following procedures will be adopted to set up the cash float at the site:

Site cashier

- Prepare a **temporary cash advance request form** (Appendix 1) for the site float.
- Have the form authorized by Site Supervisor.
- Send the form to the Operations Manager or Regional Manager for approval.

Regional Manager/Operations Manager

- Ensure the cash request is for a valid project and that the amount is correctly stated.
- Sign the temporary cash advance request and send the documents to the Site Cashier.

Site Cashier

- Submit the form to the Chief Accountant.

Chief Accountant or Supervisor

- Ensure that the advance request is duly authorized by the Regional Manager or Operations Manager.
- Audit the authenticity of the project and the cash advance request is reasonable.
- Authorize both documents and send them to the cashier for payment.

(The payment in the branches must be authorized by the Regional Administration Manager)

Office cashier

- . Prepare a **cash payment voucher** (Appendix 2).
- . Have the cash payment voucher signed by the payee.
- . Clip the cash advance with the cash payment order.

3.2.2 Payment of expenses

The procedures for payment of cash expenses are as follows:

Site Cashier

- . Receive the document requiring cash payment.
- . Ensure the document is authorized by the Site Supervisor and the Operations Manager.
- . Pay the cash to the relevant person and have the person sign voucher as evidence of receiving the cash.
- . Send all documentation to the Chief Account or Supervisor.

3.2.3 Refund of expenses

Once the cash decreases to a specific amount, the Site Cashier obtains an expense refund as follows:

Site Cashier

- . Record details of all cash invoices on a project expense report (Appendix 3) and sign it.
- . Have the report endorsed by the Site Supervisor and Operations Manager and submit the expense report with all supporting vouchers to the Senior Accountant or Supervisor.

(The payment in the branches must be authorized by the Regional Administration Manager)

Senior Accountant/Accountant

- . Ensure all cash vouchers are authorized and are correctly recorded on the project expense report.
- . Ensure the supporting documents have not been signed before evidencing a previous payment.
- . Summarize the project expenses on a **site expenses report**.
- . Prepare a **cheque payment voucher** and **cheque** or bank transfer.

Chief Accountant/Supervisor

- . Ensure all cash vouchers and supporting documents are valid, authorized and correctly recorded on **project expense report** (Appendix 3).
- . Ensure the project number is correctly recorded.
- . Ensure the journal entry per the payment voucher is valid.

The allocation of the cash advance to expenses is done under 3.2.6.

- . Sign the cheque payment voucher as authorization for payment and initial the cheque and supporting documents on the left hand corner.
- . Send the documents to the relevant Regional Manager for approval and cheque signatory.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.2.4 Approval and cheque signatory

The procedures for approving and obtaining cheque signatories are as follows:

There are two cheque signatories one of which should be the responsible Regional Manager and the other should be a management representative from one of the other companies. The valid cheque signatories are listed in appendix seven.

- . Send the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Ensure the cheque is correctly signed.
- . Send the cheque to the cashier for payment.

Cashier

- . Deliver to creditors and ensure that a receipt is obtained from each creditor.
- . Ensure that the creditors sign the cheque payment voucher and the copy of the cheque.

3.2.5 Closing of Cash Float

When the project is finalized, the cash float must be closed using the following procedures:

(The payment in the branches must be authorized by the Regional Administration Manager)

Site cashier

- Record details of any remaining **cash payment vouchers** (Appendix 2) on a **project expense report** (Appendix 3).
- Have the report authorized by the Site Supervisor and Operations Manager.
- Finalize the remaining balance with the office cashier by obtaining a receipt or cash payment voucher.
- Submit the documents to the Senior Accountant/Accountant with a note that the project has been finalized.

Senior Accountant/Accountant

- Process the project expense report in the same way as described under allocation of project expenses (3.2.6).

3.2.6 Allocation of project expenses

The cash and advance balance needs to be reallocated to the relevant project expenses as follows:

Senior Accountant/Accountant

Prepare a journal entry allocating the total project expenses.

Senior Accountants may authorize the journals themselves. Accountants must submit the journal to the Supervisor for authorization.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.3 Cash at Office

3.3.1 Refund of expenses

The following procedures will be followed to obtain a refund or advance for expenses:

Cashier

- Prepare a list of how much cash is needed to refund expenses or cover immediate future expenses.
- Prepare a **cheque requisition** and attach the list of cash required.
- Send the documents to the Senior Accountant / Accountant.

Senior Accountant/Accountant

- Prepare a **cheque payment voucher** and cheque.
- Send all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review the cheque requisition amount and ensure it is reasonable in terms of the immediate cash requirements. If necessary, request the **cash book** (Appendix 6) and printout of cash account from the general ledger for verification the cash balance. The supporting vouchers will only be requested for queries.
- Sign the cheque requisition and ensure the details are correctly recorded on the cheque payment voucher and cheque.
- Authorize the cheque payment voucher and initialize the cheque.
- Send the cheque for signatory (refer approval and cheque signatory 3.2.4).

(The payment in the branches must be authorized by the Regional Administration Manager)

3.3.2 Payment of cash expenses

The procedures for payment of cash expenses are as follows:

Regional Manager

- Authorize the expense and send the document to the Chief Accountant/Supervisor

Chief Accountant/Supervisor

- Ensure that the document has been authorized for payment.
- Send the documents to the Cashier for payment.

Office Cashier

- Ensure the document has been authorized by the Chief Accountant/Supervisor.
- Prepare a cash payment voucher with the supporting document for payment.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.3.3 Receipt or collections

Collections should be banked intact.

The procedures to be followed in this case are as follows:

Cashier

- . Receive the collections and the **internal cash/cheque remittance report**.
- . Ensure the cash and cheques agree to the internal cash remittance report.
- . Verify with the Chief Financial Officer which bank account the money will be deposited in.
- . Prepare a deposit slip for the bank.

3.3.4 Weekly reconciliation

On a weekly basis, the following reconciliation should be performed:

Cashier

- . Record all cash payment vouchers and cash receipts in the cash book (Appendix 6).
- . Reconcile the closing balance per the cash book with the actual cash on hand.
- . Send the documents to the Senior Accountant or Accountant.

(The payment in the branches must be authorized by the Regional Administration Manager)

Senior Accountant / Accountant

- Record the account code for all items on the vouchers.
- Check the sequence numbers of the vouchers and ensure that the amounts are correctly recorded in the cash book.
- Sign the cash book as evidence of these checks and prepare the necessary **journal entry** (Appendix 7).
- Obtain a printout of the cash account from the general ledger. Ensure the closing balance per the cash account reconciles with the cash book.
- Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Ensure the cash book has been signed by the Senior Accountant or Accountant.
- Ensure the vouchers are correctly coded.
- Authorize the cash payment vouchers and cash book.
- Review and approve the reconciliation report.
- Send all documents to the Senior Accountant / Accountant for filing.

(The payment In the branches must be authorized by the Regional Administration Manager)

3.4 **Bank Accounts**

Bank accounts are affected by the following:

- . Outgoing cheques / payments
- . Deposits / receipts
- . Bank transfers
- . Letters of credit
- . Letters of guarantees
- . Bank charges and commission
- . Refinance
- . Forward deals
- . Loans

The procedures for each of these transactions are described below:

3.4.1 **Outgoing cheques/payments**

Senior Accountant/ Accountant

- . Ensure the statement of account is due for payment.
The Central Purchases Accounts statement of accounts must be authorized by the Chief Financial Officer.
- . Prepare and sign a **cheque payment voucher**.
- . Prepare a cheque.
- . Update the **bank cash book** (Appendix 9).
- . Submit all vouchers to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Ensure the supporting documents are complete and due for payment.
- . Ensure the cheque payment voucher and cheque are correctly prepared.

(The payment in the branches must be authorized by the Regional Administration Manager)

- . Sign the cheque payment voucher and initial the cheque.
- . Send all documents for cheque signatory (Refer 3.2.4).
- . Send all documents to cashier for payment.

3.4.2 Deposits/Receipts

Cashier

- . Receive cash, cheques and **internal cash / cheque remittance form**.
- . Count the cash and cheques and ensure they are correctly recorded on the internal cash / cheque remittance form.
- . Check the sequence of receipt vouchers for completeness.
- . Sign the remittance form as evidence of having received the cash and cheques.
- . Check with the Chief Financial Officer as to which bank account should be used.
- . Prepare a bank deposit slip and bank the money.
- . Prepare copies of cheques.
- . Submit the following documents to the Accountant or Senior Accountant:
 - Receipt vouchers
 - Internal cash / cheque remittance form
 - Deposit slip
 - Copy of cheques

Senior Accountant / Accountant &/or Chief Accountant/Supervisor

- . Audit the accountant's work and initial.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.4.3 Bank Transfers

Senior Accountant/Accountant

- . Ensure the document to be paid is due for payment (Central Purchases Accounts documents must be approved by the Chief Financial Officer).
- . Prepare (**Internal / External**) request form.
- . Update the bank cash book.
- . Prepare the necessary journal voucher.
- . Send all documents to Chief Accountant/Supervisor.

Finance Department

- . Prepare a letter to the clients giving full details of the payment.

Chief Accountant/Supervisor

- . Ensure the supporting documents are complete and due for payment.
- . Ensure the bank transfers are correctly prepared.
- . Initial the bank transfers.
- . Send all documents for signatory (refer 3.2.4).
- . Send all documents to cashier for processing.
- . Sign the journal voucher.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.4.4 Letters of Credit

Letters of credit are used for purchases.

The procedures surrounding the preparation of a letter of credit are fully explained under Accounts Payable/Purchases (Refer 5.3). This section explains the bank procedures for the execution of a letter of credit.

The procedures are as follows:

Senior Accountant/Accountant

- Receive the following documents (Refer 5.3):
 - **Purchase order** (Appendix 21)
 - Proforma invoice
 - A completed letter of credit form.
- Ensure the purchase order is authorized by the Purchasing Manager.
- Ensure the proforma invoice relates to the purchase order.
- Open a letter of credit file with copies of all documents.
- Send all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review all supporting documents to ensure they are valid and authorized.
- Initial the letter of credit application and send it for signing as per approval and cheque signatory 3.2.4.

The bank will then process the application and inform C-LEB/T-LEB that the application has been prepared. The procedures for recording the preparation of the letter of credit in the general ledger are as follows:

(The payment in the branches must be authorized by the Regional Administration Manager)

Senior Accountant/Accountant

- . Receive a bank advice confirming the letter of credit has been opened and allocating a letter of credit number.
- . Prepare a journal voucher for the letter of credit divided into three parts as follows:
 1. For the charges and commission.
 2. For the 3% security required.
 3. For the total value of the Letter of Credit
- . If the letter of credit will only be paid at some time in the future, it is recorded as a credit under an 'acceptance account'. When it is paid, the bank is credited and the acceptance account is debited.
- . Update the **bank cash book** (Appendix 9).
- . Send all documents to the Chief Accountant or Supervisor for initialization.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.4.5 Letters of Guarantee

Letters of guarantee are prepared in the following circumstances:

- In the contracting business for:
 - Bid Bond
 - Advance payments from clients.
 - Overall performance of the contract.
 - Release of retention payment.
- In letter of credit procedures to obtain release of goods from customs before the original documents have been received and submitted.

The procedures surrounding the letters of guarantee prepared for the contracting business are fully explained under C-LEB accounts receivable (Refer 4.2.2) and the letters of guarantee for letters of credit are fully explained under foreign purchases (Refer 5.3)

In this section, the procedures related to bank and cash are described.

Senior Accountant/Accountant

- These procedures will follow on from a decision to prepare a letter of guarantee under C-LEB accounts receivable (4.2.2) or foreign purchases (Refer 5.3).
- Prepare an **application for a letter of guarantee**.
- Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Ensure the supporting documents are authorized and initial.

The letter of guarantee will be approved and sent to Contracting - LEB/Trading - LEB.

Senior Accountant/Accountant

- Review the accountant's work, initial, and sign.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.4.6 Bank Charges

The procedures for recording bank charges are as follows:

Senior Accountant/Accountant

- . Receive notification of bank charges.
- . Prepare journal voucher as follows:
 - Debit: Bank Charges
 - Credit: Bank Current Account
- . Senior Accountants may authorize the journal. Accountants must submit it to the Supervisor for authorization.
- . Update the **bank cash book** (Appendix 9).

3.4.7 Forward Deals

- . Forward deals are initiated by the Chief Financial Officer. The procedures in the accounting department are as follows:

Senior Accountant/Accountant

- . Receive a memorandum from the Chief Financial Officer confirm the deal has been done with the following details:
 - Currency
 - Amount
 - Rate/Base Rate
 - Due Date
 - Deal Date
 - Bank
 - Contact Person
- . Prepare an accounting entry.
- . Send all documents to the Chief Accountant/Supervisor.

(The payment in the branches must be authorized by the Regional Administration Manager)

Chief Accountant/Supervisor

- . Prepare a currency record slip and update the records for each deal.
- . Ensure the deal has been approved by the General Manager.
- . Sign the journal vouchers.
- . Prepare a list of deals.

3.4.8 Extension or Renewal

The procedures for refinancing are as follows:

Senior Accountant/Accountant

- . Receive a memorandum from the Chief Financial Officer regarding matured Letters of Credit which require extension or renewal with the following details:
 - Bank Name
 - L.C. Number
 - Amount
 - Rate
 - Maturity Date
- . Prepare a journal voucher.
- . Send all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Ensure all documents are correctly prepared in accordance with the Chief Financial Officer's memorandum.
- . Approve all journal vouchers.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.4.9 Loans

The procedures for bank loans are as follows:

Senior Accountant/Accountant

- . Receive a memorandum from the Chief Financial Officer regarding the loan details:
 - Bank
 - Amount
 - Rate
 - Maturity
- . Prepare a Journal Voucher
- . Send all documents to the Chief Accountant/Supervisor.

Chief Accountant/Supervisor

- . Ensure all documents are correctly prepared in accordance with the Chief Financial Officer's memorandum.
- . Approve all journal vouchers.

In the case of loan renewals or refinancing, the procedures are the same as above.

3.4.10 Bank Reconciliations

On a monthly basis, the general ledger bank accounts and the computer must be reconciled to the bank statements and bank cash books.

The procedures for this are as follows:

(The payment in the branches must be authorized by the Regional Administration Manager)

Senior Accountant/Accountant

- For each bank account in the general ledger, perform the following steps:
 - Receive a bank statement.
 - Reconcile the closing balance per the bank statement to the closing balance per the general ledger and the closing balance per the **bank cash book** (Appendix 9).
 - Prepare a bank reconciliation statement.
 - Prepare a journal voucher to post any reconciling items and attach photocopies for any required supporting documents.
 - Update the bank cash book (Appendix 9).
 - Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Ensure reconciliations are correct.
- Sign the journal and reconciliations.

(The payment in the branches must be authorized by the Regional Administration Manager)

3.5 Reporting

3.5.1 Branches

The daily reporting procedures for the Tripoli and Saida branches are as follows:

Accountant

- Use the **bank cash book** (Appendix 9) to prepare the **daily collection report** (Appendix 10).
- Submit the daily collection report to the Supervisor for review.

Supervisor

Sign the report and have it faxed to the head office in Beirut.

3.5.2 Head Office

The daily procedures for Beirut are as follows:

Senior Accountant

- Receive **daily collection report** (Appendix 10) from the branches.
- Use the daily collection reports and the reconciled bank cash books (Appendix 9) to prepare the cash and bank position report (Appendix 11).
- Submit the cash and bank position report and the list of outstanding guarantees to the Chief Accountant.

Monthly Procedures

- Ensure the list of outstanding guarantees (Appendix 8) has been reconciled to the general ledger account (Refer C-LEB accounts receivable 4.2.9).

(The payment in the branches must be authorized by the Regional Administration Manager)

Chief Accountant

- Review the cash and bank report to ensure it is accurate.

Monthly Procedures

- Ensure the balance per the guarantee margin accounts is in agreement with the list of outstanding guarantees.
- Send the cash and bank report to the Chief Financial Officer.

Chief Financial Officer

- Review the cash and bank report to ensure it is accurate and to identify any cash flow problems.
- Review the position with the General Manager.

(The payment in the branches must be authorized by the Regional Administration Manager)

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are some more **specific to ACCOUNTS RECEIVABLE/SALES** and which will be treated in the next chapter:

1- The following accounts are mixed:

- Trading and Contracting Revenues
- Retention and Accounts Receivable
- Advance Payments from Contractors and Advance Materials-On-Site

2- The following are manually prepared:

- Invoices
- Retention Reports and Retention Aging Reports
- Management Reports

3- The following activities are not divided into cost centers:

- Labor
- Revenues
- Expenditures
- Projects
 - Advance Payments
 - Progress Payments
 - Final Payments
 - Retentions
 - Advance Materials-On-Site
 - Expenses
 - Revenues

4- The work of the Site Supervisor and Coordinator should be controlled regardless of the personal relation that exists between him and the General Manager. Friendship and honesty are important for the smoothness of the work flow but should not form the basis for its processing and supervision.

4. ACCOUNTS RECEIVABLE/SALES

4.1 Introduction

The revenue generating operations of the company are divided into:

- . C - LEB : contracting
- . T - LEB : trading

The procedures for accounts receivable and sales have therefore been described separately under the above two headings.

4.2 CONTRACTING - LEB

4.2.1 Introduction

C - LEB undertakes projects for the supply and installation of water proofing material.

A contract is signed between C-LEB and the client detailing the performance requirements for each party. Bank guarantees are issued by C-LEB to ensure performance of the contract and to assure the advance payment.

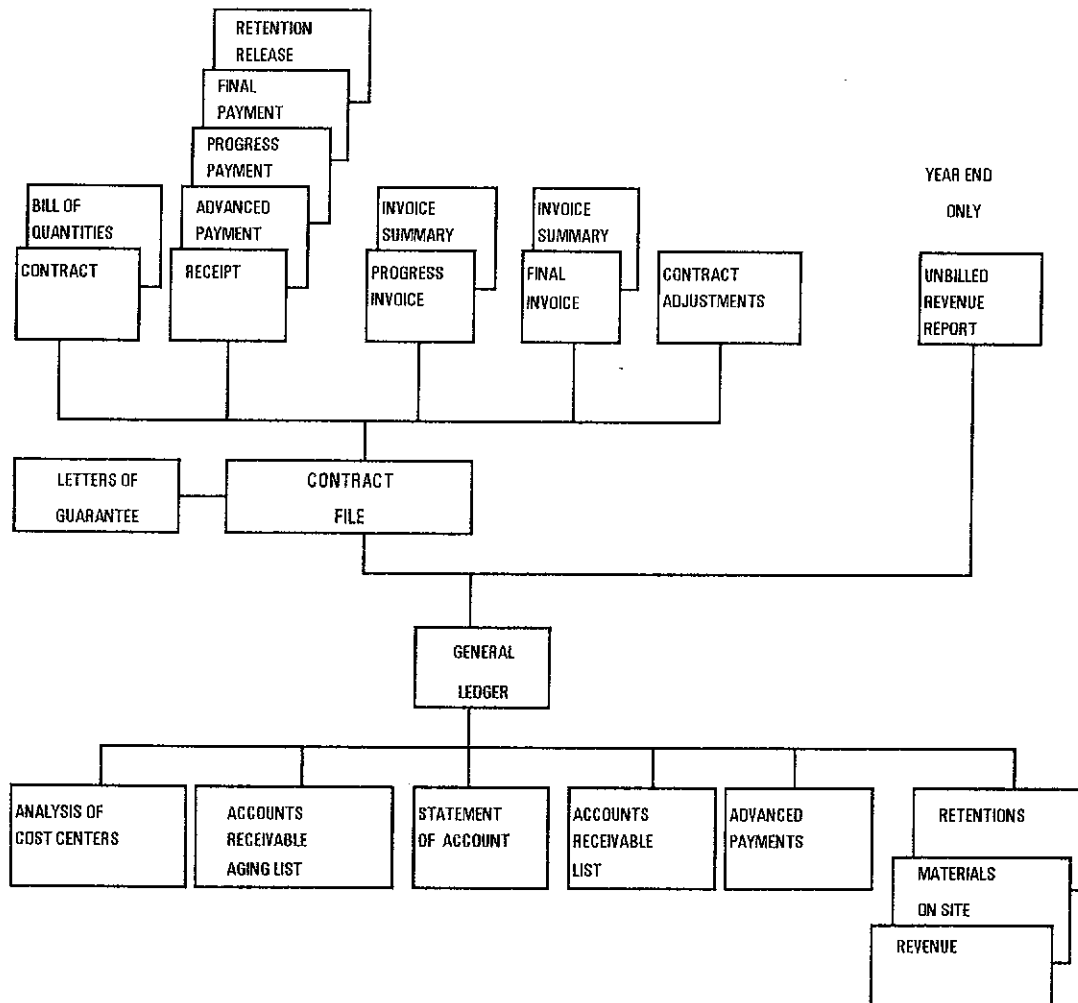
Progress payments are received during the contract and a final progress payment made at contract completion less an agreed retention amount.

The procedure are documented under the following headings:

- . New contract
- . Receipt of advance payment
- . Progress invoice
- . Final invoice
- . Receipt of invoice payments
- . Adjustments
- . Year end procedures
- . Reconciliation
- . Reporting

CONTRACTING - LEB

An overview of C - LEB accounts receivable / sales system in a FLOWCHART form is as follows:



4.2.2. New Contract

The procedures to follow when a new contract is signed are as follows:

Chief Accountant/Supervisor

- . Receive the following documents from the Regional Manager.
 - **Original contract** (Appendix 12)
 - **Bill of Quantities** (Appendix 13)
- . Identify what letters of guarantee must be prepared in terms of the contract.
- . Send documents to the Senior Accountant or Accountant.

Senior Accountant/Accountant

- . Cast the bill of quantities to ensure all extensions and totals are correct.
- . Prepare the appropriate letters of guarantee.
- . Allocate the appropriate accounts in the general ledger.
- . Submit documents to the Chief Accountant/Supervisor.

Chief Accountant/Supervisor

- . Ensure the letter of guarantees are received from the bank and sent to the client.
- . Ensure the advanced payment per the contract is received.

4.2.3 Receipt of Advance Payment

Cashier

- . Receive cheque.
- . Prepare a **receipt** (Appendix 5).
- . Verify with Chief Financial Officer which bank to deposit the receipt into.

- . Prepare a bank deposit slip and bank the cheque.
- . Distribute the receipt as follows:
 - Original to the client
 - Copy to accounts with the deposit slip
 - Copy to project file

Senior Accountant/Accountant

- . Receive the cheque receipt and copy of the bank deposit slip.
- . Send a copy of the receipt to the relevant division for the project file.
- . Prepare a journal entry.
- . Submit the receipt voucher to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Audit the work and sign.

4.2.4 Material-On-Site

The procedures for materials on site are as follows:

Senior Accountant/Accountant

- . Receive a copy of the invoice.
- . Prepare the invoice summary report (Appendix 14).
- . Prepare a journal voucher as follows:

Debit: Accounts Receivable Client
Credit: Advanced Material-On Site Client
- . Send the journal voucher to Chief Accountant/Supervisor

Chief Accountant/Supervisor

- . Review and sign the journal voucher.

4.2.5 Progress Invoice

At the end of each month the Regional Manager will instruct a Surveyor to assess the progress on each job for billing purposes.

This information will be used by the Contract Engineer to prepare an invoice. This invoice will be authorized by the Regional Manager or Operations Manager and the original sent to the client, a copy to accounts and a copy for the project file.

Senior Accountant/Accountant

- . Receive a copy of the invoice.
- . Use the invoice to prepare an **invoice summary report** (Appendix 14). Ensure the correct portion of the advance payment, materials on site and retention have been drawn down.
- . Prepare the necessary journal voucher.
- . Sign the journal voucher and invoice summary and submit all documents to the Chief Accountant or Supervisor.
- . Senior Accountants may authorize the journal. The Accountant must pass it to the Supervisor for authorization.

4.2.6 Final Invoice

- . The final invoice will be prepared as 4.2.5.

Senior Accountant/Supervisor

- . Prepare final invoice per procedures under 4.2.5.
- . Reconcile the following:
 - Total billings to the contract.
 - Total retention to the contract.
 - Advance payment to be zero.
 - Material-On-Site to be zero.

- If required by the contract, prepare a letter of guarantee for the retention amount per 3.4.5.
- Prepare a journal entry transferring the retention amount when due to accounts receivable.
- Ensure a **Materials report** (Appendix 15) has been prepared.
- Send all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Perform the same procedures per 4.2.4.
- Ensure the reconciliations have been done.
- Ensure the Excess Materials at Site report has been received and processed.
- Review and authorize the journal entry.

4.2.7 Receipt of Invoice Payment

The procedures for the receipt of an invoice payment are the same as the procedures for receipt of an advance payment (refer 4.2.3).

The only change is that the journal entry will be as follows:

Debit: Bank
Credit: Accounts Receivable

4.2.8 Adjustments / Variations

Senior Accountant/Accountant

- . Receive a memorandum from the Regional Manager or Operations Manager detailing the adjustment required and providing supporting documentation approved by the customer.
- . Prepare a journal voucher.
- . Send the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and authorize the adjustment.

4.2.9 Year End Procedures

The year end procedures will include:

- Unbilled revenue
- Materials-on-site
- Provision for bad debts

The procedures for **unbilled revenue** are as follows:

Senior Accountant/Supervisor

- . Receive a **report of unbilled revenue** for each project in progress at year end from the Regional Manager.
- . Ensure all projects not billed have been included in the report.
- . Prepare a journal entry as follows:

Debit: Unbilled Revenue
Credit: Turnover

This entry must be reversed at the beginning of the new year.

Chief Accountant/Supervisor

- . Review and authorize the journal voucher.

The procedures for **materials on site** are as follows:

Senior Accountant/Accountant

- . Receive a list from the branch for the material-on-sites at year end. It should be approved by the Regional Manager.
- . Ensure that the transfer prices for all items are correct.
- . Ensure that the total cost of material is correct.
- . Prepare the journal voucher.
- . Submit all documents to Chief Accountant or Supervisor.

The entry must be reversed at the beginning of the new year.

Chief Accountant/Supervisor

- . Review and authorize the journal voucher.

The procedures for **bad debts** are as follows:

- . Close the previous year provision.
- . Ensure the amounts are still outstanding.
- . Send a list of doubtful accounts to the Regional Manager.
- . Prepare a journal voucher.

If an amount is collected from a previously written off account, the amount should be considered as an Extraordinary Income.

- . Submit all documents to Chief Accountant/Supervisor.

Chief Accountant/Supervisor

- . Ensure that the accounts are still outstanding and long overdue. There should be a cutoff period to be considered Bad Debts.
- . Authorize all the vouchers.

- Send the lists of provisions and lists of write-offs to the General Manager for approval.

4.2.10 Reconciliation

- Produce a copy of the **outstanding list of guarantees report** (Appendix 8).
- Reconcile the total balance per the outstanding list of guarantees report to the balance in the "bank guarantees utilized" account in the general ledger.
- Ensure the amount provided in the "letter of guarantee margin" account is accurate in terms of the banks security requirements (Refer 3.4.5).
- Reconcile the balance owing for each contractor with the client's statement.
- Make any adjustments required.
- Submit all documents to the Chief Accountant or Supervisor for review.

4.2.11 Reporting

The reporting procedures are as follows:

Senior Accountant/Accountant

- Produce the following reports:
 - **Analysis of each cost center** (Appendix 40)
 - **Accounts receivable aging list**
 - **Statement of each debtor's account**
 - **Trial Balance** (Appendix 36)
 - **Balance Sheet**
- Submit all reports to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review the analysis of each cost center to ensure:
 - a project expense report has been posted.
 - a progress invoice has been prepared.

- Review the accounts receivable aging list and report all debtors over 60 days to the Regional Manager.

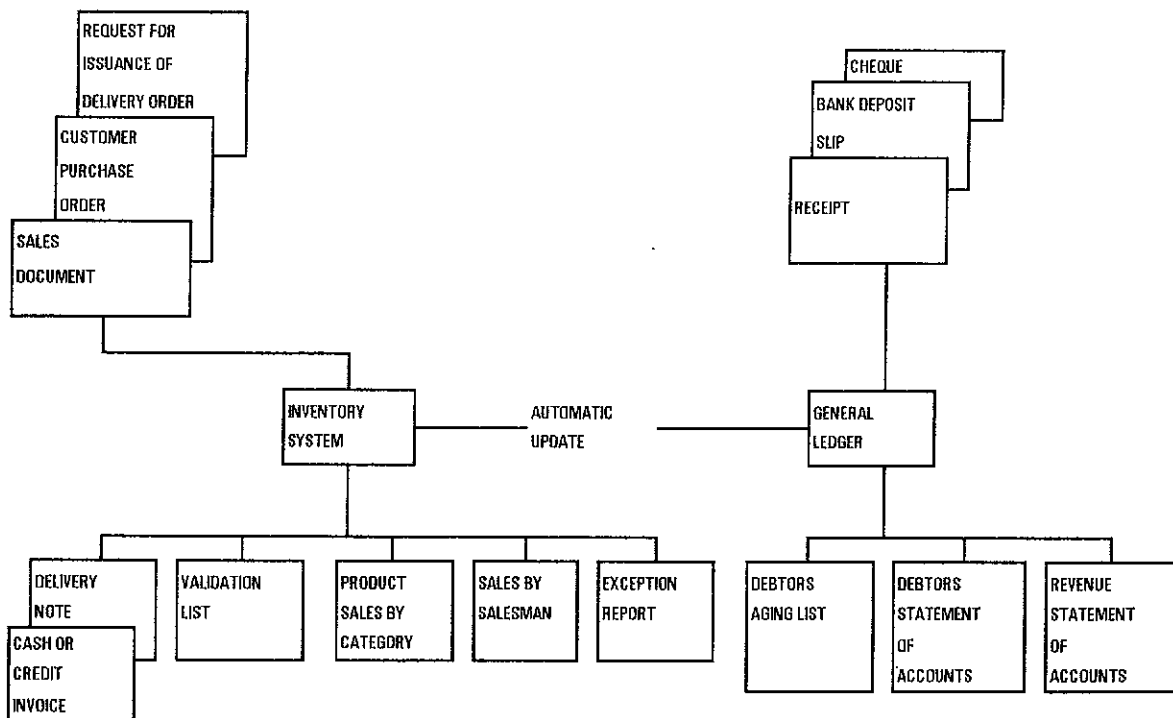
- Review and send out the statement of account for each debtor.

4.3 TRADING - LEB

4.3.1 Introduction

Trading - LEB generates income through cash and credit sales of building materials by salesmen and branches to the public.

An overview of the accounts receivable/sales system in a FLOWCHART form is as follows:



The procedures for accounts receivable and sales for T - LEB are described under the following headings:

- . Cash and credit sales
- . Cash and credit refund
- . Receipts
- . Salesman commission
- . Reporting
- . Reconciliations
- . Year end
- . Adjustments

4.3.2 Cash and Credit Sales

The procedures for cash and credit sales are as follows:

Salesman

- . Receive a **purchase order** from the client.
- . Prepare a **request for issuance of delivery order**.
- . Send both documents to the Regional Manager.

Regional Manager

- . Ensure the client purchase order is authorized.
- . Ensure the client has the facility line (if on credit).
- . Authorize the request for issuance of delivery order.
- . Send the documents to sales coordinator.

Senior Accountant/Accountant

- . Ensure the price is correct.

Sales Coordinator

- . Ensure the request for issuance of a delivery order is authorized by the Regional Manager.
- . Ensure the stock code and salesman code are correct.
- . Ensure the stock is available.
- . Check the casting of the request for the issuance of a delivery order.
- . Post the details of the sale to the inventory system and prepare the following in three copies:
 - Cash or credit invoice (Appendix 16)
 - Delivery note (Appendix 17)
- . Match all documents and ensure all details agree.
- . Send all documents to the Sales Manager for approval.

Sales Manager

- . Sign the invoice and delivery order.
- . Send the documents to the Regional Manager for approval.

Regional Manager

- . Ensure the invoice and delivery order have been authorized by the Sales Manager.
- . Ensure the details on all documents agree.
- . Authorize the documents and send them to the Sales Coordinator.

Sales Coordinator

- . Send the documents to the warehouse for delivery of goods and recording of client signature to say goods have been received in good condition.

Warehouse

- . Deliver goods.
- . Obtain client's signature to say stock has been received in good condition.
- . Distribute the documents as follows:
 - **Client Purchase Order**
.. to accounts
 - **Request for issuance of delivery order**
.. to accounts
 - **Invoice (Appendix 16)**
.. to client
.. to accounts
.. to sales department

- **Delivery Note** (Appendix 17)
 - .. to client
 - .. to accounts
 - .. to remain at the warehouse

Senior Accountant/Accountant

- . Receive the following documents:
 - **Client purchase order**
 - **Request for issuance of delivery order**
 - **Invoice** (Appendix 16)
 - **Delivery order** (Appendix 17)
- . Ensure the delivery order has been signed by the client.
- . At the end of each day, print a validation list.
- . Check all transactions on the validation list and post it.

4.3.3 Receipts

Receipts will be recorded per the procedures under 3.3.3.

4.3.4 Salesman Commission

On a monthly basis, perform the following:

Senior Accountant/Accountant

- . Print the **sales, cost and profit report by salesman**
- . Print a **debtors aging list** by salesman (Appendix 18) and send it to the Regional Manager.
- . Receive a list from the Regional Manager giving the computation of sales commission by salesman.

- . Review the list to ensure it is in compliance with the approved commission scheme.
- . Prepare a journal entry as follows:

Debit: Staff - commission expense
Credit: Personal accounts (commission)
- . Submit the journal voucher and working papers to the Chief Accountant or Supervisor for review.

Chief Accountant/Supervisor

- . Review the commission calculations and ensure they are correct.
- . Authorize the journal voucher.

4.3.5 Reporting

On a weekly basis, perform the following:

Senior Accountant/Accountant

- . Produce the following reports:
 - **Debtors Aging List** (Appendix 18)
 - **Debtors Statement of Account** (Appendix 19)
 - **Exception Report** (Appendix 20)
listing all sales transactions with a zero or negative profit
 - Collection report

Note that the sales reports are produced under 6.6.

- . Generate a journal voucher for the required corrections.
- . Submit all reports to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review the debtors aging list and prepare a memorandum to the Sales and Marketing Director highlighting all debtors over 90 days, together with the responsible salesman.
- Review and send out all debtors statements of accounts to customers with a covering letter where required.
- Review and follow up all items on the **exception report listing** (Appendix 20) of transactions with a zero or negative profit.
- Discuss all reports with the Regional Manager or General Manager if necessary.

4.3.6 Year End Procedures

The year end procedures cover provision for bad debts and are as follows:

Senior Accountant/Accountant

- Close the previous year's provision.
- Ensure that the accounts are still outstanding.
- Send a list of doubtful accounts to the Regional Manager.
- Prepare a journal voucher.
- If in case and amount is collected from a previously written off account, the amount should be considered as an Extraordinary Income.
- Submit all documents to Chief Accountant/Supervisor.

Chief Accountant/Supervisor

- Ensure that the accounts are still outstanding and long overdue.
- Authorize all the vouchers.

- Send the list of provisions and lists of write offs to the General Manager for approval.

4.3.7 Reconciliation

Senior Accountant/Accountant

- Reconcile the total balance with clients' statements of accounts.
- Make the necessary adjustments.
- Submit all documents to Chief Accountant/Supervisor.

4.3.8 Adjustments

A. Cash/Credit Refund

Sales Coordinator

- Prepare the cash / credit refund and have it approved by the Sales Manager or Regional Manager.
- Send the documents to the accounts.

Senior Accountant/Accountant

- Review the documents for correctness.
- Ensure that all documents are approved by the Sales Manager or Regional Manager.
- Print the validation list for the following:
 - Goods returned
 - Undelivered goods
 - Short - delivery
- Check all transactions on the validation list and post it.

B. Debit/Credit Note

Sales Coordinator

- Same procedure as 4.3.8 A.

Senior Accountant/Accountant

- Review the documents for correctness.
- Ensure the documents are approved by the Senior Manager or Regional Manager.
- Prepare a journal voucher.
- Send all the documents to the Chief Accountant/Supervisor.

Chief Accountant/Supervisor

- Ensure that the adjustments are authorized.
- Review and approve the journal voucher.

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are some more **specific to ACCOUNTS PAYABLE/PURCHASING** and which will be treated in the next chapter:

1- The following accounts are prepared manually:

- Invoices, Delivery Notes, Delivery Orders
- Management Reports

2- The Materials Purchased are not divided into Cost Centers (Projects)

3- Stock Control: a copy of the Delivery Note/Delivery Order signed by the Warehouse and by the Client or Supplier should be sent back to accounts for immediate reconciliation and control of shortages, surpluses, or damages.

At a higher level of operation an intermediary department should exist to control purchases and delivery.

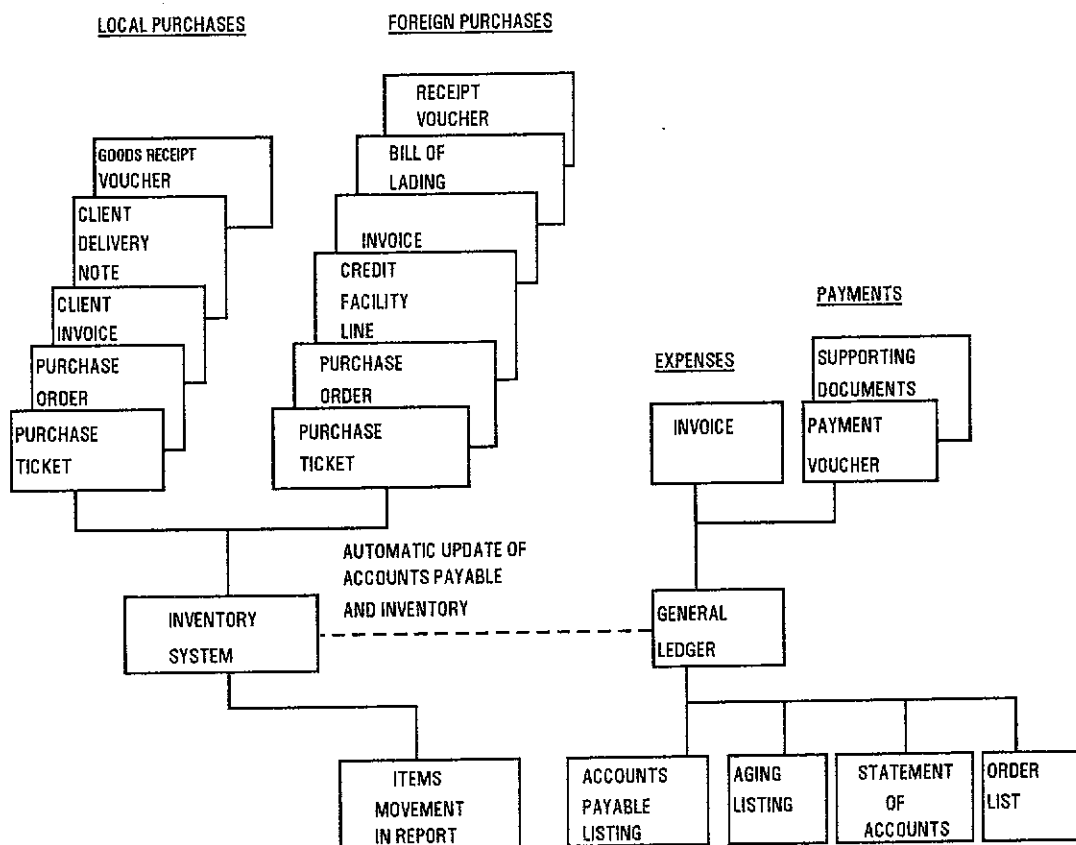
5. ACCOUNTS PAYABLE/PURCHASING

5.1 Introduction

Accounts payable consists primarily of purchases of material. These purchases can be divided into:

- . Foreign purchases on letter of credit.
- . Local purchases.

An overview of the accounts payable/purchasing system in a FLOWCHART form is as follows:



The procedures are described under the following headings:

- . Local Purchases
- . Foreign Purchases
- . Orders
- . Expenses
- . Reconciliation
- . Reporting

5.2 Local Purchases

The procedures are as follows:

Buying Office

- . Receive a **purchase ticket** duly authorized by the Regional Manager or Operations Manager.
- . Prepare a **purchase order** (Appendix 21) duly authorized by the Purchasing Manager.
- . Send copies of the purchase order to:
 - The Supplier
 - Warehouse
 - Accounts

Warehouse

- . Receive the inventory.
- . Check the inventory to the client **delivery note** (Appendix 17) and **purchase order** (Appendix 21).
- . Sign the client delivery note.
- . Prepare a **goods receipt voucher** (Appendix 22) and send copies with the signed copy of the client delivery order to:
 - Purchases Department.
 - Accounts.

Inventory Clerk

- . Enter the details into the inventory system which will automatically update the stock system.
- . File the matched documents in receipt voucher number order.
- . At the end of each week, print an **items movement in report** (Appendix 23) listing all posted transactions for the period.

- . Check the sequence of the receipt voucher numbers and follow up any missing numbers.
- . Check details of all receipt vouchers to the items movement in report and sign the report as evidence of the check.
- . Submit the items movement in report and supporting documents to the Chief Accountant or Supervisor.

Senior Accountant/Accountant

- . Match the **purchase order** (Appendix 21) and the **good receipt voucher** (Appendix 22) with the original **invoice** (Appendix 16) and **delivery note** (Appendix 17) from the purchases department.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and initial.

5.3 Foreign Purchases

All foreign purchases are processed through the CPA books as follows:

Purchase Department

- . Receive a **purchase ticket**.
- . Determine the availability of material in other branches and if necessary, request a transfer of stock.
- . Request proforma invoices.
- . Confirm prices, terms of payment and conditions of delivery.
- . Prepare a **purchase order** (Appendix 21) and have it authorized by the Purchasing Manager.
- . Send the purchase order to the client (suppliers).
- . If not available, prepare mean of payment with insurances.

When the shipment arrives, the following procedures will occur.

- . If the original shipping documents are not available, the purchasing department will send a memorandum to accounts requesting them to prepare a bank guarantee letter for customs to allow the goods to be released. The procedures to follow are as per 3.4.5.
- . A letter of claim to the insurance company must be prepared for any shortages reflected on the goods receipt voucher and a copy sent to accounts.
- . Arrange for the delivery of goods to warehouse then to the branches as per the purchase ticket.
- . Receive the goods receipt voucher (RVO - Appendix 22).
- . Check the goods receipt voucher to the shipping advice and purchase order.
- . Send the complete order file to accounts for review and costing.

Senior Accountant/Accountant (CPA)

- Match the invoice to the following:
 - **purchase order** (Appendix 21)
 - **shipping advice**
 - **goods receipt voucher** (Appendix 22)
- Prepare the necessary journal voucher.
- Submit both reports to the Chief Accountant or Supervisor.

Branch Accounts

- Record the goods in the inventory system under C-LEB or T-LEB at the current transfer price per the shipment receiving report. This will automatically update the general ledger for C-LEB or T-LEB.

Chief Accountant/Supervisor

- Review and initial.

5.4 Expenses

The procedures for expenses are as follows:

Senior Accountant/Accountant

- Receive an original **client invoice** duly signed.
- Prepare a journal voucher to record the liability.
- Senior Accountants may approve the journal themselves. Accountants must submit the journal to the Supervisor for review.
- After the liability has been recorded, a copy of the invoice must be made and a payment voucher and cheque prepared.
- Submit the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review and authorize the payment voucher and initial the cheque.
- Send all documents for cheque signatory (Refer 3.2.4).

5.5 Reconciliations

The reconciliations to be performed are as follows:

Senior Accountant/Accountant

- . Print a **statement of account** (Appendix 19) for all creditors with balances.
- . Reconcile the balances with the suppliers statements.
- . Note discrepancies.
- . Submit the documents to the Chief Accountant or Supervisor for review.

Chief Accountant/Supervisor

- . Review all reconciliations and adjustments.
- . Record the review by signing all documents.

5.6 Reporting

On a monthly basis, the following procedures will be performed:

Financial Accountant

- Produce the following reports:
 - Aging list of accounts payable.
 - Statement of account for all creditors with balances and creditors with large movements.
 - Trial balance of accounts payable showing the period movement.

- Submit all reports to the Chief Financial Officer.

Chief Financial Officer

Review all submitted documents and do proper actions for any major changes.

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are some more **specific to INVENTORY** and which will be treated in the next chapter:

- **Inventory and Stock Control:** a copy of the Delivery Note/Delivery Order signed by the Warehouse and by the Client or Supplier should be sent back to accounts for immediate reconciliation and control of shortages, surpluses, or damages. At a higher level of operation an intermediary department should exist to control purchases and delivery.

6.2 Head Office Contracting and Trading Cost of Sales

C-LEB cost of sales consists of material issued from a warehouse to a project site and direct purchases from suppliers.

The procedures for posting the **issue of individual stock items to projects** in the inventory system are as follows:

Warehouse

- . Receive a **delivery order** authorized by the Regional Manager or Operations Manager.
- . Record the quantity delivered in the relevant column and have the delivery order signed by the person taking delivery of the inventory.
- . Send a copy of the delivery order to accounts.
- . Update the stores bin cards.

Senior Accountant/Accountant

- . Receive a **delivery order**.
- . Ensure the following:
 - authorization by Regional Manager
 - signature of person receiving goods
 - quantity delivered column complete
- . Indicate the materials code on the delivery order.
- . Enter the **delivery order** on to the inventory system.
- . Print the **branch invoice** and ensure the details agree to the delivery order.
- . Submit both documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review all documents and ensure they are correct.
- . Authorize the **branch invoice**.

The procedures to update the **cost of inventory issued to projects** to the general ledger is as follows:

Senior Accountant/Accountant

- . On a daily basis, print an **items movement in report** listing details of all branch invoices for issues of inventory to projects.
- . Prepare a journal voucher.
- . Submit all documents to the Chief Accountant or Supervisor for review.

Chief Accountant/Supervisor

- . Review and initial.

6.4 CPA Cost of Sales

CPA is responsible for all foreign purchases. When the inventory arrives, it is transferred to C-LEB or T-LEB at a standard transfer price. The value of this standard transfer is recorded as revenue in CPA (Refer 5.3).

All actual costs relating to a foreign purchase are recorded in an order account in the CPA general ledger.

When all costs are accumulated the value has to be transferred to cost of sales in the CPA ledger.

The procedures to do this are as follows:

Senior Accountant/Accountant

- . Receive the shipment receiving report per 5.3.

- Print a statement of account for the order account in the CPA general ledger.
- Reconcile the statement of account to the shipment receiving report.
- Prepare a journal voucher to transfer the actual costs to costs of sales.
- Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review the journal voucher and ensure it is correct and agrees to the statement of account and shipment receiving report.
- Authorize the journal voucher.

6.5 Interbank Transfers

Interbank transfers are produced to control the exchange of goods between branches.

The issuing branch prepares a branch invoice.

The receiving branch prepares a branch refund.

The receiving branch will perform the following:

Inventory Clerk

- Raise stock requisition form and send it to the Regional Manager of issuing branch for approval.
- Receive the branch invoice from issuing branch for filing.
- The goods and delivery order must be checked by the Warehouse Staff.
- Produce a goods receipt voucher, highlighting any discrepancies.
- Send the goods received voucher, to the Inventory Controller.
- Send a fax of the goods received voucher to the Inventory Controller.

Senior Accountant/Accountant

- . Prepares a Journal Voucher.
- . Submit all documents to the Chief Accountant or Supervisor for final review and authorization.

Issuing Branch

Inventory Clerk

- . Upon receipt of the authorized stock requisition form, prepare a branch invoice, pass it to Regional Manager for approval.
- . The branch invoice/delivery order is a 6 part document and is distributed as follows:
 - 1st copy Branch Invoice to Receiving Branch
 - 2nd copy Branch Invoice to Master File
 - 3rd copy Branch Invoice attached to 1st copy of Delivery Order
 - 4th copy Delivery Order to Issuing Branch Inventory Controller
 - 5th copy Delivery Order filed at Issuing Warehouse
 - 6th copy Delivery Order sent with Goods

Inventory Controller

- . Match the goods received voucher to the relevant delivery order.
- . At the end of each week, produce an items journal report for all current week branch invoices. This should be reconciled against the Goods Received Vouchers. Any discrepancies along with supporting documentation should be passed to the Chief Accountant for further action.
- . A materials sent report is then produced and passed, with all documentation, to Senior Accountant or Accountant.

Senior Accountant/Accountant

- . Prepares a journal voucher to Debit Branch and Credit the Inventory Account in General Ledger.
- . Submit all documents to the Chief Accountant or Supervisor for final review and authorization.

6.6 Reconciliations

On a monthly basis, the total inventory per the inventory system must be reconciled to the inventory account in the general ledger.

The procedures are as follows:

Senior Accountant/Accountant

- . Prepare an inventory listing with quantities.
- . Identify all inventory items with a negative quantity and prepare a **Kardex printout**.
- . Determine why the quantity is negative and prepare a branch adjustment to correct the discrepancy.
- . Have the branch adjustment authorized by the Chief Accountant or Supervisor.
- . Prepare a corrected **inventory listing with quantities** and ensure there are no negative quantities.
- . Prepare an **inventory listing with values**.
- . Prepare a **statement of account** (Appendix 19) for the inventory account in the general ledger.
- . Reconcile the total per the **inventory listing with values** to the total per the **statement of account** (Appendix 19).
- . Prepare a report detailing the differences.
- . Prepare a journal voucher to adjust any reconciling items in the general ledger.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review the **inventory listing with quantities** and ensure there are no negative quantities. Sign the report as evidence of this check.
- Agree the totals per the **reconciliation form** to the **inventory listing with values** and the general ledger **statement of account** (Appendix 19).
- Review the reconciling items if any and ensure they have been correctly adjusted in the branch adjustment.
- Cast the **reconciliation form**.
- Sign the journal voucher and **reconciliation form**.
- Send the detailed report of the reconciliation differences to the Regional Manager for discussion and signature.
- Send the report of reconciliation differences to the General Manager for authorization.

Inventory Clerk

- Reconcile the Kardex to the inventory system print out on a monthly basis.
- Prepare and post an adjustment for any reconciling item after approval.

6.7 Reporting

There are many reports which can be printed from the inventory system,

Reports should only be printed if they are going to be utilized by management for a specific task.

The procedure relating to reporting are as follows:

Senior Accountant/Accountant

- . Print the following reports:

On a daily basis

- **Cash and credit sales by salesman** (Appendix 27)
- **Cash and credit sales by day** (Appendix 28)
- **Cost and profit by day**

On a weekly basis

- **Sales by product category** (Appendix 29)
- **Sales by product category and profit**

On a monthly basis

- **Sales, cost and profit by salesman**
 - **Sales, cost and profit by salesman, sales category and customer category**
 - **Monthly stock situation (Quantity & Value)** (Appendix 30)
- . Use the **sales by product category report** (Appendix 29) to prepare the following three spreadsheets on a weekly basis:
 - **Product category sales**
 - **Product category sales by group**
 - **Profit by product**
 - . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Ensure the total sales, cost of sales and profit for each report agree.
- Review the following reports for negative sales, cost of sales and profits:
 - **Sales, cost and profit by salesman, sales category and customer category**
 - **Cost and profit by day**
 - **Profit by product spreadsheet**
- Follow up all negative numbers and where appropriate generate adjustments and reprint the reports. If an adjustment can not be made, explain the negative numbers in a memorandum and attach the memorandum to the relevant report.
- Initial each report as evidence of this check.
- Submit, daily and monthly, copies of reports to ...
 - General Manager
 - Sales and Marketing Director
 - Regional Manager

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are some more **specific to FIXED ASSETS** and which will be treated in the next chapter:

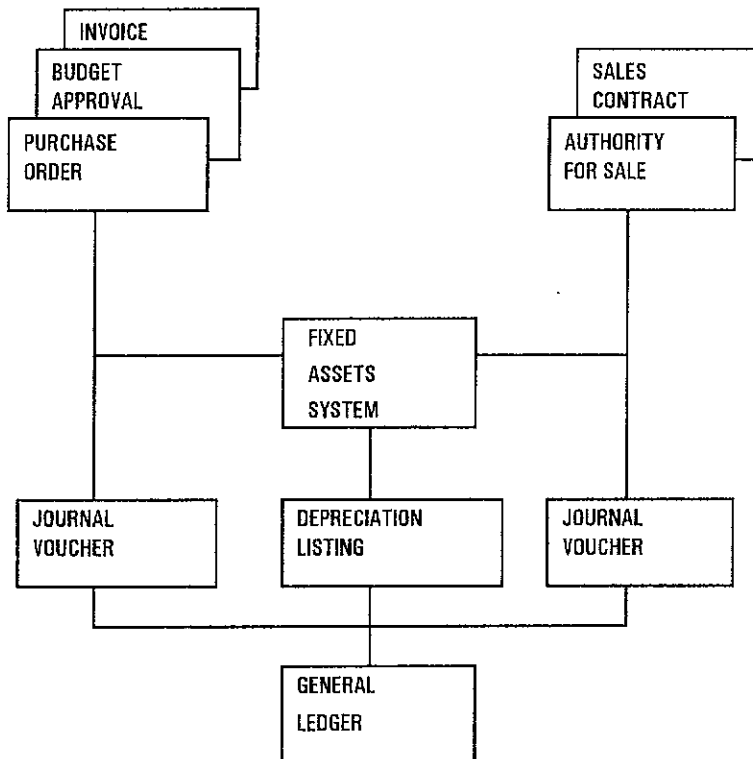
- 1- Fixed Assets Depreciation and Management Reports are done manually.
- 2- Fixed Assets should be classified into categories and cost centers and given a code number and a serial number in order to regulate and restrain their Sales, Purchases, and Depreciation.
Any Miscalculation of the book value or depreciation would impair the financial statements' results.

7. FIXED ASSETS

7.1 Introduction

The company's fixed asset details are maintained on a symphony spreadsheets system.

An overview of the fixed assets system in a FLOWCHART form is as follows:



The procedures for fixed assets have been described under the following headings:

- Purchases
- Sales
- Depreciation
- Reconciliation
- Interbank reconciliation

7.2 Purchases

The purchase of Fixed Assets is part of capital investment. It is included usually in the annual or revised (mid-year) budget.

However, any unscheduled purchases for operational needs only of fixed assets must be authorized according to value by the following:

- . Up to \$ 5,000 - Regional Manager
- . Over \$5,000 or not in the budget - General Manager and/or Partners

Fixed Assets under \$100 are charged directly to expenses.

If the purchases are not for operational needs they must be authorized by the General Manager and/or the Partners.

- . Major reports should be charged to fixed assets and depreciation at 50% per year when they extend the useful life of an asset.

The purchasing procedures are as follows:

Senior Accountant/Accountant

Receive the following documents:

- Purchase order duly signed by the necessary officer
- Invoice
- . Ensure the invoice details agree to the purchase order.
- . Allocate a fixed asset number according to the defined **fixed asset listing procedures** (Appendix 32).
- . Prepare journal voucher to add the fixed asset to the general ledger.
- . Add the asset to the **fixed asset spreadsheet** (Appendix 31).
- . Submit the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and sign.

7.3 Sales

The procedures for sales of fixed assets are as follows:

Administration Department

- Receive a memorandum from the Regional Manager giving authority for the sale of a particular asset.
- Prepare a sales contract and have it signed by the party purchasing the asset.
- Send a copy of all documents to the accounts department.

Senior Accountant/Accountant

- Release the asset from the fixed asset symphony spreadsheet (Appendix 38).
- Calculate the depreciation to be posted from the date of the last depreciation entry to the date of sale.
- Calculate the profit or loss on sale.
- Prepare accounting entries.
- Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review and sign.

7.4 Depreciation

The procedures for posting depreciation to the general ledger on quarterly, semi-annually, or annually basis are as follows:

Senior Accountant/Accountant

- . Print a copy of the statement of account for all fixed assets and accumulated depreciation accounts.
- . Reconcile the general ledger account balances to the total per the **fixed asset spreadsheet** (Appendix 31).
- . Adjust the items in the symphony spreadsheet and prepare a journal voucher for the general ledger reconciling items if required.
- . Input the month end date to the **fixed asset spreadsheet** (Appendix 31) to change the spreadsheet depreciation calculations.
- . Print the fixed asset spreadsheet.
- . Prepare a journal voucher.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and sign.

7.5 Reconciliation

All branches should be instructed to submit a half yearly statement of property and equipment. This statement should include the following columns:

Cost

Opening Balance
Purchases from third parties
Purchases from affiliates
Transfers from other branches
Transfers to other branches
Disposals - third parties
Disposals - affiliates
Closing balance

Based on these statements, a consolidated statement of property and equipment should be prepared at the Head Office and it should be ensured that:

- . Inter-branch transfers add up to zero.
- . Transactions with affiliates agree with the respective affiliates working papers.

All differences should be followed up and resolved by the Chief Accountant.

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are some more **specific to PAYROLL** and which will be treated in the next chapter:

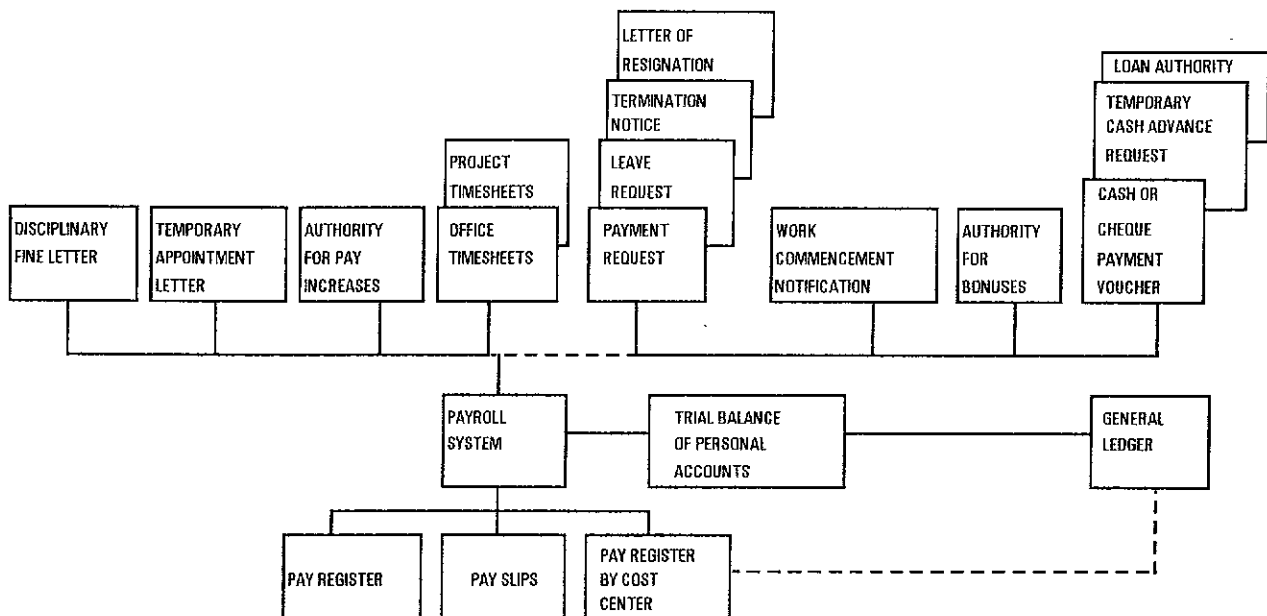
- 1- Payroll payments are not processed through payslips
- 2- Data on employees are not available
- 3- Labor is not divided into cost centers

8. PAYROLL

8.1 Introduction

There is a separate payroll system for maintaining personnel and payroll data.

An overview of the payroll system in a FLOWCHART form is as follows:



The procedures for the payroll are discussed under the following headings:

- New appointments
- Termination of service
- Salary increases
- Time sheets
- Leave paid and unpaid
- Bonuses
- Loans
- Temporary cash advances
- Personal accounts
- Payment of salaries
- Gratuity

8.2 New Appointments

The procedures to record the appointment of new employees in the payroll system are as follows:

Personnel Department

- . Record the personal details in the payroll system and print a listing of all details input.

Senior Accountant/Accountant

- . Receive a **temporary appointment letter**.
- . Ensure it is authorized by the Branch Manager and Administration & Personnel Manager.
- . Input the salary data to the payroll system.
- . Produce a listing of the employee details and agree the listing to the temporary appointment letter.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and authorize.

8.3 Termination of Service

The procedures to pay and remove an employee from the payroll system are as follows:

Senior Accountant/Accountant

- . Receive a termination notice or letter of resignation and a **payment request** (Appendix 34).
- . Ensure the employee details per the payment request agree with the termination notice or letter of resignation.
- . Agree the salary details per the **payment request** (Appendix 34) to the employee details of the **last pay register** (Appendix 37).
- . Ensure the payment request is authorized by the Branch Manager and Administration and Personnel Manager.
- . Prepare a journal voucher.
- . Print the employee's personal account.
- . Prepare a cash or check payment voucher for the balance on the employee's personal account.
- . Submit all documents to the Chief Accountant or Supervisor.
- . Remove the employee from the payroll system after his last pay cheque has been processed.

Chief Accountant/Supervisor

- . Review and authorize.

8.4 Salary Increases

The procedures to post salary increases to the payroll system are as follows:

Chief Accountant/Supervisor

- Receive a memorandum from the Administration Manager listing the employees and relevant salary increases approved by the General Manager.
- Input the new salary amounts to the payroll system.
- Print a listing of all new salary levels and agree them to the General Manager's memorandum and send it to the Personnel Department.

8.5 Time Sheets/Personal Accounts

The procedures to post the employees time details to the payroll system are as follows:

Senior Accountant/Accountant

- Receive the **office time sheets** and the **project time sheets** (Appendix 33).
- Ensure the office time sheet is authorized by the Administration & Personnel Manager and the Divisional Manager or Operations Manager.
- Ensure each **project time sheet** (Appendix 33) has been authorized by the Site Supervisor & Operations Manager.
- Ensure all project time sheets have been received by comparing to the previous month's pay register.
- Produce a statement of account for each employee's personal account showing deductions.
- Record deduction in the payroll system.
- Post the time and deduction details to the payroll system.
- Produce and check a listing of all time and deduction details.
- Submit all documents to the Chief Accountant or Supervisor.
- Produce a **pay register by cost center**.
- Prepare a journal to post the salary details to the general ledger. Use the **salary allocation list** (Appendix 39) to allocate the salaries between the companies: CPA, T-LEB and C-LEB.

Chief Accountant/Supervisor

- Review and authorize.

8.6 Leave, Paid and Unpaid

The procedures for recording paid and unpaid leave are as follows:

Senior Accountant/Accountant

- Receive a **payment request** (Appendix 34) and a **leave request form** (Appendix 35).
- Ensure the details on the leave request form have been correctly recorded on the payment request.
- Ensure the salary and allowances on the payment request are correct per the payroll system details.
- Ensure the calculation is correct.
- Ensure the payment request has been authorized by the Administration & Personnel Manager and the Branch Manager.
- Prepare a journal voucher.
- Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review and authorize.

Personnel Department

When the employee returns from leave, the Administration Department will send a memorandum confirming the date when the employee returned to work. The personnel department must check this to ensure if he has taken any extra unpaid leave. The procedures to do this are:

- Extract the relevant leave request documents from the personal file and check to see if the employee took any additional unpaid leave for his file recorded.
- If he has, record the days and amount in his file.
- Send a memorandum with the relevant details to the Senior Accountant/Accountant.

Senior Accountant/Accountant

- Note the employee unpaid leave with an the adjustment in the payroll system.

8.7 Bonuses

The procedure for recording bonuses are as follows:

Senior Accountant/Accountant

- . Receive, from the administration department, a memorandum authorized by the Regional Manager and General Manager listing employee names and relevant bonuses to be paid.
- . Prepare a journal voucher.
- . Submit the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and authorize.

8.8 Loans/Advance Payment

Employee loans and advance payments are authorized by the General Manager and paid by way of a cash payment voucher. The cash payment voucher will debit the employee's personal account and credit cash.

The procedures to perform this are described under payment of cash expenses 3.3.2. The only additional procedure is for the Chief Accountant or Supervisor to ensure the loan is in terms of company policy and authorized by the General Manager.

(The payment in the branches must be authorized by the Regional Administration Manager)

8.9 Personal Temporary Cash Advances

Temporary cash advances must be authorized by the Regional Manager and Chief Accountant or Regional Administration Manager and should be deducted from current salary.

8.10 Payment of Salaries

The procedure to authorize the payment of salaries and record the details in the general ledger are as follows:

Senior Accountant/Accountant

- Print the **pay register** (Appendix 37) and the **employee's payslips** (Appendix 38).
- Submit the reports to the Chief Accountant or Supervisor in head office or the Regional Administration Manager in the branches.

Chief Accountant/Supervisor/Regional Administration Manager

- Review each employee's details on the pay register and pay slips and ensure they are correct.
- Authorize the pay register by initializing the report and sign the pay slips.

Senior Accountant

- Ensure the pay register is initialized by the Chief Accountant or Regional Administration Manager and Regional Manager.
- Pass the payslips to the cashier for payment.
- Prepare a bank payment voucher.
- Submit the documents to the Chief Accountant or Supervisor for review.

Chief Accountant/Supervisor

- Review and authorize.

8.11 Gratuity

The procedures to record the liability for end of service indemnity or gratuity are as follows:

Senior Accountant/Accountant

- . Update the **gratuity spreadsheet** to the end of the current month.
- . Reconcile the salary details to the **pay register** for the current month.
- . Compute the difference in gratuity between the balance per the end of the current month and the balance at the end of the prior month.
- . Prepare a journal voucher.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and authorize.

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are one more **specific to PREPAID EXPENSES** and which will be treated in the next chapter:

- Allocation of Prepaid Expenses is done on a manual basis.

9. PREPAID EXPENSES

9.1 Introduction

Expenses must be related to the month and year in which they are incurred. Certain types of expenses are paid in advance and the portion relating to future months is treated as a prepaid expense and apportioned over the period to which the expense relates.

The types of prepaid expenses incurred by the company are:

- . Rent
- . Housing Allowance
- . Various types of Insurance
- . Maintenance
- . Bank Charges

The procedures for prepaid expenses have been described under:

9.3 Allocation of Prepaid Expense

The procedure to allocate a portion of the prepaid expenses to expenses on a monthly basis are as follows:

Senior Accountant/Accountant

- Produce a copy of the **prepayment schedule**.
- Prepare a journal voucher for the portion of prepaid expenses to be allocated to the current year.
- Submit the documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- Review and authorize.

10. **INTER-COMPANY ACCOUNTS**

The inter-company or branch accounts record the transactions that occur between C-LEB, T-LEB, and CPA.

On a monthly basis, all these accounts must be reconciled as follows:

Senior Accountant/Accountant

- . Print statement of account for all branch accounts.
- . Reconcile the balances and if necessary, prepare a journal voucher to correct any difference after confirming the correctness of the variation.
- . Submit all documents to the Chief Accountant or Supervisor.

Chief Accountant/Supervisor

- . Review and authorize.

11. **OTHER INCOME**

The company earns income from three sources:

- Contracting (Refer 4.2).
- Retailing (Refer 4.3).
- Interest on bank and cash deals (Refer 5).

All procedures to account for these items have already been described. The only remaining income item consists of an inter-company charge from CPA to C-LEB and T-LEB.

12. OTHER EXPENSES

The majority of the company expenses falls into the following categories:

- . Labor
- . Cost of materials

Most are processed through cheque payment voucher and the procedures to account for them have been described under:

- . 3. Bank and Cash
- . 5. Accounts Payable/Purchasing
- . 9. Prepaid Expenses
- . 8. Payroll
- . 13. Accrued Expenses

In this section, rules applicable to specific types of expenses are examined.

Telephone and Fax

Employees may make personal telephone calls from the office upon approval. When a telephone invoice is received, the operator will identify all personal call so these can be charged to the employee's personal account.

Invoices for Manager's direct telephone line must be analyzed by the Chief Accountant through discussion with the relevant Manager to identify any personal calls.

Business calls are divided as per agreement among the branches.

Telex and Telegrams

The expenses for telexes and telegrams are also divided as per agreement among the branches.

DHL

DHL forms identify the company to charge and all expenses are therefore charged directly to the relevant company or branches.

Travel

Travel costs are charged to the company from which the employee is paid. Travel expenses for CPA employees are charged 100% to CPA.

Social Security

Social Security details are maintained on a separate spreadsheet. Charges will be by employee.

Taxes

Taxes are a flat 10% on Net Income. They are calculated by the auditors once a year and divided as per revenue or sales between the three locations.

Audit Fees

Audit is allocated to head office.

13. **ACCRUED EXPENSES/PROVISIONS**

Recording of expenses or services rendered for the company, for which no official invoices are received, should be accrued in the period in which these expenses were incurred. The following expenses need to be accrued:

1. Salaries
2. Telephone
3. Electricity
4. Indemnity
5. Vacation Leave Pay
6. Vacation Tickets
7. Engineering Fees
8. Loan Interest / Refinance

At year-end, the senior accountant/accountant record accruals in a journal entry.

DEFICIENCIES

In addition to the common **deficiencies** mentioned in chapter 3 there are one more **specific to YEAR-END ADJUSTMENTS** and which will be treated in the next chapter:

- Closing of Nominal Accounts to Retained Earnings is done manually.

14. **YEAR END ADJUSTMENTS**

Inter - Company Accounts

In C-LEB and T-LEB books, after the year end reconciliation, close the inter-company accounts of all branches/affiliates to CPA.

Accounts Payable - Foreign

Year-end balances should be valued at the Forex Rates prevailing at balance sheet date.

Bank Accounts - Foreign Currency

Year-end balances should be valued at the Forex Rates prevailing at balance sheet date.

15. **CAPITAL**

Retained Earnings

At the end of the year nominal accounts are closed to retained earnings. The computer system will have the capability to automatically close all nominal accounts to retained earnings. There will be therefore no need to prepare closing entries.

Legal Reserve

10% of the companies profit is transferred to a statutory reserve until the legal 50% requirement is met.

APPENDICES

Appendix 1	Cash Request
Appendix 2	Cash Payment Voucher
Appendix 3	Project Expense Report
Appendix 4	Valid Cheque Signatories
Appendix 5	Receipt
Appendix 6	Cash Book
Appendix 7	Journal Voucher
Appendix 8	List of Outstanding Guarantees
Appendix 9	Bank Book
Appendix 10	Daily Collection Report
Appendix 11	Cash & Bank Position Report
Appendix 12	Original Contract
Appendix 13	Bill of Quantities
Appendix 14	Invoice Summary Reports
Appendix 15	Materials Report
Appendix 16	Invoice
Appendix 17	Delivery Order
Appendix 18	Debtor Aging List
Appendix 19	Statement of Account
Appendix 20	Exception Report
Appendix 21	Purchase Order
Appendix 22	Receipt Voucher
Appendix 23	Items Movement In Report
Appendix 24	Analysis of Actual Shipment Cost
Appendix 25	Inventory for the Month
Appendix 26	Cost of Sales Summary Report
Appendix 27	Cash and Credit Sales by Salesman
Appendix 28	Cash and Credit Sales by Day
Appendix 29	Sales by Product Category
Appendix 30	Stock Situation Report
Appendix 31	Fixed Assets Spreadsheet
Appendix 32	Fixed Assets Listing Procedures
Appendix 33	Project Time Sheet
Appendix 34	Payment Request
Appendix 35	Leave Request
Appendix 36	Trial Balance
Appendix 37	Pay Register
Appendix 38	Pay Slip
Appendix 39	Salary Allocation List
Appendix 40	Analysis of Cost Centers
Appendix 41	Chart of Accounts
Appendix 42	The Lebanese Accounting Rules Applied to the Contracting Business

Appendix 1
Cash Request

CASH REQUEST

DATE: / /

PROJECT #: _____

REQUESTED BY: _____

REQUESTED AMOUNTS: Currency

ONLY

REASON FOR REQUEST:

BRANCH MANAGER'S APPROVAL: _____

SIGNATURE: _____

DATE: / /

RECEIVED BY: _____

SIGNATURE: _____

DATE: / /

**Appendix 2
Payment Voucher**

PAYMENT VOUCHER

NO. 01711

DATE / /

PAY TO THE ORDER OF :

US\$ / L.L.

ONLY: _____

BEING: _____

A/C No.	PROJECT	DESCRIPTION	DEBIT	

APPROVED BY:

CASHIER'S	C. ACCOUNT	DIV. MGR.

RECEIVED BY

VALID CHEQUE SIGNATORIES

Chairman

General Manager

Area Manager Trading - LEB

Area Manager Contracting - LEB

Marketing and Sales Director

Business Development Manager

Appendix 5
Receipt

RECEIPT VOUCHER

RECEIVED FROM M/S:

--	--

THE AMOUNT OF:

ONLY:	
-------	--

BEING:	

BANK NAME:

--

DATE

--

CHEQUE #

--

CASHIER'S	C. ACCOUNT.	APPROVED BY	RECEIVED BY

A/C No.

DESCRIPTION

DEBIT

--	--	--	--

CREDIT

TOTAL			

**Appendix 6
Cash Book**

CASH BOOK

No. #

DATE:

REF	DESCRIPTION	RECEIVED		PAYMENT	

<p>PREVIOUS BALANCE</p> <p>RECEIVED</p> <p>PAYMENT</p> <p>BALANCE</p>	<p>+</p> <p>+</p> <p>-</p> <p>=</p>	<table border="1"> <tr> <td style="width: 50px; height: 20px;"></td> <td style="width: 50px; height: 20px;"></td> </tr> </table>		

ACCOUNTANT

CHIEF ACCOUNTANT

JOURNAL VOUCHER

J - 0 1 1 6 5

DATE:

PAGE:

AJC NO.	DESCRIPTION	COD	DEBIT	CREDIT

Appendix 8
List of Outstanding Guarantees

PAGE 1

C.P.A

LIST OF OUTSTANDING GUARANTEES AS OF

15 / 09 / 92

I. DATE	LG #	BENEFICIARY NAME	PROJECT NAME	AMOUNT	MARGIN	TYPE	EXPIRY DATE	REMARKS
10-12-94	6259	REAL ESTATE DIV.	ZAFCO	249,500.00	12,475.00	PBBD	26-6-95	
01-09-94	6479	ANYBODY	ANYTHING	152,000.00	7,600.00	PBBR	29-10-97	

SUBTOTAL

SUBTOTAL

Appendix 10
Daily Collection Report

ATTENTION : MR. YYYYYYY
C.C.: - MR. XXXXX

DAILY COLLECTION REPORT DATED

T - LEB & C - LEB		TRIPOLI		
	CASH & CHEQUE	ADJUST MENTS	DAILY TOTAL	MONTHLY TOTAL
A: BANK BALANCE				
B: PETTY CASH BALANCE				
C: TRIPOLI REGION COLLECTIONS				
T - LEB				
C - LEB				
TOTAL FOR TRIPOLI				
D: AFFILIATES COLLECTION				
1) T-LEB - BEIRUT				
2) T-LEB - SAIDA				
3) C-LEB - BEIRUT				
4) C-LEB - SAIDA				
TOTAL FOR AFFILIATES				
TOTAL COLLECTION				
E: DETAILS OF FUNDS TRANSFER				
FUND TRANSFERS				
TOTAL OF FUNDS EFFECTED				
N.: - WILL TRANSFER THIS AMOUNT _____ AND NOT YET DEDUCTED FORM THE BALANCE				

CASH AND BANK POSITION

Appendix 11
Cash & Bank Position Report

01-02-95	10-02-95	20-02-95	22-02-95	24-02-95	25-02-95
5:00 PM	5:00 PM	5:00 PM	5:00 PM	5:00 PM	5:00 PM

PETTEY CASH FUND

BEIRUT
TRIPOLI
SAIDA

SUB - TOTAL

BANKS - BEIRUT - CPA

FBK A/C # 656314 - US\$.
ABC A/C # 3234646 (TB) - US\$.
ABC A/C # 3234632 (CB) - US\$.
ABC A/C # 5205160 - DEM .
ABC A/C # 5206696 - ITL .
ABC A/C # 5206529 - GBP .
ABC A/C # 5206489 - FRF .
FBK A/C # 621632 - DEM .
FBK A/C # 621720 - ITL .
FBK A/C # 621852 - GBP .

SUB - TOTAL

BANK - BEIRUT - C-LEB

FBK A/C # 621316 - US\$.
FBK A/C # 621400 - US\$.

SUB - TOTAL

BANK - BEIRUT - T-LEB

FBK A/C # 621500 - US\$.

SUB - TOTAL

BANK - TRIPOLI

FBK A/C # 621600 - US\$.

SUB - TOTAL

BANK - SAIDA

FBK A/C # 621700 - US\$.

SUB - TOTAL

COLLECTION

BEIRUT
TRIPOLI
SAIDA

C-LEB	T-LEB	C-LEB	T-LEB	C - MARBLE	OTHERS
24-02-95	24-02-95	Feb-95	Feb-95	Feb-95	Feb-95

T O T A L

Appendix 12
Original Contract

February 15, 1995

M/S. C - LEB
For Waterproofing
P.O. Box 0001
Beirut, Lebanon

Subject : Project Name - Final Phase Water Proofing and Roofing.

With reference to your quotation for above subject, we are pleased to inform you that your company can proceed with the work as stated in the scope of work listed below, terms and conditions as listed in this letter of intent and as per your letter reference No. JRB/ENQ/330892/8 - 5001 dated 02/01/95.

1.0 Scope of Work

- 1.1 Scope of work to be as per attached B.O.Q. for wet areas and roof. All materials to be as detailed in attached B.O.Q.

All shop drawings to be revised as per consultants comments and approval to be taken prior to start of work.

2.0 Quantities/Description:

All quantities to be as per attached B.O.Q. However, payment will be based on executed quantities as confirmed by the project manager and the consultants.

3.0 Schedule of Works:

Work to commence on 28th February and must be stagewise completed in accordance with the detailed program given by the project manager. Overall completion to be by 30th August 1995.

4.0 Terms and Conditions:

Certification to be provided to confirm 10 & 20 years life guarantee against workmanship and material respectively.

- 4.2 All work is to be tested in the presence of the consultants.
- 4.3 Payment will be made as per actual site measurement.
- 4.4 Expansion joint cover to be identified.

- 4.5 Separation layer of 'Fibertex' F-123 to be used.
- 4.6 Exposed joints requiring sealants to be of polysulphide rubber base.
- 4.7 Waterproofing tile grout to be approved.
- 4.8 XX mm thermal insulation for roof to be used.
- 4.9 All material and workmanship to be in accordance with recognized standards and to the full satisfaction of project manager and complete satisfaction of the Engineer and Project Manager.
- 4.10 The anticipated amount
 1. 20% of the contract value as advance payment upon signing of the contract agreement against an equal value bank guarantee.
 2. Monthly progress payments covering the value of the actual works executed on site, less the advance payment percentage and 10% retention.
 3. 10% retention shall be released upon completion of waterproofing works, against an equal value bank guarantee valid for one year.

5.0 Responsibilities:

M/s. C - LEB is responsible for :

- (a) Welfare of its people.
- (b) Insurance against all risks.
- (c) Safety of its own and others affected by their work.
- (d) Completion to all works to be to the full satisfaction of project manager and the consultants.
- (e) Any work that fails or is not approved must be made good at M/s. C-LEB own expensed to the full satisfaction of the project manager and consultants. This is to include breaking of parts of structure, only after approval, sanitation facilities and accessories, architectural covering etc.

6.0 Penalty:

2.5% per week or part of week of delay up to the maximum of 10% of total contract amount will become applicable in the event of delay.

Best Regards,

GENERAL MANAGER

BILL OF QUANTITIES
PROJECT: "PROJECT NAME"
C - LEB

PAGE: 1/5

ITEM / DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTA PRICE
TO SUPPLY AND APPLY				
A. Waterproofing of Wet Areas System:				
A1. Horizontal Area:				
- "Sure-Seal" liquiseal liquid rubber waterproofing membrane XXmm average thickness horizontal grade.				
- "Sure-Seal" or "Firestone" rubber waterproofing membrane, YY" thick fully bonded. Fibertex: Definition				
- Polyethylene sheet, XY micron loose laid.	2,640	Sqm		
A2. Vertical Areas:				
- Liquiseal' liquid rubber membrane, VXmm average				

T O T A L

G R A N D T O T A L

**Appendix 14
Invoice Summary Reports**

INVOICE No.	:	_____	INTERIM	<input type="checkbox"/>
PROJECT No.	:	_____	FINAL	<input type="checkbox"/>
CONTRACTOR NAME	:	_____	ADV. PAY	<input type="checkbox"/>
PROJECT NAME	:	_____	PROGRESS	<input type="checkbox"/>
ADV. PAYMENT RECEIVED	:	_____	MATERIALS	<input type="checkbox"/>

GROSS VALUE OF CURRENT INVOICE	+	383,616	40
ADVANCE VALUE OF PREVIOUS INVOICE	-	155,295	47
NET WORK EXECUTED	=	228,320	93

ADVANCE PAYMENT	-	45,664	31
RETENTION	-	22,832	14
OTHERS	+	0	02
TOTAL DUE FOR PAYMENT	=	159,824	50

ADVANCE PAYMENT			
CURRENT INVOICE No.	+	76,723	28
PREVIOUS INVOICE No.	-	31,058	97
CURRENT DEDUCTION	=	45,664	31

RETENTION			
CURRENT INVOICE No.	+	38,361	64
PREVIOUS INVOICE No.	-	15,529	50
CURRENT DEDUCTION	=	22,832	14

	DR		CR	
CLIENT	159,824	50		
ADVANCE PAYMENT	45,664	31		
RETENTION	22,832	14		
OTHERS				
T.O. INCOME (REVENUE)			228,320	95

PREPARED BY: _____

APPROVED BY: _____

Appendix 15
Materials Report

Materials Report

Project: _____ Project No: _____

Contractor: _____ Date: _____

Site Supervisor: _____

Item	Code	Description	Quantity	Unit

Driver Informed: _____ Date: _____

Picked By: _____ Date: _____

Received By: _____ Date: _____

**Appendix 16
Invoice**

DATE	NO.
NAME & ADDRESS	

INVOICE

ACCT. NO.	P.O. NO.	SHIP TO	SALESMAN	TERMS OF PAYMENT
ITEM CODE	DESCRIPTION		QTY.	UNIT
				U. PRICE
				TOTAL
				Total
PREPARED BY	ACCOUNTS	MANAGER APPROVAL	RECEIVED BY	SIGNATURE
			NAME	
			DATE	

Credit invoice will only be considered paid against an official receipt from the company

**Appendix 17
Delivery Note**

DATE	NO.
NAME & ADDRESS	

DELIVERY NOTE

ACCT. NO.	P.O. NO.	SHIP TO	SALESMAN	TERMS OF PAYMENT
ITEM CODE	DESCRIPTION		QTY.	UNIT
				U. PRICE
				TOTAL
STOREKEEPER:		DRIVER:		
PREPARED BY	ACCOUNTS	MANAGER APPROVAL	RECEIVED BY	SIGNATURE
			NAME	
			DATE	

I, the signatory, confirm that I have received the above mentioned materials in full and in good condition.

Appendix 18
Debtor List

Balance Agings 03

03/03 1993

A/C #	A C C O U N T	N A M E	CURRENT	30	60	90	120	OVER	BALANCE
CREDIT DAYS	CREDIT LIMIT								
4132125	AIR:ZAFCO		0.00	0.00	0.00	10,874.34	0.00	24,055.66	34,930.00
0	0								
TOTAL			0.00	0.00	0.00	10,874.34	0.00	24,055.66	34,930.00
%			0.00	0.00	0.00	31.13	0.00	68.87	

Appendix 19
Statement of Account

STATEMENT OF ACCOUNT

STATEMENT PERIOD : 01/04/92 - 31/03/93
 ACCOUNT NUMBER : 41321125
 ACCOUNT NAME : A/R: ZAFCO / PRIV.JEDDAH PALACE / BBBC

VCH DATE	VCH NO.	VOUCHER	DESCRIPTION	DEBIT	CREDIT
01/04/94			PREVIOUS BALANCE	13,000.50	
29/07/94	J-00209		18TH PROG. INV#1013/94-WP	147,358.37	
22/09/94	R-00764		COLL > CHQ#331052		114,182.72
18/11/94	J-00681		FINAL INV#1117 / 94-WP	11,996.77	
12/01/95	R-00897		PYMT OF INV#1117-BSF CQ#078143		10,797.09
31/01/95	J-01012		ADJ. OF A/C-SITE MESRMT DISCREP		46,176.15
			MOVEMENT TOTALS.....	159,355.14	171,155.96
31/03/95			B A L A N C E	1,199.68	

We Confirm Above Balance is Correct.

SIGNATURE

CURRENT	30 DAYS	60 DAYS	90 DAYS	OVER
0.00	0.00	0.00	0.00	1,199.68

Appendix 21
Purchase Order

PURCHASE ORDER

	PAGE #	OF
	DATE	

SUPPLIER NAME & ADDRESS		TERMS AND CONDITIONS				T-LEB CUSTOMER REFERENCE
		DELIVERY TERMS	MODE OF SHIPMENT	PAYMENT TERMS	SHIPPING MARKS	
		DELIVERY DATE	DELIVERY POINT	CURRENCY		
SUPPLIER CODE #						

ITEM #	T-LEB CODE #	SUPPLIER CATALOG NUMBER & DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	TOTAL PRICE
					TOTAL	

N.B. PLEASE NOTIFY US IMMEDIATELY IF YOU ARE UNABLE TO SHIP COMPLETE ORDER BY SPECIFIED DATE.

PREPARED BY: _____ AUTHORIZED BY: _____

SPECIAL INSTRUCTIONS:

**Appendix 22
Receipt Voucher**

RECEIPT VOUCHER

					DATE	
					VENDOR NAME	
					DLN NO.	
					ORDER / SHIP NO.	
S. NO	CODE	DESCRIPTION PACKAGE	UNIT	QTY RECEIVED		
REMARKS:					T	C
					PAF	N
RECEIVED	RECEIVED BY	MANAGER APPROVAL	ACCOUNTS	C P A		
				WAREHOUSE	MANAGER	

Appendix 23
Items Movement in Report

ITEMS MOVEMENT IN
07 - 03 - 1994

01 - 03 - 94 => 01 - 03 - 94

001

DATE	STORE#	A/C #	ACCOUNT NAME	Operation Name	V. NO.	AMOUNT
01-03-93	02		WAREHOUSE #1 BEIRUT	BRNCH INVOICE	12157	1,909.92
01-03-93	01		SHOWROOM BEIRUT #2	BRNCH INVOICE	12158	000.00
01-03-93	02		WAREHOUSE #1 BEIRUT	BRNCH REFUND	12159	669.14
01-03-93	02		CASH	CASH INVOICE	34175	264.00
01-03-93	01		M/S ANYBODY	CASH INVOICE	34176	300.00
01-03-93	01		M/S FADI	CASH REFUND	01874	-450.00
01-03-93	06		M/S BARBAR	CREDIT INVOICE	06086	407.00
01-03-93	01		M/S BABAKAR	CREDIT INVOICE	06087	323.00

**Appendix 24
Analysis of Actual Shipment Cost**

**C-LEB & T-LEB
COST ANALYSIS**

INV. NOS.:

ORDER NOS.:

INVOICE AMOUNT:

SHIPMENT NO.:

SUPPLIER:

CURRENCY:

FX RATE:

	ACTUAL	ESTIMATED
C I F		
COST		
INSURANCE		
FREIGHT		
OTHERS		
SUB - TOTAL	_____	_____
DUTY / CLEARANCE / TRANSPORT		
CUSTOMS DUTY		
CLEARANCE & INSPECTION FEE		
LOADING & TRANSPORT		
SUB - TOTAL	_____	_____
L/C OPENING & BANK CHARGES		
L/C OPENING CHARGES		
BANK COMM. & SERVICE CHARGES		
SUB - TOTAL	_____	_____
T O T A L	=====	=====
CALCULATED RATE		

PREPARED BY :

CHECKED & APPROVED BY:

Appendix 25
Inventory for the Month

LOCATION:

INVENTORY FOR MONTH		01/04/95			
ITEM NO.	S. QTY	TP. COST	C. VALUE	TOT. COST	
AD *****	3,698.00	0.00	26,181.84	26,181.84	
AM *****	9.00	418.34	936.00	517.66	
AT *****	2,152.00	21,662.12	55,243.20	33,581.08	
BG *****	28.00	0.00	254.17	254.17	
CE *****	10.00	0.00	582.00	582.00	
CX *****	210.00	0.00	1,413.30	1,413.30	
DD *****	2,819.00	495.34	2,238.35	1,743.01	
DS *****	14.00	52.32	99.92	47.60	

Appendix 26
Cost of Sales Summary Report

BEIRUT SHOWROOM #1 FOR JANUARY 1994

	DESCRIPTION	T. PRICE
AD	MATERIAL1	26,181.84
AM	MATERIAL2	936.00
AT	MAT.3	55,243.20
BG	MAT.4	254.17
CE	MAT.5	582.00
CX	MAT.6	1,413.30
DD	MAT.7	2,238.35
DS	MAT.8	99.92
T O T A L		

Appendix 27
Cash and Credit Sales by Salesman

SALESMAN NAME

ITEMS MOVEMENT UP TO
01 / 03 / 1994

01

CURRENT MONTH

DESC.	INV#	SALES	COST	TOTAL SALES	PAYMENT	BALANCE
-------	------	-------	------	-------------	---------	---------

TOTAL

Appendix 28
Cash and Credit Sales by Day

ITEMS MOVEMENT IN
01-03-1993

01-02-94 => 31-02-93

DATE	STORES	AJC #	CASH	CREDIT	ACCUMULATED
01-02-94	*	*****	101,166.00	84,616.00	182,782.00
02-02-94	*	*****			

TOTAL

Appendix 29
Sales by Product Category

PRODUCT CATEGORY
07/03/94

UP TO 03 / 94

CATEGORIES	NAME	B / F	CURRENT	ACCUMULAT
A *****		442,574.60	0.00	442,574.60
B *****		608,235.19	51,203.39	659,438.58

++ ***** TOTAL

FIXED ASSET LISTING PROCEDURE

All fixed assets in the company should be listed according to one uniform procedure. To identify any one fixed asset in any branch please comply with the detailed process explained below:

I. DESCRIPTION

TYPE	CODE	SUB	CODE	DEPRECIATION RATE
FURNITURE	FUR	OFFICE	1	
		SITE	2	
		HOME	3	
		LABOR CAMP	4	
		SHOWROOMS	5	
PROPERTY	PPE	PROPERTY	1	
PLANT		PLANT	2	
EQUIPMENT		HEAVY EQUIP.	3	
		TOOLS	4	
VEHICLES	VEH	TRANSPORT	1	
		PRIVATE	2	
COMPUTERS	COM	HARDWARE	1	
		SOFTWARE	2	

B	J	F	U	R	1	0	7	9	4	C	R	0	0	0	1
Initials		CODE		USER	P. DATE			LABEL		SERIAL #					

II. CODING

Any fixed asset will carry a Fourteen alpha numeric character code.
This code will be shown physically on the asset and monitored in our accounts
via a fixed asset identification card initiated upon its purchase (FIX.ID).
See from next page.

XX . XXX . X . XXXX . XXXXX

LOCATION:	TYPE CODE	USER	DATE OF LABEL SERIAL PURCHASE COUNT
CPA = 1			MONTH - YEAR (SEE LABEL CODES)
TB = 2			
CJ = 3			
TR = 4			
CR = 5			
TS = 6			
CS = 7			

Example: a car purchased in Sept. 88 for T - LEB Tripoli Branch
for use in Labor Transport

4VEH10988.VN003

TR It is the third car registered in this branch

Vehicle Van Code Label

Transport use 1988

September

Simple and easy to use.

LABEL	CODE	DEPRECIATIO N RATE
TABLE	TB	
CHAIR	CR	
CABINETS	CB	
DESK	DK	
DRAWERS	DW	
COUNTER	CN	
TELEPHONE	TL	
PHOTOCOPIER	PH	
FAX	FT	
FIXTURES	FX	
BEDS	BD	
A/C	AC	
APPLIANCES	AP	
PORTA CABINS	PC	
CAR SEDANS	CA	
VANS	VN	
TRUCKS	TR	
FLAT BED TRUCKS	FB	
CRANES	KN	
FOAM MACHINES	FM	
POWER TOOLS	PW	

Appendix 33
Project Time Sheet

بطاقة عامل
TIME SHEET

NAME _____ NUMBER _____ TRADE _____

FOREMAN	DEDUCT	BONUS	DAILY/MONTHLY RATE		TO		FROM		DATE
			LABEL	CODE	SITE	HOURS			
						O.T.	S.T.		
									1
									2
									3
									4
									5
									6
									7
									8
									9
									10
									11
									12
									13
									14
									15

LABEL	ACTIVITY DESCRIPTION	LABEL	ACTIVITY DESCRIPTION
E	EARTHWORK		
CN	CONCRETE POUR		
RS	REINF STEEL		
FW	FORMWORK		
BL	BLOCK LAYING		
IP	PLASTER INT.		
EP	PLASTER EXT.		

WORKING DAYS * = DAILY RATE
 OVER TIME * = HOURLY RATE
 ALLOWANCES
 BONUS
 DISCOUNTS
 TOTAL

SITE SUPERVISOR ()		ACCOUNTANT ()				HOURS		DATE
FOREMAN	DEDUCT	BONUS	LABEL	CODE	SITE	O.T.	S.T.	
								16
								17
								18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
								29
								30
								31

THE WORKING HOURS INDICATED ABOVE ARE TRUE. IT REPRESENTS MY FULL RIGHTS FOR THE INDICATED AMOUNTS AND ADMIT MY FULL RESPONSIBILITY TO ANY ABSENCES RO DEDUCTIONS.

LABOR SIGNATURE

REMARKS:

**Appendix 34
Payment Request**

NAME **EMPL. No.**

NATIONALITY **PROFESSIONAL** **LAST VACATION** **VISA**

STARTING DATE **TOTAL**
LEAVING DATE

SALARIES	<input type="text"/>
FOOD ALLOWANCE	<input type="text"/>
TRANSPORTATION	<input type="text"/>
HOUSING	<input type="text"/>

INCOME

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL INCOME		<input type="text"/>	<input type="text"/>

DEDUCTION

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL DEDUCTION		<input type="text"/>	<input type="text"/>

NET FOR PAYMENT

ONLY

BR. MGR	ADM. MGR.	C. ACCOUNT
<input type="text"/>	<input type="text"/>	<input type="text"/>

RECEIVED BY:

T - LEB

LEAVE REQUEST

L.R. No.

FILE

NAME

NATIONALITY

REASON

ADDRESS WHILE ON LEAVE:

TEL _____
No. _____

PERSON RESPONSIBLE DURING MY ABSENCE

STARTING ON

ENDING ON

With reference to the Labor and Workment
Law my contract will be considered as null if I fail
to join my work after termination of my leave.

عطفا على نظام العمل والعمال يعتبر عقدي
لاغيا ان لم ألتحق بالعمل فور انتهاء
اجازتي المقررة

SIGNATURE

= APPROVAL =

DIV. MANAGER

REMARKS

PER. DEPARTMENT

REMARKS

RESERVATION

DATE

PLACE

DEPARTURE	RETURN	PLACE

ADM. MANAGER

TO:

WE PREPARE THE:

EXIT RE ENTRY

EXIT ONLY

PERIOD

L.R. No.

FOR Mr.

FILE No.

PLEASE LET HIM CHECK WITH ACCOUNTING DEPT. FOR HIS SETTLEMENT

PERSONNEL DEPT.

PAY SLIP FOR MONTH

01 / 93

FILE NO.
EMPLOYEE NAME

POSITION
COST ACC. NO.

BASIC SALARY
DUE SALARY
OVER TIME
TRAVELLING ALLOW.
FOOD ALLOW.
HOUSING ALLOW.
OTHER ALLOW.

GROSS SALARY

DEDUCTIONS

LOANS
PUNISHMENT
OTHER DEDUCTIONS

TOTAL DEDUCTION

NET AMOUNT DUE

DIVISION MANAGER

CHIEF ACCOUNTANT

RECEIVED BY

Appendix 39
Salary Allocation List

COMMON DEPARTMENT SALARY ALLOCATION

DATE:

#	NAME	MONTHLY TOTAL	CPA	TB	CB	REMARKS
	ADMINISTRATION - A -----		40%	20%	40%	
	ADMINISTRATION - B -----		33.33%	33.33%	33.33%	
	ACCOUNTS -----		40%	30%	30%	
	WAREHOUSES -----			50%	50%	
	T O T A L	0.00	0.00	0.00	0.00	

Appendix 40
 Analysis of Cost Centers

3065***** ANALYSIS OF COST CENTERS

04 - 03 / 98

03/03/98

A/C #	ACCOUNT NAME	DEBIT	CREDIT	BALANCE
3065	COST:U.C.T.C.			
	T.O.I.:U.C.T.C.	1.23	3114723.48	-3114722.25
	T.O.I.: OTHERS	0.00	1.30	-1.30
	O/E: WAGES	142580.99	0.00	142580.99
	O/E: OVERTIME	8519.46	0.00	8519.46
	O/E: FOOD ALLOWANCE	25694.73	0.00	25694.73
	O/E: TRANSPORTATION EXPENSES	535.00	0.00	535.00
	O/E: GRAVEL	12500.00	0.00	12500.00
	O/E: ALUMINUM FLASHING	4300.00	0.00	4300.00
	O/E: VARIOUS MATERIALS	1651796.06	0.00	1651796.06
	O/E: SMALL TOOLS	40.00	0.00	40.00
	O/E: MISCELLANEOUS EXPENSES	737.00	0.00	737.00
	O/E: FUEL	40.00	0.00	40.00
	O/E: OIL	108.00	0.00	108.00
	O/E: GAS	301.00	0.00	301.00
3065*****		1847153.47	3114724.78	-1267571.30

APPENDIX 41

**THE LEBANESE CHART OF ACCOUNTS APPLIED TO
THE TRADING AND CONTRACTING BUSINESSES**

CLASS 1 : EQUITY & LONG TERM DEBTS

ACCOUNT GROUP 10 CAPITAL

101	Capital
1013	Subscribed Capital (Called & Paid Up)
102	Premiums Related to the Capital
103	Reevaluation Variances
1031	Revaluation Variances of unamortizable Fixed Assets
1035	Revaluation Variances of Amortizable Fixed Assets
109	Owners Current Account

ACCOUNT GROUP 11 RESERVES

111	Legal Reserve
112	Statutory And Contractual Reserve
119	Other Reserves

ACCOUNT GROUP 12 BROUGHT FORWARD RESULTS

121	Profit Brought Forward
125	Loss Brought Forward

ACCOUNT GROUP 13 NET RESULT OF THE FINANCIAL PERIOD (PROFIT OR LOSS)

131	Gross Trade Margin
132	Value Added
133	Gross Trading Operating Margin
134	Operating Result (Prior to Financial Income & Expenditures)
135	Result Before Taxation
136	Non-Operating Result
138	Result of the Period - Profits
139	Result of the Period - Losses

ACCOUNT GROUP 14 INVESTMENT SUBSIDIES

141	Investment Subsidies Received
145	Investment Subsidies Translated to Results

ACCOUNT GROUP 15 PROVISIONS FOR CONTINGENCIES & CHARGES

151	Provisions for Contingencies
1511	Provisions for Litigation and Sundry Contingencies
1512	Provisions in Respect of Guarantees given to Customers
1513	Provisions for Losses on Exchange
1514	Provisions for Losses on Future Transactions
1515	Provisions for Fines and Penalties
155	Provisions for Charges
1551	Provision for deferred charges
1552	Provisions for Employee End of Service Indemnities and Similar Obligations
1553	Provisions for Taxes

ACCOUNT GROUP 16 LONG & MEDIUM TERM DEBTS

162	Loans from Financial Institutions
168	Sundry Loans and Debts
1682	Deposits and Guarantees
1689	Other Medium and Long Term Debts

ACCOUNT GROUP 18 ACCOUNTS WITH AFFILIATED COMPANIES

181	Branches and Joint Ventures Accounts
1811	Balance Brought Forward
1815	Movements of the Period
186	Intercompany Charges
187	Intercompany Income

ACCOUNT GROUP 19 ACCOUNTS OF REGROUPING THE CHARGES & THE INCOME

191	Determination of the Gross Trading Margin
192	Determination of Value Added
193	Determination of the Gross Operating Income
194	Determination of Operating Result (Prior to Financial Income and Expenditures)
195	Determination of the Current Result before Taxation
196	Determination of Non-Operating Result
197	Determination of the Period's Result

CLASS 2 : ACCOUNTS OF FIXED ASSETS

ACCOUNT GROUP 21 INTANGIBLE FIXED ASSETS

212	Establishment Expenses
214	Patents, Licenses, Trade Marks and Similar
219	Other Intangible Fixed Assets

ACCOUNT GROUP 22 TANGIBLE FIXED ASSETS

221	Land
223	Construction
2231	Buildings
2232	General Installation and Leasehold Improvements
2233	Infrastructure Works (Dams - Airport - Runways...)
2234	Construction on Leasehold Land
224	Technical Installations and Industrial Tools
2241	Specialized Installations
2242	Specific Installations
2243	Industrial Equipment
2244	Industrial Tools
225	Transportation Equipment
226	Other Tangible Fixed Assets
2261	Furniture and Fixtures
2262	Plant, Prop. & Equip.
2263	Office and Computer Equipment
227	Tangible Fixed Assets in Progress
2271	Land
2273	Buildings
2274	Technical Installations, Industrial Equipment & Tools
2276	Other Tangible Fixed Assets
228	Advance Payments on account of Tangible Fixed Assets

ACCOUNT GROUP 25 FINANCIAL FIXED ASSETS

255	Long and Medium Term Loans
2551	Loans to Partners
2552	Loans to Employees
2558	Other Loans

ACCOUNT GROUP 28 DEPRECIATION OF FIXED ASSETS

281	Amortization of Other Intangible Fixed Assets
2811	Establishment Expenses
2813	Patents, Licenses and Similar Values
2819	Other Intangible Fixed Assets
282	Depreciation of Tangible Fixed Assets
2823	Constructions
2824	Technical Installations & Industrial Tools
2825	Transportation Equipment
2826	Other Tangible Fixed Assets
28261	Furniture & Fixtures
28262	Plant, Prop. & Equip.
28263	Vehicles
28264	Computer

ACCOUNT GROUP 29 PROVISION FOR DIMINUTION IN VALUE OF
FIXED ASSETS

290	Provisions for diminution in value of Fixed Assets
291	Provisions for diminution in value of Intangible Fixed Assets
292	Provisions for diminution in value of Tangible Fixed Assets
2921	Land
2926	Other Tangible Fixed Assets
295	Provisions for diminution in value of Financial Fixed Assets
2955	Long and Medium Term Loans

CLASS 3 : INVENTORY AND GOODS IN PROCESS

ACCOUNT GROUP 31 RAW MATERIALS AND CONSUMABLE GOODS

311 Raw Materials
315 Other Consumable Supplies and Materials

ACCOUNT GROUP 33 WORKS IN PROCESS

332 Works in Progress

ACCOUNT GROUP 37 INVENTORY FOR SALE

371 Inventory C.P.A.
372 Inventory
 3721 Inventory - A
 3722 Inventory - B
 3723 Inventory - C

**ACCOUNT GROUP 39 PROVISIONS FOR DIMINUTION IN VALUE OF
INVENTORY & WORKS IN PROCESS**

391 Provisions for diminution in value of Raw Materials and
 Consumable goods
397 Provisions for diminution in value of Inventory

CLASS 4 : RECEIVABLES & PAYABLES

ACCOUNT GROUP 40 SUPPLIERS

401	Accounts Payables (Suppliers)
4011	Invoices
4012	Sub Contractors
4015	Notes Payable
4018	Invoices not received yet
4019	Earned Discounts & Allowances
403	Fixed Assets Suppliers
4031	Invoices
4035	Notes Payables
4038	Invoices not received yet
4039	Earned Discounts & Allowances
407	Adv. Pymnt - Project On Hand
4071	Advance Payments - Contractors
4072	Advance Payments - Materials On Site
409	Accounts Payables (Sub Contractors)
4091	Progress Invoices
4092	Retentions
4078	Invoices not received yet
4079	Earned Discounts & Allowances

ACCOUNT GROUP 41 DEBTORS (CUSTOMERS)

411	Invoices
4111	Ordinary Clients
4115	Doubtful Clients
4116	Contractors - Series 1
4117	Contractors - Series 2
4119	Contractors - Others
413	Notes Receivable
4131	Clients
4132	Contractors
415	Advances on Works Unbilled to Contractors

418	Invoices Under Preparation
419	Advances and Payments on Account for Orders Under Execution
4191	Advance Payments To Contractors
4192	Adv: Materials On Site
4193	Progress Invoices
4194	Retentions
4195	Due Retentions

ACCOUNT GROUP 42 PERSONNEL

421	Payments Due to Personnel
4211	Personnel Account - MNGT & SENIOR
4212	Personnel Account - STAFF
4213	Personnel Account - SUPERVISORS
4214	Personnel Account - LABORERS - TECH.
428	Personnel's Accounts Receivable
4281	Advances and Payments
4282	Retentions

ACCOUNT GROUP 43 SOCIAL SECURITY

431	Accounts Payable to Social Security
4311	Benefits Payable
4315	Notes Payable - Social Security
4318	Charges to be accrued for (Social Security)
438	Accounts Receivable from Social Security Fund

ACCOUNT GROUP 44 GOV'T AND PUBLIC INSTITUTIONS

443	Tax due
4431	Taxes on profit
445	Gov't and Public Institutions other accounts payable
449	Gov't and Public Institutions Accounts Receivable
4491	Subsidies Receivable
4497	Other Receivables
4498	Accrued Revenues not collected

ACCOUNT GROUP 45 PARTNERS

451	Partners Current Account
4511	Affiliated Companies
4512	Branches Current Account
4515	Other Partners
4518	Joint Ventures
455	Other Partners Payables

ACCOUNT GROUP 46 MISCELLANEOUS ACCOUNTS RECEIVABLE & PAYABLE

461	Misc. Operating Accounts Payable
4611	Accounts Payable - for Consignment & Containers
4619	Other Payables (Operational)
463	Installments on Financial Fixed Assets
465	Misc. Accounts Payable - Non-Operating
468	Misc. Accounts Receivables - Operating
4681	Accounts Receivables - for Consignments & Containers
4689	Other Misc. Receivables - Operational
469	Misc. Receivables - Non-Operating
4691	Accounts Receivables on Fixed Assets Disposal
4699	Other Misc. Receivables - Non-Operational

ACCOUNT GROUP 47 PRE - PAYMENTS & ACCRUALS

471	Deferred Charges
4711	Prepaid Expenses
4712	Major repairs for Amortization
4719	Other deferred charges
472	Deferred Income
473	Accrued Income
474	Accrued Expenses
475	Exchange Difference - Liabilities

	4751	Increase on Accounts Receivable
	4752	Decrease on Accounts Payable
	4758	Other Exchange Difference
476		Exchange Difference - Assets
	4761	Decrease on Accounts Receivable
	4762	Increase on Accounts Payable
	4768	Other Exchange Difference

CLASS 5 : FINANCIAL ACCOUNTS

ACCOUNT GROUP 50 SECURITY PLACEMENTS

ACCOUNT GROUP 51 FINANCIAL INSTITUTIONS

511	Cheques for Collection
512	Banks
5121	Letters Of Credit
5122	Letters Of Guarantee
519	Financial Institutions

ACCOUNT GROUP 53 CASH

53	Cash
5311	Cash Head Office
5312	Imprest Petty Cash
5313	Sites Cash (Advances)

ACCOUNT GROUP 58 INTERCOMPANY

58	Intercompany Transfers
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CLASS 6 : EXPENDITURE

ACCOUNT GROUP 60 PURCHASE AND VARIATION OF INVENTORY

601	Purchases
6011	Goods
6018	Expenses Connected to Purchases
60181	Freight
60182	Commissions
60183	Insurance on Freight
60184	Clearing Expenses
60185	Customs Charges
6019	Discount & Allowances Earned
605	Variation of Inventory
6051	Opening Stock
6052	Closing Stock

ACCOUNT GROUP 61 PURCHASES RAW MATERIALS & CONSUMABLES

611	Raw Materials and Consumables purchases
6111	Raw Materials purchases
61111	A. Raw Materials purchases
61112	B. Raw Materials purchases
6112	Consumables purchases
61121	Fuel & Gaz
61122	Maintenance Products
61123	Sites Supplies
61124	Stores Supplies
61125	Office Supplies
6118	Expenses Connected to Raw Materials & Consumable purchases
61181	Transport & Freight
61182	Commissions & Brokerage
61183	Insurance on Freight
61184	Clearing Charges
61185	Customs Charges
6119	Discount & Allowances Earned

615	Variation of Raw Materials & Consumable Inventory
6151	Opening Stock
6152	Closing Stock

ACCOUNT GROUP 62 OTHER CHARGED & DISBURSEMENTS

621	Costs Related to Sub Contracts
6211	Sub Contract A
6212	Sub Contract B
6219	Discount & Allowances in purchase from Sub-Contractors
625	Leasing & Patents Cost
6251	Leasing on Materials
6252	Leasing on Property
626	External Services
6261	Transportation & Communication
62611	Transportation of Assets
62612	Personnel Collective Transportation
62615	Postage, Telephone & Telecommunication
6262	Maintenance & Repairs
6263	Rent & (building Services)
62631	Rent
62632	Premises
62633	Other Related Charges
6264	Hotel & Restaurant
62641	Entertainment
62642	Travel & Transport
62643	Personnel Meals
6265	Personnel Services
62651	Temporary Personnel
62652	Agent's Commission
62653	Fees
6266	Training
62661	Training & Development
62662	Documentations
6267	Studies & Research

6268	Insurance Premiums
6269	Other External Services
62691	Medical Care
62693	Marketing

ACCOUNT GROUP 63 PERSONNEL CHARGES

631	Salaries & Wages
6311	Salaries
6312	Wages
6314	Fixed Commission
6316	Manager Remuneration
6317	Directors Remuneration
635	Social Security

ACCOUNT GROUP 64 FEES & TAXES

641	Income Tax on Salaries & Remunerations
642	Municipal Tax
643	Value Added Tax
644	Registration Fees
645	Other Taxes

ACCOUNT GROUP 65 AMORTIZATION, DEPRECIATION & PROVISIONS (OPERATIONAL)

651	Depreciation
6511	Furniture & Fixtures
6512	Plant, Prop. & Equip.
6513	Vehicles
6514	Computer
6515	Common Fixed Assets
652	Amortization
6521	Amortization of Intangible Assets
6525	Amortization of Deferred Charges
655	Provisions
6551	Provisions for diminution in value of Intangible Fixed Assets
6552	Provisions for diminution in value of Tangible Fixed Assets
6553	Provisions for diminution in value of Inventory
6554	Provisions for Bad & Doubtful Debts
6555	Provisions for risks & Charges (Operational)

ACCOUNT GROUP 66 OTHER OPERATING CHARGES

661	Other Operating Charged
6611	CPA Charges
6612	Losses on Irrecoverable Operating Receivables
662	Operating Expenses - Other Projects
6621	O/E: Others
6622	O/E: Others
663	Bad Debts - Claims
6631	Contractors
6632	Others
665	Loss on Joint Venture

ACCOUNT GROUP 67 FINANCIAL CHARGES

673	Interest
6731	Interest - Accounts Payable & Loans
6732	Interest - Overdrafts & Deposits
6734	Interest - Other Accounts Payable
6735	Discount Paid
6736	Interest - Banks & Financial Institutions
675	Negative Exchange Differences

ACCOUNT GROUP 68 NON OPERATING CHARGES

681	Net Book Value of Fixed Assets Disposal of
6811	Intangible Fixed Assets
6812	Tangible Fixed Assets
6815	Financial Fixed Assets
685	Other Charges - non-operating
6851	Charges on Administrative Operations
68511	Donations
68512	Subsidies Granted
68513	Fines & Penalties
68514	Penalties on Contracts
68515	Irrecoverable Receivables
68516	Other Administrative Operations

689	Depreciation & Provisions Non-Operating
6891	Exceptional Depreciation of Fixed Assets
6892	Provision for Exceptional diminution in prices
6895	Provisions for risks & charges - non-operational

ACCOUNT GROUP 69 INCOME TAX

69	Income Tax on Profits
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CLASS 7 : SALES OF GOODS

ACCOUNT GROUP 70 SALES OF GOODS

701	Invoices
709	Discount & Allowances Allowed

ACCOUNT GROUP 71 SALES OF PRODUCTION

712	Works
713	Services
717	Proceeds from Ancillary Activities
719	Discount & Allowances Allowed
7192	Works
7193	Services
7197	Ancillary Activities

ACCOUNT GROUP 72 PRODUCTION (VARIATION)

721	Turn-Over Income - Revenue
7211	T.O. Income - Series 1
7212	T.O. Income - Series 1
7215	T.O. Income - O t h e r s
722	Studies & Services in Progress (Variation)
7225	Studies in Progress
7226	Services in Progress

ACCOUNT GROUP 75 PROVISIONS WRITE - BACK

752	Write-Back of Provisions for diminution in value of Fixed Assets
753	Write-Back of Provisions for diminution in value of Current Assets

ACCOUNT GROUP 77 FINANCIAL REVENUES

775	Foreign Currencies Positive Difference
7751	Current Operations
7755	Capital Operations

ACCOUNT GROUP 78 NON OPERATING REVENUES

781	Revenues from Fixed Assets Disposals
7811	Intangible Fixed Assets
7812	Tangible Fixed Assets
7815	Financial Fixed Assets
782	Investment Subsidies Transferred to Profit & Loss
788	Misc. Income Non Operating
7881	Exceptional Revenue on ordinary operation
7888	Other Revenue on exceptional Capital Operations
7889	Allocation of Exceptional Charges
789	Write-Back of Non Operating Provisions
7891	Write-Back of Provision for diminution in values
7895	Write-Back of Provision of risks & charges

APPENDIX 42

**THE LEBANESE ACCOUNTING RULES APPLIED TO
THE CONTRACTING BUSINESS**

The main problem of the constructions contracts is the distribution of the contracts' costs and revenues on the different accounting fiscal periods during the contracts lives.

TYPE OF CONTRACTS

Construction contracts are organized in many ways, and usually classified into two main types:

1 - Fixed Price Contracts where the contractor agrees on a fixed price or on an average sometimes related to the increasing costs.

2 - Cost - Plus Contracts where the contractor compensates for the allowed and determined costs by adding to a percentage of these costs or to fixed fees.

I - The Accounting Approach to The Costs and Revenue of Constructions Contracts

1 - Two main methods are used in approaching construction's contracts:

- Total Value of Work Executed Up-To-Date Method (TVM)
- Executed Contract Method (ECM)

a - Total Value of Work Executed Up-To-Date Method (TVM)

Revenues are recognized with the work progress. The costs of the executed works up-to-date are compared with the revenues to prepare reports on the results of the portion of the work executed.

b - The Executed Contract Method (ECM)

Revenues are recognized upon the finalization of the total project or of its main part where only small works that do not affect the contract guarantee are left. According to this method, costs and payments on work executed are accumulated during the contract's duration and revenues are recognized only after the contract almost total completion.

2 - Provision for losses at the end of the executed part of the contract must be prepared regardless of which of the two methods is used. In addition, provisions for losses contingent to the execution of the remaining part of the contract must be prepared.

3 - It may be needed for accounting purposes to join all the contracts related to each agent or related to several agents if they were negotiated to become one group or if they pertain to one project. And the opposite is also true. If the contract covers a number of projects and it is possible to determine the costs and revenues of an individual project within the general contract's conditions, it would be possible to treat every project as if it were an independent one.

II - Costs of Constructions Contracts

- 1 - The total period during which the contract's costs are determined begins by the acquisition of the contract and ends by its completion.
- 2 - Thus, all the costs incurred by the contractor before winning the contract are considered as expenses for the period in which they are incurred. But if it is possible to separate the contract's acquisition costs from everything else and if the possibility of winning the bid is high, these costs can be postponed.
The postponement of these costs is not applied until winning the bid becomes obvious.
- 3 - The contract's costs include contingent security expenses which provisions could be determined when reasonably estimated (National Accounting Rule Number 10: Contingencies and Events Following the Balance Sheet Date).
- 4 - The costs incurred by the enterprise in executing the contracts can be divided into the following:
 - a- Direct costs on a specific contract.
 - b- Contracts' General costs that can be linked to specific ones.
 - c- General costs to the enterprise or to the contracts that cannot be linked to specific ones.
- 5 - Direct costs on a specific contract include the following:
 - Labor on Sites and Supervision Costs.
 - Materials used in the construction of the project.
 - Depreciation of the machines and tools used for the contract.
 - Machines and Tools Transportation costs From and To the site.
- 6 - General costs on contracts that can be related to specific ones include the following:
 - Insurance
 - Design and Technical Assistance
 - Indirect construction costs
- 7 - General costs to the enterprise or to the contracts which cannot be related to specific ones include the following:
 - Administrative and Selling costs
 - Financial costs
 - Research and Development costs
 - Depreciation of Machines and Tools that are not used for a specific project
- 8 - The costs designated in paragraph 7 are not usually included in the Accumulated Costs because they are not related to up-to-date achievements of any specific project. However, in some cases, Administrative, R&D, and Financial costs can be included in the contract's costs if they are directly related to it.

THE BASIS FOR RECOGNIZING REVENUES IN CONSTRUCTIONS CONTRACTS

I - Total Value of Work Executed Up - To - Date Method (TVM)

- 1 - Recognized revenues can be determined by referring to the executed phase of the contract at the end of every fiscal period. One of the advantages of this method is that it recognizes the fiscal period revenues when they are earned. That is, revenues are earned whenever the works are executed.
- 2 - Measurement of the completed stage to determine the revenues recognized in financial statements can be done in several methods. One of them is to determine the percentage of the up-to-date costs from total costs estimated for the contract.
- 3 - Not every Progress Payment or Advance Payment is related to the parts achieved; therefore, they are not usually reliable in the determination of the revenues earned.
- 4 - When using TVM, the percentage of costs incurred to the present date is deducted from the total estimated costs of the contract. Therefore, costs should be adjusted so as to reflect only the work executed. The following are some examples of costs that need adjustments:
 - a - Direct costs of materials purchased for the project but not yet used.
 - b - Advance payments to subcontractors if these payments are not for works executed in conformity with the subcontract.
- 5 - The risks of the TVM stem from using estimates. Therefore, Earnings are not recognized in the Financial Statements unless the contract's results are estimated in a reliable way. Otherwise, this method cannot be used.
- 6 - In Fixed Price contracts, estimates are reliable only under the following conditions:
 - a - The contracts' Total Revenues should be appropriately estimated.
 - b - The costs of the up-to-date executed part of the contract and costs of its remaining, yet unfinished, part should be appropriately estimated.
 - c - The contracts costs should be properly estimated so as to be able to compare actual costs with previous cost estimates.
- 7 - In Cost - Plus contracts, estimates are reliable only under the following conditions:
 - a - The contract's costs can be clearly determined.
 - b - Costs, other than those determined by the contract, can be properly estimated, in accordance with the contract's conditions, as recoverable.

II - The Executed Contract Method (ECM)

1 - The main characteristic of this method is its reliance on actual results upon the entire, or almost entire, execution of the contract, instead of relying on estimates that may need modifications in the light of unexpected but possible costs or losses. Consequently the degree of the risk of recognizing unachieved profits diminishes.

2 - The main reservation against using the ECM is that profits earned do not indicate the level of the work performed in a particular period. For example, upon the finalization of several contracts in one fiscal period, without having finished anyone of them in the previous or following periods, the profit level declared will vary considerably during these periods despite the fact that meanwhile the work level on these projects does not vary. Even when several contracts are being executed continually in each fiscal period and when the profits are expressing the work level on these contracts, there will be a time span between the executed work and the recognized revenues.

III - Choosing The Method

1 - Choosing the method that the contractor should follow for accounting purposes depends on the extent to which he can be sure of the estimates accuracy of the contract's costs and revenues. Sometimes, the contractor may decide to use the ECM in light of the uncertainty or confusion stemming from:

- the work changing nature. This may call for additional negotiations on the possibility to recover the costs and revenues.
- the estimation process itself.

On the other hand, sometimes the reasonable estimation of the contract's results is possible, thus justifying the use of TVM on the entire or on a part of the contract. However, the contractor may use both methods at the same time for different contracts.

2 - If the contractor chooses one method for a specific contract, he must use the same method for all similar contracts.

3 - In addition to the fact that the uncertainty factor must be taken into consideration, the contractor may use criteria - specified in advance - to choose the accounting method for the contracts. For example, the ECM may be used when revenues do not exceed a specified value, or if the contract's duration is less than a specified time period even if it is possible to reasonably estimate the contract's results.

4 - Each accounting method the contractor uses and the criteria he applies that help in making the selection are considered as the accounting policies that should be constantly applied on similar projects (National Accounting Rule Number 1: " The Disclosure of the Accounting Policies ").

IV - The Change In The Accounting Policy

If the accounting policy used has been changed, the change, its value, and the reasons behind it should be disclosed (National Accounting Rule Number 8: " Exceptional Clauses, Previous Periods' Clauses, and the change in the Accounting Policies").

If the contractor switched from the TVM to the ECM, he might not be able to specify the quantitative results of the switch during the fiscal period. Therefore, in such cases, unfinished contracts or at least profits declared in previous periods should be declared at the beginning of the fiscal period.

V - Allowances For Unexpected Losses

1 - When the current estimates of the contract's costs and revenues point out a loss, an allowance for the total loss must be taken regardless of the percentage of the work executed. Even if sometimes the contingency loss exceeded the costs up-to-the-present-date, an allowance for the total value of the contract loss must be taken.

2 - The size of the contract may be so large that it is expected to absorb a considerable part of the company's power and energy for a long period of time. Therefore, the period's expenses incurred by the enterprise are treated as direct to the project and are included in the contract Loss Allowance account.

3 - If the Loss Allowance is necessary, it should be estimated regardless of the following:

- a - whether work on the project began or not
- b - the part executed of the project
- c - the value of the Contingent Profits of other independent contracts

4 - The determination of the value of the contract's Contingent Loss may be surrounded by a great amount of uncertainty, so it would be possible in some cases to record the Next loss and in other cases to declare only the Contingent Loss (National Accounting Rule Number 10: " Contingencies and Events Following the Balance Sheet Date ").

VI - Claims and Modifications Resulting From Constructions Contracts

1 - The amounts earned out of claims from the contractor and out of modifications in the contract's text agreed upon by the agent are recognized as Revenues in the Financial Statements provided that the contractor is certain that the claims and modifications are acceptable and within the range of accepted values.

2 - Claims and Penalties payable by the contractor for a performance delay or for any other reason are considered in the F/S's as Expenses directly related to the project. On the other hand, claims that are considered contingent in nature are treated according to the National Accounting Rule Number 10: " Contingencies and Events Following the Balance Sheet Date " .

VII - Progress Payments, Advance Payments, and Insurance (*Accounts Receivable - C-LEB: 4.2*)

1 - Payments upon the execution of a part of the contract, progress payments, or advance payments received from agents are recognized in the F/S's as Accounts Payable or by subtracting them from the value of Constructions Under Execution .

2 - Payments due on executed works but not received yet (Accrued Revenues not collected yet) and Retentions on the executed work held by the agent until the fulfillment of the conditions stated in the contract are recorded in the F/S's as Accounts Receivable or showed as explanations.

**NATIONAL ACCOUNTING RULE NUMBER 11
CONSTRUCTIONS CONTRACTS**

The National Accounting Rule Number 11 is made up of the following sections and should be read in light of the above written ones:

1 - The Total Value of Work Executed Up-To-Date method or the Executed Contract method are the methods that must be used in the F/S's.

2 - The TVM can be used only when it is possible to reasonably estimate the contract's results. The latter could be verified in Fixed Price contracts if the total following conditions are satisfied:

- a - The contract's total revenues should be appropriately estimated
- b - The costs of the up-to-date executed part of the contract and costs of its remaining, yet unfinished, part should be appropriately estimated.
- c - The contract's costs should be evaluated independently so as to be able to compare actual costs with previous cost estimates.

The reasonableness of the contract's result-estimations in the case of Cost - Plus contracts can be verified if the following two conditions are satisfied:

- a - The contract's costs can be clearly determined.
- b - Costs, other than those determined by the contract, can be properly estimated as recoverable according to the contract's conditions.

3 - The costs of the contract should include the direct costs related to the project in addition to the general expenses that can be tied to specific contracts.

4 - If the contractor chooses to use a certain accounting method for one contract, he should use it for all other similar contracts.

5 - Expected losses should appear in the F/S's whether they are for the executed part of the contract or for works to be executed in the future.

Disclosure

6 - The Financial Statements should show the following:

- a - The value of the constructions under execution
- b - Cash received or claimed as payments on achievements (Progress Payments), Advance Payments, and Insurance on contracts under execution
- c - The value of the Accounts Receivable that are not included in the Constructions Under Execution when following the Cost - Plus method.

If the contractor decided to use both, the TVM and the ECM, the value of the contract shown under paragraph 'a') should be analyzed so as to state it under both methods.

7 - Any change in the accounting policy used should be declared according to the National Accounting Rule Number 8: " Exceptional Items, Previous Periods Items, and Changes in the Accounting Policies ".

However, if the accounting policy used for contracts under execution is switched at the beginning of the fiscal period from the TVM to the ECM, sticking to this rule and consequently, determining the quantitative results of the change, will become difficult.

In such cases, the value of declared profits during earlier periods of contracts that are under execution should be stated at the beginning of the fiscal period.

Date Of Application

8 - This National Accounting Rule becomes effective in the Financial Statements that cover the periods starting January 1, 1980 and thereafter.

**NATIONAL ACCOUNTING RULE NUMBER 8
EXCEPTIONAL ITEMS, PREVIOUS PERIODS' ITEMS,
AND THE CHANGES IN THE ACCOUNTING POLICIES**

The National Accounting Rule Number 8 is made up of the following sections:

1 - The income from the enterprise's ordinary activities of the fiscal period must be disclosed within the Net Income in the Income Statement. In addition, the Net Income must include the exceptional items and the independent declaration of the nature and value of each one of them.

2 - The change of the accounting policies of the previous periods' items and any modification in the value of each one of them are treated according to one of the two following methods:

a - They are incorporated within the adjustments performed on the Accumulated Profit Beginning Balance in the F/S's of the present fiscal period, and within changes done on the previous years' comparative information that is attached to the F/S's.

b - They are incorporated separately within the Net Profits of the current Income Statement.

When using any of the above mentioned methods, these items must be disclosed in order to facilitate the comparison among the figures presented in different periods.

3 - The Accounting Policies must be changed:

a - for legal requirements,

b - if requests issued by a council specialized in the accounting rules necessitate it, or

c - if the change leads to a better presentation of the F/S's.

4 - If the change in the accounting policy has a substantial effect on the present or on future periods, it will be imperative to disclose the effects of the change, its quantitative status, and its causes.

5 - The effect of the change in the estimates resulting from the enterprise's ordinary activities is carried on the profits of:

a - the period during which the change occurred if it affects only this period

b - the period during which the change occurred and the future periods if it affects them all.

The adjustments performed on any item that is previously considered Exceptional must be incorporated within the Exceptional Items.

6 - If the change in the estimates has a materialistic effect on the current period's or on the coming periods' results, this effect must be disclosed and its value must be determined.

Date Of Application

This National Accounting Rule becomes effective and applicable on the F/S's that cover the period starting January 1, 1979 and thereafter.

**THE NATIONAL ACCOUNTING RULE NUMBER 1
THE DECLARATION OF THE ACCOUNTING POLICIES**

The National Accounting Rule Number 1 is made up of the following sections:

1 - The principal accounting assumptions are Continuity, Consistency, and Maturity (Payability). It is not necessary to disclose these assumptions when the enterprise first adopts them. However, any violation must be declared and explained:

a - Continuity

The enterprise is supposed to maintain its activities in the visible future without having the intention or the necessity to liquidate or to constrict them.

b - Consistency

It assumes the application of similar accounting policies between one fiscal period and another.

c - Maturity

Revenues and Expenditures are recorded in the accounting books when earned or incurred respectively (and not when Cash is received or paid), and they are recorded in the F/S's in their respective periods.

2 - Prudence, Pertinence of Information, and Monetary Nominalism must control the selection and the application processes of the accounting policies.

a - Prudence

Doubt and uncertainty surround many activities. Therefore, Prudence is imperative when preparing the F/S's. However, Prudence does not justify the development of secret or undisclosed Provisions.

b - Pertinence of Information

Activities and events are presented and evaluated according to their actual state-of-affairs and substance (essence) and not according to their legal form only.

c - Monetary Nominalism

The Financial Statements should disclose all the items that are so materialistic that they affect the evaluation and the decision-making processes.

3 - The Financial Statements should include a clear and concise disclosure of the accounting policies employed.

4 - The disclosure of the most important accounting policies used must form a complementary part of the F/S's and must appear in one single place.

5 - Any improper or erroneous handling of the items of the Balance Sheet, Income Statements, Profit and Loss statements and other F/S's cannot be justified by the disclosure of the accounting policies used or by showing remarks or explanations.

6 - Previous period's comparative figures must appear in the F/S's.

7 - Any change in the accounting policies and its causes must be disclosed if it has a substantial effect on the results of the present or pervious periods. Furthermore, the effects of this change, if important, must be disclosed and a quantitative assessment must be given.

Date Of Application

8 - The principles of this accounting rule become effective and applicable in the F/S's that cover the periods that begin at January 1, 1975 and thereafter.

**NATIONAL ACCOUNTING RULE NUMBER 10
CONTINGENCIES AND EVENTS FOLLOWING
THE BALANCE SHEET DATE**

The National Accounting Rule Number 10 is made up of the following sections:

Contingencies

1 - The value of the Contingent Loss must be recorded and carried onto the Profits in the Income Statement provided that the following two conditions are fulfilled:

- a - it is likely that the coming events will foster a lack in the Assets or an addition in the Liabilities at the B/S date, after taking into consideration what can be recovered from this lack or addition, and
- b - the value of the Contingent Loss can be reasonably estimated.

2 - If the two conditions mentioned in section 1 are not fulfilled, the Contingent Loss should be disclosed in the F/S's provided that the probability of incurring a loss is high.

3 - The value of the Contingent Profits must not be recorded in the F/S's, and it can be disclosed if they are likely to occur.

Events Following The Balance Sheet Date

4 - The value of the Asset and Liabilities must be modified in light of the events that follow the B/S date if the following two conditions are satisfied:

- a - if it gives an additional proof on situations that were outstanding at that date
- b - or if it is inconvenient to stick to the Continuity Principle with respect to the entire or to a part of the enterprise.

5 - The Financial Statements must be adjusted or must disclose the Profits on Shares related to the period covered by these statements and that were suggested or declared after the B/S date but before the approval on the issuance of the F/S's.

6 - The Assets and Liabilities must not be adjusted. However, only the following events must be disclosed:

Events that:

- a - occur after the B/S date,
- b - do not affect the state of these Assets and Liabilities at that date, but
- c - are so important that their omission will affect the re-evaluation or the decision-making processes of the Financial Statements' users.

The Disclosure

7 - If the disclosure is required on the basis of the sections 2 & 3 of this rule, the following information must be given:

- a - the nature of the Contingencies
- b - the unclear factors that may affect future results
- c - the evaluation of the materialistic effect or the notification that this evaluation has not been reached.

8 - If the disclosure of the events following the B/S date is required according to section 7 of this statement, the following conditions must be provided:

- a - the nature of the event
- b - the evaluation of the materialistic effect or the notification that this evaluation has not been reached.

Date Of Application

9 - This National Accounting Rule becomes effective and applicable in the Financial Statements that cover the periods starting January 1, 1980 and thereafter.