

Approved:
Economic Research Center
Chairman of Management Board
G.Bayramov _____
“08” “January” 2007

ECONOMIC RESEARCH CENTER

FINANCE POLICY

JANUARY 2007

CONTENT

INTRODUCTION	3
BANKING AND CASH OPERATIONS	4
ADMINISTRATIVE EXPENSES	7
AUTHORITY EXPENSES.....	8
OPERATIONS WITH NON-CURRENT ASSETS	10
BOOKKEEPING OF INTANGIBLE ASSETS	12
CALCULATION OF GRANT PROJECTS	13
PREPARATION OF PROJECT BUDGET.....	15
REVENUES AND EXPENSES	19
PREPARATION OF FINANCIAL STATEMENTS	21
SAFETY RULES OF INFORMATION AND PROTECTION OF INITIAL	
DOCUMENTS	23

1. INTRODUCTION

This instruction is the collection of the rules what's purpose to provide effective management of finance-accounting activity, including internal accounting management rules and to customize financial system of Economic Research Center.

The activity of union is based on The Constitution of Azerbaijan Republic, The civil Code, Law about Non –governmental Organisations, Grant law, The Tax Code and other laws of Azerbaijan Republic.

All initial documents which were compiled and Introduced to subsidiary have to correspond demands of The Law about Accounting and Tax code of Azerbaijan Republic. The chief accountant has to be charged to compile accounting register, timetables based on initial documents , the Law of Accounting of Azerbaijan Republic, and taking registers corresponded to legislation on the accounting programs of computer . Finally, accounting and tax reports has to be compiled and introduced to the necessary government organizations in time .

Accounting year– financial year period is 01 january– 31 december

The contest of this direction can be changed only with consent of administrative board..

2. BANKING AND CASH OPERATIONS

It's accepted as the main signature in banking and cash operations as the signature of the chairman of management board or deputy of the chairman of administrative personnel. It's accepted financial manager's or chief accountant's signature as the accountant's signature.

Cash operations

Money can be taken out from cash only on the basis of orders given basis of expenditure warrants. Salary and royalty payments from the cash is made legal by the settlements confirmed with the signature of chief and accountant. Money paid to juridical persons up to 1000 azn has to be taken only by settlements. Money up to 10000 azn can be taken only with the legal permission after application to management board.

Safety of cash – Cash must be saved in fire durable cashboxes in financial department of Economic Research Center.

The following persons have safe key:

Position	Safe key
Chairman of the Management Board	X (additional keys). Chairman of the Management Board will save one of the keys, the other one will be saved by the employee confirmed by the decision of Chairman of the management board.
Financial manager	-
Treasurer	X

Financial department has to be sure that all cashboxes are closed in the end of the work day.

Cancellation of cash documents – For the cancellation of receipts order treasurer has to write “it has been cancelled” and sign on the order. Also, Chairman of the Management Board or Financial manager has to sign cancelled order. If it's written new order instead of cancelled order, then the number of cancelled order has to be written on the new order.

Banking operations and their accounting .

It's provided transfer, cash, currency conversion operations by means of bank accounts.

Transfer – payment instruction is prepared and affirmed during transfer operations according to liabilities and contract documents by the chief accountant or competent accountant who has second signature example in the bank. Payment instruction is given to employee bank till 3 days period after affirmed by the chairman who has first signature example in the bank or by competent person.

Cashing- cashing is held in basis of bank cheque. Competed person is appointed and given power of attorney in the company for getting cash money. According to relevant rule bank cheque is filled and affirmed by the chief accountant or competed person. Cash money in the sum volume bank cheque is taken from the bank by the competed person and is returned to the company cash. If the cash money is received from the bank it's used Cash Receipts Order registered by the special government organization.

Conversion – *Conversion operations is used to realize trading foreign currency without cash..* This time application is given to the bank provided services for trading foreign currency without cash..

3. ADMINISTRATIVE EXPENSES

It should be expected the following succession during administrative expenses:

At first commodity-material order is filled by the executive of this order. It's has to be shown in the document the name ,sum, time of the orders and in which project frame it is intended .

- ☒ 2. if the implementation of that order is considered expedient by the administration then it has to be made official with command. Date, required financial liability, the source where from money was paid and the person responsible for execution have to be shown in the order.
- ☒ 3. According to order If the payment is intended to be paid by means of the bank it has to be made official with Indemnification task , if it's intended to be paid by means of the cash it has to be made official with the expenditure order.
- ☒ 4. **təhtəlsəxs** -who was paid cash money has to introduce report to the accounting not to be late from the shown time in the commodity-material order

Authorities on the affirming of expenses – Affirmation of expenses is defined by the following rules: Advisory Board has to decide execution operations up to this sum.

Position	Authority level
The Chairman of Management Board	More 2000 AZN
The Deputy of the Chairman of Management Board	2000 AZN

Financial manager	500 AZN
-------------------	---------

4. Authority EXPENSES

The following succession should be expected during authority expenses:

- ☒ Order is filled by the Project coordinator. The place where an official journey will take place, persons, time of official journey and sum per head have to be shown in that order.
- ☒ If the implement of that order is considered expedient by the administration it has to be made official with command. Intended sum in the order has to be paid to every who was sent on an assignment by the cash expenditure order.
- ☒ Every person who is sent to the official journey has to be given warrant.
- ☒ Every person should introduce authority report to the accounting after returning from an official journey. Hotel expenses has to be financed according to introduced documents.

During an official journey transport expenses have to be made official by the following rules:

- ☒ It should be concluded a lease treatment with the driver. Lease or authority term shouldn't be more than 5 days. Lease sum includes tax from payment source.
- ☒ During the official trip benzine expenses should be paid according to the leaflet of the road registration.

5. OPERATIONS WITH NON-CURRENT ASSETS

Conception of non-current assets- Land , house and equipments which useful

exploitation period is more than 1 year, primary value more than 100 (one hundred)

manats and waited for taking profit in future is belonged to non-current assets of

company. Delivery and combine expenses of non-current assets are added to purchase value of non-current assets and these expenses are added to the expenses of company part by part in ways of amortization.

Goods and properties which is shown in non-current assets category, but got for the purpose to be sold or given to the rent to other position are not included to the non-current assets. Goods and properties got for shown purposes are included to the investment property.

Non-current assets which are not used or don't give economical benefit during the activity of company are taken out from the category of non-current assets.

The accounting of non-current assets – The representative of administrative department has to include received non-current asset to the non-current assets inventory of Economic Research Center. The representative of administrative department has to specify stock number to non-current asset immediately and glue it on the stock, then add it into the Non-current Assets List. Non-current assets are assets of the company. **Tam köhnəlməsi başa çatmamış əsas vəsaitlər döyəri tam dövərlə müvafiq aktiv hesablarında əks olunur.** Special card is compiled to every non-current asset for analytical calculation of non-current assets, description of its motion and implementation of its accounting , according to Tax code. Non-current assets which useful exploitation period have ended ,but haven't been done spoilage are saved with remainder value in the balance sheet and are not deleted from the property list of administrative section.

Inventory-making – Inventarization of all non-current assets has to be held at least once a year. The inventerization of non-current assets is executed according to the rules of this instruction..

Purchase of non-current assets

Making official of non-current assets is implemented by the following systematical:

.

- ☒ . During the purchasing of non-current assets price offers at least should be collected from 3 firms

- ☑ Collected price offers should be analysed by the founded comission and the result should be introduced validly to the admisnistration
- ☑ Agreement of the admisnistration should be made officil by the order
- ☑ The implementation of non-current assets with bank is considered expedient.

6. BOOKKEEPING OF INTANGIBLE ASSETS

INTANGIBLE ASSETS are defined as identifiable availability of long term usage and non-monetary assets that cannot be sold during activity of the company. The main feature of intangible assets is that, they're not exist in physical form. Intangible assets includes licenses, patents, **nou-hous** copyrights, trademarks , tradenames, goodwill etc. Accounting of intengible assets is held according to accounting teratment of nun-current assets.

The useful life of intangible assets is defined with taking into account the following factors:

- ☑ Legislation, regulatory and legal acts and treatments
- ☑ Fulfilment period of intended work
- ☑ Economical factors (renovation of intangible assets, prolonging period, useful life time, expected aging period ,demand,competition and etc . economical factors)

The maximum useful life time of intangible assets can't be more than 10 years.

Liquidation value isn't defined for intangible assets and during calculation the liquidation value is equal to 0.

7. BOOKKEEPING OF GRANT PROJECTS

Grant projects which are the bases of the “unity” should be documented by the following rules:

- ☒ Monthly cash book is opened in the computer for every project. The numbers, dates and sum of all primary documents have to be shown in the book. Sums operated by cash are encoded according to the budget of the project. Remainder in the book and cash remainder in the day the operation was held are compared. Cash remainder of every project is saved in the safe separately. Cash book is introduced to the accounting signed by the project coordinator and accountant in the end of the every month.
- ☒ Monthly bank book is opened in the computer for every project. The numbers, dates and sum of all primary documents have to be shown in the book. Sums operated by cash are encoded according to the budget of the project. Bank book is introduced to the accounting signed by the project coordinator and accountant in the end of the every month.
- ☒ Grant analyse book is opened for projects. Sums encoded on the cash and bank are reflected in that book. Remainder and expense percents on the budget are reflected in that information.
- ☒ According to affirmed budget paragraphs it's allowed to spend only up to 10 percent of money up to 5000 manats and up to 500 manats if it is

more than 5000 manats. If it is necessity to spend more than noted sum an agreement letter has to be sent to the donor organization about it. Money can be spent only in basis of an agreement of donor organisation.

- ☑ If it is necessity of implementation of any new activity in the framework of the project , donor organisation has to be given official information about it. Thrift sprout up from the budget is shown separately in that information .The sum of money sprout from the savings has to make balance with the money which is necessary to realize new activity.
- ☑ After that, unity introduces its final report, unity receives official information about that the report has been accepted by the donor organisation. Opinions and comments about financial report are announced in the official letter.

8. PREPARATION OF PROJECT BUDGETS

The following statements have to be paid attention in the budget during the project suggestion to the donor:

- ☒ The budget of the project which is introduced to the donor has to be compiled with AZN. If it's ment by donor organisation to accept budget with other rate of exchange , the budget can be compiled with foreign currency according to the today's rate of exchange.
- ☒ On salary paragraph– The minimum rate of salary of the staff should be defined depending on the period of the project. That amount of insurance is calculated as addition to the salary.

If the period of project is 3 month or the budget of the project is less than 5000azn ;

- ☒ The minimum wage rate of coordinator-300 AZN;
- ☒ The minimum wage rate of assistant– 150 AZN;
- ☒ The minimum wage rate of accountant has to be – 100 AZN

If the period of the project is more than 3 monthes and less than 6 monthes or the budget of the project more than 5001 AZN but less than 10000 AZN;

- ☒ The minimum wage rate of coordinator - 400 AZN;
- ☒ The minimum wage rage of asistant – 200 AZN;
- ☒ The minimum wage rate of accountant has to be – 120 AZN

If the period of the project is more than 6 monthes and less than 8 monthes or the budget of the project more than 10000 AZN but less than 25000 AZN;

- ☒ The minimum wage rate of coordinator - 500 AZN;
- ☒ The minimum wage rage of asistant – 300 AZN;
- ☒ The minimum wage rate of accountant has to be – 150 AZN

If the period of the project is more than 8 monthes and less than 12 monthes or the budget of the project more than 25000 AZN;

- ☒ The minimum wage rate of coordinator - 700 AZN;
- ☒ The minimum wage rage of asistant – 400 AZN;
- ☒ The minimum wage rate of accountant has to be – 200 AZN

If the period of project is more than 12 months then, the Salary rate mented for the next year is defined as proportionate to the middle persontage of inflation of current year according to the information of SSC in republic.

If it's needed other employee's labor in the project then the minimum wage rate has to be affirmed as the following form depending on positions: (The necessity of other staff members' activity has to be shown in the letter which was added to the budget)

- ☒ IT or web operator – 300 AZN;
- ☒ Office manager – 300 AZN;
- ☒ Administrator – 200 AZN;
- ☒ Program worker - 250 AZN;
- ☒ Driver– 250 AZN;

According to royalties and service paragraph minimum royalties and service amount has to be defined in the project.

- ☒ Authorship – per every written page - üzrə 15 AZN; (Səhifə 12 lik Times Latin şirfti, 1,0 intervalla müəyyənləşdirilsin)
- ☒ Translation– per every translated page - 13 AZN;
- ☒ Jurnalist – per every written page 10 AZN;
- ☒ Art editing – per evry edited page – 3 AZN;
- ☒ Design – per every designed page – 2 AZN;

- ☑ Corrector - per every corrected page – 1,5 AZN;

According to survey paragraph – Minimum survey sum has to be defined 3 Azn per every page of survey poll in the framework of the project .

According to authority paragraph – The sum of expense of daily official journey is 15 AZN (with required receipt). The maximum amount of money for per room in the hotel can't be more than 40 AZN. During business trips the authority expenses are defined by the administration according to the country.

According to the paragraph of transport expenses – If the place where the official journey will take place is situated 0-70 km apart from Baku then the amount of lease for car is intended 30 AZN, 71-150 km the the amount of lease for car is intended 60 azn, if 151-250km the amount of lease for car is intended 100 AZN . The amount can be increased 2 times if the rent time is more than 3 days.

.

- ☑ Benzine paragraph- It is made official 10 liter benzine for every 100 km.
- ☑ Monthly minimum amount of administrative expenses is defined depending on the amount of the budget and period of the project.
- ☑ If the period of project is 3 month or the budget of the project is less than 5000azn;

Communication expenses – 40 AZN;

Office expenses –40 AZN;

Communal expenses – 30 AZN;

If the period of the project is more than 3 monthes and less than 6 monthes or the budget of the project more than 5001 AZN but less than 10000 AZN;

Communication expenses – 60 AZN;

Office expenses –50 AZN;

Communal expenses – 40 AZN;

If the period of the project is more than 6 months and less than 8 months or the budget of the project more than 10000 AZN but less than 25000 AZN;

Communication expenses– 70 AZN;

Office expenses-65 AZN

Communal expenses – 45 AZN;

Unexpected expenses - 65 AZN

If the period of the project is more than 8 months and less than 12 months or the budget of the project more than 25000 AZN;

Communication expenses– 100 AZN;

Office expenses – 100 AZN;

Communal expenses - 60AZN

The monthly minimum amount of bank expenses is formed according to commission percent of the bank where the money will enter for taking out cash money. If the amount is transferred with foreign currency at that time it's taken two-fold of this amount.

The paragraph of the lease, media company, equipment, publication, literature , ceremony (round table, seminar, final conference, training) is formed during compiling of the project on the basis of results of price suggestions.

9. REVENUES AND EXPENSES

Revenues and expenses are classified in the following form according to their essence:

Non-exchange revenues - Donations and grants obtained from donor organisations organize the base of revenues of the organisation

Exchange revenues – This part includes services serviced for private organisations and other non-profitable activities.

Expenses – It's the expenses spent during economy operations. Operation expenses are divided into 4 groups :

1. staff expenses –
 - ☒ salary
 - ☒ Additions to the salary (money allocationv to SSPF-22%)
2. Activity expenses –
 - ☒ Measure
 - ☒ Referendum
 - ☒ Service
 - ☒ Fee
 - ☒ Press
 - ☒ Media company
 - ☒ Membership
 - ☒ Authority (ölkə daxili və xarici)
 - ☒ Transport
3. .Administration expenses

- ☒ Lease
- ☒ Office
- ☒ Communal
- ☒ Bank
- ☒ Communication (internet)
- ☒ Post
- ☒ Subscription to the press
- ☒ Repair expenses of equipments
- ☒ Other expenses

10. THE PREPARATION OF FINANCIAL STATEMENTS

Final financial statements of organisation are followings :

1. **Experimental balance (according to remainders of synthetic accounts) – monthly**
2. **Income statement**
3. **The statement about financial results**
4. **Cash flow statement**
5. **Explanation comments about financial reports and accounting policy**

All final financial statements is prepared according to the rules shown in the International Financial Recording Standarts.

Submitting of financial statements- Economic Research Center prepares Annual Balance Report , Income statement , Cash flow statement. Financial statements has to be introduced to the donors after every year ends and auditor control is held. Financial Statements have to be shown with Azerbaijanian manat and introduced according to International Financial Recording Standarts and Standarts of Central Bank(depending on the kind of statement)

Annual financial audits - Financial audits are provided at Economic Research Center **by the juridical or physical firms had license from Azerbaijan Auditors Chamber.**

Statement for Donors – According to donors' requirements statement is provided by deviding it monthly and interval periods. Financial manager is obliged to give

financial information to the donor any time he wants. Statements are in the form ‘
Statements for paragraphs’’. In that statement budget is introduced by the expenses, dates
and documents by every paragraph .

11. THE RULES OF SAFETY OF INFORMATION AND PROTECTION OF INITIAL DOCUMENTS

The following safety measures is provided by ‘‘ Economic Research Center’’ for reliable saving of accounting informtaion of the enterprise.

- Only the employee who has authority to work at this computer can work at the computer which is downloaded accounting programs or files saved accounting information.

- Special trainings are provided for the employee who will execute operations on the accounting programs. Every new employee works on the experimental version of the accounting program during first three monthes and this information is moved to the main database after specifying exactness of entered information. It's not allowed to provide any experimental operations on the main database.If a few employees executes operations on the accounting program then it's made limitations according to users.

- It has to be paid special attention to the protection of initial documents. Initial documents have to be kept in a dry room condition, in the bookcases which can be closed or in the safes. Competent person has to look through initial documents once a month.

- Initial documents are built on years and paged for archiving by grups.**Page reflected general information about archived documents is built on the built archive folders.** Book (archive) number , the kind of documents, belonged period , page quantity , the name of subsidiary or section, and etc. have to be reflected at this page.

Competent person has to look through the situation of archive documents once a month.

- If it's needed to temporary presentation of initial documents to other organizations , at that time the document is copied , confirmed with the stamp of the enterprise or in the notary rule and introduced to the necessary organization. Temporary introduction of an original initial document to other organization is not expedient.

- The database of accounting programs is moved to the disc in the end of the last work day in every week. The database of that day is moved to the disc according to disc numbers. The discs in which the database was moved have to be kept away from the office building.

- Initial documents is kept in the special folders and closed places.