

ST. AUGUSTINE UNIVERSITY OF TANZANIA



ACCOUNTING MANUAL

DECEMBER 2020

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Definitions

The terms and phrases included in this manual have the following meanings, unless the context indicates otherwise:

Accounting policies	Specific principles, bases, conventions, rules and practices applied by the University in the process of preparation and presentation of financial statements.
Accounting principles	The guidelines and rules that the University adopts and follows while preparing and reporting financial information for it to be consistent with the international and local principles.
Accounts receivable	It is the amount the University owes its students, donors, centers or its employees. Accounts receivable is commonly referred as the claims against students, donors and others arising from contractual agreements and advance payments to employees and other outstanding debts.
Accounts payable and liabilities	Accounts payable are current obligations that are outstanding for services received by the University in the normal course of business or the obligations that are outstanding for contract payments such as debts payable to the University's lenders. Accounts payable and liabilities are characteristically fixed in amount and have a specified due date.
Beneficiary	An individual person benefiting from the University's services and is representing the client/ accounts receivable.
Bank	The University's bank accounts including the University's available cash.
Cash flow statement	A financial statement that shows the movement of University cash during a particular financial year and cash balance as at the end of the financial year.
Day	Calendar day unless otherwise specified.
	Notes explaining/ detailing the accounting treatment for a

Disclosures	presented item in the financial statement. Disclosures are part of the financial statements and are required in the presentation of complete and reliable statements.
Expenses	The costs that the University incurs while conducting business operations and implement projects.
Financial System	The system that regulates financial aspects of the University, which aims to ensure that all financial procedures and accounting records are in accordance with the set rules and procedures.
Financial year	The University financial year starts on 1 st September and ends on 31 st August of each year.
Functional Currency	The primary Currency that the University uses in its business activities and reports (Tanzanian Shillings).A currency that prevails in an economic environment in which the University operates.
International Financial Reporting Standards (IFRS's)	Standards and interpretations adopted by the International Accounting Standards Board (IASB). They comprise: <ul style="list-style-type: none"> ▪ International Financial Reporting Standards (IFRSs) ▪ International Accounting Standards (IASs) ▪ Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or ▪ The former Standing Interpretations Committee (SIC) and approved by the IASB.
Materiality.	Information is material if omitting, misstating or obscuring could sensibly be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
Non Current assets	Resources controlled by the University as a result of past transaction and from which future economic benefits are expected to flow to the University. Non-current assets includes

	but not limited to the University's owned pieces of property such as furniture, computers, equipments ... and other assets that are expected to generate future economic benefit for the University.
PPE	An abbreviation for property, plant and equipments.
Records	Documentations that proves the financial operations for the University and used as a basis for the accounting records.
Revenues	The amounts the University earns from its core business objectives. Revenue also includes revenue of implemented projects by the University.
Statement of Comprehensive Income	A statement that present the financial performance of the University over a specified financial year.
Statement of Comprehensive Income	A financial statement that summarizes the University's financial position at a specific point of time (end of financial year).
The University	St. Augustine University of Tanzania.

Chapter One

Introduction

1.1 St. Augustine University of Tanzania Financial System

1.1.1 St. Augustine University of Tanzania is a private university in Mwanza, Tanzania. It was founded by the Catholic Bishops of Tanzania in 1998 as a secular, nonprofit, private institution. As a developing Institution, St. Augustine University of Tanzania is fond of developing and implementing sound financial systems that comply with generally accepted accounting principles. To achieve that, the University has developed an accounting manual which document the internal accounting procedures and policies which aim is to ensure that assets are safeguarded, financial statements are in conformity with generally accepted accounting principles, and that finances are managed with responsible stewardship.

1.1.2 The implementation of sound financial and accounting systems is therefore designed in such a way as to ensure that:

- a) All transactions are executed only upon proper approval and authorization;
- b) Only valid transactions are recorded accurately to permit preparation of financial statements that conform to generally accepted accounting principles, and
- c) All assets are safeguarded in a good physical control environment.

1.2 Aim of the Manual

1.2.1 The main purpose of this manual is provide directives mainly to the Finance and Accounting staff for the proper execution of their individual responsibilities for the purpose of preparing the University financial statements; and

1.2.2 The manual also intends to ensure and promote the principles of accountability and transparency.

1.3 Scope of Application

All personnel with a role in the management of St. Augustine University of Tanzania fiscal operations are expected to adhere to the policies and procedures of this manual. It is the intention of St. Augustine University of Tanzania that this accounting manual serves as the University commitment to proper, accurate financial reporting.

1.4 Updates and Revision

This manual will continuously be updated to ensure that it is aligned with new accounting best practices, the revisions of accounting principles and changing environment in which St. Augustine University of Tanzania operates for it to continue being a relevant internal control mechanism. The manual shall therefore be revised annually with the approval of the Vice Chancellor on advice from the Deputy Vice Chancellor Administration and Finance and the endorsement of the Council.

1.5 Effective Date

Implementation of this manual shall be effective 1st January 2021 after the Council endorsement.

Chapter Two

General Accounting Principles

2.1 Accounting Method

St. Augustine University of Tanzania shall apply the accrual basis of accounting for the Institution wide financial statements during each financial year. This basis recognizes income when earned and expenses when incurred but not when cash is received or expenses are paid.

2.2 Revenue Recognition

2.2.1 It is the policy of St. Augustine University of Tanzania that revenue is recognized after the University fulfills the performance obligations (teaching, research, consultancy services and or other related services).

2.2.2 It is the policy of St. Augustine University of Tanzania that grants are recognized as revenue upon receipt of the funds into St. Augustine University of Tanzania Bank account or upon fulfillment of the requirements agreed on in writing with each Donor Agency.

2.3 Matching Principle

St. Augustine University of Tanzania shall observe the matching principle that require revenue to be recognized when earned and expenses when incurred and shall be matched against revenue, even if no cash outflow has occurred.

2.4 Prudence

2.4.1 St. Augustine University of Tanzania shall observe a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.

2.4.2 The University will not recognize revenue or other income by prediction in the income statements. Recognition shall base on realization of revenue and or income.

2.4.3 All identified liabilities are provided for when the University has present obligations and the amounts to settle the obligations can be established with certainty or are a best estimate in the light of the information available.

2.5 Accrual Principle

It is the policy of St. Augustine University of Tanzania to accrue revenue and expenditure at year-end to reflect unpaid transactions that affect the year then ended. In order to meet the requirement of International Accounting Standards, St. Augustine University of Tanzania's Institution financial statements shall be prepared on the accrual basis. This is to ensure that revenue and cost are;

- a) Recognized when earned or incurred, not necessarily when money is received or paid.
- b) Matched with each other so far as their relationship can be established or justifiably estimated, and
- c) Dealt with in the income statement for the period to which they relate.

2.6 Historical Cost Principle

2.6.1 The financial statements of St. Augustine University of Tanzania would be prepared under the historical cost convention and in accordance with International Accounting Standards (ISAS).

2.6.2 Historical cost implies that the carrying value of assets is based on their purchase price. Where the historical cost convention is departed from, this should be stated in the accounting policies, specifying the nature of departure.

2.6.3 However, grants in kind received by St. Augustine University of Tanzania such as fixed assets or services received from donors should be recorded at the fair values of the asset on the date of the transaction or actual fees paid by donors for such services, respectively.

2.7 Going Concern

2.7.1 The Financial statements shall be prepared on the assumption that St. Augustine University of Tanzania is a going concern and would continue in operation into the foreseeable future.

2.7.2 It is assumed that the institution has neither the intention nor the need to liquidate or curtail materially the scale of its activities unless there is an intention to liquidate the University.

2.7.3 If the intention to liquidate the University exists, the financial statements may have to be prepared on different basis and, if so, the basis used shall be disclosed.

2.8 Consistency

There shall be consistency in the methods and bases for the treatment of similar accounting variables:

- a) Within each accounting period and
- b) From one accounting period to the other.

2.9 Fair Value Principle

- a) Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties in an arm length transaction.
- b) Prevailing market prices can also be used to determine fair value.

2.10 Disclosure Principle

This requires the presentation of sufficient information to permit readers to reach an informed understanding of the financial statements.

2.11 Materiality and aggregation

St. Augustine University of Tanzania uphold, Information to be material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those

financial statements, which provide financial information about a specific reporting University.

2.12 Accounting policies

2.12.1 Accounting policies are the specific basis judged by St. Augustine University of Tanzania management to be most appropriate to its circumstances and adopted for the purposes of preparing its financial statements.

2.12.2 Accounting policies applied would be based on International Accounting Standards. In the absence of an International Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is reliable and relevant for the decision-making needs of users, in that the financial statements:

- a) Represent faithfully the financial position, financial performance and cash flows of the University;
- b) Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- c) Are free from bias;
- d) Are prudent; and
- e) Complete in all material respects.

2.12.3 Where circumstances permit more than one accounting basis, the choice of policy can significantly affect St. Augustine University of Tanzania's reported results and financial position. Management shall therefore ensure that:

- a) The view presented can be properly appreciated by clarifying the policies followed in dealing with significant items.
- b) The choice and disclosure of accounting policies are carefully made to promote the appreciation by users of the Secretariat's financial statements.

2.13 Foreign Currency Transactions

- a) The functional currency and presentation currency of St. Augustine University of Tanzania shall be Tanzanian Shillings.
- b) It is the policy of St. Augustine University of Tanzania that all transactions in foreign currency are translated into Tanzanian Shillings at the rate of exchange prevailing on the date of the transaction.
- c) Year end balances in foreign currency are translated into Tanzanian Shillings at the year-end exchange rate.

Chapter Three

Accounting policies, Change in Accounting Estimates and Correction of Prior Period Errors

3.1 Accounting Policies

3.1.1 Selection and application of accounting policies

3.1.1.1 When a transaction, event or a condition requires an application of a Standard or an Interpretation, the accounting policy or policies applied to that item must consider any relevant implementation guidance issued by the International Accounting Standard Board.

3.1.1.2 If a Standard or an Interpretation that specifically applies to a transaction, other event or condition is not available, management of the University must use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. In making such judgment, management must refer to, and consider the following sources in descending order:

- a) The guidance and requirements provided by the International Accounting Standard Board (IASB) and IASB standards and interpretations dealing with similar and associated issues; and
- b) The definitions, recognition criteria and measurement criteria for assets, liabilities, income and expenses as stipulated by the conceptual framework.

3.1.1.3 Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices.

3.1.2 Consistency of accounting policies

The University shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless a Standard or an Interpretation specifically requires or permits categorization of items for which different policies may be appropriate. If a Standard or an Interpretation requires or permits such

categorization, an appropriate accounting policy shall be selected and applied consistently to each category.

3.1.3 Changes in accounting policies

- 3.1.3.1 The University is permitted to change an accounting policy only if the change:
- a) Is required by a standard or interpretation; or
 - b) Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the University's financial position, financial performance, or cash flows.
- 3.1.3.2 Change in accounting policies do not include applying an accounting policy to a kind of transaction or event that did not occur previously or were immaterial.
- 3.1.3.3 If a change in accounting policy is required by a new IASB standard or interpretation, the change is accounted for as required by that new pronouncement or, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively.
- 3.1.3.4 Retrospective application means adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
- 3.1.3.5 When a change in Accounting policy has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the University shall disclose the following in the notes to the financial statement:
- a) The reason for the change;
 - b) The amount of adjustment for the current period and for each period presented;
 - c) The amount of the adjustment relating to periods prior to those included in the comparative information; and

- d) The fact that comparative information has been restated or that it is impracticable to do so.

3.2 Changes in accounting estimates

The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in:

- a) The period of the change, if the change affects that period only, or
- b) The period of the change and future periods, if the change affects both.

3.2.1 Disclosures relating to changes in accounting estimates

If a change in accounting estimate has a material effect in the current and subsequent periods, the following need to be disclosed in the notes of accounts

- a) The nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods
- b) If the amount of the effect in future periods is not disclosed because estimating it is impracticable, the University shall disclose that fact.

3.3 Errors

3.3.1 If a material prior period error is identified the University must correct all such errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a) Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and reserves for the earliest prior period presented.

3.3.2 After correcting such errors the following shall be disclosed in the notes of accounts

- a) The nature of the prior period error

- b) For each prior period presented, to the extent practicable, the amount of the correction: for each financial statement line item affected, and
- c) If retrospective restatement is impracticable, an explanation and description of how the error has been corrected.

Chapter Four

Accounting for Revenue

4.1 Classification of Revenue

The University Revenues falls into six categories as follows:

- a) Tuition fees and Educational contracts
- b) Provisional of other goods and services
- c) Research Grants
- d) Other Grants and Donations
- e) Income from projects (Investment Income)
- f) Other Income (deposits interest, asset selling, currency exchange, rents, income from centers etc)

4.2 Tuition fees and Educational contracts

4.2.1 Revenues from tuition fees and educational contracts (such as short term courses) should be recognized as revenue in the statement of comprehensive income when performance obligations are fulfilled. Revenue shall be recorded when accrued to the beneficiaries.

4.2.2 Tuition fee income is stated gross of any expenditure and credited to the statement of comprehensive income over the period students study. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

4.2.3 Tuition and other course fees relate directly to the provision of specific academic and non-academic courses should be recognized on a pro-rata basis across the length of the course and in line with the provision of the courses to students.

4.2.4 Accounting Entries

When performance obligations are fulfilled irrespective of whether cash has been received or not, the following entries shall be made:

Dr: Bank Account and

Cr: Name of activity revenue

With the amount of revenue realizable

4.3 Provisional of other goods and services

4.3.1 Administrative fees, provision of hostel accommodation and other incomes received from students due to provision of other services to students should be recognized as revenue from provision of other goods or services in the statement of comprehensive income when performance obligations are fulfilled. Revenue shall be recorded when accrued to the beneficiaries.

4.3.2 Where services are being rendered, but are not complete at the end of the period, income is recognized with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract

4.3.3 Accounting Entries

When performance obligations are fulfilled irrespective of whether cash has been received or not, the following entries shall be made:

Dr: Bank Account and

Cr: Name of activity revenue

With the amount of revenue realizable

4.4 Research Grants

4.4.1 Research funding income recognition shall be dependent upon the source of the funding and the nature of the transaction.

4.4.1.1 Research funding from charities and industry shall be recognized on bases set out in the terms of individual funding agreements. In most cases income shall be recognized

on a reimbursement basis, with income recognised as costs are incurred for which the University has a right to reimbursement.

4.4.1.2 Research funding from a government body, shall be recognized based on fulfillment of the performance conditions set by the government unless there are no conditions attached to the grant or set by a government body.

4.4.2 Accounting Entries

When performance obligations are fulfilled irrespective of whether cash has been received or not, the following entries shall be made:

Dr: Bank Account and

Cr: Name of activity revenue

With the amount of revenue realizable

4.5 Income from Projects (Investments)

4.5.1 Returns from projects should be recognized as revenue in the statement of comprehensive income when accrued except for dividend whose recognition criteria is as stipulated in part 4.5.3 below. Related accounting entries shall be recorded in the same period.

4.5.2 Accounting Entries

When performance obligations are fulfilled irrespective of whether cash has been received or not, the following entries shall be made:

Dr: Bank Account and

Cr: Name of activity revenue

With the amount of revenue realizable

4.5.3 Dividends

Dividend income is from the investment in shares of various quoted and unquoted companies. Revenue from dividends should be recognized when the right to receive the dividend is established.

Accounting Entries

When the right to receive dividend is established, the following entries shall be made:

Dr: Dividend receivable

Cr: Dividend Income

With the amount of dividend declared

4.6 Grants, Donations

- 4.6.1** The University shall account for assistance in the form of cash grants or in any other form of assistance, in the University's financial statements.
- 4.6.2** Grants and or donations shall be recognized when there is reasonable confidence that the University will meet the conditions attached to the grant and the University has be reasonable confidence that the money will be received.
- 4.6.3** Grants relating to more than one year should be recognised by pro-rata basis across the term of the grant.
- 4.6.4** Grant and donations which will be received from a non- governmental source shall be accounted for after fulfillment of performance obligations. Income is recognized as Donation income, with the exception of funding for the purposes of research which is recognized as 'Research funding income as stipulated in part 4.4.1.1 above.
- 4.6.5** Non-government grants and donated income with performance conditions shall be recognized as income within the Statement of Comprehensive Income when receivable (legal/ contractual commitment) and performance conditions have been met.
- 4.6.6** A donation with restrictions "a requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition." shall be recognized in the statement of comprehensive income when the grant is receivable (legal/contractual commitment).

4.6.7 Any grant acquired for the purpose of procuring or constructing a specific asset, is recognized as income upon the asset being brought into use, or in line with phase completion of large construction projects. Grants where the University has discretion over the assets purchased/built are recognized in full as income when the grant becomes receivable. Grant income is only recognised across the useful life of an asset to the extent that the grant specifically funds the operation/maintenance of the asset.

4.6.8 Accounting Entries

(i) When an advice is received from our bankers, the following entries shall be made:

Dr: Bank Account and

Cr: Grant/Donation income

With the amount of funds granted

(ii) When a condition attached to the grant is fulfilled at the end of each accounting period

Dr: Grant (Deferred Income)

Cr: Government grant income (Income statement)

With the realizable amount

4.7 Other Income (deposits interest, asset selling, currency exchange, rents etc)

4.7.1 Deposit Interest

Interest income is mainly from banks on the fixed deposits and should be recognized on a time proportion basis net of withholding tax that takes into account the effective yield on the interest-earning asset.

Accounting Entries

When an interest is earned, the following entries shall be made:

Dr: Bank Account and

Cr: Interest Income

With the amount of interest earned

4.7.2 Asset Disposal

If cash receipt from sale of a tangible non-current asset is higher than the carrying amount of the asset at the date of disposal, a disposal gain should be recognized in the income statement.

Accounting Entries

When a disposal gain is realized, the following entries shall be made:

Dr: Cash and

Dr: Tangible Non-current asset (Carrying amount at date of disposal)

Cr: Disposal gain

With the amount of cash received, tangible non-current asset written off.

4.7.3 Currency exchange

Any exchange gain realized after translating transactions from foreign currency to functional currency (Tanzania Shillings) shall be recognized as income in the income statement of the University for the accounting year then ended.

Accounting Entries

When an exchange gain is realized, the following entries shall be made:

Dr: Monetary account (Debtor, Creditor, Foreign exchange bank account)

Cr: Exchange gain (Income statement)

With the amount of exchange gain realized

4.7.4 Income from Centers

Revenue from Centers should be recognized when the right to receive the Income is established.

Accounting Entries

When centers income is earned irrespective of whether cash has been received or not, the following entries shall be made:

Dr: Bank Account and

Cr: Income from centers

With the amount of revenue realizable

Chapter Five

Accounting for Expenses

5.1 Classification of Expenses

The University expenses shall be classified by function as follows:

- a) Academic and students expenses
- b) Projects (Investments) expenses
- c) General and administrative expenses
- d) Finance expenses

5.2 Academic and students expenses

Academic and students expenses should be matched whenever possible, with the associated revenue. **Academic and students expenses** shall be expensed as incurred and an accrual entry shall be made at period end if necessary. Academic and students expenses should include but not limited to the following categories:

- a) Employee's costs which are incurred by the University in compensating the University's academic staff. Costs include those paid or payable to present employees for their day-to-day activities, any costs associated with the provision of end of service benefits and any additional compensation offered to those employees whose contracts may be altered or terminated as part of an overall business restructuring plan.(such costs may include: Academic staff salary and allowances, Library staff salary and allowances, Part time lecturer's remunerations, Gratuity and other employer contributions for employees post employment benefits, Academic staff leave pay, basic salary on lieu of leave, Field supervision and teaching practice expenses Employee's expenses represent the total gross costs of employees. They include the following, but not limited to:
 - Basic salaries
 - Overtime
 - Housing allowance

- Travel allowance
 - Transportation allowance
 - Training expenses
 - Medical insurance expenses
 - Nature of work allowance
 - Leave pay (period end accrual)
 - End of service benefit
 - Other allowances
- b) Quality assurance and enhancement costs such as Workshop and seminar expenses, Moderation and examination expenses, Curriculum development expenses and institutional overall quality assurance expenses.
- c) Students expenses which are directly paid to the Students organization or an individual student as an award for outstanding performance.
- d) Costs of promoting the University or increasing awareness to the public of the existing academic programmes such as Academic exhibition expenses.
- e) Costs of printing and stationeries which foster teaching or assessment.

5.3 Projects expenses (activity)

Expenditures related to the University's activities to be recorded as expenses in an account related to activity operations in the income statement. Projects' expenses to be monitored and recorded for each project separately.

5.4 General and Administrative Expenses

General Expenses all activity expenses that are not included in the previous categories of expenses. General and administrative expenses should be matches to, whenever possible, with the associated revenue. General and Administrative expenses include but not limited to the following categories:

- a) Utilities; utilities usage charges shall be expensed as incurred and an accrual entry shall be made at period end if necessary.
- b) Administrative employee's costs which are incurred by the University in compensating the University's management and staff who support the

operations of the University business. Costs include those paid or payable to present employees for their day-to-day activities, any costs associated with the provision of end of service benefits and any additional compensation offered to those employees whose contracts may be altered or terminated as part of an overall business restructuring plan.

- c) Insurance; insurance expenses include the cost of premiums paid. Insurance cost shall be expensed over the period to which the insurance relates with any advance amounts being treated as a prepayment.
- d) Allowance for doubtful accounts to be based on management's review of the possibility of collecting these debts.
- e) Business Travel and Accommodation; business travel and accommodation expenses include employee travel, delegation allowances and accommodation costs.
- f) Exchange Losses; Exchange losses include the amounts arising when currency other than Tanzanian Shillings (TZS);
 - For settled transactions, losses are to be included within the statement of comprehensive income as incurred.
 - For unsettled transactions, losses shall be included within the income statement in the period for which the financial statements are prepared.
- g) Administrative Expenses; administrative expenses include all amounts of a non-capital nature, which are not captured in any of the other specific headings.
- h) Depreciation; Depreciation expense shall be charged to the period to which it relates as an operating expense and shall be computed on the basis stipulated in part 6.6.4 of this manual.

5.5 Finance expenses

Any interest cost resulting from borrowing, acquisition of an overdraft facility or unwound of discount due to change in value of money and liability shall be recognized

under this category on time apportionment basis as the expense has been incurred during the year.

5.6 Accounting Entries

When an expense is incurred irrespective of whether cash has been paid or not, the following entries shall be made:

Dr: Expense (by its name/category)-Income statement

Cr: Cash (If paid)

Cr: Accrued expenses (If not paid)

With the amount of expense incurred

Chapter Six

Accounting for Non Current Assets

6.1 Recognition of Non-Current Assets

The University items of property, plant, and equipment should be recognized as non-current assets when it is probable that:

- a) The future economic benefits associated with the asset will flow to the University, and
- b) The cost of the asset can be measured reliably.

6.2 Classification to Non-Current Assets

6.2.1 Assets shall be classified as tangible non-current assets when and only when:

- a) The assets are of significant value and relatively utilized over a long term period;
- b) Are held by the University for use in operations;
- c) Are acquired or constructed and ready to be used and with the intention of being used on a continuing basis;
- d) Are not intended for sale in the University ordinary course of business; and

e) Have useful lives of more than one year.

6.2.2 Non Current Assets are categorized as tangible or intangible assets. Tangible assets are defined as assets that have physical existence and used by the University to generate revenue (such as buildings, land and hardware). Intangible assets are assets that do not have definite or physical existence (for example trademark, copyright and goodwill). Intangible fixed assets can be purchased or are internally developed.

6.3 Initial Measure of Non-Current Assets

6.3.1 The University shall initially measure its tangible non-current assets acquired or constructed using Cost model. Cost shall include all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

6.3.2 Proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management shall not deducted from the cost of the item of property, plant and equipment but recognized in profit or loss.

6.3.3 If payment for an item of property, plant, and equipment is deferred, interest at a market rate must be recognized or imputed.

6.3.4 If an asset is acquired in exchange for another asset (whether similar or dissimilar in nature), the cost will be measured at the fair value unless

- a) The exchange transaction lacks commercial substance or
- b) The fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost shall be measured at the carrying amount of the asset given up.

6.3.5 If tangible non-current assets were granted to the University they should be recorded based on the market price/ cost (whichever is lower) on the receiving date, in addition to any expenses incurred by the University to add these assets.

6.4 Capitalization

6.4.1 All tangible non-current assets item should be capitalized if it meets the following criteria:

- a) It physically exists and in use.
- b) It has an estimated useful life in excess of one year.
- c) It has a cost equal to or in excess of the defined minimum capitalization thresholds.
- d) It has not been acquired for subsequent resale but if it is intended for use on a continuous basis of the University ordinary course of business.

6.4.2 All buildings and lands should be capitalized.

6.4.3 Reference books and normal Text Books acquired for the library are capitalized and depreciated just like any other PPE.

6.4.4 Tangible non-current assets repair and maintenance is the routine checkup, maintenance and repair in order to keep the asset in good working condition, such costs should be capitalized, if **all** the following conditions are met:

- a) The productive life of the asset or its capacity (based on technical information) is increased by more than 12 months.
- b) The repair and maintenance cost increases the asset performance

6.4.5 Costs of repair and maintenance or major renovation which are capitalized should be evaluated for the recoverable amount of the asset and depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

6.4.6 Expenditure that does not meet these criteria should be expensed in the period that it is incurred.

6.5 Measurement subsequent to initial recognition

The University shall choose one among the following two accounting models while measuring its tangible non-current assets subsequently:

- a) Cost model. The asset will be carried at cost less accumulated depreciation and impairment.
- b) Revaluation model. The asset will be carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

6.6 Depreciation

6.6.1 For all depreciable assets the depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life.

6.6.2 The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate.

6.6.3 The University shall use straight line method to reflect the pattern in which the asset's economic benefits are consumed by the University.

6.6.4 Property, Plant and Equipment (other than properties held for investment purposes) shall be stated at cost and depreciated annually at the following rates on a straight-line basis or over the following periods.

	Asset (Type)	Rate (%)	Useful Life (Years)
a)	Land	Nil	
b)	Buildings	5.0	20
c)	Machinery	20.0	5
d)	Motor Vehicles	25.0	4
e)	Tools & equipment	12.5	8
f)	Furniture & Fittings	12.5	8
g)	Text books	12.5	8
h)	Medium term Capital outlay (e.g. water wells, etc.)	20.0	5

6.6.5 The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate.

6.6.6 Depreciation should be charged to statement of comprehensive income, unless it is included in the carrying amount of another asset.

6.6.7 Depreciation shall begin when the asset is available for use and continues until the asset is derecognized, even if it is idle.

6.7 Impairment of Tangible Non Current Assets

6.7.1 The University shall be required to assess its Property, Plant and Equipment for impairment if there are indicators of such.

6.7.2 Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

6.7.3 An impairment loss shall be recognized in the Statement of Comprehensive Income.

6.7.4 If the causes/indicators of impairment are dealt with, the University shall reverse the impairment loss so recognized but only to the extent that it does not lead to a revised carrying amount being higher than if no impairment had been recognized.

6.8 Derecognition

6.8.1 The University shall remove an asset from the statement of financial position on disposal, held for sale or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognized in the statement of comprehensive income.

6.8.2 If the University holds an asset for sale, the asset should be transferred to inventories at their carrying amounts as they become held for sale in the ordinary course of business. The initial value of the inventory shall be the lower of its carrying amount and net realizable value (fair value less cost to sell). The University does not expect a revaluation gain to be recognized regardless of the values found at the date of reclassification.

6.9 Disclosures

For each class of property, plant, and equipment, the University shall disclose:

- a) Basis for measuring carrying amount
- b) Depreciation method(s) used
- c) Useful lives or depreciation rates
- d) Gross carrying amount and accumulated depreciation and impairment losses
- e) Reconciliation of the carrying amount at the beginning and the end of the period, showing:
 - (i) Additions
 - (ii) Disposals
 - (iii) Revaluation increases or decreases
 - (iv) Impairment losses
 - (v) Reversals of impairment losses
 - (vi) Depreciation

f) Additional disclosures

The following disclosures are also required:

- (i) Restrictions on title and items pledged as security for liabilities
- (ii) Expenditures to construct property, plant, and equipment during the period
- (iii) Contractual commitments to acquire property, plant, and equipment
- (iv) Compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in profit or loss.
- (v) If property, plant, and equipment is stated at revalued amounts, certain additional disclosures are required:
 - The effective date of the revaluation
 - Whether an independent valuer was involved for each revalued class of property
 - The carrying amount that would have been recognised had the assets been carried under the cost model
 - The revaluation surplus, including changes during the accounting period.

Chapter Seven

Accounting for Receivables

7.1 Account Receivable Classification

The University receivables shall be classified as follows:

- a) Students and HESLB receivables
- b) Donors receivable
- c) Revenue generating projects receivables
- d) University centers receivables

Other Receivables:

- a) Advances
- b) Employee loans (receivables)
- c) Other miscellaneous receivables

Prepayments

- a) Prepaid insurance
- b) Prepaid maintenance
- c) Prepaid Utilities
- d) Other prepayments.

7.2 Students and HESLB receivables

7.2.1 These receivables are defined as any receivables resulting from earned but not received tuition fees either from an individual student or from the HESLB, administrative fees and hostel accommodation fees.

7.2.1 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.3 Donors Receivable

7.3.1 These receivables are defined as any receivables resulting from donors' commitment to make payments against the implementation of specific projects or general and administrative expenses.

7.3.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.4 Revenue Generating Projects Receivables

7.4.1 These receivables are defined as any receivable resulting from the University agreeing with the project beneficiary to finance the implementation of specific project.

7.4.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.5 University's Centers Receivables

7.5.1 These receivables are defined as any receivable resulting from the University centers expected contribution to the University general pool.

7.5.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.6 Employee Receivables

7.6.1 These receivables are defined as the receivables resulting from employee loans and advances from the University.

7.6.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.7 Other Receivables

7.7.1 These receivables are defined as any other receivables which have not been mentioned in the previous parts.

7.7.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.8 Prepayments

7.8.1 These receivables are defined as payments that have been made but the benefits of which are not taken by the University until the preceding accounting period.

7.8.2 The University Finance department shall debit or credit these receivables directly when revenue is earned and when cash is received respectively.

7.9 Allowance for Doubtful Accounts and Write-off

7.9.1 The University shall establish an adequate allowance for doubtful receivables to provide for all reasonably anticipated losses inherent in the receivable balances.

7.9.2 Receivables established to be uncollectible should be charged to the allowance account.

7.9.3 In determining the allowance for doubtful debts the following shall be considered:

- a) Current over all aging and trends from previous uncollected receivables;
- b) Economic conditions and trends; and
- c) Evaluation of each individual receivable (prior payment experience, financial status of debtor, etc.).

7.9.4 The allowance should be calculated based on the receivables due balance.

7.9.5 All delinquent outstanding receivables should be reviewed on a monthly basis, to determine the adequacy of the allowance for doubtful accounts.

7.9.6 Receivables write-offs should be considered based on the following criteria:

- a) Accounts receivable due for more than one year, or
- b) There is sufficient evidence that the receivable cannot be collected regardless of the age of the said receivable.

7.9.7 Receivables write-offs or increase of receivables write-offs should be expensed to income statement and any decrease of allowance for doubtful debts from prior periods should be accounted as an income in the income statement.

Chapter Eight

Accounting for Liabilities

- 8.1 The University requires recognition of expense in the period in which it was incurred.
- 8.2 Obligations incurred in the current or prior periods for future payments, which are not yet due, should be recorded as accrued liabilities, even though its amount and timing of payment may be unknown.
- 8.3 Expenses must be accrued when the liability becomes known.
- 8.4 Accrued liabilities should be classified as current if the expected time of payment is within one year and all accruals expected to be paid after one year must be classified as long- term liabilities.
- 8.5 Actual liabilities shall be applied against prior month-end accruals upon the receipt of the proper supporting documents from vendors. Excess or shortages in accruals provided in prior months shall be accounted for.
- 8.6 Accrued liabilities must be reconciled to the general ledger on a monthly basis and not after the 10th day of the next month.
- 8.7 The reconciliation must be reviewed by the accountant and approved by the Financial Controller.

Chapter Nine

Other Income Statement and Statement of Financial Position Items

9.1 Inventories

- 9.1.1 The University shall value Stock and Work in Progress at the lower of cost and net realizable value. Cost shall include all direct expenditure except that, in the case of finished books and work in progress, editorial salaries and the related overheads shall not be included.
- 9.1.2 Development costs associated with electronic publications or compilation of major new references should be written off as they are incurred.
- 9.1.3 Realizable value shall be Selling price less costs to sell in the normal course of business.
- 9.1.4 Where necessary, provision should be made for obsolete, slow- moving and defective stocks.
- 9.1.5 All Consumable inventories shall be charged to the Statement of Comprehensive Income as purchased or released from stores.

9.2 Foreign exchange gains/Losses

- 9.2.1 Foreign currency risk is managed at an operational level and it is monitored by Finance Department. Losses which arise from foreign liabilities or receivables are managed through leading and lagging.
- 9.2.2 The University may enter directly into business transactions which are denominated in foreign currencies. To record these transactions in its own accounts the University has to translate them into its functional currency.
- 9.2.3 Functional currency is the currency of the primary economic environment in which the University operates and in which it usually keeps its accounting records, which is Tanzanian Shillings.

- 9.2.4 Monetary accounts should be translated at the date of transaction, at the end of the accounting period if not settled and at the settlement date to establish exchange gain or losses.
- 9.2.5 The only non monetary account which should be translated at acquisition and retranslated at year end is an asset purchased in a foreign country which is carried in the University books of accounts using revaluation model.
- 9.2.6 Foreign exchange gains or losses arising during the accounting period shall be taken to the Statement of comprehensive income.

9.3 Employment Benefits

9.3.1 Short-term employee benefits

- 9.3.1.1 For Short-term employment benefits such as salaries and compensated absences an expense shall be recognized in the year employees render service to the University. A corresponding entry shall be made to liability or Bank. A liability for leave pay shall not be recognized if an employee leave has not been used, so is its related expense.
- 9.3.1.2 At the end of each month posting for salaries and wages shall be debited on the basis of payment voucher (supported with dully approved salary advance application form, imprest application form or loan application form) or journal voucher; and credited on the basis of receipt or journal voucher (supported with imprest retirement forms or payroll deductions).

4.7.5 Accounting Entries

- a) When employees render service to the University for the month, the following entries shall be made:

Dr: Salaries and Wages and

Cr: Net Salaries and Wages Payable

Cr: Statutory deductions (PAYE, PSSSF or NSSF)

- b) When employees net salary for the month is paid, the following entries shall be made:
Dr: Net Salaries and Wages payable and
Cr: Bank
- c) When employees staff advances, imprest and loans are deducted, the following entries shall be made:
Dr: Statutory deductions (PAYE, PSSSF or NSSF)
Cr: Bank
- d) When employees are offered salary advances/loans/imprest, the following entries shall be made:
Dr: salary advances/loans/Imprest
Cr: Bank
- e) When employees settle for salary advances/loan, the following entries shall be made:
Dr: Bank
Cr: salary advances/loans
- f) When employees retire for imprest, the following entries shall be made:
Dr: Expense
Cr: Imprest

9.3.2 Gratuity.

- 9.3.2.1 The University employees are working on 3-year contract, 1 year contract or six months contract basis and paid gratuity equal to 15% of the total of the Basic salary during the contract period.
- 9.3.2.2 Gratuity accrues and vests on monthly basis during the contract period because “if the contract is terminated earlier, either on grounds of ill-health or for any other reason than dismissal due to gross misconduct, a proportionate amount of gratuity for the

period of time worked by the employee in respect of employee relevant contract will be paid”.

9.3.2.3 The University shall account for this long term employee benefit on accrual basis at the end of each month of service and a liability shall be recognized based on the time an employee serve during the contract period accumulatively and the liability shall be removed after an employee gratuity is paid to the respective employee.

9.3.3 Workman’s Compensation Scheme and Group Personal Accident

9.3.3.1 In order to ensure that employees welfare are safeguarded, the University complies fully with the workman’s compensation act which requires compensation to employees injured in course of their employment.

9.3.3.2 An expense and a corresponding cash payment or liability equal to 1% of the employee gross salary shall be recognized during the year of incident.

9.3.3.3 If a provision needs to be recognized due to misunderstandings between the University and the injured party the following criteria need to be considered before recognizing a provision for workers compensation:

- g) the University has a present obligation (legal or constructive) as a result of a past event;
- h) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- i) a reliable estimate can be made of the amount of the obligation.

9.3.4 Termination Benefits

9.3.4.1 Termination benefits shall be payable to employees who are terminated before the normal retirement date or where an employee accepts voluntary redundancy in exchange of these benefits.

9.3.4.2 The University shall recognize a termination benefit liability at the earlier of the following dates:

- a) When the University can no longer withdraw the offer of those benefits – additional guidance is provided on when this date occurs in relation to an employee's decision to accept an offer of benefits on termination, and as a result of an University's decision to terminate an employee's employment.
- b) When the University recognizes costs for a restructuring which involves the payment of termination benefits.

9.3.5 Post-employment benefits (pensions)

9.3.5.1 The University shall use a defined contribution plan to account for its employees post employment benefits. As such the University shall establish the percentage of employees contribution and of its contribution to the pension fund fund as required by law.

9.3.5.2 The employees contribution shall be included in the employee's salary while the University contribution should be accounted as a separate line item in the statement of comprehensive income.

9.3.5.3 Both the employees and employers contributions shall be made in the Statement of Financial Position as either a deduction of Cash if the amount has been paid to the Fund operator or to Current liabilities if the amount has not been paid to the fund operator.

9.4 Leases

9.4.1 If the University enters in a contract that conveys the owner's right to control the use of an identified asset for a period of time in exchange for consideration, the contract will be containing a lease.

9.4.2 For the University to recognize a leased asset or a lease, all of the following conditions must be fulfilled

- a) The asset leased must be identified(E.g. its physically distinct)
- b) The lessee can decide about the asset's use
- c) The lessee can get the economic benefit from the use of that asset.
- d) The owner cannot substitute the asset during the period of use

9.4.3 The University should not recognize a leased asset or a lease if:

- a) Leases has a lease term of 12 months or less with no purchase option (applied to the whole class of assets)
- b) Leases where underlying asset has a low value when new (applied on one-by-one basis)

9.4.4 Accounting for leases if the University is a lessee

9.4.4.1 Initial recognition

At lease commencement, if the University is a lessee, it shall account for two elements:

- a) **Right-of-use asset:** Initially, a right-of-use asset shall be measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.
- b) **Lease liability:** The lease liability shall be all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease (or incremental borrowing rate if the previous one cannot be set). These payments may include fixed payments, variable payments, payments under residual value guarantees, purchase price if purchase option will be exercised, etc.

9.4.4.2 When the University takes an asset under lease it should Debit Right-of-use asset and Credit lease liability with the present value of the total lease payment at the inception of the lease.

9.4.4.3 When the University pays the legal fees for negotiating the contract, the cost should be included in the right of use asset and the corresponding entry shall be made to the suppliers account or bank account whatever is applicable.

9.4.4.4 The estimated cost of removal or site restoration costs after the end of the lease term if any, discounted to present value should be included in the right of use asset and the corresponding entry shall be recognized as a provision.

9.4.4.5 After commencement date, the University shall be required to take care about both elements recognized initially as follows:

a) *Right-of-use* *asset*

The University needs to measure the right-of-use asset using a *cost model* under Property, Plant and Equipment. It basically means to *depreciate the asset over the lease term*: At the end of each lease period an amount of depreciation should be recognized and be taken to the statement of comprehensive income. However, the University can apply also the requirements of IAS 40 Investment Property (if the right-of-use asset is an investment property, fair value model shall be applied), or using revaluation model under IAS 16 (if right-of-use asset relates to the class of PPE accounted for by revaluation model).

b) *Lease liability*

The University needs to recognize an interest on the lease liability and the amount shall be taken to the statement of comprehensive income as a finance cost. Lease payments shall be recognized as a reduction of the lease liability:

9.4.4.6 If there is a change in the lease term, lease payments, discount rate or anything else, then the lease liability must be re-measured to reflect all the changes.

9.4.5 Accounting for leases if the University is a lessor

9.4.5.1 At the commencement of the lease term, the University should recognize *lease receivable* in its statement of financial position. The amount of the receivable should be equal to *the net investment in the lease*.

9.4.5.2 Net investment in the lease shall be equal to the payments not received at the commencement date discounted to present value (exactly the same as described in lessee's accounting) plus the initial direct costs.

9.4.5.3 Initially the University shall Debit lease receivable and credit the underlying asset leased.

9.4.5.4 Subsequently at the end of each lease period, the University shall recognize a finance lease income in the statement of comprehensive income.

9.4.5.5 If the lessee pay the University shall increase its Bank balance and reduce lease receivable with the amount received.

9.5 Events after the Reporting Period

9.5.1 Events after the reporting period shall be those events, both favorable and unfavorable, that occur between the reporting date and the date on which the financial statements are authorized for issue.

9.5.2 If an event occurring after the reporting period but before the University financial statement is authorized to be issued provides further evidence of conditions that existed before the end of the reporting period, such events must be adjusted for in the financial statements for the year just ended.

9.6 Borrowing Costs

9.6.1 **Borrowing costs as interest and other costs incurred by an enterprise in connection with the borrowing of fund.**

9.6.2 The University shall capitalize borrowing costs incurred for construction of a qualifying asset. **Qualifying assets** are defined as assets that **necessarily take a substantial period of time to get ready for its intended use.**

9.6.3 Capitalization of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of that asset. Such borrowing costs are **capitalized as part of the cost of the asset** when it is probable that they will result in

future economic benefits to the University and the costs can be measured reliably. If the borrowings are **specific** to a qualifying asset, the **amount of borrowing costs** eligible for **capitalization will be the actual borrowing costs incurred less income on the temporary investment of those borrowings.**

9.6.4 Commencement, suspension and cessation of capitalization

9.6.4.1 Capitalization of borrowing costs should **commence** when:

- a) Expenditure for the asset is being incurred; and
- b) Borrowing costs are being incurred; and
- c) Activities that are necessary to prepare the asset for its intended use or sale in progress.

9.6.4.2 Capitalization of borrowing costs should be **suspended** during extended periods in which active development is interrupted.

9.6.4.3 Capitalization of borrowing costs should **cease** when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

9.6.5 All borrowing costs incurred prior to start construction and after construction is completed shall be recognized as revenue expenditure and shall be taken to income statement.

9.7 Intra-Group Transactions

Gains or losses on any intra-group transactions shall be eliminated in full. Intra group debts and claims between undertakings included in the consolidation shall also be eliminated. Balances between the University and its constituent colleges shall not be eliminated. Any cash in transit between the University and its controlled interest at the end of the reporting period shall be considered to be the University cash regardless of the direction of cash.

9.8 Concessionary Loans

Where loans are made at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University, they should be classified as concessionary loans.

Concessionary loans are initially measured at the amount paid and adjusted at the period end to reflect any accrued income receivable. Should a loan be judged as irrecoverable it is written off to the Statement of Comprehensive Income in the period in which it becomes irrecoverable.

9.9 Provisions, Contingent Liabilities and Contingent Assets

9.9.1 Provisions shall be recognized in the financial statements when:

- a) The University has a present obligation (legal or constructive) as a result of a past event;
- b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- c) A reliable estimate can be made of the amount of the obligation.

9.9.2 A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

9.9.3 A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes.

9.10 University Reserves/capital fund

9.10.1 The University should establish a capital fund into which un-restricted donors/grants and restricted donors/grants contribute for financing Capital Expenditure in respect of renovations, construction of new buildings, and the like. **The University reserve in the**

Statement of Changes in Equity and Statement of Financial position shall be classified as follows

- a) **Endowment reserve**
 - **Permanent**
 - **Expendable**
- b) **Restricted Reserve**
- c) **Unrestricted Reserve**
- d) **Accumulated Surplus/Deficit**
- e) **Revaluation Reserve**
- f) **Non-controlled interest**

9.10.2 Endowment reserve

9.10.2.1 Permanent

A permanent endowment reserve shall be a long-term fund held and managed by the University on behalf of the trustees. The commonly accepted definition for permanent endowment is a fund which is kept in perpetuity where earnings/surplus provides regular operating support for the University. **A good example is a Sustainability Capital Fund where** the University shall have a special fund created as a reserve to cater for future financial needs. The source of funds can be from the trustees, the University surplus or through setting aside out of each student's annual a specified amount.

9.10.2.2 Expendable

An expendable endowment fund shall be a fund that must be invested to produce income. Depending on the conditions attached to the endowment, the trustees will have a legal power to convert all or part of it into an income fund which can then be spent. An expendable endowment differs from an income fund in that there is no actual requirement to spend the principal for the purposes of the University operations unless or until the trustees decide to. However, income generated from expendable endowment is no different from income generated from permanent endowment, and should be spent for the daily operations of the University.

9.10.2.3 Restricted and Unrestricted

A restricted fund shall be a reserve account that contains money that can only be used for specific purposes. Restricted funds provide reassurance to donors that their contributions are used in a manner they have chosen. A good example is **Capital Grants where** the University should seek for Donations which are mainly used (restricted) to finance non-current assets. Contributions can be from governmental or non governmental bodies or authority to the University to cover part of the cost of the latter's facilities. The fund may be created for the purposes of helping students in need of school fees in future. The fund may mainly be contributed by various donors including individuals. While Unrestricted funds may be used in any way the University chooses a good example is **Capital contributions from Diocese** which might not be restricted for use.

9.10.2.4 Revaluation Surplus

Revaluation surplus should be made up of cumulative revaluation gains over different reporting periods. It shall be the policy of the University to transfer excess depreciation due to revaluation from revaluation reserve to accumulated surplus/ (Deficit).

9.10.2.5 Accumulated Surplus / (Deficit)

As the University measures its performance during an accounting period its consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), shall be carried forward to the accumulated surplus or deficit.

Chapter Ten

Bank Reconciliation

10.1 Purpose

The University shall match the cash balances on the balance sheet to the corresponding amount of bank statement to do a bank reconciliation. The differences between the two should be determined in order to make changes to the accounting records, resolve any discrepancies and identify fraudulent transactions.

10.2 Bank Reconciliation Process

To reconcile a bank statement, the account balance as reported by the bank shall be compared to the general ledger of the University.

The University needs to identify the reasons for the discrepancy and reconcile the differences. This is done to confirm every item is accounted for and the ending balances match. To do this, a reconciliation statement known as the bank reconciliation statement is prepared.

Once the University receives a bank statement, typically at the end of each month from its bank, where the statement itemizes the cash and other deposits made into the checking account of the University. The University shall follow the following steps to reconcile a bank statement:

a) Compare the Deposits

Match the deposits in the business records with those in the bank statement. Compare the amount of each deposit recorded in the debit side of the bank column of the cashbook with credit side of the bank statement and credit side of the bank column with the debit side of the bank statement. Mark the items appearing in both the records.

b) Adjust the Bank Statements

Adjust the balance on the bank statements to the corrected balance. For doing this, add deposits in transit, deduct outstanding checks and add/deduct bank errors.

Deposits in transit are amounts that are received and recorded by the University but are not yet recorded by the bank. They must be added to the bank statement.

Outstanding checks are those that have been written and recorded in cash account of the University but have not yet cleared the bank account. They need to be deducted from the bank balance. This often happens when the checks are written in the last few days of the month.

Bank errors are mistakes made by the bank while creating the bank statement. Common errors include entering an incorrect amount or omitting an amount from the bank statement. Compare the cash account's general ledger to the bank statement to spot the errors.

c) Adjust The Cash Account

Adjust the cash balances in the University account by adding interest or deducting monthly charges and overdraft fees.

To do this, the University needs to take into account the bank charges, NSF (not sufficient funds) checks and errors in accounting.

- Bank charges are service charges and fees deducted for the bank's processing of the University checking account activity. This can include monthly charges or charges from overdrawn accounts. They must be deducted from the University's cash account. If the University earned any interest on its bank account balance, they must be added to the cash account.
- An NSF (not sufficient funds) check is a check that has not been honored by the bank due to insufficient funds in the University's bank accounts. This means that the check amount has not been deposited in its bank account and hence needs to be deducted from its cash account records.
- Errors in the cash account result in an incorrect amount being entered or an amount being omitted from the records. The correction of the error will increase or decrease the cash account in the books.

d) Compare the Balances

After adjusting the balances as per the bank and as per the books, the adjusted amounts should be the same. If they are still not equal, the reconciliation process will have to be repeated again.

Once the balances are equal, the University need to prepare journal entries for the adjustments to the balance per books.

Chapter Eleven

Financial Reporting

11.1 Objective of financial statements

The objective the University general purpose financial statements shall be to provide information about the financial position, financial performance, and cash flows of the University that is useful to a wide range of users in making economic decisions.

11.2 Fair Presentation and Compliance with IAS's

To comply with the provisions of IFRS's St. Augustine University of Tanzania will ensure that

- a) The financial statement "present fairly" the financial position, financial performance and cash flows of an University. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.
- b) The financial statement complies with all the requirements of the applicable IFRSs and the Institution make an explicit and unreserved statement of such compliance in the notes.
- c) The financial statement provides additional disclosures as required by the relevant applicable IFRS's.

11.3 IFRS's in issue

The following IFRS's are in issue on or before 1st January 2020 and the University will ensure it comply with them for fair presentation of its financial statements:

1. Conceptual Framework for Financial Reporting
2. IFRS 1 First-time Adoption of International Financial Reporting Standards
3. IFRS 2 Share-based Payment
4. IFRS 3 Business Combinations
5. IFRS 4 Insurance Contracts
6. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

7. IFRS 6 Exploration for and Evaluation of Mineral Resources
8. IFRS 7 Financial Instruments: Disclosures
9. IFRS 8 Operating Segments
10. IFRS 9 Financial Instruments
11. IFRS 10 Consolidated Financial Statements
12. IFRS 11 Joint Arrangements
13. IFRS 12 Disclosure of Interests in Other Entities
14. IFRS 13 Fair Value Measurement
15. IFRS 14 Regulatory Deferral Accounts
16. IFRS 15 Revenue from Contracts with Customers
17. IFRS 16 Leases
18. IFRS 17 Insurance Contracts
19. IAS 1 Presentation of Financial Statements
20. IAS 2 Inventories
21. IAS 7 Statement of Cash Flows
22. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
23. IAS 10 Events after the Reporting Period
24. IAS 11 Construction Contracts
25. IAS 12 Income Taxes
26. IFRS 15 Revenue from Contracts with Customers
27. IAS 16 Property, Plant and Equipment
28. IAS 19 Employee Benefits
29. IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
30. IAS 21 The Effects of Changes in Foreign Exchange Rates
31. IAS 23 Borrowing Costs
32. IAS 24 Related Party Disclosures
33. IAS 26 Accounting and Reporting by Retirement Benefit Plans
34. IAS 27 Separate Financial Statements
35. IAS 28 Investments in Associates and Joint Ventures
36. IAS 29 Financial Reporting in Hyperinflationary Economies
37. IAS 32 Financial Instruments: Presentation

38. IAS 33 Earnings per Share
39. IAS 34 Interim Financial Reporting
40. IAS 36 Impairment of Assets
41. IAS 37 Provisions, Contingent Liabilities and Contingent Assets
42. IAS 38 Intangible Assets
43. IAS 39 Financial Instruments: Recognition and Measurement
44. IAS 40 Investment Property
45. IAS 41 Agriculture

11.4 Early Application of IFRS's

Where St. Augustine University of Tanzania applies an IAS for a period before the effective date of the ISA's (early application of the ISA's), that fact will be disclosed in the notes of accounts

11.5 Departure from IFRS's

If in some circumstance the Institution departs from IFRS's, management may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the objective of financial statements set out in the Framework. In such a case, the University is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons, and impact of the departure.

11.6 Comparative information

The University financial statement shall disclose comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes. Comparative narrative and descriptive information shall be provided to enhance understanding of the financial statements of the current period.

11.7 Common Information in Financial Statements

The University will prepare a complete set of financial statements both for the University and Consolidated to comprise:

- a) A statement of financial performance (See Appendix 1: Sample Format Consolidated and University Statement Of Comprehensive Income) ;

- b) A statement of changes in reserves (See Appendix 2: Sample Format Consolidated and University Statement Statements of Changes in Reserves)
- c) A statement of financial position (See Appendix 3: Sample Format Consolidated and University Statements of Financial Position)
- d) A cash flow statement (See Appendix 4: Sample Format Consolidated Cash Flows) ; and
- e) Notes, comprising a summary of significant accounting policies and other explanatory notes.

11.8 Structure and content of financial statements in general

- a) The University will clearly identify the financial statements to distinguish them from other information which will be published in the financial statements.
- b) In addition, the following information shall be displayed prominently, and repeated as necessary:
 - (i) The name of the Institution (St. Augustine University of Tanzania) as the reporting University
 - (ii) Information about the reporting period
 - (iii) The presentation currency (as defined by IAS 21 The Effects of Changes in Foreign Exchange Rates)
 - (iv) The level of rounding used (e.g. thousands, millions).

11.9 Reporting period

The University will prepare financial statements at least annually. For this case the University reporting period each year shall be 31st August. If the annual reporting period changes and financial statements are prepared for a different period, the University shall disclose the reason for the change and shall state that the amounts presented are not entirely comparable.

11.10 Notes and Supplementary Schedules

The University financial statements shall contain notes and supplementary schedules and other information to make them meaningful to the end-users.

Appendix 1: Sample Format Consolidated and University Statement of Comprehensive Income for the Year Ended 20X1

Item/Particulars	Note	Consolidated		University	
		31.8.20X0 TZS	31.8.20X1 TZS	31.8.20X0 TZS	31.8.20X1 TZS
Income					
Tuition Fees and Educational Contracts		XX	XX	XX	XX
Administrative Fees		XX	XX	XX	XX
Hostels / Accommodation		XX	XX	XX	XX
Research grants and contracts		XX	XX	XX	XX
Investment Income		XX	XX	XX	XX
Other Income		XX	XX	XX	XX
Total income before donations		YY	YY	YY	YY
Donations and endowments		XX	XX	XX	XX
Donations of assets		XX	XX	XX	XX
Total Income		XX	XX	XX	XX
Expenditure					
Academic and student Expenses		(YY)	(YY)	(YY)	(YY)
Projects (Investment expenses)		(YY)	(YY)	(YY)	(YY)
Depreciation and amortization		(YY)	(YY)	(YY)	(YY)
General and Administrative Expenses		(YY)	(YY)	(YY)	(YY)
Interest and other Finance Costs		(YY)	(YY)	(YY)	(YY)
Total Operating Expenditure		YY	YY	YY	YY
Surplus / (Deficit) for the year before other gains		ZZ	ZZ	ZZ	ZZ
Revaluation Gain		XX	XX	XX	XX
Total Comprehensive Income		XX	XX	XX	XX

Represented by:					
Unrestricted comprehensive income for the year		(YY)	(YY)	(YY)	(YY)
Endowment comprehensive income for the year		(YY)	(YY)	(YY)	(YY)
Restricted comprehensive income for the year		(YY)	(YY)	(YY)	(YY)
Non-controlled interest for the year		(YY)	(YY)	(YY)	(YY)

Appendix 2: Sample Format Consolidated and University Statement Statements of Changes in Reserves for the Year Ended 20X1

	Endowment Reserves		Income and Expenditure Reserve		Total excluding Non Controlled Interest	Non Controlled Interest	Total Group
	Permanent	Expendable	Restricted	Unrestricted			
Consolidated							
Balance at 1 September 20X0– restated							
Income	XX	XX	XX	XX	XX	XX	XX
Expenditure	XX	XX	XX	XX	XX	XX	XX
Surplus/Deficit	XX	XX	XX	XX	XX	XX	XX
Other Comprehensive Income	XX	XX	XX	XX	XX	XX	XX
Reserve Transfers	XX	XX	XX	XX	XX	XX	XX
Balance at 1 September 20X1	XX	XX	XX	XX	XX	XX	XX
Income	XX	XX	XX	XX	XX	XX	XX
Expenditure	XX	XX	XX	XX	XX	XX	XX
Surplus/Deficit	XX	XX	XX	XX	XX	XX	XX
Other Comprehensive Income	XX	XX	XX	XX	XX	XX	XX
Reserve Transfers	XX	XX	XX	XX	XX	XX	XX
Balance at 31 August 20X1	XX	XX	XX	XX	XX	XX	XX
University							
Balance at 1 September 20X0– restated	XX	XX	XX	XX	XX	XX	XX

Income	XX	XX	XX	XX	XX	XX	XX
Expenditure	XX	XX	XX	XX	XX	XX	XX
Surplus/Deficit	XX	XX	XX	XX	XX	XX	XX
Other Comprehensive Income	XX	XX	XX	XX	XX	XX	XX
Reserve Transfers	XX	XX	XX	XX	XX	XX	XX
Balance at 1 September 20X1	XX	XX	XX	XX	XX	XX	XX
Income	XX	XX	XX	XX	XX	XX	XX
Expenditure	XX	XX	XX	XX	XX	XX	XX
Surplus/Deficit	XX	XX	XX	XX	XX	XX	XX
Other Comprehensive Income	XX	XX	XX	XX	XX	XX	XX
Reserve Transfers	XX	XX	XX	XX	XX	XX	XX
Balance at 31 August 20X1	XX	XX	XX	XX	XX	XX	XX

Appendix 3: Sample Format Consolidated and University Statements of Financial Position for the Year Ended 20X1

	Note	Consolidated		University	
		31.8.20X0 TZS	31.8.20X1 TZS	31.8.20X0 TZS	31.8.20X1 TZS
Non Current Assets					
Intangible Assets and Goodwill		XX	XX	XX	XX
Property, Plant and Equipment		XX	XX	XX	XX
Investments		XX	XX	XX	XX
Current Assets		XX	XX	XX	XX
Intangible assets-pre-publications		XX	XX	XX	XX
Inventories		XX	XX	XX	XX
Trade and other receivables		XX	XX	XX	XX
-due within one year		XX	XX	XX	XX
-due after one year		XX	XX	XX	XX
Investments		XX	XX	XX	XX
Cash and cash equivalents		XX	XX	XX	XX
Creditors: amounts falling due within one year		XX	XX	XX	XX
Net Current Assets		XX	XX	XX	XX
Total Asset less Current Liabilities		XX	XX	XX	XX
Creditors: amounts falling due after more than one year		XX	XX	XX	XX
Provisions for liabilities		XX	XX	XX	XX
Total Net Asset		XX	XX	XX	XX
Reserves					
Endowment Reserves		XX	XX	XX	XX
– Permanent		XX	XX	XX	XX
– Expendable		XX	XX	XX	XX

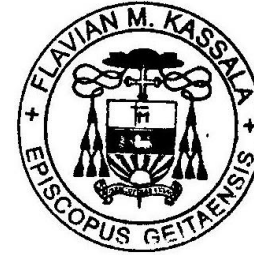
Restricted Reserves		XX	XX	XX	XX
– Income and expenditure reserve		XX	XX	XX	XX
Unrestricted Reserve		XX	XX	XX	XX
– Income and expenditure reserve		XX	XX	XX	XX
Non Controlled Interest		XX	XX	XX	XX
		XX	XX	XX	XX

Appendix 4: Sample Format Consolidated Cash Flows for the Year Ended 20X1

	Note	Consolidated	
		31.8.20X0 TZS	31.8.20X1 TZS
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		XX	XX
Adjustment for:			
Depreciation		XX	XX
Amortization of intangibles		XX	XX
(Gain) on investments		(XX)	(XX)
(Increase)/decrease in inventories		(XX)/XX	(XX)/XX
(Increase)/decrease in receivables		(XX)/XX	(XX)/XX
Increase / (decrease) in payables		XX/(XX)	XX/(XX)
(Decrease)/increase in other provisions		(XX)/XX	(XX)/XX
Donations of assets		(XX)	(XX)
Taxation payable		XX	XX
Unrealized exchange rate (gain)/loss		(XX)/XX	(XX)/XX
Adjustment for investing or financing activities:			
Investment income		(XX)	(XX)
Interest payable		XX	XX
New endowments		(XX)	(XX)
Capital grant income		(XX)	(XX)
(Profit)/Loss on disposal of property, plant and equipment		(XX)/XX	(XX)/XX
Net Cash Flows From Operating Activities		YYY	YYY
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		XX	XX
Capital grants receipts		XX	XX

Proceeds from sale of intangible fixed assets		XX	XX
Payments to acquire property, plant and equipment		(XX)	(XX)
Payments to acquire intangible assets		(XX)	(XX)
Investment income		XX	XX
Net Cash Flows From Investing Activities		WWW	WWW
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on borrowings and leases		(XX)	(XX)
Endowment cash received		XX	XX
Repayment of borrowings		(XX)	(XX)
Net Borrowings		XX	XX
Net Cash Flows From Financing Activities		ZZZ	ZZZ
Net increase/(decrease) in cash and cash equivalents (YYY+WWW+ZZZ)		CCC	CCC
Cash and cash equivalents at beginning of year		XX	XX
Cash and cash equivalents at end of year		XX	XX
Reconciliation to cash and cash equivalents			
Cash at bank and in hand		XX	XX
Term deposits		XX	XX
Cash and cash equivalents		XX	XX

Approved by SAUT Council on this 17th day of December 2020



A handwritten signature in black ink, appearing to read "Flavian Kassala", written over a horizontal dashed line.

Rt. Rev. Flavian Kassala
Chairman of the SAUT Council