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The purpose of FGE Financial Report is to capture and report sufficient financial information to the Government and other users about past events, current financial and economic activities, and it is used as a basis for forecasting future economic development analysis to the government.

One of the duties and responsibilities of MOFEC is to produce the financial reports of FGE and submit to the OFAG for periodic audit. Based on the duties given to the Ministry we produce the financial report of 2012 budget year (E.C).The reports included here are details of budgeted vs. actual revenue and expenditure, supplementary budget reports and newly included financial statements such as:

- Cash Flow Statement
- Statement of Financial Position
- Statement of Financial Performance
- And other reports like trial balance summery and notes to the accounts.

## Reporting Unit

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The list of the Federal Government Budgetary Institutions on which the financial report was compiled attached as Annex-2.

## On-Lending

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Out of the total loan amount disbursed for the country birr ----- was given to non budgetary Institutions based on the On-Lending agreement made with MOFEC and not included in the consolidated report. The details are as follows:

Particulars	Amount
Ethiopian Electric Corporation	
Development Bank of Ethiopia	
Addis Ababa water supply authority	
Total on Lending	

## Letter of Credit

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Cash at bank balance birr ----- for the letter of credit which was opened by MOFEC on behalf of budgetary institutions specified for international procurement is included in the financial report because the expenditure and corresponding affected accounts are recorded in the fiscal year of letter of credit opened.

## Grace Period Payables at the End of Fiscal Year

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Birr ----- was the amount due to the suppliers on the last day of the fiscal year that is paid during the grace period from the prior year budget are recorded as against expenditure at the given budget year, although transfer and payments are recorded in the next fiscal year.

# Federal Government of Ethiopia

## Accounting Policies and Notes to Financial Statements

### 1. Accounting Policies

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The principal accounting policies of the Government, which are set out below, have been applied consistently throughout the period.

#### 1.1. Basis of Accounting

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The financial statements have been prepared on the historical cost basis using a modified cash basis of accounting that recognizes the following non-cash transactions:

- Revenue is recognized when:
  - Aid in kind is received.
  - Payroll is processed (income tax and employee fines)
  - Salary advance is made to an employee (interest on salary advances)
  - Withholding tax is deducted from the amount due to a supplier
- Expenditure is recognized when:
  - Payroll is processed (salary and pension expenses)
  - Aid in kind is deliver
  - Goods are received or services are rendered
  - At the end of the year, a grace period payable is accounted for.
- Intergovernmental transfers are recognized without actual cash movement
- Amounts borrowed using treasury bills and direct advances from the National Bank of Ethiopia are recognized as current liabilities

**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

**1.2. Revenue**

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Revenues are recognized on receipt of amounts except as stated above.

**1.3. Finance Costs**

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Finance costs are recognized as an expense in the period in which they are paid.

**1.4. Translation of Foreign Currencies**

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Transactions denominated in foreign currencies are translated into Ethiopian Birr at the rates of exchange ruling at the date of the transaction.

Cash and bank balances that are denominated in foreign currencies are translated at the rates of exchange ruling at the year end and the exchange gains/loss arising from such translation are recognized as revenue/expenditure respectively.

**1.5. Consolidation**

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The accounts of controlled entities are not consolidated- for example Ethiopian Airlines and Ethiopian Telecommunications Corporation.

**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

## 2. Notes to Financial Statements

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### 2.1. Cash and Cash Equivalents

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Particulars	2012	2011
Domestic Currency	64,539,164,721.42	21,546,525,152.31
Foreign Currency	3,567,942,054.66	1,586,411,579.77
Budget Support	378,207,987.29	383,749,298.22
Counterpart Funds	0.00	0.00
SSDP	34,653,392,679.01	12,308,901,206.08
Cash In Transit	(4,169,755,654.88)	75,808,287.27
Sinking Fund	0.00	0.00
<b>Total</b>	<b>98,968,951,787.50</b>	<b>35,901,395,523.65</b>

Domestic currency refers to local currency held in a safe as well as in a bank account. Foreign currency is cash held in a bank account denominated in foreign currency. Budget support refers to cash from a foreign source held in a bank account available for unrestricted general budgetary support. Counterpart funds refer to grants held in a bank account reserved for specific program support.

# Federal Government of Ethiopia

## Accounting Policies and Notes to Financial Statements

### 2.2. Receivables

Particulars	2012	2011
Advances	62,415,379,007.02	15,592,141,679.19
Prepayments	109,030,106,654.69	49,043,825,515.63
Others	9,402,051,156.16	4,206,906,449.12
<b>Total</b>	<b>180,847,536,817.87</b>	<b>68,842,873,643.94</b>

Advances represent amounts due from government entities and staff. Prepayments represent amounts due from suppliers, contractors and consultants. Others represent amounts due from peasant associations, cooperatives, individuals, private organizations and others.

### 2.3. Payables

Particulars	2012	2011
Accounts Payable	28,681,623,935.42	8,395,798,046.28
Payables within Government	24,751,183,459.69	3,672,253,753.63
Direct Advances	31,000,000,000.00	192,264,945,000.00
Treasury Bills	26,882,292,088.01	137,525,425,315.00
Bond	192,264,945,789.19	0.00
Treasury Notes	147,541,237,300.00	0.00
Deposits	33,823,821,482.19	26,874,436,942.50
Special Purpose Loan	258,609,948.69	258,609,949.00
Grace Period Payables	4,553,773,938.42	1,448,687,765.39
Retentions	16,224,604,762.06	5,343,150,362.37
<b>Total</b>	<b>505,982,092,703.67</b>	<b>375,783,307,133.86</b>

Accounts payables represent grace period payables, sundry creditors, pension contributions payable, salary payable and other payroll deductions. Payables within government represent amounts due to government entities and staff. Deposits represent customs, court, hospital bid bond, VAT and other deposits.

# Federal Government of Ethiopia

## Accounting Policies and Notes to Financial Statements

### 2.4. Tax Revenues

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Tax revenues are legally mandated payments to government. Tax revenues represent taxes on income, profits and capital gains, value added tax and sales turnover tax on domestically manufactured goods and services, excise tax and foreign trade taxes which include excise tax, value added tax, customs and export duties. The breakdown of tax revenues by revenue item is provided in the statement of comparison of budget and actual amounts - domestic revenue.

### 2.5. Non Tax Revenues

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Non-tax revenues represent administrative fees and charges, sales of goods and services and miscellaneous revenues. The breakdown of non tax revenues by revenue item is provided in the statement of comparison of budget and actual amounts - domestic revenue.

### 2.6. Subsidies

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Subsidy revenue represents treasury funds received by regions from the federal government to execute their recurrent and capital budgets and subsidy expense represents treasury funds transferred by the federal government to regions to execute their recurrent and capital budgets.

### 2.7. Municipality Revenues

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Municipality revenue represents different types of municipal taxes, municipal rents and service charges and sale of goods and municipal services.



**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

**2.8. Other Revenues**

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Other revenue represents government investment income including dividend income, residual surplus and capital charges. The breakdown of other revenues by revenue item is provided in the statement of comparison of budget and actual amounts - domestic revenue.

**2.9. Personnel Services**

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Personnel services represent government pension contributions made to pension funds and salaries, wages, allowances/benefits paid to permanent, contracted, externally contracted and casual staff. The breakdown of personnel services by expense item is provided in the statement of comparison of budget and actual amounts - expenditure.

**2.10. Goods and Services**

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Goods and services represent expenditure incurred on goods and supplies, traveling, maintenance and repairs, training, stocks of emergency and strategic goods and contracted services. The breakdown of goods and services by expense item is provided in the statement of comparison of budget and actual amounts - expenditure.

**2.11. Fixed Assets and Construction**

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Fixed assets and construction represent expenditure incurred in the acquisition of fixed assets and the pre-construction and construction of buildings and infrastructure. The breakdown of fixed assets by expense item is provided in the statement of comparison of budget and actual amounts - expenditure.

**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

**2.12. Other Expenses**

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Other expenses include contingency and miscellaneous payments, compensation to individuals and institutions, government investments, grants to institutions, and contributions to international organizations. The breakdown of other expenses by expense item is provided in the statement of comparison of budget and actual amounts - expenditure.

**2.13. External Assistance**

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External assistance represents the amounts contributed by donors as grants and are recognized as revenue on receipt of funds. The breakdown of external assistance by donor is provided in the statement of comparison of budget and actual amounts - external assistance.

**2.14. External Loans**

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External loans represent amounts received from external lenders as loans during the fiscal year and are recognized as revenue on receipt of funds directly or payments to suppliers on behalf of the government. The breakdown of external loans by lenders is provided in the statement of comparison of budget and actual amounts - external loans.

**2.15. Capital Revenues**

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Capital revenue represents proceeds from the privatization of state owned enterprises, sale of fixed assets, stocks and intangible assets and amounts received from non-governmental sources for capital purposes. The breakdown of capital revenues by item of revenue is provided in the statement of comparison of budget and actual amounts - domestic revenue.

**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

**2.16. Debt Repayments**

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Debt repayments to domestic and external lenders represent the principal amounts repaid during the year and are recognized as expenditure. The breakdown of debt repayments by internal and external debt is provided in the statement of comparison of budget and actual amounts - expenditure.

**2.17. Budget Supplement**

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As MoFEC was authorized by the House of the Peoples Representative to declare additional budget for expenditures spent on custom duties & funds received as assistance during the year which didn't included in the budget are recorded as additional revenue & expenditure. The summary and details of the budget supplement is attached with this report (Annex-1).

**2.18. Comparison of Budget and Actual Amounts - Domestic Revenue**

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The causes for material differences between the actual amounts and the budget amounts are detailed below by item of revenue:

**2.19. Comparison of Budget and Actual Amounts - Expenditure**

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The causes for material differences between the actual amounts and the budget amounts are the settlement of advances paid in the previous year and due to unused bank balance in the assistance & Loan fund generated in the previous year.

**Federal Government of Ethiopia**  
**Accounting Policies and Notes to Financial Statements**

**2.20. Finance Costs**

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Finance costs represent payments of bank charges and interest on external and domestic debt.

**2.21. Long Term Foreign Loans**

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Particulars	2012	2011
At the beginning of the year		
Additions		
Amounts written off		
Repayments		
Exchange Differences		
At the end of the year		

**2.22. Long Term Domestic Loans**

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Particulars	2012	2011
At the beginning of the year		
Additions		
Repayments		
At the end of the year		

Maturity Analysis	2012	2011
Due within 1 year		
Due within 2 to 5 years		
Due after more than 5 years		
The loans represent long term bonds issued.		

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## Federal Government of Ethiopia

### Accounting Policies and Notes to Financial Statements

#### 2.23. Contingent Liabilities

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When a list of contingent liabilities, explaining its type, nature and circumstances provided together with reliable evidence; should be included in the financial report it didn't happened in this budget year.

#### 2.24. Other Notes

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Any other notes and disclosures that MOFEC may decide to include as part of the financial statements.