

**Africa Rice Centre (AfricaRice)**

**51<sup>st</sup> Meeting of the Board of Trustees**

18 November 2021

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**FINANCIAL POLICIES AND PROCEDURES MANUAL**

*Revised November 2021*

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## 201.00 INTRODUCTION

### 201.01 Introduction

This Financial Policies and Procedures Manual (FPPM) is divided into two sections:

Section 1 – Financial Policies; and

Section 2 – Financial Procedures.

This manual supersedes the previous version dated 21 March 2013.

### 201.02 Section 1 – Financial Policies - Applicability

**201.021** Section 1 of this Manual is an update of financial management and accounting policies and reporting practices to be used by Africa Rice Center (AfricaRice) following their approval by the Board of Trustees (BoT). These policies are inspired by the Financial Guidelines Series (FG Series) issued in the past by the CGIAR System Organization (SO).

In 2017, CGIAR Centers & the System Organization with its System Management Office (SMO) adopted the International Financial Reporting Standards as the basis for the preparation and presentation of financial statements. This change was made for two compelling reasons. (a) First, the benefit of IFRS is that they represent international quality standards which are recognized inter alia by the funder community, banks, partners and potential collaborators. Compliance with IFRS provides assurance that CGIAR accounting is of the highest standard and allows for comparability with other organizations. (b) Second, the certification of the CGIAR entity annual financial statements by the external auditors is much enhanced when it is based on an internationally recognized standard. AfricaRice adopted and achieved full IFRS compliant in preparing financial statements issued for fiscal years beginning January 1, 2017

Thus, the financial policies set out in this document are derived largely from the IFRS Compliant CGIAR Reporting Guidelines and other FG Series. FG No. 1 (Financial Management); FG No. 3 (Auditing), FG No. 4 (Planning and Budgeting); FG No. 5 (Indirect Cost Allocation), and FG No. 6 (Procurement). They are intended to enable AfricaRice to prepare and present to its donors, trustees, management and external users financial information that meets international standards guidelines and that is informative and comparable with that of other centers within the Consultative Group on International Agricultural Research (CGIAR).

### Financial Management Policies

Financial management is the set of activities by which AfricaRice manages its finances during the financial cycle to achieve its objectives. The cycle begins with financial planning, resource allocation (budgeting), monitoring and management reporting, and culminates in external financial reporting. Each segment of the financial management has its own objectives and accountabilities within the AfricaRice organization, ensuring that financial resources are efficiently planned, managed, and reported to meet organizational

objectives.

It also includes AfricaRice's Investment and Foreign Exchange Risk Policies.

## **201.022 Accounting Policies**

The accounting policies used by AfricaRice are derived from the IFRS Compliant CGIAR Reporting Guidelines dated 28<sup>th</sup> November 2017. These policies are largely based on International Financial Reporting Standards (IFRS) issued by the IFRS Foundation and the International Accounting Standards Board (IASB).

Given the international status and the unique situation of the CGIAR, AfricaRice's manual ensures compliance to IFRS/IAS (which are generally applicable to business enterprises) to govern normal accounts like cash and cash equivalents, receivables, inventories, property and equipment, liabilities, etc.

## **201.023 Investment and Foreign Exchange Risk Policies**

The current investment policy was approved by the Board during the AfricaRice Board of Trustees (BoT) meeting of March 2015 and may be updated as necessary.

## **201.03 Section 2 – Financial Procedures**

**201.031** Section 2 of this manual defines the accounting system of AfricaRice for recording the financial expenditures of the center as it moves through the financial year.

This section also defines AfricaRice's internal control system. It consists of policies, procedures, techniques, physical devices, documentation and people. The system lays out how these components interact to assure achievement of Management's objectives related to:

- safeguarding of assets;
- assurance against the incurrence of improper liabilities;
- assurance of the accuracy and reliability of accounting data;
- achievement of operational efficiency; and
- adherence to prescribed managerial policies.

## **201.04 Amendments to the FPPM**

**201.041** Any changes required to Section 1 of the FPPM will require approval by the Board of Trustees.

**201.042** As needed, changes to Section 2 of the FPPM will require approval by the Director General. These will be communicated through Administrative Circulars. The Board of Trustees will be informed accordingly of the revisions made.

## **201.05 Maintenance of the FPPM**

201.051 Under the overall guidance of the Director for Finance and Corporate Services, the Head of Accounting is responsible for the maintenance and administration of this Manual.

## 202.00 AXIOMS FOR DEFINING ACCOUNTING SYSTEMS

Generally accepted accounting principles are based on six major axioms relating to the environment in which transactions take place. These six axioms provide the underlying basis for an accounting system, and they are as follows:

### 202.01 Economic Entity

202.011 This assumes that an economic activity can be identified with a particular unit of accountability. It means that financial transactions can be related to a specific operating activity. Without this assumption there will be no basis for accountability because transactions could not be separated from a multitude of producers.

202.012 In the CGIAR context this provides the basis for distinguishing the transactions relating to Centers within the CGIAR system. It also provides a rationale for financial reporting by type of activity (e.g. research, training, etc) and by type of funding (e.g. unrestricted grant or restricted grant).

### 202.02 Monetary Unit

202.021 This assumes money is the common denominator by which economic activity is conducted, and that the monetary unit provides an appropriate basis for measurement and analysis.

202.022 The unit of account for AfricaRice is the US dollar.

202.023 The axiom is also important in inflationary environments because in those cases monetary units of different years may not be appropriate bases for comparison across years.

### 202.03 Periodicity

202.031 This assumes that the activities and, therefore, the financial flows of an entity, can be divided into any chosen time period.

202.032 The financial statements of AfricaRice are prepared on a calendar year basis (1<sup>st</sup> January - 31<sup>st</sup> December).

### 202.04 Elements of Financial Statements

202.041 Financial statements group transactions and other events into broad classes according to their economic characteristics which IFRS terms the “elements of financial statements”.

202.042 The elements that are directly related to the Statement of Financial Position are Assets, Liabilities and Net Assets.

202.043 The elements that are directly related to the Statement of Activities and comprehensive income are Revenues and Expenses

## 203.00 PRESENTATION OF FINANCIAL STATEMENTS

### IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

#### 203.01 Introduction

This standard will be applied in the presentation of all general purpose financial statements prepared and presented in accordance with International Accounting Standards (IAS).

Financial statements are structured financial representation of the financial position of and the transactions undertaken by AfricaRice. The objective of general purpose financial statements is to provide information about the financial position, performance and cash flows of AfricaRice that is useful to a wide range of stakeholders.

A complete set of financial statements includes the following components:

- Statement of Financial Position;
- Statement of Activities and Other Comprehensive Income.
- Statement of Changes in Net Assets;
- Statement of Cash Flows; and
- notes to the Financial Statements, (including Accounting policies and explanatory notes).

CGIAR Centers and the SO should also include in their Audited Financial Statements:

- Auditor's Report
- Statement by the Chair of the Board of Trustees
- Board Statement on Risk Management
- Management Statement of Responsibility

AfricaRice also include at the end of their Audited Financial Statements annexes with specific supplementary information:-

- Schedule of grant revenues
- Schedule of grant pledges and expenses
- Schedule of Portfolio Expenditures Reports
- Schedule of Property, Plant and Equipment (fixed assets)
- Schedule of Indirect Cost Computation

A Statement by the Chair of the Board of Trustees which describes and explains the Institute's mission, its programmatic highlights/achievements for the year, the main

features of its financial performance and financial position and the main uncertainties it faces. Such a report will include a review of:

- The main factors and influences determining AfricaRice's performance, including changes in the operating environment and the Centre's response to those changes and their effect; and
- The strengths and resources of AfricaRice that may not be reflected in the Statement of Financial Position under IFRS/IAS.

## 203.02 Accounting Concepts

The following key accounting concepts underlie the presentation of general purpose financial statements:

### 203.021 Fair Presentation and Compliance with IFRS and IAS

AfricaRice's financial statements will present fairly the financial position, financial performance and cash flows of the Centre. The appropriate application of IFRS and IAS, with additional disclosure where necessary, results in financial statements that achieve a fair presentation. AfricaRice's financial statements comply with IFRS/IAS

### 203.022 Accounting Policies

Management will select and apply AfricaRice's accounting policies which will ensure that the financial statements comply with all the requirements of each applicable IFRS and IAS.

Management will develop policies which will ensure that the financial statements provide information that is:

(a) Relevant to the decision making needs of all users; and

(b) Reliable in that they:

- represent faithfully the results and financial position of the Centre;
- reflect the economic substance of events and transaction
- are free from bias
- are prudent
- are complete in all material respects.

### 203.023 Going Concern

When preparing financial statements, management will make an assessment of AfricaRice's ability to continue as a going concern.

When management is aware of material uncertainties relating to events or conditions

which may cast significant doubt upon the Centre's ability to continue as a going concern, those uncertainties will be disclosed.

#### 203.024 Accrual

AfricaRice will prepare its financial statements under the accrual basis of accounting. Under the accrual basis of accounting, transactions and events are recognized when they occur (and not as cash or its cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Expenses are recognized in the Statement of Activities and comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of revenue (matching).

#### 203.025 Consistency of Presentation

The presentation and classification of items in the financial statements will be retained from one period to the next unless:

- (a) A significant change in the nature of operations of AfricaRice or a review of its financial statement presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or
- (b) A change in presentation is required by an IFRS and/or IAS

#### 203.026 Offsetting

- (a) Assets and liabilities will not be offset except when offsetting is required or permitted by another IAS.
- (b) Items of revenue and expense will be offset when and only when:
  - Required by IFRS/IAS; or
  - Gains, losses, and related expenses arising from the same or similar
  - Transactions and events are not material.

#### 203.027 Comparative Information

- (a) Comparative information will be disclosed in respect of the previous period for all numerical information in the financial statements. Comparative information will be included in the narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.
- (b) When the presentation or classification of items in the financial statements is amended, comparative amounts will be reclassified.

## 203.028 Materiality and Aggregation

Each material item will be presented separately in the financial statements. Immaterial amounts will be aggregated with amounts of a similar nature or function and need not be presented separately.

## 204.00 CHART OF ACCOUNTS

### 204.01 Introduction

204.011 In its simplest form, the chart of accounts provides a logical framework for compilation and presentation of financial transactions in an accounting system.

204.012 Items contained in the chart of accounts describe the stocks and flows of the accounting system. Assets, liabilities, and net assets provide absolute financial amounts or levels. Revenues and expenses describe flows, i.e., changes in amounts or levels over time.

204.013 Within this configuration, the definition of the items included in a chart of accounts, and the procedures governing them, give substance to the processing and measurement of transactions.

204.014 AfricaRice will follow a uniform chart of accounts to ensure production of consistent accounting information.

204.015 Three key financial statements provide a comprehensive picture of an entity's financial stocks and flows. They are:

- the statement of financial position (balance sheet), which provide the status of the key stock accounts, i.e. assets, liabilities and net assets, at a moment in time
- the statement of activities and comprehensive income (income and expenses), which describes the net
- result of the flows of revenues, expenses and the resulting surplus/deficit over a given period of time
- the statement of cash flows, which maps the resulting movement of cash during a period.

204.016 This manual describes each of the major elements used in the chart of accounts.

- Accounting for Assets (Section 205.00);
- Accounting for Liabilities (Section 206.00); and
- Net Assets (Section 207.00).
- Accounting for Revenues (Section 210.00); and
- Accounting for Expenses (Section 211.00).

204.017 The objective of the above-mentioned sections is to provide a consistent framework for AfricaRice's chart of accounts, on the basis of which it will develop detailed accounts and sub-accounts consistent with its requirements.

## 205.00 ASSETS

### 205.01 Cash and Cash Equivalents

- IAS 7 STATEMENT OF CASH FLOWS
- IAS 21 THE EFFECTS OF CHANGE IN FOREIGN EXCHANGE RATES
- IAS 32 FINANCIAL INSTRUMENTS PRESENTATION
- IFRS 7 FINANCIAL INSTRUMENTS DISCLOSURE
- IFRS 9 FINANCIAL INSTRUMENTS

#### 205.011 Nature and Definition

(a) Cash comprises cash on hand, petty cash funds, and currencies awaiting deposits as well as local or foreign currency deposits in banks which are immediately available for use in the current operations.

(b) Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash; and so, near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. In general terms, only investments with original maturities of three months or less will qualify under this definition.

#### 205.012 Valuation

(a) Cash is valued at face value.

(b) Cash and cash equivalents in currencies other than the US dollar are recorded at market rates in effect at the time of transaction and restated to equivalent US dollar amount at prevailing market rates as of the date of the statement of financial position.

#### 205.013 Presentation and Disclosure

AfricaRice will include a separate line item “Cash” or “Cash and cash equivalents” in the statement of financial position.

### 205.02 Receivables

#### 205.021 Nature and Definition

(a) Receivables are generally defined as claims held against others for the future receipt of money, goods or services.

(b) Receivables of AfricaRice usually include claims from donors; loans and advances to

officers and employees; advances to other centers and, claims against third parties for services rendered.

## 205.022 Classification of Receivables

- (a) Donor – Receivables due from donors can arise from:
  - Unrestricted grants which are due and receivable by AfricaRice.
  - Amounts due from restricted grants that have been negotiated between a donor and AfricaRice.
- (b) Employees - advances made to officers and employees for travel, benefits, salary, loan, etc.
- (c) Advances to other CGIAR centers.
- (d) Others - include advance payment to suppliers, consultants, and other third parties.

## 205.023 Recognition Principles

### (a) Unrestricted Grants

Receivables from unrestricted grants will be recognized in full in the period specified by the donor. Before an unrestricted grant can be recognized as revenue, sufficient verifiable evidence should exist in documenting that a commitment was made by the donor and received by AfricaRice.

### (b) Restricted Grants

Receivables from restricted grants will be recognized in accordance with the terms of the underlying contract.

### (c) Other Receivables

Receivables from employees are recognised as they arise and cleared when payment is received.

Advances to other centers are recognised when the cash or other assets borrowed are delivered or when payment is made for the liability of another center.

Other receivables are recognised upon the occurrence of event or transaction, which gives AfricaRice a legal claim against others.

## 205.024 Valuation

- (a) All receivable balances will be valued at their net realizable value, calculated as the gross amount of receivable minus any allowances provided for doubtful accounts.

(b) Allowance for doubtful accounts will be provided in an amount equal to the total receivables shown or reasonably estimated to be doubtful of collection. The amount in the allowance will be based on past experiences and on continuing review of receivable aging reports and other relevant factors.

(c) When an Accounts Receivable – Donor, is deemed doubtful of collection, AfricaRice will provide an allowance for doubtful accounts during the year the account was deemed doubtful.

(d) Any receivable or portion of receivable adjudged to be uncollectible will be written-off. Write-offs of receivables will be done via the allowance for doubtful accounts after all efforts to collect have been exhausted.

(e) Receivables denominated in a currency other than the US dollar are recorded at exchange rates in effect at the time of transactions.

Exchange gains or losses resulting from rate fluctuations upon actual collection and from recorded receivables are credited or charged to operations.

## 205.025 Presentation and Disclosure

(a) Receivables from donors will be shown as a separate line item in the Statement of Financial Position.

(b) Employees' outstanding balances will be identified as a separate line item in the statement of financial position.

(c) Advances to other centers and other receivables will be identified as separate line items in the statement of financial position.

(d) Receivables will be classified in the statement of financial position as current or non-current. Current receivables are those collectibles within one year from the date of the statement of financial position. Non-current receivables are those collectibles beyond one year.

(e) The allowance for doubtful accounts will be deducted from the related asset, the asset being shown in the statement of financial position either at:

- Gross, less the allowance; or
- Net, with the amount of the allowance indicated in the parenthetical notation.

## 205.03 Inventories

### IAS 2 INVENTORIES

## 205.031 Nature and Definition

Inventories are assets:

(a) Held in the form of materials or supplies of materials or supplies to be consumed in the Center's operations or in the rendering of services. For AfricaRice, inventories will normally comprise of materials and supplies not expended at the time of their purchase, such as scientific supplies, automotive sections, building materials, petroleum products, office and other general supplies; or

(b) Held for sale in the ordinary course of business.

**Net realizable value** is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### 205.032 Valuation

(a) Inventories are to be valued at cost and charged against operations when used. Cost includes the purchase price plus any costs of conversion and other costs incurred in bringing the inventories to their present location and condition (e.g. cost of freight, insurance and handling charges). Grants in the form of inventories will be measured at fair value at the time of receipt.

(b) Inventories held at the end of the financial period will be stated at the lower of cost and net realizable values.

### 205.033 Recognition Policies

(a) AfricaRice may acquire inventories through direct purchase or grants by donors.

(b) The cost of inventories applied to operations should be assigned by using the first-in, first-out (FIFO) or weighted average cost formula.

(c) Inventories are usually written down to the net realizable value on an item-by-item basis. In some circumstances, it may also be appropriate to group similar or related items.

(d) Inventories acquired at currencies other than US dollars will be recorded using the exchange rate applicable at the date of transaction.

(d) The allowance for inventory obsolescence will be deducted from the related asset, the asset being shown in the statement of financial position, either at:

- Gross, less the allowance; or
- Net, with the amount of the allowance indicated in the parenthetical notation.

(f) The amount of write-down of inventories to net realizable value and all losses of inventories will be recognized as an expense in the period the write down or loss occurs.

## 205.034 Presentation and Disclosure

The financial statements will disclose:

- (a) The accounting policies adopted in measuring inventories, including the cost formula used.
- (b) The total carrying amount of inventories and the carrying amount in the classifications as appropriate to AfricaRice.
- (c) The carrying amount of inventories carried at net realizable value.
- (d) The amount of any reversal of any write-down that is recognized as revenue, or a reduction in expenses, in the period and the circumstances or events leading to such reversals.
- (e) The carrying amount of inventories pledged as security for liabilities, if any.

## 205.04 Property and Equipment

IAS 16 PROPERTY, PLANT & EQUIPMENT  
IAS 20 ACCOUNTING FOR GOVERNMENT GRANTS

### 205.041 Nature and Definition

- (a) Property and equipment are defined as tangible assets that:
  - Are held by AfricaRice for use in the production or supply of goods or services or for administrative purposes; and
  - Are expected to be used for more than one period.
- (b) Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
- (c) Depreciable amount is the cost of an asset less its residual value.
- (d) Useful life is the period of time over which an asset is expected to be used by AfricaRice.
- (e) Cost is the amount of cash or cash equivalents including related costs paid or the fair value of the other consideration given to acquire an asset.
- (f) Residual value is the net amount that AfricaRice expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
- (g) Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

(h) An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

(i) Carrying amount is the amount at which an asset is recognized in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

(j) AfricaRice's ceiling level for capitalisation is US\$1,000.00. This amount will be reviewed from time to time based on specific circumstances relevant to the Institute.

(k) Project Assets: -An asset which has been acquired by grant funding for the purposes of carrying out a particular project, and ownership may be retained by AfricaRice at the end of the project. (IAS 20)

#### 205.042 Classification of Property and Equipment

The following classifications will apply to AfricaRice:

(a) Land.

(b) Physical facilities - include research, training, administrative, housing, auxiliary facilities and their sub-systems (e.g., air conditioning, telephone systems, etc.).

(b) Infrastructure and leasehold improvements.

(d) Equipment - includes farming equipment, laboratory, scientific, office, housing and auxiliary equipment, furniture, computers and software, vehicles, aircraft and similar depreciable assets.

(e) Construction in progress.

(f) Leased property and equipment capitalized in accordance with IFRS16.

#### 205.043 Recognition Principles

(a) An item of property, plant and equipment will be recognized as an asset when:

- it is probable that future economic benefits associated with the asset will flow to AfricaRice; and
- the cost of the asset can be measured reliably.

(b) Property, plant and equipment acquired through non-monetary grants will be recognized at fair value at the date of the grant. Such grants will be presented in the statement of financial position as deferred revenue and will be taken into account as revenue on a systematic and rational basis over the life of the asset.

(c) Property, plant and equipment acquired through the use of grants restricted for a certain project will be expensed to the project at the date of acquisition in line with

the grant agreements and conditions. However, the amount equivalent to the remaining future useful life of the asset will be set up as deferred depreciation. This amount will subsequently be subjected to annual depreciation over the useful lifetime of the assets. (IAS 20 Para26)

- (d) Acquisitions of property and equipment worth less than the minimum level set by AfricaRice will be expensed outright.
- (e) Effective from the date of the adoption of this revised manual, all new facilities provided by host countries to AfricaRice or constructed for the use of AfricaRice, which will revert to the host country in the event AfricaRice ceases to operate, will be recognized as an asset.
- (f) Subsequent expenditure relating to property, plant and equipment that has already been recognized will only be added to the carrying amount of the asset if the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure will be recognized as an expense in the period in which it is incurred.

#### 205.044 Valuation

- (a) An item of property, plant and equipment which qualifies for recognition as an asset will initially be measured at cost.
- (b) Subsequent to initial recognition as an asset, an item of property, plant and equipment will be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
- (c) As an alternative to (b) above, IAS 16 allows for the revaluation of property, plant and equipment subsequent to its initial recognition:
  - Subsequent to initial recognition as an asset, an item of property, plant and equipment will be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation.
  - Revaluations will be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance date.
- (d) When an item of property, plant and equipment is revalued, the entire class of asset to which it belongs will be revalued.
- (e) When an asset's carrying amount is increased as a result of a revaluation, the increase will be credited directly to net assets as a revaluation surplus.

However, a revaluation increase will be recognized as revenue to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense.
- (f) When an asset's carrying amount is decreased as a result of a revaluation, the decrease

will be recognized as an expense. However, a revaluation decrease will be charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset.

- (g) The cost of an item of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.
- (h) Property and equipment acquired on credit or by instalment are recorded at its cash purchase price. The difference between credit and cash price, if any, will be considered as financing cost to be amortised over the credit period.
- (i) The cost of self-constructed property and/or equipment will include direct cost of materials and labour as well as indirect cost and incremental overhead specifically identifiable or traceable to the construction. Financing costs that are attributed to a construction project and that are incurred up to the completion of construction are also included in the gross carrying amount of the asset to which they relate.

#### 205.045 Presentation and Disclosure

The financial statements will disclose by way of notes to the accounts, for each class of property, plant and equipment:

- (a) The measurement bases used for determining the gross carrying amount.
- (b) The depreciation methods used.
- (c) The gross carrying amount and the accumulated depreciation at the beginning and end of the period.
- (d) A reconciliation of the carrying amount at the beginning and end of the period showing:
  - additions
  - disposals
  - increases and decreases during the period resulting from revaluations
  - impairment losses recognized or reversed in the statement of activities and other comprehensive income during the period
  - depreciation
  - other movements.
- (e) The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;
- (f) The amount of expenditure on account of property, plant and equipment in the course of construction; and
- (g) The amount of commitments for the acquisition of property, plant and equipment.

#### 205.046 Disposal or Retirement of Property and Equipment

- (a) An item of property, plant and equipment will be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no further economic benefits are expected from its disposal.
- (b) Gains or losses arising from the retirement or disposal will be determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and will be recognized as revenue or expense in the statement of activities.

#### 205.047 Impairment of Non-financial Assets

- (a) AfricaRice non-monetary assets property, plant and equipment and intangible assets are subject to impairment testing when there are events or circumstances indicating that their carrying amounts may not be recoverable. The losses for impairment arise when the carrying amount of the asset is higher than the recoverable value. The recoverable value of an asset corresponds to the higher of its net amount after sale, less its cost of sale or its value.
- (b) If carrying amount of an asset exceed its recoverable value, a loss for impairment is recognized as an expense in the Statement of Activities and Other Comprehensive Income for the year. The losses for impairment will be returned if there is a change in the estimates used to determine the recoverable value of the assets. They will be returned until the carrying amount of the asset does not exceed the determined fair value, net of depreciation if a loss for impairment is not recognized.

#### 205.05 Depreciation

IAS 16 PROPERTY, PLANT & EQUIPMENT  
IAS 20 ACCOUNTING FOR GOVERNMENT GRANTS

#### 205.051 Nature and Definition

Depreciation is the systematic allocation of the depreciable amount of an item of property, plant and equipment over its estimated useful life.

#### 205.052 Recognition Principles

- (a) Depreciation of property and equipment will be based on the full acquisition cost of the property and equipment, net of its salvage value, as applicable.
- (b) AfricaRice will follow the straight-line method of depreciation.

This method allocates the cost of property and equipment uniformly over its expected useful life. The straight-line method of depreciation will be applied consistently from period to period unless altered circumstances justify a change.

- (c) Land and buildings are separable assets and are dealt with separately for accounting purposes even when they are acquired together. Land normally has an unlimited life and, therefore, is not depreciated. Buildings have a limited useful life and are depreciable assets.
- (d) To establish uniformity within the CGIAR Organization, Africa Rice Center use the following useful lives of assets for depreciation purposes:

<u>Category</u>	<u>Years</u>
Building inclusive of subsystems	60
Heavy duty equipment	10
Office and household furniture, Fixtures and equipment	10
Laboratory and scientific equipment	10
Vehicles and Tractors	7
Computer equipment and accessories	5

- (e) Applying different useful lives to assets at different locations and/or operated under different conditions may be justifiable.
- (f) Depreciation of acquired assets will start in the month the asset was placed in operation and continue until the asset has been fully depreciated or its use discontinued.

## 205.53 Presentation and Disclosure

- (a) Accumulated depreciation, either for each major class of property and equipment or in total, will be disclosed as:
  - a deduction or parenthetically in a statement of financial position; or
  - a note to the financial statements.
- (b) The amount of depreciation expense for the period and the method used to compute depreciation for the major classes of property and equipment will also be disclosed.

## 205.06 Leases

### IFRS 16 LEASES

#### 205.061 Nature and Definition

A lease is an agreement whereby the lessor conveys to the lessee (Africa Rice Center), in

return for a payment or a series of payments, the right to use an asset for an agreed period of time.

Leases are classified into the two following categories:

- (a) **Finance Lease** – A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.
- (b) **Operating lease** – An operating lease is a lease other than a finance lease.

## 205.062 Recognition Principles

IFRS 16 sets out guidelines for determining whether a lease is a finance or an operating lease. In all situations it is the substance of the transaction rather than the form of the contract which is important.

The following situations would normally lead to a lease being classified as a finance lease:

- The lease transfers ownership of the asset to AfricaRice at the end of the lease term;
- AfricaRice has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable, such that it is reasonably certain that the option will be exercised;
- The lease term is for the major section of the economic life of the asset even if title is not transferred;
- At the inception of the lease, the present value of the minimum lease payments amounts to substantially all of the fair value of the asset;
- The leased assets are of a specialized nature such that only AfricaRice can use them without major modifications being made.

## 205.063 Presentation and Disclosure

### **Finance Leases**

- (a) AfricaRice will recognize finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.  
In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease.
- (b) Lease payments will be apportioned between the finance charge and the reduction of the outstanding liability.
- (c) A finance lease gives rise to a depreciation expense for depreciable assets as well as a finance expense for each accounting period. The depreciation policy will be consistent with AfricaRice's normal rates. If there is no certainty that AfricaRice will obtain ownership by the end of the lease term the asset will be fully depreciated over the

shorter of the lease term or its useful life.

- (d) AfricaRice will disclose the total of minimum lease payments at the balance date and their present value, for each of the following periods:
- no later than one year;
  - later than one year and not later than five years; and
  - later than five years.

### **Operating Leases**

- (a) Lease payments under an operating lease will be recognized as an expense in the statement of activities.
- (b) AfricaRice will disclose the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:
- no later than one year;
  - later than one year and not later than five years; and
  - later than five years.

## 205.07 Financial Instruments (Investments)

IAS 32 FINANCIAL INSTRUMENTS PRESENTATION

IFRS 7 FINANCIAL INSTRUMENTS DISCLOSURE

IFRS 9 FINANCIAL INSTRUMENTS

### 205.071 Nature and Definition

- (a) **An investment** is an asset held by an enterprise for accumulation of revenue through interest, royalty, and/or dividend distributions by AfricaRice.
- (b) **An investment property** is an investment in land or buildings that are not occupied substantially for use by, or in the operations of, AfricaRice.
- (c) A **financial instrument** is any contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise.
- (d) A **financial asset** is any asset that is:
- Cash; or
  - A contractual right to receive cash or another financial asset from another enterprise.
- (e) Common examples of financial assets are trade and trade receivables, notes receivable and payable, loans receivable and payable and bonds receivable and payable.
- (f) **Fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

- (g) **Market value** is the amount obtainable from the sale of a financial instrument in an active market.

#### 205.072 Valuation

- (a) Investments are initially recorded at their acquisition cost (including brokerage and other transaction costs) if they were purchased and fair value if they were received as a grant.
- (b) Investments in equity securities with readily determinable fair values and all investments in debt securities will be measured at fair value as of the date of the statement of financial position.
- (c) Investments received as grants from donors will be recorded at their fair market value.

#### 205.073 Recognition Principles

Interest, dividends, losses and gains relating to a financial instrument will be reported in the statement of activities as expense or revenue.

#### 205.074 Presentation and Disclosure

- (a) Investments acquired with the intention of disposing the same within one year or less from the acquisition date are to be classified as current investments. Furthermore, investments classified as current, as distinguished from cash equivalents, are those that are acquired with original maturities of more than three months but not exceeding one year.
- (b) Investments acquired with the intention of keeping the same for more than a year from the acquisition date are to be classified as long-term investments.
- (c) The following will be disclosed:
- The accounting policies for the determination of the carrying amount of the investments and the treatment of changes in market value of investments carried at market value.
  - The significant amounts included in revenue for interest, royalties, dividends, and rentals on long-term and current investments; profits and losses on disposal of current investments and changes in value of such investments.
- (d) When AfricaRice carries one or more financial assets at an amount in excess of fair value, AfricaRice will disclose the fair value and the carrying amount.
- (e) For each period for which a statement of financial position is presented, AfricaRice will disclose:

- The aggregate carrying amount of investments by major types of investments;
- The basis for determining the carrying amount for investments, other than equity securities with readily determinable fair values, and all debt securities;
- The method(s) and significant assumptions used to estimate the fair values of investments and other financial instruments if those other instruments are reported at fair value.

## 205.075 Impairment of Financial Assets

- (a) AfricaRice recognizes a loss allowance for Expected Credit Losses (ECL) on investments in debt and equity instruments that are measured at amortized cost or at fair value through statement of financial activity, donor, partner and staff receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
- (b) AfricaRice always recognizes lifetime ECL for donor, partner and staff receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Centre's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where correlation exists.
- (c) For all other financial instruments, the Centre recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Centre measures the loss allowance for that financial instrument at an amount equal to lifetime ECL.
- i) Significant increase in credit risk
- In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Centre compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Centre considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.
- (ii) Definition of default
- The Centre considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- The Centre has not complied with the requirements of the grant agreements;
  - A partner has not liquidated amounts advanced within the required timelines and the activities have not been implemented.
  - A member of staff separating from the Centre after receiving final dues before repaying all amounts due to the Centre.

The Centre writes off financial assets only when there is objective evidence that the

debt will not be recovered and after it has exhausted its collection avenues

iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information where correlation exists.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Centre in accordance with the contract and all the cash flows that the Centre expects to receive, discounted at the original effective interest rate. The Centre recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account

206.00 LIABILITIES

IAS 1 STATEMENT OF FINANCIAL POSITION

IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

206.01 Nature and Definition

(a) A **liability** is a present obligation of AfricaRice arising from past events, the settlement of which is expected to result in an outflow from the Institute's resources embodying economic benefits.

(b) A liability will be classified as a current liability when it:

- is expected to be settled in the normal course of Africa Rice Center's operating cycle; or
- is due to be settled within 12 months from the balance sheet date.

All other liabilities will be classified as non-current liabilities.

(c) A **Provision** is a liability of uncertain timing or amount.

(d) A **Contingent Liability** is:

- a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain events; or
- a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability.

206.02 Valuation

- (a) Current liabilities are carried at the amount to be paid.
- (b) Long-term liabilities are shown at the present or discounted value of the future net cash outflows expected to be made to settle the liabilities in the normal course of operations. For example, instalment liabilities are recorded at present values of future periodic instalments.

206.03 Classification

- (a) Current liabilities are those obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.
  - Bank indebtedness - Represent a financial liability, which involves a contractual obligation to deliver cash in the future. An overdraft facility is a short-term financing from AfricaRice's bank, which is normally bridge financing for non-deferrable current operating expenses.
  - Accounts payable - Represent amounts due to donors, employees and others for supports, services and/or materials received prior to yearend, but not paid as at the balance sheet date.
  - Donors payable - These include grants received from donors which conditions are not yet met. It also includes amounts payable to donors in respect of any unexpended funds received in advance for restricted grants.
  - Employees payable - These include unpaid salaries and bonuses, leave credits and pension settlements.
  - Other payable - These include all other liabilities Africa Rice
  - Center has incurred and has been billed for which remain unpaid as at the balance sheet date.
  - Accruals - Represent liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier.
- (b) Non-current liabilities are obligations maturing or scheduled to mature after an uninterrupted period extending beyond one year from the date of AfricaRice's statement of financial position.

206.04 Recognition Principles

**Accounts Payables and Accruals**

- (a) The classification is intended to include obligations for items which have entered into the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in Africa Rice Center's activities, collections received in advance of the delivery of materials and supplies, performance of services; and debts which arise from operations directly related to Africa Rice Center's activities.
- (b) Resources received in exchange transactions from other service beneficiaries for specific projects, programs or activities that have not yet taken place will be recognized as liabilities to the extent that the earning process has not been completed.
- (c) Liabilities denominated in a currency other than the US dollar are recorded at exchange rates in effect at the time of transactions. Exchange gains or losses resulting from rate fluctuations upon actual payment and from recorded payables are credited or charged to operations.

### **Provisions**

- (d) A provision will be recognized when:
  - AfricaRice has a present obligation as a result of a past event
  - it is probable that an outflow of resources will be required to settle the obligation
  - a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision will be the best estimate of the expenditure required to settle the present obligation as at the balance sheet date.

Provisions will be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A provision will only be used for expenditures for which the provision was originally recognized.

### **Contingent Liability**

- (e) AfricaRice will not recognize a contingent liability in its statement of financial position.

## **206.05 Presentation and Disclosure**

- (a) The following items will be disclosed separately:
  - Bank indebtedness and overdrafts
  - Accounts payable
  - Accruals
  - Provisions
- (b) The following items will be disclosed separately with a clear disclosure of their current and non-current portions.

- Secured bank indebtedness
- Non-secured bank indebtedness.

(c) In addition, the nature of arrangement of each bank indebtedness such as interest rates, repayment terms, covenants, subordination, concession features and accounts of unamortized premium or discount will be disclosed in the notes to financial statements.

### **Provisions**

(d) For each class of provision, AfricaRice will disclose:

- The carrying amount at the beginning and end of the period;
- Additional provisions made during the period;
- Amounts used during the period;
- Unused amounts reversed during the period.

### **Contingent Liabilities.**

(e) AfricaRice will disclose in the notes to the financial statements, for each class of contingent liability as at the balance sheet date, a brief description of the nature of the contingent liability and, if possible, an estimate of the financial effect and an indication of the uncertainties relating to the amount or timing of any outflow.

## **207.00 NET ASSETS**

### **IAS 1 PRESENTATION OF FINANCIAL STATEMENTS**

The concept of “Net Assets” as defined by FAS 117 has been drawn on to supplement the concepts of “Equity” outlined in IAS 1 to provide additional levels of disclosure that are more appropriate for not-for-profit organizations in general and AfricaRice in particular.

## **207.01 Nature and Definition**

- (a) Net assets are the residual interest in AfricaRice’s assets remaining after liabilities are deducted.
- (b) The overall change in net assets represents the total gains and losses generated by AfricaRice’s activities during the period as determined by the measurement principles adopted and disclosed in the financial statements.
- (c) While IAS 8 requires all items of revenue and expense recognized in a period to be included in the statement of activities, other IAS require certain gains and losses (such as revaluation surpluses or deficits) to be recognized directly as changes in net assets. Since it is important to recognize all gains and losses when assessing the changes in AfricaRice’s financial position between two balance sheet dates, AfricaRice will disclose the total gains and losses, including those that are recognized directly in net assets, by way of a separate statement of changes in net assets.

## 207.02 Classification

(a) Net assets are classified as either undesignated or designated.

- Undesignated – that section of net assets that is not designated by AfricaRice’s management for specific purposes.
- Designated – that section of net assets that has been designated by AfricaRice’s management for specific purposes, such as a reserve for the future acquisition of property and equipment.

(b) AfricaRice will disclose, as a separate classification of net assets, the net amount of the investment in fixed assets. Additional disclosure is required by way of note to the accounts should this classification include assets that are subject to donor-imposed restrictions.

## 207.03 Presentation and Disclosure

AfricaRice will present, as a separate component of its financial statements, a statement of changes in net assets showing:

- the net surplus or deficit for the period;
- each item of revenue and expenditure, gain or loss which has been
- recognized directly in net assets in accordance with an applicable IAS,
- and the total of these items;
- the cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under IAS 8.

Reclassification of amounts between net assets classes will be reported separately from other transaction in the statement of net assets.

In addition, AfricaRice will present, either within this statement or in the notes:

- the balance of net assets at the beginning of the period and as at the balance sheet date and the movements for the period; and,
- a reconciliation between the carrying amount of each class of net assets at the beginning and end of each period, separately disclosing each movement.

## 208.00 FOREIGN EXCHANGE TRANSACTIONS

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

### 208.01 Nature and Definition

(a) **Foreign currency** is a currency other than the reporting currency of AfricaRice.

- (b) **Reporting currency** is the currency used in presenting the financial statements. The reporting currency for AfricaRice is the US Dollar.
- (c) **Foreign operation** is a joint venture or branch of AfricaRice, the activities of which are based or conducted in a country other than the country of AfricaRice headquarters (i.e. Benin and Cote d'Ivoire).
- (d) **Exchange rate** is the ratio of exchange between two currencies.
- (e) **Exchange difference** is the difference resulting from reporting the same amount of foreign currency at different exchange rates. Foreign exchange gain/loss is the result of transactions involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities as at the balance sheet date.
- (f) **Closing rate** is the spot exchange rate as at the balance sheet date.
- (g) **Monetary items** are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.

#### 208.02 Recognition Principles

- (a) All foreign currency transactions will be recorded, on initial recognition, in AfricaRice's reporting currency by applying to the foreign currency amount the exchange rate between the US dollar and the foreign currency at the date of the transaction.
- (b) At each balance sheet date:
  - foreign currency monetary items will be reported using the closing rate;
  - non-monetary items denominated in foreign currency which are carried at historical cost will be reported using the exchange rate at the date of the transaction; and,
  - non-monetary items denominated in foreign currency which are carried at fair value will be reported using the exchange rates that existed when the values were determined.
- (c) Exchange differences will be recognized as revenue or expense in the period in which they arise. Such differences normally arise at the time of the settlement of foreign currency monetary items or as at the balance sheet date reporting of AfricaRice's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements

#### 208.03 Presentation and Disclosure

AfricaRice will disclose the amount of exchange differences included in the net profit or loss for the period as either Other Revenue and Gains or Other Expenses and Losses.

209.00 EMPLOYEE BENEFITS

IAS 19 EMPLOYEE BENEFITS

209.01 Nature and Definition

(a) **Employee benefits** are all forms of consideration given by AfricaRice in exchange for service rendered by all employees – whether Internationally Recruited Staff (IRS) or General Services Staff (GSS).

(b) Employee benefits include:

- short-term employee benefits (such as wages, salaries and paid leave) and non-monetary benefits (such as medical care, housing and cars) for current employees.
- post employment benefits such as pensions, other retirement benefits, post-employment medical care and insurance; and,
- termination benefits.

209.02 Recognition Principles

(a) When an employee has rendered service to AfricaRice during an accounting period, AfricaRice will recognize the undiscounted amount of the benefits expected to be paid in exchange for that service as a liability and as an expense.

(b) AfricaRice will recognize the expected cost of short term compensated absences that have accumulated as at the balance sheet date.

(c) When an employee has rendered services to AfricaRice during a period, the Center will recognize the contribution payable to a **defined contribution plan** as a liability (less any contribution already paid) and as an expense.

(d) Accounting for **defined benefit plans** for post-retirement benefits such as pensions, life insurance and medical care, is complex and requires actuarial assumptions to measure the obligation and expense. The amount recognized as a defined benefit liability will be the net of the present value of the defined benefit obligation as at the balance sheet date, less the fair value of plan assets (if any) out of which obligations are to be settled directly.

(e) The amount recognized for other long-term employee benefits such as long service leave, disability benefits and deferred compensation will be the net total of the present value of the defined benefit obligation as at the balance sheet date, less the fair value of plan assets (if any), out of which the obligations are to be settled directly.

(f) Termination benefits will be recognized as a liability and expense when, and only when, AfricaRice is committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer to encourage voluntary redundancy.

210.00 REVENUE

IA 20 GOVERNMENT GRANTS & DISCLOSURE OF GOVERNMENT ASSISTANCE  
IFRS 15 REVENUE

210.01 Nature and Definition

- (a) **Revenue** is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of AfricaRice where those inflows result in increases in net assets. The major portion of AfricaRice's revenue is normally derived through the receipt of Donor grants – either “Unrestricted” or “Restricted”.
- (b) **Unrestricted Grant** revenue arises from the unconditional transfer of cash or other assets to AfricaRice.
- (c) **Restricted Grant** revenue arises from a transfer of resources to AfricaRice in return for past or future compliance relating to the operating activities of the Organization.
- (d) **Fair Value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
- (e) Revenue includes only the gross inflow received and receivable by AfricaRice on its own account. Amounts collected on behalf of third parties such as value added taxes, are not economic benefits which flow to the Centre. They do not increase net assets; therefore, they are excluded from revenue.
- (f) For **Agency Transactions**, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in an increase in AfricaRice's net assets. The amounts collected on behalf of a principal are not revenue. Revenue is the amount of any commission or management fee received.

210.02 Recognition Principles

210.021 Rendering of Services

- (a) When the outcome of a transaction involving the rendering of services can be measured reliably, revenue associated with the transaction will be recognized by reference to the stage of completion of the transaction as at the balance sheet date. The outcome of the transaction can be measured reliably when all the following conditions are satisfied:
  - the amount of the revenue can be measured reliably;
- (b) The recognition of revenue by reference to the stage of completion is often referred to as the “percentage of completion method”. Under this method, revenue is recognized in the accounting period in which the services are rendered.
- (c) The stage of completion of a transaction may be determined by the following methods:

- services performed to date as a percentage of total services to be performed;
  - the proportion that costs incurred to date bear to the total estimated costs of the transaction;
  - surveys of work performed.
- (d) It is important to note that progress payments and advances received from donors often do not reflect the services performed.
- (e) When the outcome of the transaction cannot be estimated reliably, revenue will be recognized only to the extent of the expenses recognised that are recoverable.
- (f) Contributions from member states in support of the operational budget of AfricaRice that are recognized as revenue in the fiscal year following the one in which the contributions are received.

#### **210.022 Sale of Goods**

- (a) Revenue from the sale of goods will be recognized when all the following conditions have been satisfied:
- AfricaRice has transferred to the buyer the significant risk and rewards of ownership of the goods;
  - AfricaRice does not retain effective control over the goods sold;
    - the amount of revenues can be reliably measured;
  - it is probable that the economic benefits will flow to Africa Rice Center; and
  - the costs incurred in respect of the transaction can be measured reliably.
  - it is probable that the economic benefits associated with the transaction will flow to AfricaRice ;
  - the stage of completion of the transaction as at the balance sheet date can be measured reliably; and
  - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### **210.023 Interest, Royalties and Dividends**

- (a) Revenue arising from the use of others of AfricaRice's assets yielding interest, royalties and dividends will be recognized on the following bases:
- interest will be recognized on a time proportion basis;
  - royalties will be recognized on an accrual basis in accordance with the substance of the relevant agreement; and
  - dividends will be recognized when the right to receive payment is established.

#### **210.024 Valuation**

- (a) Revenue will be measured at the fair value of the consideration received or receivable.

- Cash grants are recorded at the face value of the cash received or the US dollar equivalent.
- Grant revenue, including non-monetary grants at fair value, will not be recognized until there is reasonable assurance that: Africa Rice
- Center will comply with the conditions attaching to them; and the grants will be received.
  
- Grants will be recognized as revenue over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.
- Recognition of grant revenue on a receipts basis is not in accordance with the accrual accounting concept and will only be acceptable if no basis existed for allocating a grant to periods other than the one in which it was received.
- Grants relating to assets, including non-monetary grants at fair value, should be presented in the statement of financial position by setting up the grant as deferred revenue (and recognizing the revenue on a systematic and rational basis over the life of the asset).
- Grants-in-kind are recorded at the fair value of the assets (or services) received or promised, or the fair value of the liabilities satisfied. In accordance with FG 4 (Financial Guidelines Series no. 4: Guidelines for Preparing 2005-7 Work Plans and the 2005 Financing Plans, May 2004), only grants-in-kind relating to staff support will be recognized by AfricaRice, subject to the following conditions:
  - (i) the donated staff must be fully engaged in a project within AfricaRice's agreed agenda activities;
  - (ii) the project must be full cost budgeted in AfricaRice's work program;
  - (iii) the full cost as budgeted is borne by the in-kind provider; and
  - (iv) the in-kind provider approves of the inclusion, and the value, of their support as revenue in AfricaRice's financial statements.

## 210.025 Presentation and Disclosure

(a) AfricaRice will disclose:

- the accounting policies adopted for the recognition of revenue
  - including the methods adopted to determine the stage of completion of transactions involving the rendering of services;
- the amount of each significant category of revenue recognized during the period including revenue arising from:
  - (i) the rendering of services;

- (ii) the sale of goods;
- (ii) interest;
- (iv) royalties; and
- (v) dividends.

**210.10 OTHER REVENUE AND GAINS**

**210.11 Nature and Definition**

(a) Other revenues and gains are increases in net assets resulting from AfricaRice's peripheral or incidental transactions and other events and circumstances affecting the Center other than those that result from grants.

(b) These are revenues, which include, but are not limited to:

- consultancy revenue earned from third parties (unless restricted);
- gains, net of losses, resulting from transaction involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at year-end or at a reporting date; and
- other miscellaneous revenue including any other items not specifically covered above.

**210.12 Recognition Principles**

Other revenues and gains are recognized in the period in which these are earned.

**210.13 Presentation and Disclosure**

(a) Total other revenues and gains are reported as a single line item in the statement of activities.

(b) Other revenue and gains, if material, will be disclosed in the notes to the financial statements.

**211.00 EXPENSES**

**IAS 1**

**211.01 Nature and Definition**

(a) Expenses are outflows or other activities using up assets or incurrance of liabilities (or a combination of both) from delivering goods, rendering services, or carrying out other activities that constitute AfricaRice's on-going major or central activities.

- (b) Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in net assets.

## 211.02 Classification as to Source

- (a) AfricaRice will present on the face of the statement of activities an analysis of expenses using a classification based on the function of expenses within the Organization (Functional Classification).
- (b) AfricaRice will also present by way of a note to the statement of activities, an analysis of expenses based on the nature of expenses (Natural Classification).

### 211.021 Functional Classification of Expenses

AfricaRice classifies its expenses by function either as Program-related expenses or Management and General Expenses.

#### (a) **Direct Research Expenses**

Program related expenses are activities that result in goods and services being distributed to beneficiaries, project proponents, and members that fulfil the purpose or mission for which the Center exists. These services are the main purpose for and the major output of the AfricaRice and often relate to several large programs.

For AfricaRice, program services normally include the following costs as detailed in Section 3 of Financial Guidelines No. 5. – CGIAR Indirect Cost Allocation.

- **Research** – this category includes the cost of study and investigation on conservation and management of natural resources; germplasm enhancement and breeding; production systems development and management; socioeconomic, public policy and public management research; and institution building (counseling/networks)
- **Research support** – this category covers activities carried out in direct support to research activities. For example:
  - Office of Director for Research & Development
  - Common laboratory services
  - Station or farm operations
  - Plant growth facilities •
  - Training, communication, information and library :
    - Training covers the cost of training and conferences. For example: training offices, fellowships, workshops, seminars and symposia; salaries and allowances of post doctorates and training-related travel and subsistence costs.
  - Communication, Information and Library covers the costs of publication of annual reports and technical bulletins, translation and printing of various public information activities and the cost of library services. Communication,

information and library

**CGIAR Collaborator Expenses** All Portfolio expenditure by other CGIAR participants is reported by the Lead Center under “CGIAR Collaborator Expenses”

- **Non- CGIAR Collaborator Expenses** These are expenditure reported to a AfricaRice or the SO by other partners who are not part of the CGIAR System.
- **General and Administration Expenses** These are all activities of a AfricaRice other than program-related activities and Other Expenses and losses.
  - The indirect costs recovered from the Restricted Portfolio and non-Portfolio should be shown in this line item under its respective headings. While the under or over recovery of indirect costs should be presented under unrestricted/Non-Portfolio.
- **Other Expenses and Losses** This category is meant to capture expenses that are incurred to create other income such as: a) guest house running costs, b) costs relating to the sale of farm produce<sup>4</sup>, c) costs of running a school, d) costs relating to hosting non-Center staff,
- **Non-operating incomes and expenses** In order to segregate out ‘non-operating’ activities on the SOA so as not to provide misleading results, separate disclosure of non-operating income and expenses is now required in addition to separate disclosure of Financial income and expenses
- **Financial Income and Financial Expenses.** Separate disclosure of financial income and financial expenses is maintained in order to be IFRS compliant. These two lines must be separately disclosed below the Operating Surplus (Deficit)

## 211022 Natural Classification of Expenses

In addition to the above functional classification, AfricaRice will disclose additional information on the nature of its total operating expenses into the following groups:

- i) **Personnel costs** – include the salaries and benefits of Centers’ permanent/regular employees whether they are in professional, supervisory and support positions.
- ii) **CGIAR Collaboration** – Due to the increasing level of collaborative research undertaken between/among Centers, it is considered important to separately identify the total payments for direct research inputs made to CGIAR Centers. Plus, these costs need to be eliminated during the System consolidation/aggregation in order to avoid double counting. iii.
- iii) **Other Collaboration** –These are expenses reported to a Center by collaborators other than CGIAR Centers or the SO
- iv) **Supplies and services** – Supplies include, but are not limited to: non-consumable items which are not capitalized and supplies for office,

laboratory, computer, field, library, and auxiliary units. Services include general items not included in personnel costs, such as cost of casual labor, trainees, and other professional services not included in personnel costs. The supplies and services category also includes other general expenses which do not strictly fall in the definition of supplies or services but could be a combination of both. These include items such as in-service training, rentals, repairs and maintenance, utilities, telecommunications, vehicles and aircraft operational costs, and general liability insurance. v.

- v) **Operational travel** – domestic and international travel of Centers’ regular staff on official duty.
- vi) **Depreciation and Amortization** of long-lived tangible assets and Amortization of Intangible assets.
- vii) **Cost Sharing Percentage** - CSP is charged to all the bilateral grants received from donors. In addition, Centers are now required to account for CSP on W3 Funds based on their expenditure since all Centers are now required to recognize W3 revenue at gross

211.023 The detail of the expenses to be itemized by natural classification will be determined from time to time by the balancing of management’s needs for information and control with the needs of all other relevant stakeholders.

#### 211.03 Recognition Principles

- (a) Expenses are recognized in the statement of activities when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.
- (b) Expenses are recognized in the statement of activities on the basis of a direct association between the costs incurred and the earning of specific items of revenue (matching principle).
- (c) When economic benefits are expected to arise over several accounting periods and the association with revenue can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedures. (e.g, depreciation and amortization).
- (d) An expense is recognized immediately when expenditure produces no future benefit or when future economic benefits cease to qualify for recognition as assets in the statement of financial position.

#### 211.04 Presentation and Disclosure

- (a) The functional classification of expenses shown on the face of the statement of activities will provide separate line items for program related expenses and management and general expenses.
- (b) The natural classification of program related expenses and management and general expenses will be shown as a note to the statement of activities.

## 211.10 Indirect Expenses and Overhead Cost Recovery

### 211.11 Introduction

- (a) Indirect expense refers to a grouping of non-allocable expenses incurred by AfricaRice in the normal course of its operations which are not to be allocated directly to the Organization's main research programs and activities.
- (b) AfricaRice's accounting system is set up so as to differentiate between what constitutes direct charges to a project or research activity and those indirect charges which cannot reasonably be identified with a discrete research activity or project.
- (c) Indirect expenses may not apply uniformly to all AfricaRice's activities. Therefore, accounts will be categorized to allow the identification of the groups of direct activities to form the needed bases for distribution of indirect expenses.

### 211.12 Applicability

- (a) Activities funded through restricted, in-trust funding, and inter-centre projects will bear a fair share of AfricaRice's support activities through an equitable allocation of the indirect expenses.
- (b) Indirect expenses rates will be applied to all restricted, inter-centre projects, and in-trust funding activities and treated as section of the actual costs of these activities. The total cost of these projects/activities equals their direct expenses plus their share of indirect expenses. This will always be done when setting cost estimates and budgets and when reporting expenses.
- (c) Indirect expense rates will be examined periodically (at least every year-end), in consultation with AfricaRice's external auditors, to ensure their adequacy to recover a fair share of the indirect costs associated with support activities.

### 211.13 Disclosure

- (a) The amount of indirect expenses, which are recovered in the form of charges against restricted projects, will be accumulated in a separate account for indirect expenses, and credited to an indirect cost recovery account which is shown as a separate line item after total expenses and losses in the statement of activity.
- (b) Indirect expenses charged to in-trust funding activities and inter-center projects will be accumulated in a separate account for indirect expenses, and credited to an indirect cost recovery account.

211.14 AfricaRice Policy and Procedure

**(Indirect Expenses/Overhead Costs Recovery)**

- (a) The CGIAR Financial Guidelines Series No. 5: CGIAR Indirect Cost Allocation Guidelines will be referred to in respect of the accounting treatment of indirect costs.
- (b) In compliance with the requirement of FG 5, AfricaRice will include a one-page summary of the computation of indirect cost, based on the current year data, in AfricaRice's audited financial statements.
- (c) AfricaRice's policy and procedures on indirect/overhead costs recovery is described in a separate document.  
This can be updated on management recommendation and will be submitted to the Board of Trustees for approval.

212.00 NET SURPLUS OR DEFICIT FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES

**IAS 8**

212.01 Scope

- (a) This standard will be applied in presenting the surplus or deficit from:
  - ordinary activities;
  - extraordinary activities;
  - accounting for changes in accounting estimates;
  - accounting for fundamental errors; and
  - changes in accounting policies.
- (b) The objective of this standard is to prescribe the classification, disclosure and accounting treatment of certain items in the statement of activities so that AfricaRice can prepare and present a statement of activities on a consistent basis.

212.02 Nature and Definition

- (a) **Extraordinary Items** are revenue or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of AfricaRice and therefore are not expected to recur frequently or regularly.
- (b) **Ordinary items** are any activities which are undertaken by AfricaRice as section of its normal business and such related activities in which AfricaRice engages in furtherance of, incidental to, or arising from these activities.
- (c) **Fundamental errors** are errors discovered in the current period that are of such significance that the financial statements of one or more prior periods can no longer be considered to have been reliable at the date of their issue.

- (d) **Accounting policies** are the specific principles, bases, conventions, rules and practices adopted by AfricaRice in preparing and presenting financial statements.

## 212.03 Presentation and Disclosure

### (a) **Net Surplus or Deficit for the Period**

All items of revenue and expense recognized in a period will be included in the determination of the net surplus or deficit for the period unless an International Accounting Standard requires or permits otherwise.

The net surplus or deficit for the period comprises the following components, each of which will be disclosed on the face of the statement of activities:

- surplus or deficit arising from ordinary activities; and
- extraordinary items.

When items of revenue and expense within the surplus or deficit arising from ordinary items are of such size, nature or incidence that their disclosure is relevant to explain the performance of AfricaRice for the period, the nature and amount of such items will be disclosed separately.

### (b) **Extraordinary Items**

The nature and amount of each extraordinary item will be separately disclosed.

### (c) **Changes in Accounting Estimates**

The effect of a change in accounting estimate will be included in the determination of the net surplus or deficit in:

- the period of change, if the change affects the period only (e.g. a change in the estimate for inventory obsolescence); or
- the period of change and future periods if the change affects both (e.g., a change in the estimated useful life of a depreciable asset).
- The nature and amount of a change in an accounting estimate that has a material effect in the current period or which is expected to have a material effect in subsequent periods will be disclosed by way of note to the accounts.

### (d) **Fundamental Errors**

The amount of the correction of a fundamental error that relates to prior periods will be reported by adjusting the opening balances of net assets. Comparative information will be restated unless it is impracticable to do so.

AfricaRice will disclose the following:

- the nature of the fundamental error;
- the amount of the correction for the current period and for the each prior period presented;
- the amount of the correction relating to periods prior to those included in the comparative information; and

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

**(e) Changes in Accounting Policies**

A change in accounting policy will be made only if required by statute, or by an accounting body, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of AfricaRice.

- A change in accounting policy which is made on the adoption of an

International Accounting Standard will be accounted for in accordance with the specific transitional provisions, if any, in that standard.

- A change in accounting policy will be applied retrospectively unless the amount of any resulting adjustment that relates to prior periods is not reasonably determinable. Any resulting adjustment will be reported as an adjustment to the opening balance of net assets.
- The change in accounting policy will be applied prospectively when the amount of the adjustment required in (b) above cannot be reasonably determined.
- When a change in accounting policy has a material effect on the current period or any prior period presented, or may have material effects in subsequent periods, AfricaRice will disclose the following:

- (i) the reasons for the change;
- (ii) the amount of the adjustment for the current period and for each period presented;
- (iii) the amount of the adjustment relating to periods prior to those included in the comparative information; and
- (iii) the fact that comparative information has been restated or that it is impracticable to do so.

**213.00 EVENTS AFTER THE BALANCE SHEET DATE**

**IAS 10**

**213.01 Scope**

This standard will be applied in the accounting for, and disclosure of, events after the balance sheet date.

**213.02 Nature and Definition**

(a) Events after balance sheet date are those events, both favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

(b) Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance

- sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

### 213.03 Recognition and Measurement

- (a) Adjusting events after balance sheet date  
AfricaRice will adjust the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date.
- (b) Going Concern  
AfricaRice will not prepare its financial statements on a going concern basis if management determines after the balance sheet date that it intends to cease operating or it has no realistic alternative but to do so.
- (c) Non-adjusting events after the balance sheet date.  
Where non-adjusting events after the balance sheet date are of such importance that nondisclosure will affect the ability of the users of the financial statements to make proper evaluations and decisions, AfricaRice will disclose the following information for each significant category of non-adjusting event after the balance sheet date:
  - the nature of the event; and
  - the estimate of its financial effect, or a statement that such an estimate cannot be made.

## 214.00 EXTERNAL FINANCIAL REPORTING

### IAS 1

#### 214.01 Year-end Financial Statements

- (a) The final step in AfricaRice's accounting cycle is the preparation of the year-end financial statements covering the various types of information produced by the accounting system.
- (b) The objective of the financial statements is to provide information about the financial position, performance and cash flows of AfricaRice that is useful to a wide range of stakeholders such as donors, creditors, and others who provide resources to the Institute.
- (c) Those external users of financial statements have common interests in assessing:
  - the services AfricaRice provides and its ability to continue to provide those services; and
  - how AfricaRice's management discharges its stewardship responsibilities and other aspects of financial performance.
- (d) More specifically, the purpose of financial statements, including accompanying notes,

is to provide information about:

- the amount and nature of AfricaRice's assets, liabilities, and net assets as embodied in the statement of financial position;
- the effects of transactions and other events and circumstances that change the amount and nature of net assets as embodied in the statement of activities;
- the amounts and kinds of inflows and outflows of economic resources during a period and the relation between the inflows and outflows as shown in the statement of cash flows;
- how AfricaRice obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity;
- the service efforts of AfricaRice, the costs associated with the Institute's various programs or activities, and cost of projects associated with various types of funding.

(e) A complete set of AfricaRice's financial statements includes:

- a statement of financial position;
- a statement of activities and other Comprehensive Income;
- a statement of changes in net assets;
- a statement of cash flows; and
- notes to the Financial Statements (including Accounting policies and explanatory notes).

(f) AfricaRice will prepare, for distribution to donors, annual audited financial statements in accordance with the guidelines and standard formats set out in the IFRS Compliant CGIAR Reporting Guidelines

## 214.02 Responsibility

### 214.021 Management and Board

(a) AfricaRice's Management and Board of Trustees are responsible to donors for ensuring that financial statements present fairly the financial position, financial performance and cash flows of AfricaRice and that they are presented in compliance with the IFRS Compliant CGIAR Reporting Guidelines

(b) AfricaRice's Management and Boards will work closely with the external and internal auditors in fulfilling this responsibility.

(c) The Director General and the Director of Finance and Corporate Services will certify that:

- the financial records of AfricaRice have been properly maintained;
- the financial statements, and notes thereto, comply in full with the provisions of IFRS. (As provided for in the IFRS Compliant CGIAR Reporting Guidelines)
- the financial statements and notes thereto, give a true and fair view.

(d) The Director of Finance and Corporate Services is:

- primarily responsible for financial matters in relation to AfricaRice; and
- directly responsible for those matters to the Director General.

#### 214.022 External Auditors

- (a) External auditors have a special responsibility to provide an independent assessment and to express an opinion (to AfricaRice and concerned parties outside the Centre) on whether AfricaRice's financial statements are presented fairly and compliance to IFRS and other CGIAR guidelines, and whether they comply with existing policies.
- (b) In order to ensure a degree of uniformity of auditing standards to a recognized international level among CGIAR centers, external auditors will be required to include in their opinion that the audit has been conducted in conformity with International Auditing Standards as issued by the International Federation of Accountants.
- (c) In addition, external auditors are also charged with pointing out, in a written statement, instances of non-compliance.

#### 214.03 Audited Financial Statements

##### 214.031 Statement of Financial Position

The statement of financial position is a measure of the financial position of AfricaRice as at the date of the reporting period.

- (a) The primary purpose of a statement of financial position is to provide relevant information about AfricaRice's assets, liabilities, and net assets and about their relation to each other at a moment in time.
- (b) The information provided in a statement of financial position, used with related disclosure and information in other financial statements, help donors, creditors, and others to assess:
- AfricaRice's ability to continue to provide services.
  - AfricaRice's liquidity, financial flexibility, ability to meet obligations, and needs for external financing.
  - that information generally is provided by aggregating assets and liabilities that possess similar characteristic into reasonably homogeneous groups.
  - information about liquidity will be provided by one or more of the following:
    - i) sequencing assets according to their nearness of conversion to cash, and sequencing liabilities according to the nearness of their maturity and resulting use of cash;
    - ii) classifying assets and liabilities as current and non-current; and

- iii) disclosing relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of sectionicular assets, in the notes to the financial statements.
- The statement of financial position will focus on Africa Rice Center as a whole and will report the amounts of its total assets, liabilities, and net assets.

#### 214.032 Statement of Activities and Other Comprehensive Income

- (a) The statement of activities shows the details of revenues, gains and other supports and types of expense.
- (b) The primary purpose of a statement of activities is to provide relevant information about:
  - the effect of transactions and other events and circumstances that change the amount and nature of net assets;
  - the relationships of those transactions and other events and circumstances to each other; and
  - how AfricaRice’s resources are used in providing various programs and services.
- (c) The information provided in a statement of activities, used with related disclosures and information in other financial statements, help donors, creditors, and others to:
  - evaluate AfricaRice’s financial performance during a period;
  - assess AfricaRice’s service efforts and its ability to continue to provide services; and
  - assess how AfricaRice’s management has discharged their stewardship responsibilities and other aspects of their financial performance.
- (d) Information about revenues, expenses, gains, losses, and reclassification generally is provided by aggregating items that possess similar characteristics into reasonably homogeneous groups.
- (e) The statement of activities will focus on AfricaRice as a whole.

#### 214.033 Statement of Changes in Net Assets

- (a) The Statement of Changes in Net Assets reflects the increase or decrease in AfricaRice’s net assets between two balance sheet dates.
- b) AfricaRice will present as a separate component of its financial statements a statement of changes in net assets showing:
  - the net surplus of deficit for the period;
  - each item of revenue or expense which may be required by an IAS to be recognized directly in net assets;
  - the cumulative effect of changes in accounting policy and the correction of fundamental errors as detailed in IAS 8;

- the balance of net assets at the beginning of the period and as at the balance sheet date, and the movements for the period; and
- a reconciliation between the carrying amount of each class of net assets at the beginning and end of the period.

#### 214.034 Statement of Cash Flows

- (a) The statement of cash flows provides relevant information about the relation between inflows and outflows of the Institute's resources during the reporting period. AfricaRice will distinguish between resource flows that are related to operations and those that are not.
- (b) The information provided in the statement of cash flows, if used with related disclosures and information in other financial statements, will help donors, creditors, and others to assess;
  - AfricaRice's ability to generate positive future net cash flows;
  - AfricaRice's ability to meet its obligations, and its needs for external financing; and
  - the effects on AfricaRice's financial position of both its cash and non-cash investing and financing transactions during the period.
- (c) The statement of cash flows for a period will report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period, in a manner that reconciles beginning and ending cash and cash equivalent.
- (d) The total amounts of cash and cash equivalents at the beginning and end of the period shown in the statement of cash flows will be the same amounts as similarly titled line items or subtotals shown in the statement of financial position as of those dates.

#### 214.035 Notes to the Financial Statements

- (a) The notes to the financial statements will:
  - present information about the basis of preparation of the financial statements and the specific accounting policies applied for significant transactions and events;
  - disclose the information required by IAS that is not presented elsewhere; and
  - provide additional information which is not presented elsewhere but
  - that is necessary for a fair presentation.
- (b) The information that will be disclosed includes, among others, the following:
  - **Statement of purpose:** A brief description of Africa Rice Center's mandate and activities.
  - **Summary of significant accounting policies:** Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events.

- **Accounts in non-US dollar currencies:** Translation of currencies and the consolidation of field programs' accounts in non-US dollar currencies; principles for converting to US dollar will be disclosed.
- **Accounts receivable:** A complete analysis of accounts receivable from donors and a brief analysis of significant amounts of other receivables.
- **Fixed assets:** An analysis by major classes of depreciable assets, including:
  - (i) historical costs at the beginning of the reporting period;
  - (ii) additions and disposal during the period;
  - (iii) depreciation expense for the period;
  - (iv) accumulated depreciation at the end of reporting period; and
  - (v) net book values at the date of financial statements.
- **Accounts payable:** A complete analysis of accounts payable to donors, unearned grants, and a brief analysis of significant amounts of other payables will be presented.
- **Net assets:** Details of the nature and balance of net assets will be provided. Details of designations of unrestricted net assets will also be disclosed.
- **Additional notes:** These will include any other information that could be necessary to understand AfricaRice's operations and its financial position e.g. revenues, inventories, long-term receivables or payables, employee benefit costs, provisions, contingent liabilities, etc.

#### 214.04 Supplementary Information

AfricaRice will provide the following supplementary information in the form of exhibits to the basic financial statements. (Sample formats are provided as attachments in the FG2 document.)

- (a) ***Schedule of unrestricted grant revenue:*** An analysis of grants by type of funding and donor.
- (b) ***Schedule of restricted grant revenue:*** A detailed statement of current year grants and expenses by donor and program activity, the cumulative grants, expenses, total pledged amount and duration of each program.
- (c) ***Schedule of fixed assets:*** An analysis by major classes of depreciable assets. The tabulation will include:
  - Historical costs at the beginning of the reporting period;
  - Additions and disposal during the period;
  - Depreciation expense for the period;
  - Accumulated depreciation at the end of reporting period; and
  - Net book values at the date of the statement of financial position.

#### 214.05 Special Reporting

214.051 Some donors require periodic financial reporting. Often the donor agency specifies the reporting format and definitions to be used in describing detailed accounts.

214.052 To the extent possible AfricaRice will use its standard chart of accounts for this purpose.

## 215.00 INVESTMENT AND FOREIGN EXCHANGE RISK

IAS 21 THE EFFECTS OF CHANGE IN FOREIGN EXCHANGE RATES

IAS 32 FINANCIAL INSTRUMENTS PRESENTATION

IFRS 7 FINANCIAL INSTRUMENTS DISCLOSURE

IFRS 9 FINANCIAL INSTRUMENTS

### 215.01 General

Overall responsibility for AfricaRice's investment and foreign exchange risk rests with the Board of Trustees. As the Chief Executive Officer of the Center, the Director General has overall responsibility for the day- to –day management of the Center's investment and foreign exchange activities.

### 215.02 Investment Activities

215.021 AfricaRice's investment practices is guided by what the Board of Trustees considers appropriate for the transparent and safe management of the Center's investments, given the nature, source and purpose of its funding.

215.022 The objectives of AfricaRice's investment practices are:

- (i) preservation of capital
- (ii) maintaining adequate liquidity
- (iii) achieving competitive returns
- (iv) ensuring diversification of assets, and
- (v) preserving purchasing power.

215.023 Full details of AfricaRice policies on investments are contained in the Investment Policy approved by the board in March 2015

### 215.03 Foreign Exchange Risks

215.031 The DG will recommend Guidelines from time to time, as appropriate, to limit, to the extent feasible, possible losses on exchange arising from non-US\$ grants and non-US\$-based expenditure.

215.032 The Board will review these Guidelines and approve changes thereto to ensure that the Guidelines are in conformity with the associated Center policies.

215.033 The DG will make periodic reviews of the position of the Center as regards possible losses on exchange and keep the Board informed of the basis on which any decisions were taken either to cover or not to cover such risks.

- 215.034 The DG will arrange to take actions deemed advisable to ensure the overall availability of financial resources to fulfil approved programs.
- 215.035 The Board will be informed annually of any overall losses on exchange and the conditions that gave rise to such losses.
- 215.036 The Board will review this policy annually and affirm if it is still operable.

## 216.00 FAIR VALUE MEASUREMENT

### IFRS 13 FAIR VALUE MEASUREMENT

#### 216.01 Nature and Definition

- (a) IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Basically, it is an exit price. Consequently, fair value is focused on the assumptions of the marketplace, is not entity specific and so takes into account any assumptions about risk. This means that fair value is measured using the same assumptions used by market participants and takes into account the same characteristics of the asset or liability. Such conditions would include the condition and location of the asset and any restrictions on its sale or use.
- (b) A fair value measurement is for a particular asset or liability and when measuring the fair value an entity will take into account the characteristics of the asset or liability if the market participant would take the characteristics into account eg the condition and location of the asset or any restrictions on sale or use of an asset

#### 216.02 Valuation/Measurement

Fair value measurements are categorized into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

(a) Level 1

Inputs are unadjusted quoted prices in active markets for items identical to the asset or liability being measured. If there is a quoted price in an active market, an entity uses that price without adjustment when measuring fair value. An example of this would be prices quoted on a stock exchange. The entity needs to be able to access the market at the measurement date. Active markets are ones where transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. If level 1 inputs are not available, the determination of whether a fair value measurement is based on level 2 or level 3 inputs depends on (i) whether the inputs are observable inputs or unobservable and (ii) their significance.

(b) Level 2

These are inputs other than the quoted prices in determined in level 1 that are directly or indirectly observable for that asset or liability. They are likely to be quoted assets or liabilities for similar items in active markets or supported by market data. For example, interest rates, credit spreads or yields curves. Adjustments may be needed to level 2 inputs and, if this adjustment is significant, then it may require the fair value to be classified as level 3.

(c) Level 3

These are unobservable inputs. These inputs should be used only when it is not possible to use Level 1 or 2 inputs. AfricaRice will maximise the use of relevant observable inputs and minimise the use of unobservable inputs. However, situations may occur where relevant inputs are not observable and therefore these inputs must be developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability. The general principle of using an exit price remains.