

## Accounting Management

### Fund Management

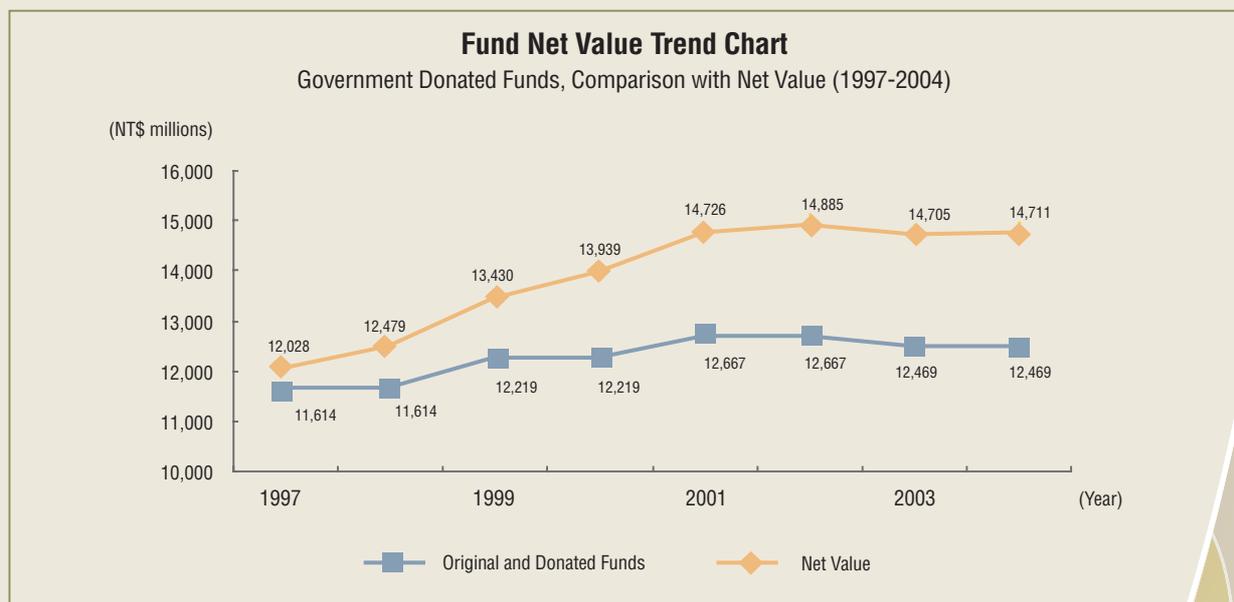
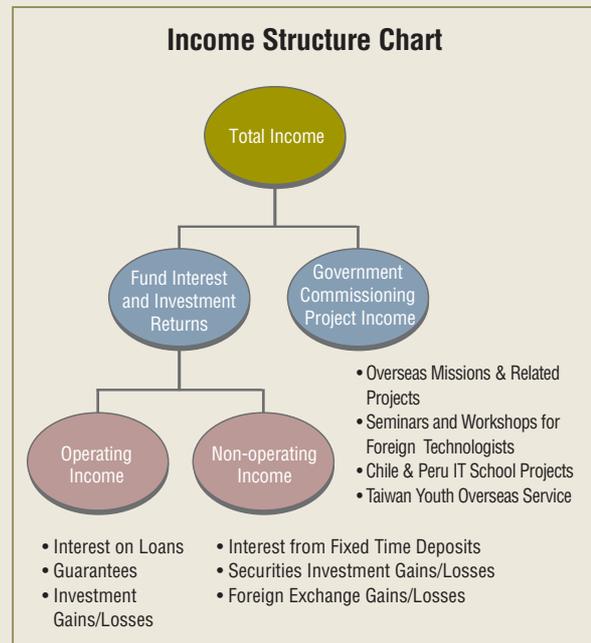
At the end of 2004, the TaiwanICDF's total assets stood at NT\$14.884 billion. Of this amount, liquid assets amounted to NT\$9.058 billion, long-term investment and loans NT\$4.785 billion, fixed assets NT\$11 million, and other assets NT\$1.03 billion.

Liabilities stood at NT\$173 million. Of this amount, liquid liabilities stood at NT\$167 million and other liabilities at NT\$6 million. The net value of the TaiwanICDF's general fund stood at NT\$14.711 billion.

### Income and Expenditures

The TaiwanICDF's general fund interest and investment returns provide most of the Fund's budget. It also receives income from the government, which commissions it to carry out various projects. Of this commission income, the bulk comes from MOFA, which commissions the TaiwanICDF to manage

overseas missions abroad. An independent account has been established to manage these funds. Interest from the general fund and investment returns are booked as





## Expenditures and Budget Utilization Composition

Unit: NT\$1

	Expenditures		Percentage of Budget Utilization	
	Amount			
Total Expenditures	1,818,903,891		100.00%	
Operating Expenditures	1,716,090,098	100%	94.35%	87.30%
Overseas Missions	1,360,970,450	79.31%	74.82%	92.66%
Banking and Finance (not including loss on uncollectible accounts )	53,952,705	3.14%	2.97%	102.05%
Banking and Finance (including loss on uncollectible accounts)	2,733,137	0.16%	0.15%	2.81%
International Human Resource Development	97,922,783	5.71%	5.39%	95.44%
Technical Cooperation	67,224,117	3.92%	3.69%	71.22%
Policy and Planning Operations (including humanitarian assistance)	39,173,955	2.28%	2.15%	78.33%
Administration and General Expenses	93,431,496	5.44%	5.14%	93.71%
Other Costs	681,455	0.04%	0.04%	
Non-operating Expenditures	102,813,793		5.65%	

operating income (including interest income from lending, income from credit guarantees, and investment returns) and non-operating income in the form of short- and medium-term trading activities.

In 2004, interest from the general fund and investment returns stood at NT\$466.98 million. Of this, income from banking and finance operations was NT\$195.38 million and income from non-government commissioning was NT\$680,000. Non-operating income amounted to NT\$270.92 million, while income from government contracts stood at NT\$1,360,970,000. For the year, income accounted for 89.83 percent of the Fund's budget.

Expenditures are also divided into operating and non-operating categories. Operating expenditures include technical missions and commissioning projects, as well as departmental expenses from technical cooperation, international human resource development, banking and finance, policy and planning (including humanitarian assistance), and administration and general expenses (including

salaries, depreciation, and other costs). Non-operating expenditures include interest expense, exchange rate losses, adjustment expenditures, losses on disposal of investments, and other expenses.

## Accounting Management Goals Achieved in 2004

### Accounting System Amendments

The TaiwanICDF's accounting system previously had not been amended. In light of operational changes, modifications have been made based on the original system, current accountancy laws and practices, and the present state of operations. The reasons for the current overhaul, changes in various practices, and major amendments are described below:

1. While the Fund initiated use of an accounts transaction computer system in July 2002, further guidelines were needed to make the system more comprehensive. In the current effort, guidelines on "computer accounting affairs and procedures" were added, which serve to provide various controls

on information management as well as applications. This brings the system in line with the overall computerization of the agency's accounting affairs.

2. Other rules were added to provide for provisioning of bad or doubtful accounts, to categorize various funds that are overdue, and to calculate interest.
3. Since the TaiwanICDF already has implemented an internal control system, rules previously aimed at internal controls and auditing have been amended, and areas on accounts auditing have been strengthened.
4. New measures on investment lending and assets under management have been added to procedures governing financial account management.
5. Accounting is the key to documenting all transactions. The aforementioned amendments have been made to reflect needs created by future operations but also to act in line with present conditions.
6. An article on amending documentation has been added to the accounting system to clarify records and any changes.

Amendments to the accounting system have been forwarded to the MOFA for review. It is expected that these changes will meet the organization's operational development needs in the coming years.

### **Creation of an Accounts Management System for Overseas Missions**

The TaiwanICDF has a total of 38 overseas missions, operating in the fields of farming, fishing, bamboo manufacturing, medicine, industrial services, and trade. These missions are implementing nearly 100 different technical cooperation projects. Regular accounting operations for each mission include the management of income and expenditures associated with each cooperative project; management of records

for each sub-project, bank deposit and fund account; smallholder loans and receivables; and handling of expenses associated with members of the Overseas Volunteers and Youth Overseas Service.

The Information Technology Office has assisted the Accounting Office in commissioning the development of computer software systems for overseas missions. These systems were completed and tested in 2004. It is expected they will be used on a trial basis starting in 2005. Training in the use of the systems will be executed from March to May, and the systems will go fully online in December. In the future, simple keying in of data on a daily basis will allow the system automatically to tabulate weighted interest rates of different currencies and will enable the production of important accounting statements, such as balance statements, accounts related to current income and expenses, cash outflow records, foreign exchange records, revolving cash statements, statements on funds associated with projects under commission, statements on payment suspension, and Fund collection statements. This process is expected to add efficiency to accounting by overseas missions and auditing by head office in Taipei as well as lead to a greater degree of accuracy.

### **Other Improvements in Accounting**

Juridical organizations generally utilize accounting practices that are adopted by the government. In most cases, transactions are carried out using cash payment, and at the year-end, an accrual basis is utilized. In order to boost operational efficiency and be able to access the latest fiscal information, the TaiwanICDF has gradually adopted a system by which it calculates accounts on a monthly basis and is able to produce a monthly report that discloses required fiscal information.



In 2004, the TaiwanICDF implemented the following two measures with the aim of greatly increasing fiscal information:

1. Estimation of Interest Receivable and Interest Income: The TaiwanICDF's investment and lending operations must take into consideration interest and foreign exchange rates, which complicates various calculations. In 2004, the Fund adopted the accrual basis. It made interest receivable and interest income calculations based on monthly foreign exchange and interest rates. This method helps to reduce the gap between various investment and financing budgets and actual monthly calculations, making accounting statements better tools for reference.
2. Estimation of Depreciation Expense: Starting in October 2004, the TaiwanICDF began depreciating its assets or assets under management on a monthly basis.

### **Implementation of an Internal Control System Self-review**

In the implementation of its internal control system, the TaiwanICDF in 2004 initiated a self-review in terms of all areas of risk. Each step of accounting operations was reviewed, from creating budgets, to operational expenditures, accounts, and various statements. This system not only boosts auditing efforts, but also provides reference for the entire organization on how to improve procedures.

### **Accounting Management Prospects**

#### **Adding Flexibility to Boost Efficiency**

Despite facilitating accounting management for technical missions, the TaiwanICDF still requires review certificates and statements. This complicated

work must be in accordance with accounting principles and regulations, which provide limited flexibility. In the future, the Accounting Office will strengthen its interaction with other divisions and introduce advanced accounting concepts. This process will increase access to needed management information and will boost work efficiency.

### **Improving Depth with a Balanced Scorecard System**

The TaiwanICDF is considering implementing a balanced scorecard system as a fiscal balancing indicator. It utilizes Activity Based Management/Activity Based Costing Methods, and the information is correlated with account information. The system facilitates coordination and contact and can be used in human resource management, engineering projects, and procurement operations. It helps to achieve goals and provides more flexibility in the decision-making process.

### **Enhancing Precision and Quality**

The use of appropriate accounting tools helps to boost the content and timeliness of accounting practices. These tools should be user-oriented. The TaiwanICDF will work toward achieving these goals in the future.

### **Conclusion**

The amended accounting regime sets a foundation for accounting operations in the years ahead and will undoubtedly raise the quality of the Fund's accounting operations. In particular, once the balanced scorecard approach is introduced, accounting operations will be able to overcome traditional constraints and provide effective evaluation tools for supervising the Fund's financial matters.