

## Annex 1

### Appendix to Cabinet Resolution No. (66) of 2020 Regulating Project Sponsorship in the Federal Government

#### I. Procedures for Recording Receipt of Financial “Cash” Sponsorship

1. In case of receipt of a financial “cash” sponsorship, the Financial Affairs Organizational unit at the Federal Entity shall communicate with the Ministry of Finance for opening a new bank account;
2. After obtaining necessary approvals, Financial Affairs Organizational unit shall follow the procedures contained in the Consolidated Financial Procedures Manual concerning opening bank account ; and
3. Financial Affairs Organizational unit shall issue a tax invoice in exchange for the sponsorship value inclusive of VAT in case of provision of a benefit in exchange for the sponsorship. Contents of the Public Clarification issued by the Federal Tax Authority concerning application of VAT to donations, grants, and sponsorship contributions shall be taken into consideration.

#### **In case of application of the modified cash basis of accounting:**

1. Financial Affairs Organizational unit shall enter accounting processes upon receipt of sponsorship, endowment or donation as follows:
  - a. In case of non-application of VAT:
    - From: Bank Account (Bank name – Account number)
    - To: Outstanding Accounts Receivable (Project Name)
  - b. In case of application of VAT:
    - From: Bank Account (Bank Name – Account number)
    - To: Account of/ Outstanding Accounts Receivable (Project Name)
    - To: VAT Account - Outputs
2. Financial Affairs Organizational unit shall enter accounting processes upon disbursement from the sponsorship, endowment, or donation amount as follows:
  - From: Outstanding Accounts Receivable (Project Name);

From: VAT Account – Inputs, or Irrecoverable VAT Account

To: Bank Account (Bank Name – Account number)

Aforementioned VAT accounts pertaining to sponsorship, endowments, or donations shall have separate coding in the Federal Financial System in order to distinguish the same from accounts of Federal Balance Sheet. A new line item “Net VAT” shall be created in order to close the two items; “Input VAT” and “Output VAT”.

3. In case that there is a surplus which should be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Outstanding Accounts Receivable (Project Name)

To: Bank Account (Bank Name – Account number)

4. In case that there is a surplus which should not be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Outstanding Accounts Receivable (Project Name)

To: Revenue from non-exchange transactions (Project Name)

5. Upon completion of the project/ event, the Financial Affairs Organizational unit shall communicate with the Ministry of Finance to close the bank account opened for this purpose.
6. After obtaining necessary approvals, Financial Affairs Organizational unit shall follow the procedures included in the Consolidated Financial Procedures Manual concerning closing bank account.

**In case of Application of Accrual Basis Accounting:**

1. Financial Affairs Organizational unit shall enter accounting processes upon receipt of sponsorship, endowment or donation as follows:

- a. In case of non-application of VAT:

From: Bank Account (Bank Name– Account number)

To: Revenue from non-exchange transactions – Deferred (Project Name)

- b. In case of application of VAT:

From: Bank Account (Bank Name – Account number)

To: Revenue from non-exchange transactions – Deferred (Project Name)

To: VAT Account - Outputs

2. Financial Affairs Organizational unit shall enter accounting processes upon disbursement from the sponsorship, endowment, or donation amount to recognize expenses as follows:

From: Expenses Account (Project Name)

From: VAT Account – Inputs, or Irrecoverable VAT Account

To: Bank Account (Bank Name – Account number)

Aforementioned VAT accounts pertaining to sponsorship, endowments, or donations shall have separate coding in the Federal Financial System in order to distinguish the same from accounts of Federal Balance Sheet. A new line item “Net VAT” shall be created in order to close the two items; “Input VAT” and “Output VAT”.

3. Financial Affairs Organizational unit shall enter accounting processes to recognize revenues upon disbursement from sponsorship, endowment, or donation amount for the amounts actually used as follows:

From: Revenue from non-exchange transactions – Deferred (Project Name)

To: Revenue from non-exchange transactions – (Project Name)

4. In case that there is a surplus which should be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Revenue from non-exchange transactions – Deferred (Project Name)

To: Bank Account (Bank Name – Account Number)

5. In case that there is a surplus which should not be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Revenue from non-exchange transactions – Deferred (Project Name)

To: Miscellaneous Revenue (Project Name) – source thereof should be indicated in the explanation of the entry.

6. Upon completion of the project/ event, the Financial Affairs Organizational unit shall communicate with the Ministry of Finance to close the bank account opened for this purpose.

7. After obtaining necessary approvals, Financial Affairs Organizational unit shall follow the

procedures concerning closing bank account contained in the Consolidated Financial Procedures Manual.

## **II. Procedures of Recording Receipt of In-Kind Sponsorship**

### **In case of Application of Accrual Basis Accounting:**

1. In case of receipt of an in-kind sponsorship, Project Sponsorship Committee shall receive the in-kind contribution, value the same according to the UAE Accounting Standards Guide, and prepare a memorandum on the same.
2. Project Sponsorship Committee shall send the memorandum to the Financial Affairs Organizational unit for registration of the memorandum in the Federal Entity's accounts.
3. Financial Affairs Organizational unit shall enter accounting processes upon receipt of the in-kind sponsorship as follows:  
From: Inventory Account  
To: Revenue from non-exchange transactions – Deferred (Project Name)
4. Upon dispensing an in-kind sponsorship, Financial Affairs Organizational unit shall enter accounting processes as follows:  
From: Expenses by Nature (Materials) (Project Name)  
To: Inventory Account
5. Financial Affairs Organizational unit shall enter accounting processes for recognizing revenue upon dispensing based on the actual value of expenses as follows:  
From: Revenue from non-exchange transactions – Deferred  
To: Revenue from non-exchange transactions – (Project Name)
6. In case that there is a surplus which should not be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes at the value of the residual inventory as follows:  
From: Revenue from non-exchange transactions – Deferred  
To: Revenue from non-exchange transactions – (Project Name)
7. In case that there is a surplus which should be refunded by the Federal Entity to the Sponsor, the Financial Affairs Organizational unit shall enter accounting processes at

the value of the residual inventory as follows:

From: Revenue from non-exchange transactions – Deferred

To: Inventory Account

**In case of application of the modified cash basis of accounting:**

The Federal Entity shall disclose any and all in-kind grants/ donations/endowments received on the Financial Statements thereof.

**III. Procedures of Recording Provision of Financial “Cash” Sponsorship**

After obtaining all approvals and accreditations for the project desired to be sponsored, the organizational unit responsible for the project shall communicate with the Financial Affairs Organizational unit for disbursement of the sponsorship amount.

**In case of Application of Accrual Basis Accounting:**

**(1) Conditional Grant:**

a. In case of non-application of VAT by the entity receiving the sponsorship pursuant to the contents of the Public Clarification issued by the Federal Tax Authority concerning application of VAT to donations, grants, and sponsorship contributions:

1. Financial Affairs Organizational unit shall enter the accounting processes as follows:

From: Financial Asset – Grant (Project Name)

To: Bank Account (Bank Name – Account Number)

2. Upon fulfilment of the requirements, Financial Affairs Organizational unit shall enter the accounting processes as follows:

From: Sponsorship Expenses (Project Name)

To: Financial Asset – Grant (Project Name)

b. In case of application of VAT by the entity receiving the sponsorship pursuant to the contents of the Public Clarification issued by the Federal Tax Authority concerning application of VAT to donations, grants, and sponsorship contributions and receipt of a tax invoice covering the sponsorship value:

1. Financial Affairs Organizational unit shall enter the accounting processes as

follows:

From: Financial Asset – Grant (Project Name);

From: VAT Account – Inputs, or Irrecoverable VAT Account

To: Bank Account (Bank Name – Account Number)

2. Upon fulfilment of the requirements, Financial Affairs Organizational unit shall enter the accounting processes as follows:

From: Sponsorship Expenses (Project Name)

To: Financial Asset – Grant (Project Name)

3. In case that there is a surplus, it should be refunded by the beneficiary entity to the Federal Entity, and the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Bank Account (Bank Name – Account Number)

To: Financial Asset – Grant (Project Name)

## **(2) Unconditional Grant:**

Financial Affairs Organizational unit shall enter accounting processes as follows:

- a. In case of non-application of VAT by the entity receiving the sponsorship pursuant to the contents of the Public Clarification issued by the Federal Tax Authority concerning application of VAT to donations, grants, and sponsorship contributions:

From: Sponsorship Expenses (Project Name)

To: Bank Account (Bank Name – Account Number)

- b. In case of application of VAT by the entity receiving the sponsorship pursuant to the contents of the Public Clarification issued by the Federal Tax Authority concerning application of VAT to donations, grants, and sponsorship contributions and receipt of a tax invoice covering the sponsorship value:

From: Sponsorship Expenses (Project Name);

From: VAT Account – Inputs, or Irrecoverable VAT Account

To: Bank Account (Bank Name – Account Number)

## **In case of application of the modified cash basis of accounting for conditional or unconditional grants:**

- a. Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Sponsorship Expenses (Project Name)

To: Bank Account (Bank Name – Account Number)

- b. In case that there is a surplus, it should be refunded by the beneficiary entity to the Federal Entity, and the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Bank Account (Bank Name – Account Number)

To: Sponsorship Expenses (Project Name)

#### **IV. Procedures of Recording Provision of In-Kind Sponsorship**

After obtaining all approvals and accreditations for the project desired to be sponsored, the organizational unit responsible for the project shall communicate with the Financial Affairs Organizational unit for disbursement of the sponsorship amount.

##### **In case of Application of Accrual Basis Accounting:**

1. Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Inventory Account

To: Bank Account (Bank Name – Account Number)

2. Upon fulfilment of the requirements, Financial Affairs Organizational unit shall enter the accounting processes as follows:

From: Sponsorship Expenses (Project Name)

To: Inventory Account

3. In case that there is a surplus, it should be refunded by the beneficiary entity to the Federal Entity, and the Financial Affairs Organizational unit shall enter accounting processes as follows:

From: Assets/ Inventory Account

To: Sponsorship Expenses (Project Name)

##### **In case of application of the modified cash basis of accounting:**

The Federal Entity shall record the Inventory in the warehouses books.