



**"Government Finance Management Information System"  
implementation project  
Report of PHASE 2.2**

**GFMIS Implementation Model  
Public Sector Accounting**

## Abbreviations:

<b>RA:</b>	Republic of Armenia
<b>Finance Ministry</b>	Ministry of Finance
<b>ԿՓԿԴՄ</b>	Government Finance Management Information System
<b>RA RA</b>	Public sector accounting
<b>RANHAS</b>	Public sector accounting standards
<b>RAAGKHMV</b>	Department of accounting and audit activity regulation, monitoring of reports
<b>CFS/GFS</b>	Government Finance Statistics
<b>CSTC</b>	Civil service information platform

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## Introduction:

This document presents the summary of the study of the various functions of the organization and management of the RA Public Sector Accounting (PSAC), the conclusions based on it, as well as the proposed functional and structural options for the implementation of the Public Sector Accounting module within the Government Finance Management Information System (FMIS).

The proposed version was created as a result of the study of the existing processes and will serve as the basis for developing the technical task of the CFCTS (in this case, the part of the RAAC module) in the future.

The document consists of the following sections :

**Summary of the study** - the functions of the organization and management of the RAS, the electronic systems used in them are summarized, and a general conclusion is also presented.

**Structure of the accounting module of the public sector** - the structural schemes of the accounting module in the context of the Financial Accounting Standards Board, internal components (sub-modules), their relationship with each other and with external components are presented.

**Functional description of the public sector accounting module** - options for the functional description of the components (sub-modules) of the Public Sector Accounting Module are presented.

### 1. Summary of the study

Public sector organizations must keep accounting records from the moment of state registration until reorganization or liquidation in accordance with the law. We have studied how the accounting processes of the public sector are carried out in RA at the moment, the tools used for the submission of separate and consolidated financial reports in accordance with the RAAS, the execution of the state budget and the preparation and submission of GFS reports. We have also studied what systems are used to receive the described reports. As a result, it became clear that automatic generation of the reports specified by the accounting processes of the public sector in RA (except for the financial reports of organizations at a separate level) is not carried out. At the moment, each organization uses a separate accounting program for public sector accounting (mostly "PS - public sector").

It should also be noted that all current programs of the public sector comply with the RA government's " *On the procedure for determining the compliance of computer programs enabling accounting in public sector organizations with the requirements of the legislation regulating the field of accounting in the public sector and setting requirements for their automated systems* " 26/03/ 2015 to the requirements of decision N 313-N. However, these requirements lack the tools to automatically generate consolidated financial statements, as well as the receipt of budget performance and GFS reports. It can be noted that the accounting

process in the public sector is incomplete and there is no system in place to carry out complete accounting and generate the above set of consolidated reports. The exception is budget performance reports, which are currently generated through the LS Finance system. However, even in those reports, only the cash flows are received automatically. Account balances are entered into the report by accountants manually, using data from the accounting system.

Currently, the following systems/software are used for various public sector accounting processes:

- "PS - public sector" or other system
- Microsoft Excel program
- Client-Treasury system
- E-invoicing system
- Electronic reporting system (SRC)
- Property tax and land tax collection program
- E-community system
- Mulberry system
- Email (mail, gmail, etc.).

*With the "PS - public sector"* program or other systems currently in use, with the submodules in the program, it is possible to carry out the accounting of an individual organization, but it does not ensure the complete formation of the specified reports. The local self-governing bodies noted that during the sale of plots of land in the accounting system, software difficulties arise in the sense that in case of partial sale of plots belonging to local self-governing bodies, the part to be sold must be separated, but it is not possible to separate the measurement unit of the plots through the system.

*and* summarize their accounting data in *Microsoft Excel* spreadsheets.

The movement of funds between organizations is carried out through the *Client-Treasury system*.

*E-Invoicing* system, organizations carry out the document circulation of acquisition, provision of services and (or) sale of goods.

Organizations submit their monthly, quarterly and annual tax reports through the electronic reporting system at *Petekamutner.am*.

the property tax and land tax collection program and the **E-community** system, local governments carry out the process of forming and paying their debts.

*Mulberry* the system is an information exchange process intended for government institutions. Let's add that not all organizations use this system.

Organizations exchange information through *e-mail (mail, gmail, etc.)*.

The RA Government's decision N 313-H dated 26/03/2015 describes the software requirements of the public sector accounting system, the structure of the module, which represents the scope of public sector accounting. Let's also describe what submodules are used for receiving information and providing required information.

The E-Invoicing system is used for the document circulation of acquisitions and realizations in the course of public sector accounting, for which analytical accounting of receivables and payables of partners

is carried out, for receiving (in case of acquisitions) and providing (in case of realization) information. Based on the invoices received from the E-Invoicing system, the organization records the details of the transaction in its accounting records. In case of sale of goods or provision of services, the corresponding document is created in the registers, on the basis of which the transaction data is transferred to the E-Invoicing system. As a result of all this, the assets and liabilities of organizations are formed. The accounting process also includes salary calculations of the organization's employees in accordance with the requirements of the legislation. Due to the uniqueness of the organizations, difficulties may be encountered during the calculation of wages related to the functionality of the system, or such calculations are carried out through a separate program. In order to repay the creditor debts of public sector organizations, a payment order is created, which is imported into the Client-Treasury system and an actual payment is made - repayment of the debt. The process of repayment of receivables is carried out through the Client-Treasury system, from which the data is imported into the accounting system and on the basis of which the repayment of receivables is formed in the accounting registers.

The result of the document circulation of the implemented accounting processes is reflected in the reports of the period: the financial reports are submitted at a separate level to the Ministry of Finance by e-mail, as required, and the tax reports are submitted through the electronic reporting system (EPS).

The process of accounting and preparation of financial statements of individual organizations is described in "H6 - Accounting process of the public sector".

## 1.1 Conclusion

As a result of the conducted study, we came to the conclusion that the use of different tools for the same processes is a non-optimal option for the organization of public sector accounting, as a result of which:

- data inconsistency,
- lack of strict accounting control,
- lack of centralized processing of information,
- impossibility of receiving automatic consolidated financial statements.

In order to optimize the processes, it is important to introduce a single module of accounting of the public sector of the FCTC, which will allow:

- match data,
- centralized processing of information,
- implement sequential and optimal organization of processes,
- consolidate reports,
- receive budget performance/comparative reports using the data developed in the analytical-reporting module,
- get the CFS/GFS reports with the relevant classifiers.

## 2. Structure of the Public Sector Accounting Module

The introduction of a single module of the Public Sector Accounting of the FCTSH should enable :

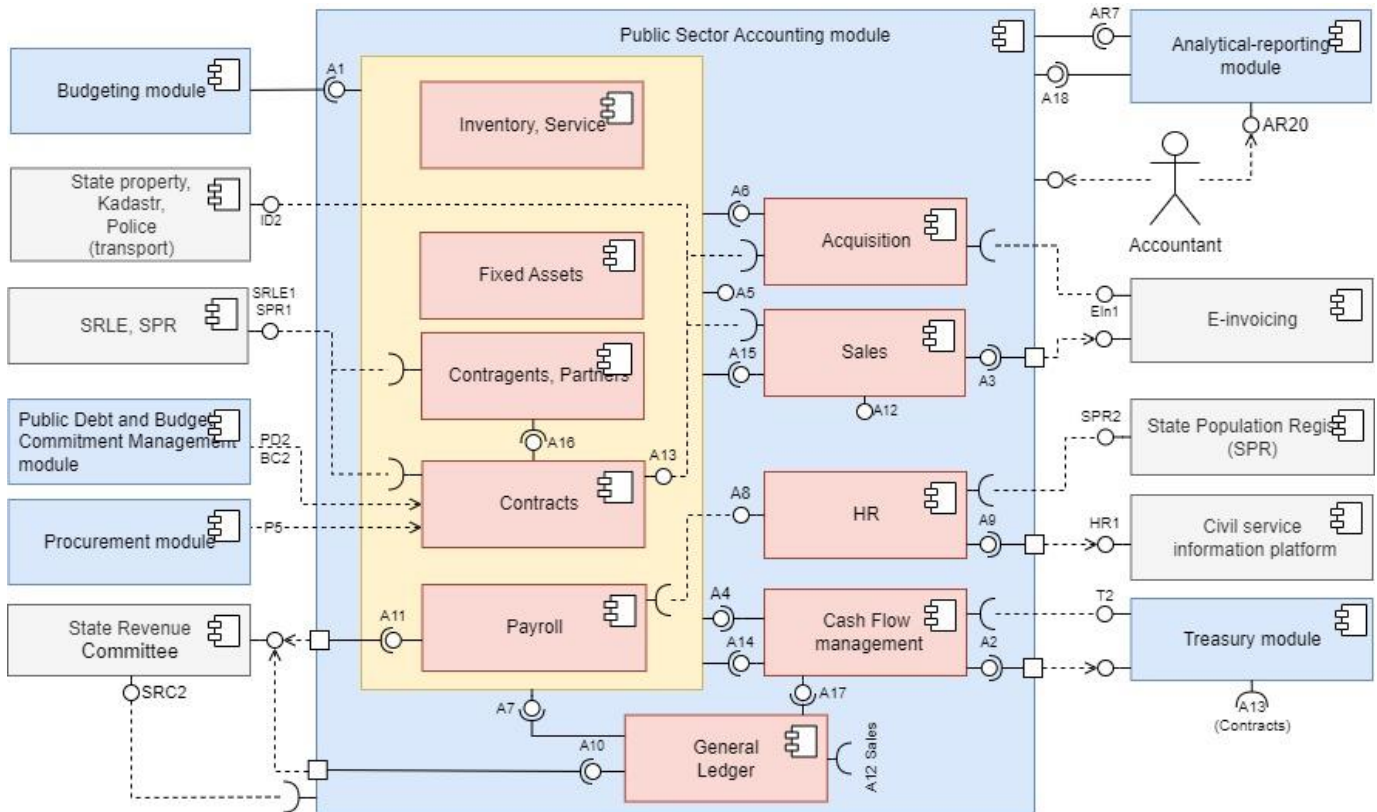
- make the accounting as simple as possible,
- should be integrated with external modules if possible,
- ensure the creation of registers, initial documents in accordance with the legislation,
- has a flexible configuration, taking into account the departmental specifics, which will allow the user to quickly adjust the parameters that are the basis of the calculation, when the regulatory legal acts are changed, without the involvement of specialists,
- the possibility of keeping records of several institutions (structural units) in one database (centralized records) using common directories and classifiers. In this case, the reports can be generated both consolidated and for each institution.
- through the connection between the chart of accounts of the public sector accounting and the classifiers described in Order 5-N of the Minister of Finance and Economy of the RA adopted on January 9, 2007, as well as the KFS/GFS codes, to also receive the budget performance and KFS/GFS reports (according to different levels (ministry, state, SNOC, community)).

Taking into account the mentioned principles, in order to implement the introduction of the module, we have studied the toolkit, through which the organization of public sector accounting is carried out, their functional capabilities and the changes and additions required in them, which will be sufficient to solve the above-mentioned problems. To provide functionality, the module will be built from the following sub-modules:

**General ledger**  
**Supplies, services**  
**Partner Accounting**  
**Contract management**  
**Fixed assets**  
**Sale**  
**Staff**  
**Salary:**  
**Cash flow management**  
**Accomplishment**

**Figure 2.1 Proposed Structure Diagram of Public Sector Accounting Module**





## 2 . 1 Sub-modules of Public Sector Accounting Module

### 2.1.1. "General Ledger" submodule

The "General ledger" sub-module is intended for recording and summarizing the correspondence of the accounts of the chart of accounts (synthetic, analytical and sub-analytical accounts).

The General Ledger submodule should be able to:

- Initial balances of entering/importing organizations with levels of synthetic and analytical accounts in the chart of accounts,
- Retrieving and summarizing information between submodules.

The "General ledger" sub-module, having received the accounting correspondences of registration of operations and other events processed by the analytical accounting sub-modules at the appropriate level of the accounts of the chart of accounts, summarizes this information in the form of accounts and movements of different levels of the chart of accounts. The "General Book" sub-module provides information on tax reports to the SRC electronic system.

In the "General Ledger" sub-module , the process of accrual accounting for state debt, liabilities to the state budget , tax revenues, and social payments is carried out at the **state level using synthetic accounts**.

### 2.1.2 Inventory, services accounting sub-module

Through the sub-module "Accounting for supplies, services", the accounting related to the procurement of supplies and services of public sector organizations should be carried out according to the contract, program-measures and CPVs. In the case of acquisition of stocks, the sub-module should be able to perform additional cost attribution to the value, as well as the quantitative accounting of internal movement, sorting, evaluation, costing and realization, summary of balances according to different storage locations (warehouses).

Calculation at synthetic and analytical levels:

- In the case of stocks, the accounting should be carried out at the analytical level according to the location, the batch of each stock, the quantity, the physical measurement unit of the given stock, and in the case of services, according to the name and volume of the service.
- As a result of accounting at the synthetic level of the sub-module, during any change related to stocks (and in the case of services, receipt), a correspondence should be generated with the accounts of the Public Sector Accounting Chart of Accounts. An economic article will also be selected as an additional analytical data when making formulations with the accounts of the chart of accounts.

The procurement document created in the "Acquisition" sub-module is reflected in the "Resources, services accounting" sub-module.

In the case of the sale of stocks, the sub-module provides the "Sales" sub-module with quantitative information about the product list, and in the case of the provision of services, the name and volume of the service.

### 2.1.3 "Accounting of partners" sub-module

The sub-module "Accounting of partners" should carry out analytical accounting of partners, summary of movements and balances related to them. Formulation of transactions as a result of the accounts of the chart of accounts according to the plan-event, the partner and the contracts signed with the latter. As a result of this, the receivables and payables of the organizations will be formed, the changes related to them, and on the basis of the signed contracts, according to the schedule, the organizations will be able to control the requirement of the formation of the reserve for possible losses of the receivables, the recognition as unreliable, the accounting procedure for the write-off. Also, it is planned to keep the expense and income accounts according to the partners, so that it is possible to implement the mutual exclusion of the transactions between the Public Sector Organizations.

In the case of any transaction in the sub-module "Accounting of partners", the formulation of synthetic correspondence (with accounts in the chart of accounts) will be made, which will be available and summarized in the sub-module "General ledger". For the completed sale, information about the partner will be provided to the "Sales" sub-module. The partner accounting sub-module provides partner data per contract to the Acquisition sub-module for acquisition-related data processing.

The sub-module "Accounting of partners" should ensure the analytical accounting of partners at the **state level**, forming the data of partners and their debts on the basis of the data of contracts received from the

Payables and Obligations module. The formation of debts at the state level through the sub-module is carried out by the person responsible for accounting at the state level (body, unit) in order to ensure the accounting of debts at the state level.

#### 2.1.4 Contract Management sub-module

The sub-module "Management of contracts" is intended for the timely fulfillment of contract terms, fulfillment of contractual obligations and consistent management. The contract management process is more than archiving and storing copies of the contract for future use. The schedule of work execution or purchase of goods and the CPV list, as well as the payment schedule, are part of the contract.

The Contract Management sub-module should provide contract management **at the state level**, taking data from the Public Debt and Liabilities module. The management of contracts at the state level is carried out by the person responsible for accounting at the state level (body, unit).

The Contract Management sub-module provides the contract data to the Cash Flow Management sub-module during inflows and outflows.

During sales, acquisitions, received and rendered services, the sub-module "Management of Contracts" provides data to the sub-modules "Sales", "Partners" and the module "Treasury" on the volumes and terms stipulated by the contract, the comparison of which with the actual data is formed in the sub-module "Management of Contracts"., and allows you to get important analytical data and manage the contract effectively.

#### 2.1.5 "Accounting of fixed assets" sub-module

The sub-module "Accounting of fixed assets" is intended for analytical accounting of each unit of non-current assets: fixed assets, high-value assets, non-produced (naturally occurring) assets, biological assets, investment property, intangible assets and other non-current assets (except financial instruments). according to identified individual assets, for registration of financial and non-financial operations related to them and presentation of information. The acquisition document created in the "Acquisition" sub-module is reflected in the "Fixed asset accounting" sub-module.

The "Fixed Assets Accounting" sub- module should provide accounting of those fixed assets that are not accounted for in any public sector organization, but should be accounted for at the **state level**, for example, roads, rivers, lakes, etc. Accounting is carried out by the person responsible for accounting at the State level (body, department) to ensure the analytical accounting of fixed assets at the State level.

Acquisition of fixed assets should be recorded by partner, partner contract, program-event and CPV, based on which information will be provided to the sub-modules "Partner Accounting" and "Contract Management" regarding payables and contract performance.

In case of sale of fixed assets, the sub-module "Accounting of fixed assets" provides financial and non-financial information about each unit of fixed assets to the sub-module "Sales".

In the case of any transaction in the "Accounting of Fixed Assets" submodule, synthetic correspondence (with chart of accounts accounts) will be created, which will be available and summarized in the "General Ledger" submodule.

The fixed asset accounting sub-module provides complete information to the Analytical reporting module.

### 2.1.6 "Sales" sub-module

Through the "Sales" sub-module, it is planned to implement the sales of the organization. Since different systems are used in the implementation of business activities of organizations, or no system is used at all, this sub-module is intended to ensure the implementation and registration of sales in organizations. In the case of sales, the sub-module takes relevant analytical information from the sub-modules "Resources, services", "Fixed assets", "Partners", "Management of contracts" . This sub-module is planned to be implemented to ensure the implementation and registration of retail sales in organizations. During retail sales, information will be provided to the SRC system through the cash register device. In the case of sales, the sub-module takes relevant analytical information from the "Inventories, services" sub-module.

When making a sale, the "Sales" sub-module provides information on the formation of partner receivables to the "Partner Accounting" sub-module, data related to partners' contracts to the "Contract Management" sub-module. When making a sale, the "Sales" submodule provides the "General Ledger" submodule with the accounting correspondence with the accounts in the chart of accounts, where the data is summarized. The "Sales" sub-module provides information on sales data made by the organization to the E-invoicing system for electronic registration of sales, transportation.

### 2 . 1 . 7 "Personnel accounting" sub-module

The "Personnel accounting" sub-module is designed for the recording and storage of historical data about employees, which will enable automating the internal processes of personnel management, will contribute to the automated calculation of wages and receipt of reports. The personnel accounting sub-module will have the following features:

- personnel accounting
- accounting of orders (acceptance, release, transportation orders, etc.)
- creation and management of the organization's staff list
- designing the vacation schedule of employees, accounting for unused vacation days
- calculation of seniority of employees in the general and public sector.

The "Personnel Accounting" sub-module provides the "Salary Accounting" sub-module with information about employees, and will also have the opportunity to provide the "CSTS" system, if necessary, with data on those employees who are considered public service, public office employees.

The "Personnel accounting" sub-module will be used in the event that the organization in question does not use or only partially uses the CSTS system for personnel accounting.

### 2 . 1 . 8 "Wage accounting" sub-module

The "Salary" sub-module is intended for the calculation of employees' salary, vacation pay, allowances and other benefits in accordance with the legal requirements. In case of settlement and payment, the sub-module will form receivables and payables by individual employees.

The "Wage accounting" sub-module will provide the accounting correspondence formed as a result of salary calculation and payment to the "General ledger" sub-module.

The Payroll sub-module will provide payroll data to the Cash Flow Management sub-module.

The "Wage accounting" sub-module provides the data of employees' wages and other allowances and withheld taxes to the electronic system of SRC reports in the form of income tax and social contribution calculation.

The "Payroll Accounting" sub-module provides complete information to the Analytical reporting module.

### 2 . 1 . 9 "Cash Flow Management" sub-module

The "Cash flow management" sub-module is designed for the organization's cash inflows, outflows and balance management. In that module, cash register entry and exit orders, bank statements, and payment instructions are created. The "Cash flow management" sub-module allows you to make the funds manageable, to repay obligations to the budget, banks, and partners on time.

The "Cash Flow Management" sub-module is designed for cash flow and balance management at the **state level** . The accounting process of state debts, obligations to the state budget, tax revenues, social payments is carried out by the person responsible for accounting at the state level (body, department) to ensure the accounting of funds.

The "Cash Flow Management" sub-module provides information on payments to the "Treasury" module.

The sub-module provides information to the sub-modules "Accounting of partners" and "Management of contracts" about the balance of partners resulting from cash inflows and outflows according to contracts. Data from the sub-module "Accounting of partners" and "Management of contracts" are provided to the module "Cash flow management".

From the sub-module "Wage accounting" receives the information on the amounts payable to each employee.

The sub-module "Management of cash flows" provides information to the sub-module "General ledger" about the correspondence of all inflows and outflows with synthetic accounts (accounts of the chart of accounts), including those cash movements that are not reflected either in the sub-module "Accounting of partners" or "Accounting of wages" in the submodule : for example: foreign currency conversion, account replenishment, foreign currency account revaluation, etc.

## 2 . 1 . 10 "Acquisition" submodule

The "Acquisition" sub-module is designed to ensure the management of the organization's sale, transfer, received settlement documents and return documents. And on the basis of billing documents received from the E-invoicing system, the data is processed through the "Acquisition" submodule, then the information for supplies and received services is provided to the "Supplies, Services" submodule, and the information of fixed assets to the "Fixed Assets" submodule. When registering the acquisition document, the "Supplies, Services" sub-module provides the "Partner Accounting" sub-module with information on the formation of debt by contract, CPV codes and date. If it is possible to integrate the "Achievement" sub-module with external information systems, the State . property, Cadastre, Police, which will provide information on the identification code of the fixed asset, then it will be possible to effectively implement data processing and management of fixed assets in one system.

## 2.2 Other modules of the PFSC and their relationship with the "Public Sector Accounting" module

### 2.2.1 "Treasury" module

The "Treasury" module is intended for accounting of state and municipal budget revenues in accordance with the budget classification, financing and accounting of expenses with preliminary control, management of state treasury and extrabudgetary accounts, and implementation of operations with general state resources (see : Proposal for optimization of the Treasury in the document). The Treasury module provides information on cash flows to the Cash Flow Management sub-module of the Public Sector Accounting module. The Public Sector Accounting module provides information to the Treasury module on cash outflows and contracts.

### 2.2.2 "Budgeting" module

The "Budgeting" module is intended for the preparation of budget requests by state bodies, as well as the processes of revenue forecasting, budget balancing and obtaining community-approved budgets. As a result, it is possible to form a state-wide consolidated budget (state budget + municipal budget - see Budgeting optimization proposal in the document). The "Public Sector Accounting" module provides the "Budgeting" sub-module of the "Budgeting" module with information on inventory, contracts, fixed assets, payroll, sales, partner accounting, cash flow management for the effective implementation of the costing process.

### 2.2.3 Module "Management of public debt and liabilities to the budget".

The module "Management of State Debt and Obligations to the Budget" is intended for debt collection, auction organization, e-mail . for the management of sales, agent register, promissory notes, loans and debts, credit guarantees (see: Public Debt, Process Optimization and Automation Proposal in the document).

The Public Debt and Budget Obligation Management module provides the Contract Management sub-module of the Public Sector Accounting module with debt collection and repayment, credit, debt, promissory notes, credit guarantees data to perform accounting.

Received and provided loans, promissory notes, securities transactions, and accrued interest should be automatically formulated from the public debt module in the RAS module.

### 2.2.4 "Purchase" module

The "Purchasing" module is intended for procurement planning, implementation of the procurement process (depending on the form of procurement), contract management, as well as conducting and training the procurement coordinators' qualification examination (see the Procurement Optimization Advanced document).

The "Purchasing" module provides the "Contracts Award" sub-module of the "Public Sector Accounting" module with the information about the contracts as a result of the implementation of the procurement process.

## 2 . 3 External systems and their relationship with the Public Sector Accounting module

### 2 . 3 . 1 E-invoicing system

E-invoicing (Electronic invoicing documents and books) is a system for providing electronic billing documents and management of electronic books of delivery. The program provides an opportunity to write out settlement documents online, create, stop or re-register delivery-transport electronic books, as well as manage registered books. With the help of the program, it is possible to view the settlement documents written out and received from other persons. In offline mode, the program also allows you to prepare new tax invoices or edit previously completed settlement documents, make entries in pre-opened shipping-transport electronic books. As a result of the integration of the E-invoicing system with the "Acquisition" sub-module of the "Public sector accounting" module, it will be possible to receive and provide the information of settlement documents automatically.

### 2 . 3 . 2 IAPR, BPR systems

BPR (State Population Register) is an information system designed for registration of persons living in the Republic of Armenia, as well as citizens of the Republic of Armenia living in foreign countries, by resident and place of residence. A person who has acquired RA citizenship, does not have a permanent place of residence in RA and lives permanently or mainly in a foreign country, when receiving a passport of an RA citizen, is recorded in the State Register of Population at the address of his place of residence in a foreign country. In the system, the personal data of the person is indicated in accordance with the Law of the Republic of Armenia on the State Register of Population. The integration of the BPR system with the "Personnel" sub-module of the "Public Sector Accounting" module within the framework of the PFTC will create an opportunity to receive the personal data of a public servant and resident who does not hold a public position in the event of employment. The BPR system will provide personal data of individuals to the sub-modules "Accounting of Partners" and "Management of Contracts" during the provision of services and the implementation of stock sales transactions.

The purpose of launching the IAPR system is the registration of legal entities and individual entrepreneurs in the territory of the Republic of Armenia, to reduce the duration of state registration of legal entities and individual entrepreneurs and to ensure state registration of legal entities and individual entrepreneurs in one visit through the use of a single window, to perform online registrations of limited liability companies using an identification card. registration, accounting of an individual entrepreneur, as well as changing the passport data of the head of the executive body of organizations. The integration of the IAPR system with the "Public Sector Accounting" module will enable the sub-modules "Management of Contracts" and "Accounting of Partners" to provide the data of legal entities and individual entrepreneurs, as well as their status, whether the organization is active or not, in case of contract formation.



### 2 . 3 . 3 CST systems

The CSTS is designed to ensure the management and unity of the civil service, in accordance with the procedure established by the Law of the Republic of Armenia "On Civil Service" and other legal acts. Through the system, effective management of public service human resources positions, classification and development of public service, public office remuneration policy are carried out. If it is possible to integrate the CSTS with the "Personnel" sub-module of the "Public Sector Accounting" module, it will be possible to provide the place of work, position, salary and other data of public service (except community service) public office holders.

### 2 . 3 . 4 State property, Cadastre, Police (transportation)

State property and Cadastre systems are intended for real estate accounting, valuation, and property preservation management. State property accounting ensures the registration of information on the state and size of immovable property, purpose, users and forms of use in the state property accounting register. The goal is to predict the state's prospective demand for state property.

The cadastre system provides for state registration of rights and restrictions on property, which includes:

- 1) state registration of the origin, termination, transfer, change of ownership rights, right of use, mortgage, plot development, easement, as well as other property rights provided for by law, to real estate,
- 2) state registration of the application, modification, termination of restrictions on the rights to the management, use or possession of immovable property, as well as restrictions on the exercise of property rights.

The online platform of the police is intended for state registration of ownership rights to vehicles, application of restrictions on the origin of property rights.

The integration of the State property, Cadastre, Police (vehicles) systems within the framework of the FCTC with the "Fixed Assets" sub-module of the "Public Sector Accounting" module will provide an opportunity to receive information on the property number, ownership, condition and other data, which will make it possible to "Public Sector Accounting" to carry out effective property management through the "Fixed Assets" sub-module of the "Accounting" module.

### 2 . 3 . 5 SRC system

The SRC (Electronic Reporting System) system is designed to simplify the process of submitting tax reports and to automate the filling and checking of tax reports. During the filling of reports, the system performs the necessary checks in order to ensure the correctness of filling the fields. The system is a reporting tool that reflects all legislative and regulatory changes related to reporting and tax liability calculation rates and formulas.

The integration of the system with the "Public sector accounting" module will enable the automatic creation of tax reports, which will be able to be uploaded to the SRC system.

Interface:	Data:	Provider module/submodule	Application module/submodule
PP2:	Accounting for debt collection and repayment	Public Debt Module	Public Sector Accounting/Management of Contracts
C 5 :	Purchase contract and data justifying its execution	Shopping	Public Sector Accounting/Management of Contracts
BP2:	Accounting for promissory notes, loans and debts, issuance and repayment of budgetary guarantees	Budget Liability Management Module/Credits and Debts	Public Sector Accounting/Management of Contracts
GZ2:	Account information	Treasury/ Accounts Management	of Public Sector Accounting/ Cash flow management
EHA1:	Achievements received by the organization	E-invoicing:	of Public Sector Accounting/ Accomplishment
BPR2:	Data of natural persons	BPR:	of Public Sector Accounting/ Staff
K1:	Employee data	CSTC	of Public Sector Accounting/ Staff
H2:	Summary of certificates, obligations, application for financing Payment instructions Application for reformulation	of Public Sector Accounting/ Cash flow management	Treasury/ Accounts Management

H 3:	Data on transactions made by the organization	of Public Sector Accounting/ Sale	E-invoicing:
H9:	Employee data that may be necessary for the CSIRT	of Public Sector Accounting/ Staff	CSTC
H1:	Calculated data Supplies Contracts (application, schedule, other) Fixed assets Salary: Sale Partner Accounting Cash flow data	Public sector accounting Supplies Peer Counting Contract management Fixed assets Salary: Sale Cash flow management	Budgeting/Expenditure
H4:	Employee debt Debt to partners Contract management	Public Sector Accounting/ Partner Accounting Contract management Salary:	Public Sector Accounting/ Cash flow management
H5:	Provision of analytical data	Public Sector Accounting/ Supplies, Services Fixed assets co-workers Contracts	Public Sector Accounting/ Accomplishment Sales
H 6:	Processing acquisitions and providing data to the appropriate submodule	Public Sector Accounting/ Accomplishment	Public Sector Accounting/ Supplies, Services Fixed assets Partner Accounting Contract management

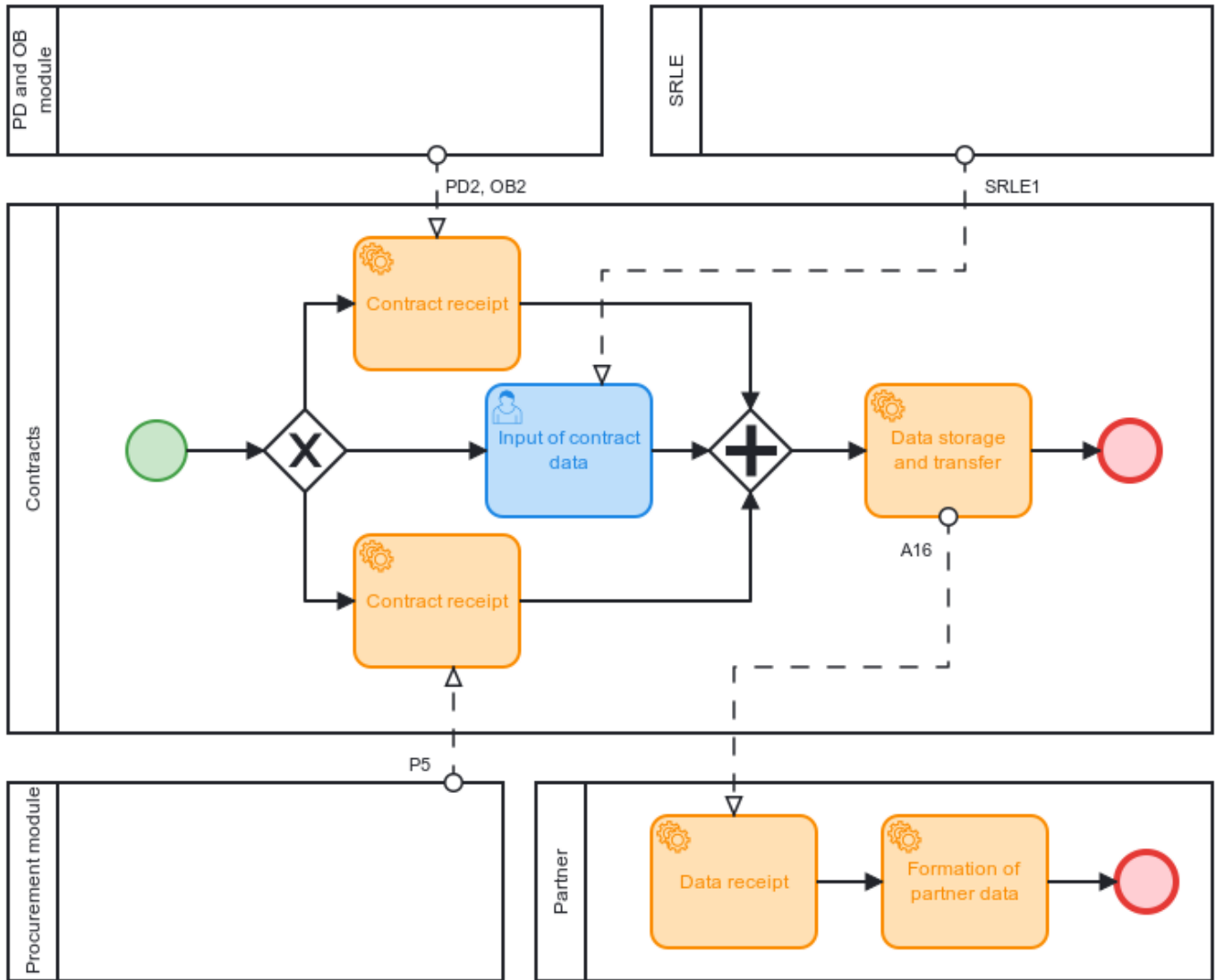
H7:	Synthetic formulations and summary data Supplies and Services Data Partner data Contract data Fixed assets data Sales data Salary data	Public Sector Accounting/ Supplies and Services co-workers Contracts Fixed assets Sales Salary:	Public Sector Accounting/ General ledger
H10:	Provision of tax reports	Public Sector Accounting/ General ledger	SRC
H8:	Employee data	Public Sector Accounting/ Staff	Public Sector Accounting/ Salary:
H12:	Realization summary data	Public Sector Accounting/ Sales	Public Sector Accounting/ General ledger
H 14:	Data on monetary changes	Public Sector Accounting/ Cash flow management	Public Sector Accounting/ Partner Accounting Contracts management
H11:	Monthly calculation of income tax and social contribution	Public Sector Accounting/ Salary:	SRC
Q13:	Contracts and payment schedules	Public Sector Accounting/ Contract management	Public Sector Accounting/ Sales Treasury/ Accomplishment
IAPR1:	Data of legal entities for partner accounting and contract management	IAPR, BPR	Public Sector Accounting/ Partner Accounting Contract Management
BPR1:	Data of a natural person for accounting of partners	IAPR, BPR	Public Sector Accounting/ Partner Accounting Contract management

AT2:	Fixed assets property numbers and other data	State Cadastre, Police ( vehicles)	Property, of Public Sector Accounting/ Accomplishment
PC7:	Necessary analytical data	Analytical-Reporting Module	Public Sector Accounting
H15:	As a result of realization Partners and Contracts Data	of Public Sector Accounting/ Sales	of Public Sector Accounting/ Partner Accounting Contract management
Q16:	Contract data	of Public Sector Accounting/ Contract management	of Public Sector Accounting/ Partner Accounting
Q17:	Data related to monetary changes	of Public Sector Accounting/ Cash flow management	of Public Sector Accounting/ General ledger
Q18:	Providing complete data	Public Sector Accounting Module	Analytical Reporting module
SRC2:	Identification data Data of the amount to be returned as a result of recalculation	SRC system	of Public Sector Accounting/ Cash flow management Partner management
PC20			

### 3 Functional Description of the Public Sector Accounting Module

This chapter presents the processes that will be implemented in the Public Sector Accounting module after the implementation of the system.

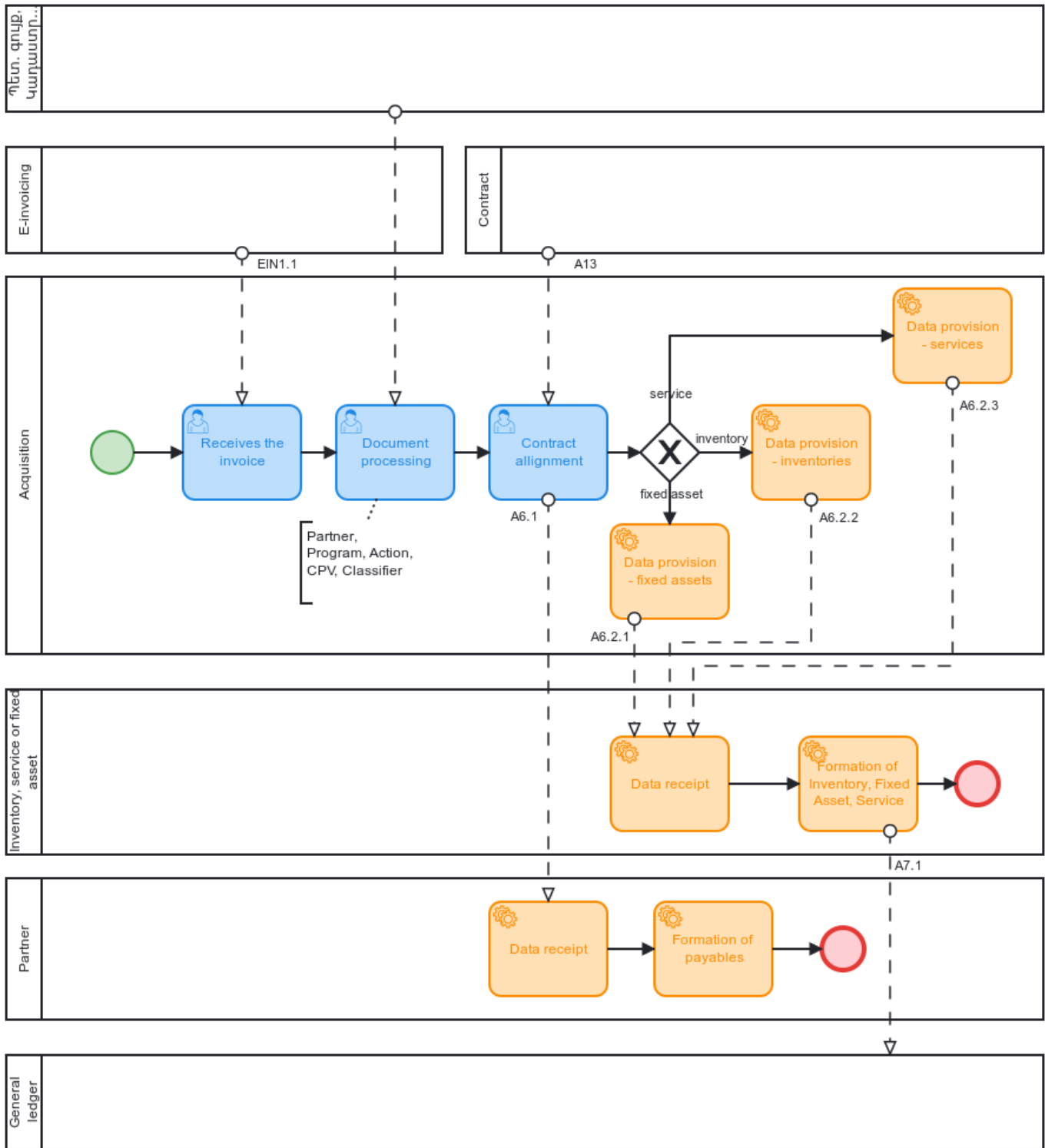
### 3.1 Formation of Affiliates



<b>Purpose:</b>	Conduct public sector accounting at peer level
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<b>Description / process</b>	<p>After the approval of the annual procurement requests, the Procurement module provides the procurement contracts to the Contracts sub-module of the Public Sector Accounting module, and the Contracts sub-module can receive contracts with the involvement of new debts from the Public Debt module and the Budget Liability Management module, on the basis of which the parties to already formed contracts in the Partners sub-module automatically a directory of partners will be formed. Transactions whose contracts are not available in the specified modules will be created by accounting in the Contract Management sub-module of Public Sector Accounting. By making a request to the IAPR1 system, you can get the data of the organization that is a party to the contract to create a partner directory.</p>
<b>Territory:</b>	<p>Procurement Module, Public Debt Module, Budget Liability Management Module, IAPR1 System, Contract Management Sub-Module of Public Sector Accounting.</p>
<b>Input data</b>	<p>PP2, BP2, IAPR1, G5</p>
<b>Output data</b>	<p>Q16:</p>

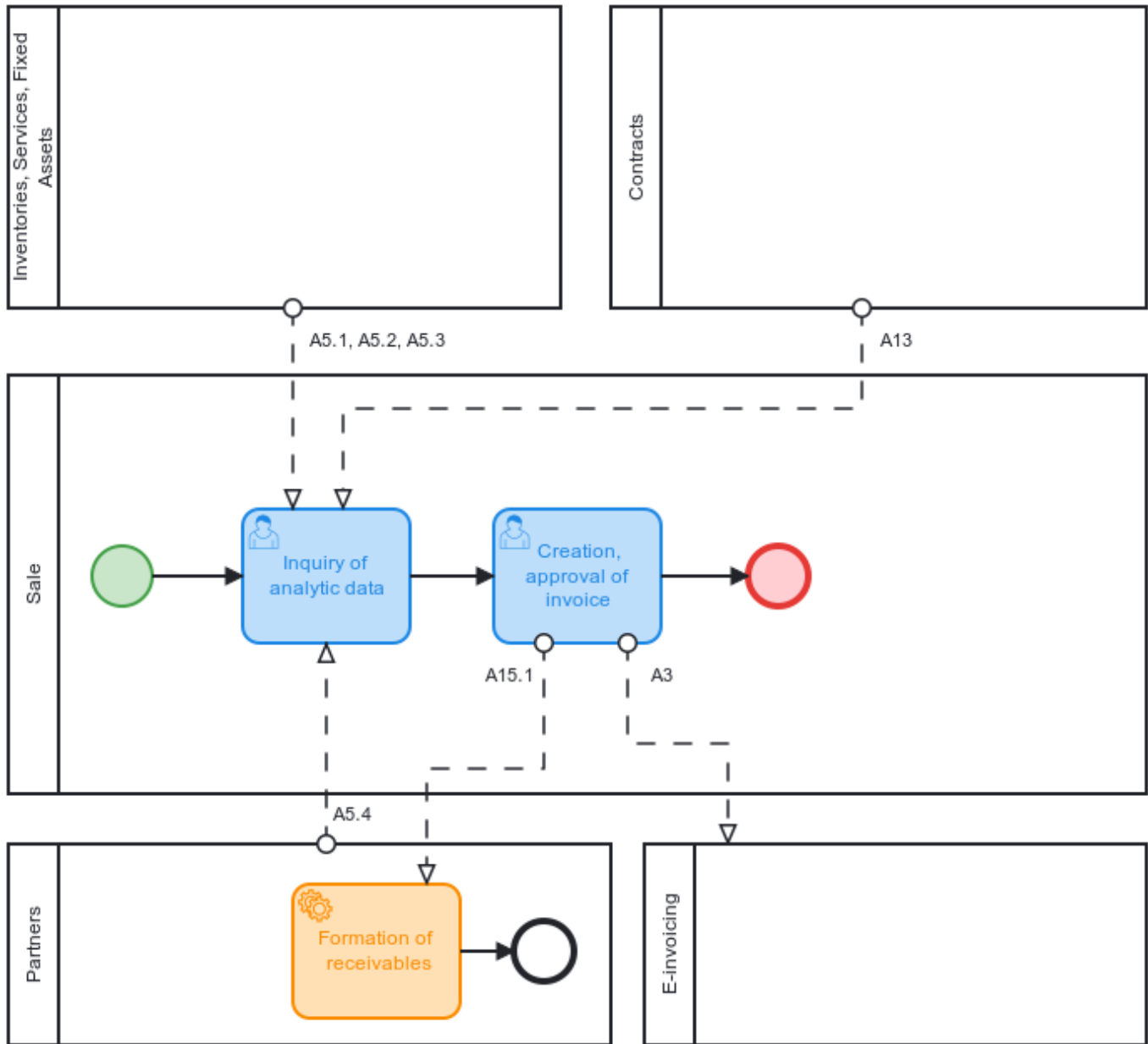
### 3.2 Acquisition Process





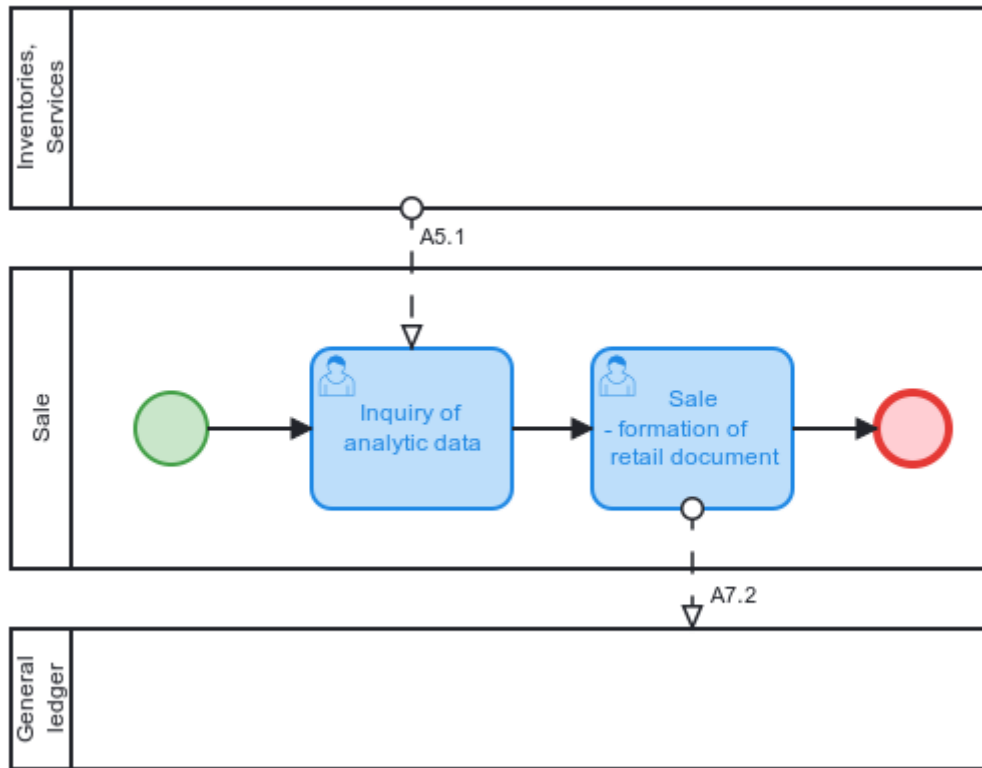
<b>Purpose:</b>	Implementation of the public sector accounting acquisition process
<b>Description/ process</b>	Purchases made by the organization on the basis of contracts through the E-invoicing system become possible to download as received settlement documents to the Procurement sub-module of Public Sector Accounting, where document processing and contract matching must be done. After processing and registering the document (inventory, service, fixed asset), the data will be reflected in the sub-modules Inventory, Services, Fixed Assets, and the data of the accounting formulation by partner will be reflected in the Partners sub-module and for summary also in the General Ledger sub-module.
<b>Territory:</b>	State Property, Cadastre, Police, E-invoicing, Contracts, Procurement, Inventory, Service, Fixed Asset, Partner, General Ledger.
<b>Input data</b>	EHA1 : 1, H13
<b>Output data</b>	H6 : 1, H6 . 2 . 1, H6 . 2 . 2, H6 . 2 . 3, H7 . 1:

### 3.3 Wholesale sales



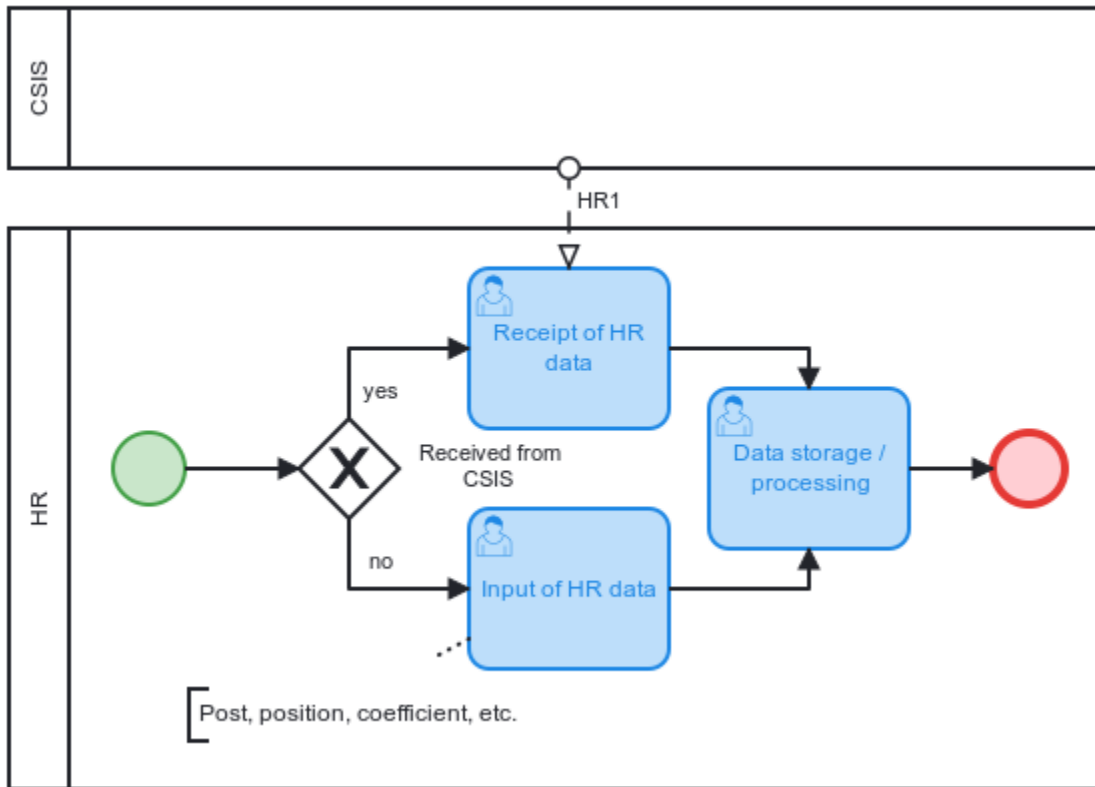
<b>Purpose:</b>	Implementation of the process of wholesale realization of public sector accounting
<b>Description/ process</b>	The wholesaling process of organizations is carried out through the Sales sub-module. In order to implement the sales process, it requests analytical data from the Supplies, Services and Fixed Assets sub-module to develop a wholesale sales document on list, quantity, balance and other data, and from the Contract Management and Partner Accounting sub-modules for contract terms and partner data. As a result of the registration of the document, the General Ledger sub-module provides the accounting statements for summarization, and the Partner Accounting sub-module provides the information regarding the partner's receivables. Also, it is possible to upload a document to the E-invoicing system from the Sales sub-module.
<b>Territory:</b>	E-invoicing, Contracts, Inventory, Service, Fixed asset, Partner, General ledger, Sales.
<b>Input data</b>	H5 : 1, H5 . 2, H5 . 3, H5 . 4, H13,
<b>Output data</b>	Q15 : 1, H3

### 3 . 4 Retail sales



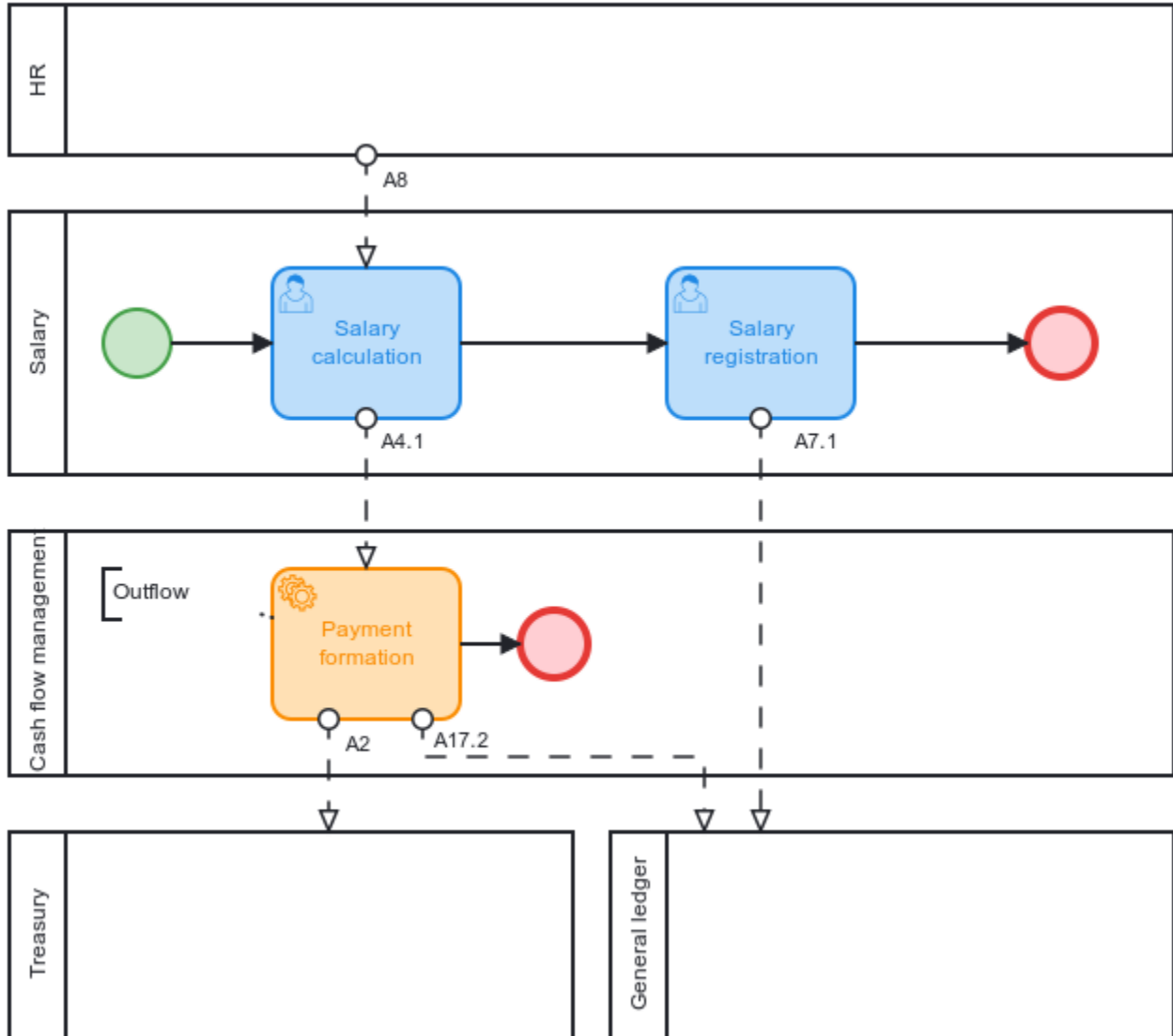
<b>Purpose:</b>	Implementation of the retail sales process for public sector accounting
<b>Description/ process</b>	The retail sale process of organizations is carried out through the Sales sub-module. In order to implement the sales process, it queries the Supplies, Services sub-module for processing analytical data such as list, quantity, balance and other data. As a result of the registration of the document, the General Ledger provides the sub-module with the accounting forms for summary.
<b>Territory:</b>	Inventory, Service, General Ledger, Sales.
<b>Input data</b>	H5 : 1:
<b>Output data</b>	H7 : 2:

### 3.5 Personnel process



<b>Purpose:</b>	Implementation of the HR process for public sector accounting
<b>Description / process</b>	The personnel process is for recording and storing the data of the employees of the organizations, which is a request to the CTS system regarding the data, to process and store them in the sub-module of personnel registration. The collection and entry of data of employees not included in the CTS system is carried out by the accounting officer in the sub-module of personnel accounting.
<b>Territory:</b>	CSTS, Personnel
<b>Input data</b>	K1:
<b>Output data</b>	

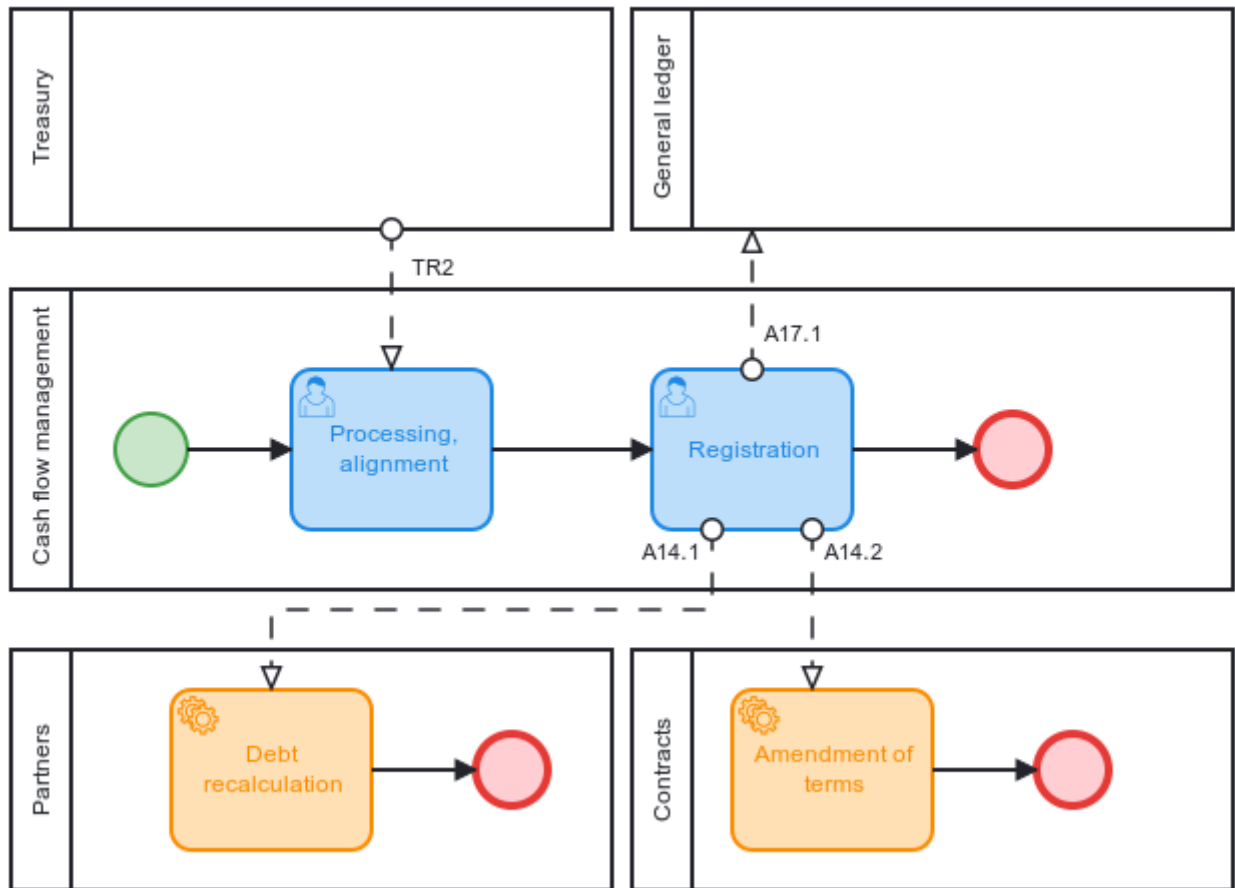
### 3.6 Payroll Process



<b>Purpose:</b>	Implementation of Public Sector Accounting Payroll Process
<b>Description/ process</b>	The HR sub-module provides tabular data to the Payroll sub-module to calculate each employee's salary. Based on the salary calculation, a payment order is created for the payment of the salary in the Cash Flow Management sub-module, and then the data is transferred to the Treasury module to make the payment. Payroll and payment forms are provided by the General Ledger sub-module for summary.
<b>Territory:</b>	Personnel, Payroll, Cash Flow Management, Treasury, General Ledger

<b>Input data</b>	H8:
<b>Output data</b>	H4 : 1, H7 . 1, H2, H17 . 2,

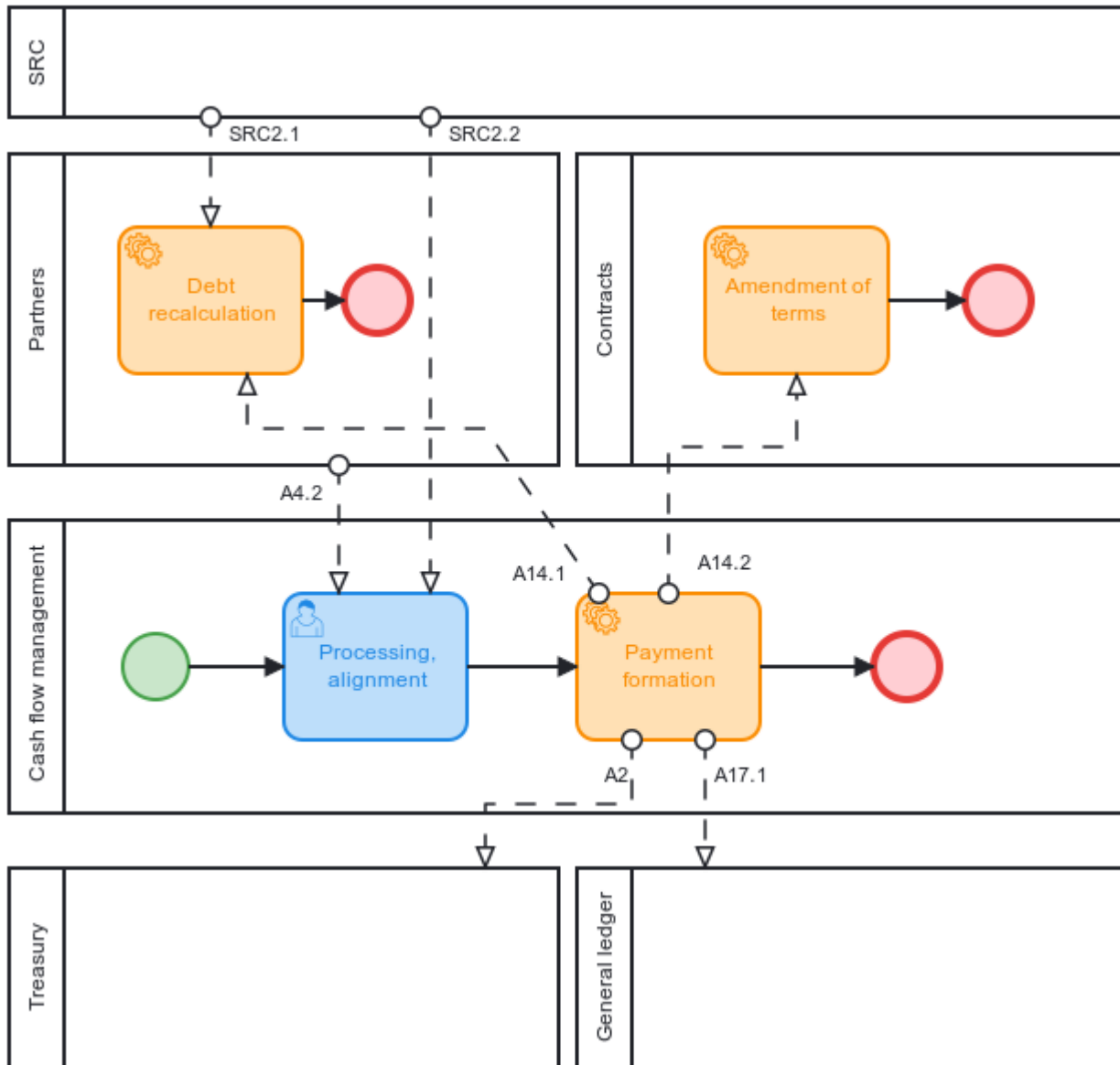
### 3 . 7 Process of cash inflows



<b>Purpose:</b>	Implementation of the public sector accounting cash flow process
<b>Description / process</b>	The process of cash inflows of organizations is described through the Cash Flow Management sub-module of Public Sector Accounting, which, by making a request to the Treasury module regarding account balances, changes related to them, takes the information and performs the appropriate processing, then as a result of document registration, the accounting formulations are reflected in the General Ledger sub-module for summary . As a result of the registration, the data is provided to the sub-

	modules of Partners' accounting, Contracts management, in order to implement the change of partners' debt and terms of their contracts.
<b>Territory:</b>	General Ledger, Treasury, Cash Flow Management, Partners, Contracts
<b>Input data</b>	GZ2,
<b>Output data</b>	H17 : 1, H14 . 1, H14 . 2,

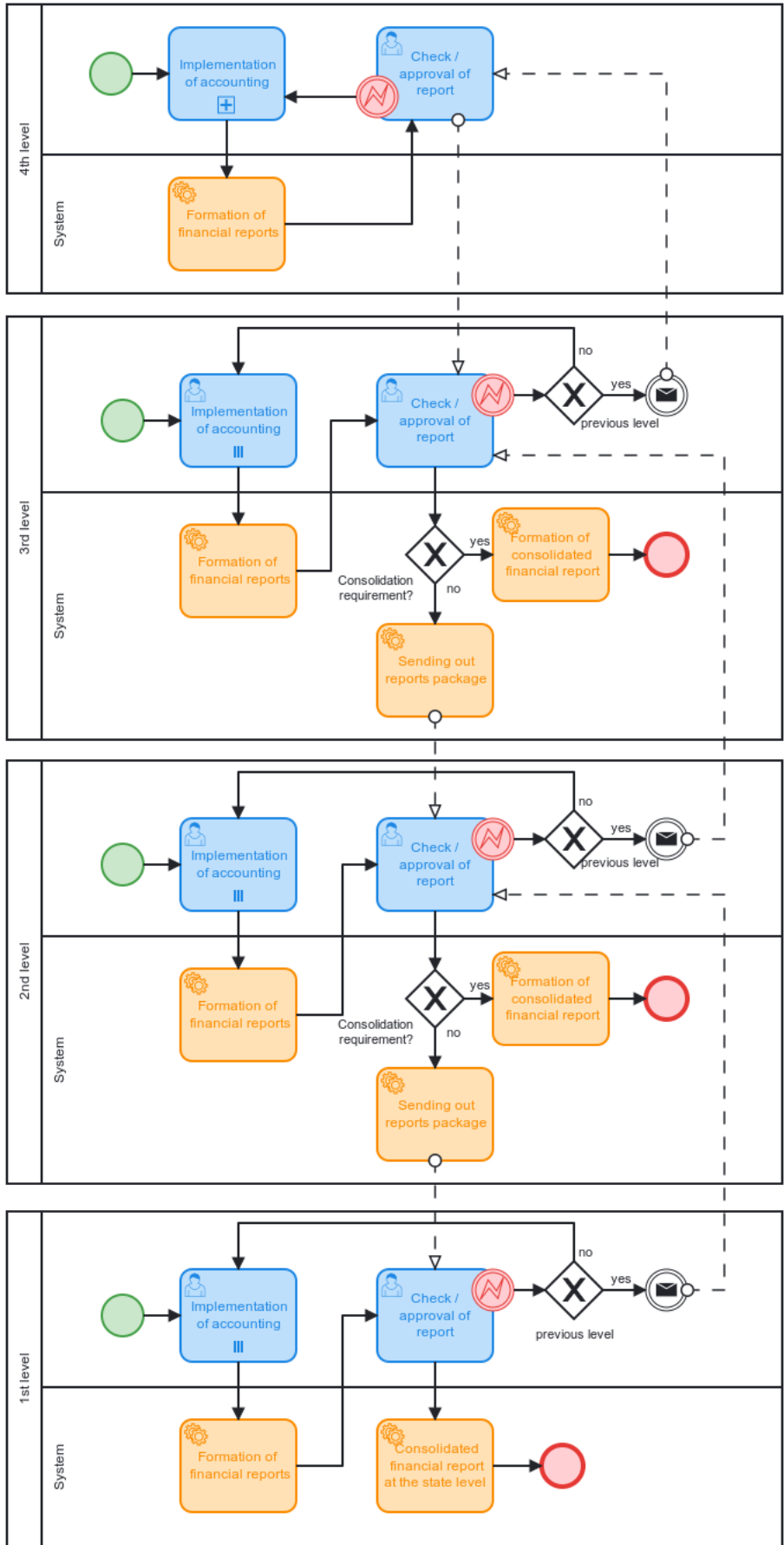
### 3 . 8 Cash flow process





<b>Purpose:</b>	Implementation of cash outflow process in public sector accounting
<b>Description/ process</b>	<p>The process of cash outflows of organizations is described through the Cash Flow Management sub-module of Public Sector Accounting. Provides debt and contract terms data to sub-modules of partner accounting and contract management, and provides the number and amount of the debt document formed in the SRC system for the processing of the payment document. After registering the document, the Cash Management sub-module transfers the data to the Treasury module to make the payment.</p> <p>The SRC system provides the Public Sector Accounting Partners sub-module with data on amounts to be returned to taxpayers as a result of recalculation. Refund information is provided by the Counterpart Accounting sub-module to the Cash Flow Management sub-module. After processing and registering the document, the payment data is provided by the Treasury to the module to make the payment. The accounting forms of the documents recorded in the cash flow management sub-module provide the General Ledger sub-module for data summary.</p>
<b>Territory:</b>	SRC, Partners, Contracts, Cash Flow Management, Treasury, General Ledger
<b>Input data</b>	SRC2.1, SRC2.2, H4.2
<b>Output data</b>	H14 : 1, H14 . 2, H17.1, H2

### 3.9 Preparation of consolidated financial statements

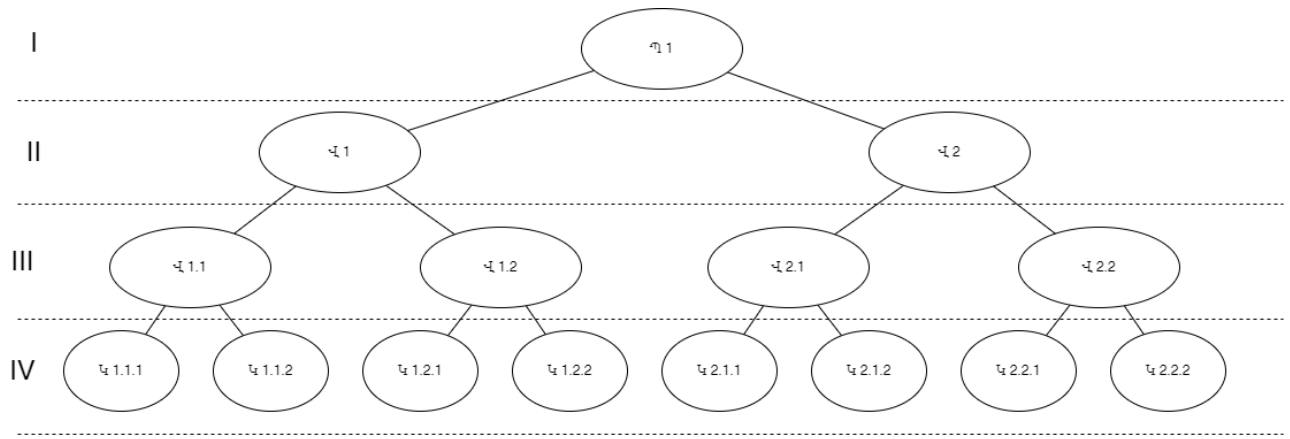


HAS module, based on the hierarchy of controls between public sector organizations, will allow to automatically create consolidated financial reports according to HAS at the level of the ministry and the state, as necessary, also for other levels in the hierarchy of control (for example, SNOCs, regional governors, municipalities).

When forming consolidated financial statements at any level, the financial statements formed for the ultimate controlling organization at a given level and for individual organizations at a lower level must be combined, line by line summing up the relevant items of assets, liabilities, net assets (equity), revenues and expenses. During the consolidation phase, the following mutual exclusion operations should be performed automatically:

- the book value of the controlling entity's investment in each controlled entity and the controlling entity's share of its net assets (equity);
- the consequences of intra-group transactions, moreover, the system should create an opportunity to perform automatic checks of transactions and balances in the accounting data of any two organizations with each other for the selected date and period, as a result of which the accountants of the two organizations (if necessary, also with the function of monitoring the consolidation process) about the discovered inconsistency persons) will receive notification. All notifications received must be examined and closed by adjustments by accountants, otherwise, in case of inconsistency of mutual calculations, the system must block the approval and presentation of the corresponding financial report.
- In cases where, according to the methodology of preparation of consolidated financial statements, there are partially mutually exclusive transactions (unrealized profit/unrealized loss), then the accountants responsible for the consolidation, as a result of the above-mentioned adjustments regarding the given transaction, also make entries in the special purpose ledger, which should be taken into account only in the consolidation process. as a supplement to automatic mutual exclusions. For example, in the event of a gain or loss on the disposal of a fixed asset, only the automatic mutual exclusion of receivables and payables in the consolidation process is not sufficient, the following additional adjustments should also be calculated and reflected: exclusion of gain/loss on the disposal of the asset disposed of at the expense of the new initial value in the buyer's balance sheet, new reversal of depreciation expense accrual calculated based on original cost).

In order to implement such mutual exclusion, within the framework of the FCTC, the RAAA module should have a unified list of partners, where the public sector organizations will be separated, represented by the correct hierarchy, which will be based on the group structures created on the basis of the analysis of control indicators by the persons responsible for the consolidation process at different levels, and those structures in the accounting system. on defining references (an example is shown in figure 1). This structural interdependence will enable transactions to be mutually exclusive without errors.

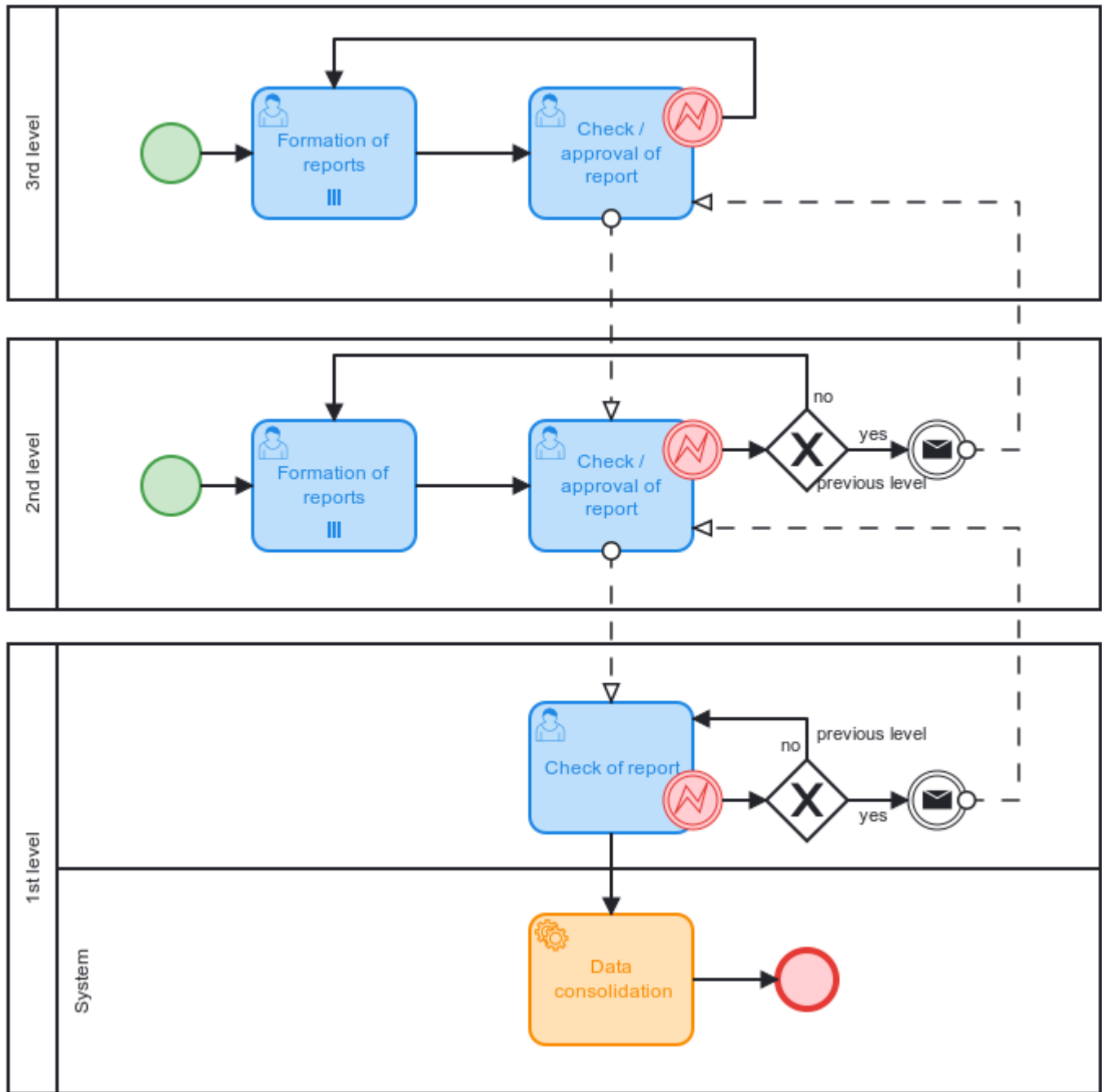


Thus, the process of consolidating financial statements will be carried out in the sequence of the following steps for the groups and levels reflected in the control hierarchy:

1. A "supervised" entity at level IV of the control hierarchy systematically prepares, verifies and validates its separate financial statements (form-1 to form-5). The verification and validation process shall necessarily include verification of balances/transaction amounts with all other public sector entities, adjustment as necessary and approval as per prescribed methodology.
2. Reports certified by a level IV organization are made available to the next level in the hierarchy, a "monitoring" level III organization, which checks the received reports and, if discrepancies are found, returns the report to the submitter for correction. In the absence of inconsistencies, the reports are approved and made available to the next level of the hierarchy, the controlling organization at level II, together with its financial statements, which have undergone the same verification and validation processes as at the previous level (including confirmation of mutual transactions/balances). If the legislation or the authorized body regulating accounting requires the formation of consolidated financial statements at a given level, the system allows to implement it automatically by applying the consolidation procedures defined by the IASB and for mutual exclusion, mutual exclusion book entries for all organizations included under the given level ( eliminating journal entries).
3. control hierarchy receives the reports formed and validated at the previous levels and carries out the actions described in point 2.
4. At level I of the control hierarchy, reports formed at all previous levels are received. The financial reports of the Republic of Armenia as a single unit are prepared by the authorized body, the Ministry of Finance of the Republic of Armenia, consolidating the reports of all organizations under its control and the state , separating state administrative institutions, SNOCs and communities as necessary, as well as adding the balances of those accounts. and movements that exist only at the state level and are accounted for separately by the RA FSA.

### 3 . 10 Creation of consolidated budget execution reports

3 . 10 . 1 Report on the budget expenses and budget debts of the institution, the institution's receivables, payables and stored funds, as well as the result (performance) non-financial indicators of each program's activities



1. Level III organization (BSC) forms the set of defined reports in the appropriate interface of the analytical-reporting module of the CSF, using pre-developed formats. The reports will be prepared according to the budget programs-measures, their responsible institutions (BOG), classified according to economic articles. The financial indicators of the reports will be created automatically based on the data

processed/stored in the analytical-reporting module, while the non-financial performance indicators of each project/event will be entered manually.

2. Reports certified by a Level III Organization (LIO) are made available to a Level II Organization (LOI), which checks the received reports and returns them to the submitter for correction if discrepancies are found. In the absence of discrepancies, the reports are approved and made available to the next Level I organization, which also prepares its own budget performance reports, going through the same verification and validation processes as the previous level.
3. Level I organization, in this case, the Ministry of Finance, as the authorized body for budgeting and budget execution control of the Republic of Armenia, receives the budget execution reports certified by all the BECs according to individual program measures, BSCs, economic classifiers, checks them and checks them for inconsistencies. In case of detection, returns the report to the submitter for correction. In the absence of inconsistencies, the reports are approved and consolidated at level I, as a result of which it is possible to obtain data on budget expenditures at any cut-off: by PES, by programs, by program-measures, by economic classifiers, and, since each measure is associated only with one functional classifier also by functional classifiers. Thanks to the special tagging of events during the budgeting stage, it is possible to get the data of the execution of those marked events separately.

### **3 . 10 . 2 Report on revenue collection of state institutions**

1. The state bodies responsible for revenue collection submit the data on the revenue collected by them to the Ministry of Finance, as the authorized body responsible for the budgeting and budget execution control of the Republic of Armenia, using pre-developed formats, in the appropriate interface of the analytical-reporting module of the FCTC, with the classification of revenue types. The data is filled in the report automatically.
2. These data are checked and, if inconsistencies are found, they are returned to the submitting body for correction.
3. In the absence of discrepancies, the reports are approved and consolidated by revenue type.
4. municipal income reports are aggregated separately according to the types of income specific to municipalities, after which general aggregation is carried out with state and municipal income.

### **3.10.3 Regarding the implementation of directions for the use of the budget surplus or sources of financing the deficit (deficit)**

As described in point 1.3 of the budgeting module concept of the PFSC, the excess of expenditures over budget revenues constitutes the budget deficit (deficit). The attraction of funds for financing the budget deficit is carried out from both internal and external sources.

The calculation of the deficit balance contains both an input part and an output part.

Since the output part is planned according to the budget programs-measures and their responsible institutions, their presentation and consolidation should be carried out in the same way as the budget expenditure performance reports described in point 3.10.1 of this document.

It is possible to receive the input part after the introduction of the FCTC on the basis of the data recorded at the state level.

References and appendices included in the package of state budget execution reports, which are formed on the basis of the data processed/maintained in other modules of the State Budget, as well as on the basis of the data maintained by the BSC/BSC, will be created automatically.

### **3.11 Formation of Consolidated GFS Reports**

The process of preparing and sending GFS reports is carried out according to the sequence of steps in the process "H7-GFS statistical report preparation" described in Step 2.1.

After the implementation of the FCTC, it will be possible to create the report automatically.

Based on the mapping and matching of chart of accounts accounts, economic articles, and CFC codes carried out by the Consultant in the analytical-reporting module of the FCTC, based on the data of unified directories, as well as the consolidated budget (according to economic and functional classifications) and the consolidated report on the financial position, independently GFS reports will be generated.

In order to receive the GFS reports, the order of the Minister of Finance of the Republic of Armenia dated 04.02.2013 must also be implemented in advance. The process of collecting and summarizing the reports on the financial and economic activities of the NOCs (in particular cash flow reports ) defined in the order N104-N , which will be obtained automatically after the introduction of the FCTC, applying the same consolidation procedures as are carried out during the consolidation of financial reports in accordance with the RA RAAS. Consolidation of reports on the financial condition, as we mentioned in point 4 of the section "3.9 Preparation of consolidated financial reports" of this document, can be obtained separately according to all SNOCs, state bodies and communities, which in turn can be mutually exclusive with the same procedure. were carried out automatically, using the data of the common partner directories available in the system.