

REPUBLIC OF VIETNAM
PROCEDURES FOR
PROGRAM BUDGETING AND COST ACCOUNTING
with

DIRECTION GENERAL OF PUBLIC WORKS
DEPARTMENT OF PUBLIC WORKS AND COMMUNICATIONS

Prepared by:
Direction of Program and Planning
Direction General of Budget and Foreign Aid
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Translated by:
Michigan State University
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METHOD OF PROGRAM BUDGETING EXECUTION

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Definition of some terms used.

GENERALITIES ON PROGRAM BUDGETING

1. New Concept of Budget.

In the former budget system, costs were represented and accounted for according to two main classifications: the administrative organization and the character of the costs, i.e.: the agency using the credit and responsible for its spending; the thing purchased with the money-salary of personnel, purchase of supplies or equipment, construction, etc.

With this system, it was not known what the purpose of the spending was or what was performed by the spending agency and thus there was lack of information for judgment of the results and efficiency of the operations of an administrative agency.

Program Budgeting is a budget and accounting system capable of making clear the purpose of the spendings and the cost of each administrative activity and, if possible, the cost of each product of this activity.

Actually this concept is not quite new. In the Budget documents of 1955, 1956, 1957 and 1958, in chapters and paragraphs (1958 Budget) concerning special expenditures, there was mention of some programs, activities and works which indicate clearly the purpose of the expenditures. However, the presentation was too summary to show the real costs of a program because part of the program costs were assigned to personnel and supplies chapters (or paragraphs).

Following the great change in budget classification in 1959, in order to satisfy the more urgent needs of analyzing government financial activities, the grouping of government expenditures into programs and activities has been delayed.

Though the reforms in the 1959 Budget have answered most of the requirements of a modern budget and given the top government officials a means to formulate a budget policy, they still do not give the officials directly in charge of the management of agencies a satisfactory means for management and decision-making.

To remedy this situation, the Direction General of Budget and Foreign Aid is proposing a secondary budget system in order to fill the reasonable requirements of the chiefs of administrative agencies.

The application of Program Budgeting in Viet Nam, through foreign countries and home experiences, will follow a particular process.

Instead of dividing the budget into programs and then work by program as has been done in some countries, the Budget and Foreign Aid Direction General, after carefully surveying the problem, has decided that to have meaningful program budgeting, it is necessary to have accurate figures justifying the requirements of each agency. While an outline of past achievements is not yet available, to apply Program Budgeting to every agency would be like building a house without foundation.

Accordingly, the Direction General of Budget and Foreign Aid has decided to install a cost accounting system to supply necessary data to program budgeting.

After making sure that the figures furnished by the accounting system are satisfactorily accurate, it will be possible to progress to a more advanced step in this reform.

2. Fundamentals of Program Budgeting.

The Program Budgeting System rests on the following principles:

1- The division of the agency's work into programs and activities should be done according to a standard that gives the best classification of activities and gives agency chiefs a good basis to plan and supervise the execution of the programs they manage.

2- Primary programs and activities may not fit the present organization of the agency. To permit a better management, after determining primary programs and activities, it is necessary to change the organization and distribution of work to fit the management requirements.

3- Program budgeting is profitable only when all the costs of a program or activity are known, or better still, the costs of each performance unit in a program or activity.

With this information, the chief of the agency will be able to compare the results obtained in order to make plans for the future and to follow the progress of the work during budget execution.

3. Requirements of a Program Budgeting System.

From what is seen above, to have a satisfactory program budgeting system it is necessary to install:

- 1- A cost accounting system with related statistics,
- 2- A reasonable and adequate reporting system.

But what is essential to the application of the program budgeting system is the effort of all the agency's personnel to observe the set regulations in order to furnish accurate data for the calculation of costs. As a matter of course, many difficulties will be met at the beginning, but with the cooperation of everyone, good results are to be expected.

SECTION I - General Basis

1. Division of Works into Programs and Activities

A. The works of an agency are classified and divided into primary programs and activities.

Each program has only one general purpose and is composed of a number of activities, each aiming at a result, measurable or not. If measurable, the result is called a "concrete realization".

All the costs of the agency are distributed to predetermined programs and charged against related activities.

Some programs and activities may be subdivided into sub-programs and sub-activities or works including a number of tasks of the same type, uniform and clear-cut. This permits calculation of the cost of each performance or work unit.

B. Chart of the Public Works Direction General's Programs and activities (Central agency) - All the works of the Public Works Direction General are divided into six main programs, each being subdivided into two or three main activities (see chart). These activities are of two kinds: operation and production activities which are performed by the central agency only, or by both central and provincial agencies, or by the provincial agency only.

2. Contents of Programs and Activities - Selection of Performance or Work Unit.

A. Program 01 - "General Management".

This general program, to serve the following three technical programs, includes three operational activities:

1. Activity 01-1: "Direction". The costs of this activity include expenditures for the offices of the Director General and Directors, Deputy-Directors and Service Chiefs. It is done in the Central agency.

2. Activity 01-2: "Administration" is concerned with keeping track of and managing personnel, office correspondence, supplies and materials, filing, and budget accounting for all the Direction General. Done in the central and provincial agencies.

3. Activity 01-3: "Technical Direction" - activity of the Technical Service - check technical drawings, examine and review all work plans, especially in terms of price and conditions, etc. before presenting them to the Director General.

A number of employees of this service work for Program 03 "Water Supply System" (see below).

The above three activities do not lead to any concrete realization and so do not have any performance unit.

B. Program 02: "Roads survey and work"

All the works of Program 02 are divided into two parts: one performed in the offices (study) and the other at work sites (survey, repair, building). The program comprises two operational activities and one production activity. Works related to examination and test of soils or materials used at work sites are assigned to the related activity. On the contrary, works that are related to examination and test of soil or materials in general (case of materials in the market), belong to the above activity 01-3 "Technical Direction".

1. Activity O2-1: "Plans Study": Operational activity of the "Study Service" of the "Roads and Bridges Direction". Includes study and sketches of general plans big projects and checks for urgency of road constructions.

Performed in the central agency, but may include local preliminary examination and test works.

Works unit: each study project.

2. Activity O2-2: "Repairs and Maintenance". Operational activity of the Roads and Bridges Direction including usual maintenance and repair works for roads. Most of the works are performed by services financed by direct funds (art. 04).

This activity may be subdivided into sub-activity or tasks depending on the type of repair (superficial repair, deep repair, patch-up bitumen paving, etc.) or the type of the road (national; inter-provincial roads).

Performance unit: each kilometer, meter of bridge.

3. Activity O2-3: "New Works". Including new constructions and major repairs, it is a production activity of the new Construction Service and is financed by direct funds as provided for in the Budget document (art. 07). The total cost consists of these direct funds (most of them delegated to services) and also the costs of project studies, technical dossiers made in offices.

This activity is divided into sub-activities or tasks like activity O2-2. Performance unit: each kilometer, meter of bridge.

C. Program O3 - "Water Supply System"

This program is performed by part of the personnel of the Technical Service (including the "rural wells section"). The purpose is to control and coordinate the city and rural water supply system. Consists of two production activities and one operational activity.

1. Activity 03-1: "Operation and Control of City Water Supply System" - Consists of attending to, maintaining and operating water supply to cities. Performed at central and zone agencies - no work unit available.

2. Activity 03-3: "Construction of Water Plants": Production activity including pipe laying (if any); benefits by direct funds from National Budget (art. 07, city works and miscellaneous. Performance unit: each cu. meter of water supplied.

3. Activity 03-3: "Rural Wells Digging": Production activity performed by the "Rural Wells" section of the Technical Service. The costs include the cost of a number of office and warehouse employees, purchase and repair of machines and equipment, and chiefly the salaries of the well digging section. Performance unit: each cu. meter of earth moved.

D. Program 04 "Electricity Supply System".

Lies among the jobs of the Electricity Control Service, and is partly carried out by provincial services. Comprizes 3 main activities:

1. Activity 04-1: "Control and Operation of the Electricity Supply System": Includes operation of electric plants in the provinces. Performance unit: each kilowatt supplied.

2. Activity 04-2 "Control of Price and Consumption of Electricity": Operational activity like activity 04-1. No performance unit.

3. Activity 04-3 "Installation of Electric Plants": Production activity, including the laying of wire (if any) and having direct work costs. Performance unit: each kilowatt supplied.

E. Program 05 "Control of Motor Vehicles".

The service of motor vehicles control and the areas are in charge of Program 05 which breaks down into 3 main operational activities:

1. Activity 05-1 "Registration of Transfers": Consists of controlling all motor vehicles put in traffic, following all operations of purchase and sale of vehicles, and giving registration numbers.

Performance unit: Each registered car. The annual performance is the number of cars registered per year whether they are of first or second purchase. The activity may break down into two sub-activities: "First hand registrations" and "Second hand registrations".

2. Activity 05-2 "Driver's license": Organizes driving tests to give driver's licenses. Performance unit: each license.

3. Activity 05-3 "Technical Inspection": Includes all operations related to periodic inspection of vehicles for public transport. Performance units: each inspection.

F. Program 06 "Public Works Equipment Warehouses and Shops"

Executed by the Gia Dinh Equipment Yard and other provincial services warehouses and shops. Includes all purchases, storage, maintenance and repair works concerning equipment and machines, with the exception of utilization of equipment at work sites.

1. Activity 06-1 "Storage, entry and Control": Common to all equipment in terms of clerical work; warehouse accounting, watching and care; transport to and from warehouses, assembly and disassembly of machines, distribution and reception of machines and equipment. Cost of activity consists of common expenditures to organization, operation and layout. No activity unit.

2. Activity 06-2 "Repair and Maintenance": Includes only operations directly related to each equipment unit such as maintenance (lubrication, motor inspection, replacement of damaged parts etc...) and special repairs as in engine breakdown, renovation of equipment, wear and damage by use and accidents.

The cost of the activity consists of direct expenditures for warehouse and shop personnel, supplies and work related to repairs and maintenance. No performance unit.

3. Activity 06-3 "Machines and Equipment Purchase": Investment costs, including the prices of machines, equipment and accessories plus related direct expenditures (transport cost from suppliers' to receivers' places, insurance cost, custom tax, bank commission, etc...); transport cost from receivers' place to warehouse and within the warehouse pertain to activity 06-1 above. No performance unit.

REMARK: In case the Central Equipment Service follows the utilization of equipment by the work site, the utilization costs will be the object of a separate accounting showing the appropriate activity for cost assigning.

G. Program 07 "City Works and Miscellaneous".

Program dealing completely with investments and executed by provincial agencies. Consists of works not pertaining to any of the above programs.

1. Sub-Program 07-1 "City Works": Includes such works as sewer pipe setting, bridge pillar repairs, etc, in cities or provincial towns. Executed by provincial agencies with direct funds (art. 07, sect. 03). Performance units: depending on the work.

2. Sub-program 07-2 "Miscellaneous": These are works performed by Public Works areas and provincial agencies but do not have a regular or permanent character: quarry working, repair of wharves. Financed by direct funds (art. 07, sect. 09). Performance unit: depending on the work.

REMARK: A number of works, such as construction of electric or water plants, which originally were placed under sub-programs 07-1 and 07-2, are now integrated in the related activities 03-2 or 04-3.

1. The above programs and activities cover the main functions of each direction and service. In addition, there are other auxilliary functions performed by the special offices of the

agencies, the costs of which are chargeable to the activities of the concerned programs.

2. Each operational activity may have part of its cost made of operational costs (personnel, supplies and services) and another part of investment costs (purchase of office furniture and equipment, additional office constructions). The division of work into operational programs and activities and investment programs and activities will be based on the purpose and the basic functions of each agency and operating unit (direction, service):

a. Investments of Public Service in general are placed in investment programs and activities.

b. Other investments, of ordinary or direct character (direct by being related to operation of the agency) are assigned to beneficiary activities (see chart).

SECTION II - Distribution of Costs - Basic Forms.

- Principles:
- a. Only costs that are related to programs, activities, or tasks can be distributed to those programs, activities and tasks.
 - b. This cost distribution is based on:
 - basic forms
 - predetermined standard rates.
 - c. Forms are of two kinds:
 - those used in the office
 - those used in warehouses, shops, or at work sites.

1. Forms Regarding Personnel. These forms are:

- a. Individual attendance report for office personnel.
- b. Work sheet used in warehouses, shops and at work sites.

A. Individual Attendance Report.

1. Its purpose is to help:

- a. the heads of directions and services to keep track of the activity of their personnel so that they can have a basis on which to plan work requirements in drafting the agency's budget according to programs and activities;

- b. program accountants to distribute personnel costs to various programs and activities.

2. This form is made for office employees belonging to:

- a. a direction or service who work simultaneously for a determined number of programs;

- b. the same program, working simultaneously for a determined number of activities;

c. the same activity capable of being divided into a determined number of tasks or concrete results.

3. Recording Method:

Each employee has a report, which he or she is responsible for completing daily. It is filled out from left to right and top to bottom.

a. Twice a month, the 1st and 16th, the agency head collects all the reports of the personnel, checks the statements, certifies them and sends the forms to the program accountant.

b. Each employee writes his or her name, title and organization (office, section, or group).

c. The name of the agency, direction or service and related code, and of the program concerned (official name used in the chart).

d. The year, month and period (1st to 15th or 16th to 30th or 31st).

e. The classification reference number to be marked by program accountant.

f. In the first 2 columns, within close lines, mark the numbers and names of:

- the programs, if the employee works for more than one program;
- the activities, if the employee works for more than one within a program;
- the tasks, if the employee performs many tasks within an activity.

Under the dates, mark the quantity of hours spent each day for the related program, activity, or task.

g. In the first 2 columns, under line containing the number and name of the program or activity, specify the numbers and names of:

- the activities belonging to the program;
- the tasks belonging to the activity.

In the date columns to the right, made a cross in the appropriate section if the time spent for the activity or task takes a full day, and a dash if it is a half-day (each "day" column is divided into seven half-sections representing $7 \frac{1}{2}$ hr. work).

h. In the "total" column give the total hours spent for each program and activity.

i. In the first line under the date columns, give the total hours spent each day for all programs and activities. This total may be bigger or smaller than the regular daily working hours: $4 \frac{1}{2}$ for Saturday and $7 \frac{1}{2}$ the other days.

j. In the same line in the "total" column, give the total time spent for all programs and activities.

k. and l. The boxes regarding monthly salary and allowances and hourly salary are reserved for the accountant to fill in. The hourly salary is computed by dividing the monthly salary and allowances by the total time spent in work. (see j).

m. In the "remark" column, mark the number of units performed during the month. e.g. kilometers, meters, files, typing, etc.

4. Collection, Review and Utilization of Attendance Reports:

- After receiving attendance reports from chiefs of directions and services, the program accountant will:

a. Classify and give "reference numbers" to the reports. These are of 2 kinds: those for employees busy with several programs at a time, and those for employees assigned to one program only.

The "reference number" is made of 3 parts:

- The first two digits indicate the number of the program in the second case, or are represented by 00 in the first case.
- The third digit indicates the month.
- The following figures beginning with "1" (personnel) indicate the serial number.

Example: Attendance report No. 008-112 is the 12th report received during August from an employee working for more than one program. Attendance report No. 025-17 is the 7th received in July from one working for Program 02.

Use Arabic figures for months from January to October, and roman figures for November and December.

b. Compute the time spent for each program, activity, or task by each employee and make a list of the times spent for all programs, activities or tasks during the month (see model list attached).

c. Compute simple ratios of times spent on different programs and activities to call the attention of agency chiefs to abnormalities.

d. Compute personnel costs for programs and activities in separate items to record in the registers regarding the programs and activities.

e. Place reports in hard welt-type or acco-type binders with report lists attached.

THE PERSONNEL SECTION OF THE AGENCY will make frequent reports to the program accountant on changes affecting the family status and personnel status of each employee. The program accountant does not need to know the details of the employee's salary, but only the total amount paid to him plus the retirement contributions granted by the national Budget.

B. Work Sheet.

1. In general, this work sheet is used for the personnel working at work sites, warehouses and shops.

Each sheet concerns the work of one employee during a week.

2. Utilization of the Sheet.

a. Team chiefs are responsible for the completing the sheet for each dependent worker and certifying to its accuracy in the box at the bottom, on the right side.

b. Task details will be placed in columns 1, 2, 3, 4, 5, 6, 8, 10, 12. Example:

- Task being performed (col. 2): repair of roads (national and provincial), repair of equipment.

- In column 3, if it is an essential work of the work site, mark the name and location of the work site; if it is an equipment repair, mark the type and number of the equipment.

- When a worker has completed a task and receives a new one, the team chief must mark the time of the completion and the time of the beginning.

- Each time, the team chief signs his name in column 16 as the task controller.

- The mentioned "Work Supplies" are things used in executing work as: fuel, lubricants, etc. and other "consumable" supplies, except for such things as spare parts or accessories (case of equipment repair).

- In column 18 for "remarks" place quantity of task already completed.

c. At the end of the week, the team chief gathers all worksheets and sends them to the provincial agency's accountant who will mark the salaries paid, the costs of materials used (col. 7, 9, 11, 13, 14, 15) and the sources of the funds (col. 17; National Budget, American Aid, off-budget loan).

d. The chief of the field work section of the provincial agency checks the declarations and prices, certifies them in the bottom right box, "section chief", and forwards the worksheets to the Public Works areas concerned.

e. The area's accountant reviews the worksheets, makes a list of weekly labor, one for each task, and forwards all worksheets in two copies with the list of weekly labor to the program accounting section of the central agency.

The list of weekly labor contains the following main details:

- Names, professions, and grades of workers cooperating in each task (name of task, name and location of work site, type and number of equipment repaired).
- Time spent by each worker during the week.
- Salary and allowances paid.
- Total cost of supplies used during the week.
- Quantity and rate of work performed.
- Funds source (see list of labor attached).

f. If it is an equipment repair undertaken by a provincial service, the Program Accounting Section will send a copy of this list to the Central Equipment Service for record keeping. A copy is retained and attached to the task computation sheet.

g. The program accountant will classify work sheets according to the general type of the tasks (e.g. usual repair of national roads, provincial roads, development of national roads, provincial roads, new road building, etc.) for recording in appropriate work registers.

2. Forms Regarding Supplies and Materials.

- A. Request for office supplies.
- B. Request for service supplies (also used for usual, direct equipment).

A. Office Supplies Request.

1. In general, these office supplies and equipment are of the following character:

a. To be used in the office and "immediately consumed" i.e.,:

- The longest using time lasts only a few months.
- The unit cost is inexpensive (20 - 30 piasters).
- They lose their value or are consumed with use (paper-knife, rulers, pen trays, etc.).

b. Their total cost is obligated once a quarter when they are bought and stored for gradual use; it is only necessary that the program accountant register the supplies costs each time they are requested and delivered and distribute the costs to appropriate programs or activities.

2. How to Fill the Request:

a. At the beginning of each quarter the Administrative Service makes the obligation and places orders for supplies. When these are delivered the warehouse accountant makes an inventory of the supplies, with quantities and unit prices, and sends a copy to the program accountant.

b. On the basis of the inventory, the program accountant has "Request for Office Supplies" forms designed (see

model attached), each column reserved for a particular supply, and printed in a quantity to meet the requirements of the agency.

c. Each time a new batch of supplies or a supply of a new type is received in the warehouse, the warehouse accountant must notify the program accountant for addition to the inventory (and supplies request).

3. Utilization of Request Forms.

a. Early each month the program accountant distributes to each direction and service a number of request forms in proportion to the number of sections, offices or groups it contains.

b. All the personnel of each group, section or office can use a common request, each employee giving his name and the quantity of supplies needs in the appropriate columns. If the employee is appointed to a particular (or several) program, the name and number of the program (or programs) must be mentioned. After being completed the request is submitted to the office of the Chief of the direction or service.

c. Here the requirements of the section (or group) are made into separate totals for each supply, which are placed in a total list. This total list is also made with a "request form", but with this phrase added:

"Total list for direction (or service)....."

The chief reviews the names of the requesting sections, and the quantity of supplies, and signs the total list which is then sent to the warehouse accountant with the requests attached.

d. The warehouse accountant issues the requested items, keeps the total list for entry in his register, and transmits to the program accountant the requests from the sections (or groups) which he has signed.

e. The program accountant classifies the forms into programs and activities (if possible) and gives them reference numbers. Like the reference number for individual attendance reports (Section II, 1-A), the supplies reference number consists of:

- The first two digits for the program number (00 if several programs are involved).

- The third digit indicating the month: 1 to 0 for the first ten months of the year; and the roman (II, III) for the last two.

- The following digits begin with 3 (art. 3) and indicate the serial number.

Example: Request No. OOOII - 382 is a request concerning more than one program, for November, with 28 as serial number (it can be the section or group number).

f. The program accountant reviews the supplies requirements of all programs, evaluates the costs in separate items and enters them in appropriate program registers. Concerning supplies requests involving several programs, he has to evaluate the cost of each program before making entries (see Sect. III).

g. At the end of the quarter and the fiscal year, the warehouse accountant uses this form to show the stock balance of the warehouse. This balance sheet contains the following main details:

- The existing quantities at the beginning of the quarter (or FY).
- The quantities entering the warehouse during the quarter (or FY).
- The quantities going out of the warehouse during the quarter (or FY).
- The quantities out of use or sold (if any).
- The remaining quantities at the end of the quarter (or FY).

On top of the form this mention must be added: "Warehouse situation by (date)". This date is the final day of the quarter of FY.

A copy of this situation statement is sent to the program accountant.

REMARK: In case technicians require a number of special supplies, they have to be provided with a special form similar to the above.

B. Request for Service Supplies (or Usual Equipment).

1. This form is used for supplies other than the above office supplies and for machines and usual equipment (art. 06, sections 0-1 and 02).

In general, these are not found to be already in store at the warehouse.

2. On making the liquidating documents, the Administrative service completes this form, one for each item, specifying the equipment or service purchased, unit cost, total cost, and the beneficiary (section, group, or office depending on a direction or service), and sends the forms to the agency.

3. Here the employee in charge assigns the costs to appropriate programs, activities, or tasks and forwards the forms to the program accountant after certifying that the equipment is received.

4. The program accountant classifies the forms, gives reference numbers and records the data in appropriate registers. These reference numbers are similar to those used for office supplies forms. Those forms as well as the office supplies forms, are filed in hard welt-type or acco-type binders.

3. Forms Regarding Transportation.

A. Transportation Authorization (or trip sheet).

1. Sheet Recording.

a. The transportation accountant is responsible for filling in the trip sheet, once for each car.

b. The using employee must state the trip purpose, program and activity concerned, destination and if a subordinate employee is concerned, the order of his superior (see B below). Together with these details, the accountant marks the date, time and mileage reading of the car before handing the sheet to the employee to get the car. On return from the trip, the sheet is

given to the driver for return to the transportation accounting section. The accountant marks the time and mileage reading on the car, and certifies it in column (10).

c. At the end of each month, the accountant gets the total monthly mileage for each car and places it on top of the last sheet with such direct costs as:

- Drivers' salary and allowances (including contribution to retirement pay).
- Maintenance and repair costs.
- Gas and lubricants.
- Miscellaneous (e.g. driver's clothing, monthly amortization of car purchase cost, if necessary, etc.)

d. The accountant calculates the cost per kilometer run, records the details in the car register, signs the sheets and sends them to the program accountant.

e. At the area and provincial agency, the accountant checks the trip sheets daily and forwards them to the central agency twice a month (middle and end of month).

2. Utilization of Trip Sheets.

a. The program accountant classifies the trip sheets, assigns reference numbers, and files them.

b. On each sheet he marks the number of each program and activity in column II on the basis of the reason for the trip.

c. On each sheet in column 12, he totals the number of kilometers run per month for each program and activity. On the last sheet of the month, same column, he makes the grand total of

kilometers run during the month for each program and activity and marks the cost to be charged against the program activity.

Example:

Column 12: distribution to programs and activities

Program or Activity	Mileage Run	Cost
Program I:		
General Management	200Km	40,000\$00
Activity 1.2: Administrative Management	50Km	10,000\$00
Activity 1.3: Technical direction	150Km	30,000\$00

d. Each separate total is entered in the concerned program or activity register facing the reference number of the sheet.

This sheet reference number may be composed of the car registration number, to which is added the order number of the month and a serial number.

Ex: Transportation authorization No 2850-III3 is the third authorization in December for car No. VN2850.

B. Transportation Request.

a. If a subordinate employee wishes to use a car, he must apply to the Transportation Section to get a "transportation authorization" against presentation of a "transportation request" signed by his superiors.

b. On the request must appear the official reason of the trip, what program or activity it is for, and the organizational unit (section or group) of the employee.

c. On this basis, the transportation accountant makes the transportation authorization to be signed by the user (see above).

4. Forms Regarding Field Work Equipment and Supplies.

These forms are used by work sites and warehouses to permit:

- Accountants to calculate expenditures in equipment or supplies on each work done.

- The Central Equipment Agency to follow the utilization and repairs of Public Works machines and equipment.

A. Request for Equipment and Supplies.

1. In general,

a. This form is used for Public Works supplies and equipment necessary for execution of works at work sites or for machines and supplies (accessories, spare parts etc.) used for workshop repairs.

b. Two copies are used: one to be kept by the originating warehouse, the other by the Central Equipment Service.

2. Request from a Work Site or Workshop.

a. When machines or equipment are needed by the work site, the work site chief makes and signs the request.

If supplies are needed for repair or operation of machines, the employee in charge of the machines makes the request and has it signed by his chief.

b. Separate forms should be used for equipment and supplies. Several supplies used for a work can be put on the same request. If several employees of a team need supplies for a number of works, the team chief himself can make the request and sends it to the warehouse.

c. In the request are mentioned the needed quantity, the type of equipment or supplies, whether the supplies are needed for work or for equipment repair, and the source of the funds (col. 1, 2, 5, 6, 7, 8). Both copies are sent to the warehouse.

d. On receipt of the request signed by supervisors, the warehouse accountant fills, in corresponding columns, the inventory or manufacture number of the items. (This number may be put in by the requesting employee), the registration number, if any (case of vehicles or self-moving equipment, the quantity granted (col. 9, 10, 11, 12).

On handing over the supplies, the warehouse accountant marks the date and delivery, signs and has the receiver sign on the bottom left hand corner.

e. Twice a month, on the middle and end of month, the warehouse accountant makes a statement of the warehouse situation. He sends a copy to the program accountant and another to the Central Equipment Service with the request copies attached. The original copies of the requests are kept at the warehouse. Details of the statement:

- Equipment or supplies with inventory number.
- Quantities which have come in or left the

warehouse.

- Unit cost and total cost.

- Kind of work and location.

3. Case of Equipment or Supplies Transferred from one Work Site to Another.

This happens when, by reason of urgency or priority, work site B is allowed to take over a machine from work site A.

a. B issues a request as above and sends both copies to the warehouse or shop. Here the request is checked for urgency or priority, and the superior fills in col. 9, 10, 11, 12, marks the date and issue number in bottom left-hand box, signs and has the machine receiver from B sign the copy and returns it to the warehouse.

b. The warehouse accountant, after filling in necessary details, keeps the copy for later dispatch to the Central Equipment Service together with the warehouse situation statement, the original copy being kept at the warehouse as record.

c. When the machine is returned to A, A must make a request as above, B signing as deliverer and A as receiver, and B will send both copies to the warehouse.

d. A work site which turns over a machine to another without sending the above form to the warehouse will be held by the warehouse as responsible for the upkeep of the machine.

4. Case of Equipment Returned to Warehouse by Work Site.

a. When machine is returned by work site A to the warehouse, the employee from A in charge of the machine must

require the warehouse accountant to present the original copy of the request from A.

b. Then the employee from A will mark in col. 13, "Remarks", the date and his signature, and have the accountant sign in the same column, for discharge. The state of the machine can also be stated.

c. Later in the bi-monthly statement about the warehouse situation, the warehouse accountant will report the machine return to the Central Equipment Service and program accountant.

5. Utilization of Equipment and Supplies Requests.

a. The program accountant will group the work described in the warehouse situation statement according to its location, compute the ratio of equipment and supplies used for each work, and mark the ratio and corresponding cost in the work register concerned.

b. The Central Equipment Service, after receiving the request forms and the warehouse situation statement, will:

- Classify the forms and give them reference number;

- Compute the cost of each type of equipment or supplies;

- Mark this data on the respective "equipment sheet" to keep track of each item of equipment in terms of use and repair (see C).

- Keep track of supply warehouse in Public Works areas and provincial agencies.

B. Card for Equipment Utilization.

1. In general, this card is used for:

- a. P. W. machines and equipment used at work sites.
- b. Machines used at warehouse and shops (as machine-tools) to accomplish works.

The worker in charge of a machine is responsible for keeping a card which must be closed and renewed every week. Another account closing will be done at the end of each month, whether the card is completely filled or not.

2. Card Filling.

a. On receiving a machine or equipment, the employee in charge marks in the top right box the manufacturer's number (and the registration number, if any), the type, his own name and title, the name and location of the work site. Ex:

Work site of construction of National Highway N from X to Y.
District 9, province I, Central Vietnam's Highlands.

b. Day by day he records details and the quantity of work already performed (number of kilometers stoned, number of cu. meters of earth dug, etc.), time and distance run, consumption of gas, lubricants and miscellaneous (Col. 1, 2, 3, ... 14, 15, 16). Miscellaneous expenditures are replacement of tires, greasing and lubrication, washing, etc., including labor cost.

Important repairs and additions are not covered by this card.

c. The expenditures stated in the card are directly related to the use of the machine or equipment concerned.

d. In the bottom left-hand box, the employee marks the mileage reading of the meter when the card is begun, and the mileage reading at the close of the card, or of the month.

The difference gives the number of kilometers run. In case there is no mileage meter, the time during which the machine is run is marked instead.

The employee certifies what he writes and presents the card to the work site or workshop chief who checks, visas and sends it to the provincial accounting service.

3. Utilization of Cards.

a. The provincial agency's accountant reviews the costs in columns 7, 9, 11, 13, 14, 15 and 16, calculates the total cost of each task in column 17 and the cost per kilometer or hour in column 18 (by dividing total cost in col. 17 by the use of equipment in col. 4 or 5). This is done only when a task is completed.

b. The accountant marks the salary and allowances paid to the workers in charge of the operation of the equipment (col. 19) and the source of funds for the task (col. 20) and other special details, if necessary.

c. Twice a month, the accountant makes a complete list of tasks using equipment and sends one copy to the program

accountant and the other to the Central Equipment Service together with all the cards.

The list has the following details:

- | | | |
|-----------------|---|--|
| Tasks performed | { | 1- Details of task and work site location. |
| | { | 2- Quantity performed. |
| Equipment used | { | 1- Manufacturer's number. |
| | { | 2- Type. |
| | { | 3- Use: number of kilometers or hours run. |
| Operator: | | Name and title |
| Direct costs | { | 1- Total (col. 17 of utilization card). |
| | { | 2- Per kilometer or hour: Total cost divided by number of kilometers or hours run. |

Salary and allowances paid to the operator.

Source of funds.

Remarks. (See model form attached).

C. "Equipment" Sheet.

1. In general

a. This sheet is used to follow an equipment unit in a P.W. area or workshop in terms of use and repair.

b. One sheet is prepared each month for each machine or equipment unit.

If the equipment belongs to the Central Equipment Service, only one copy of the sheet needs to be made. But 2 copies are needed for an equipment of a provincial service; the original to be kept by the Central Equipment Service, the carbon copy sent to the provincial workshop.

2. Preparation of the Sheet.

a. The accountant of the Central Workshop will classify lists accompanying "worksheets" for different workshops, "requests for materials" used in repairs, and "equipment utilization cards" on the basis of each item of equipment in order to have necessary data to prepare the "equipment sheet".

b. The machine manufacturer's number (and registration number, if necessary) and technical details of the item of equipment are stated in the top right box. These details are:

- Type, model.
- Horsepower, weight.
- Number of engines, load.
- Range, automatism, etc.

c. In columns 1 to 14, the accountant repeats the data found on the equipment utilization card, but gathers them according to each task, or type of task (see 4-13). These items directly concern the use of equipment, exception being made for salaries or operators which belong to col. 18.

d. Column 15, 16, 17 regard costs in connection with repair of equipment to be recorded in single items made from data found in supplies requests and worksheets.

e. In column 19 is the total cost of use and repair of equipment to be charged to the task, not including the salaries of operators.

3. Utilization of Sheet.

This "equipment sheet" permits the Central Equipment to:

- a. Follow the use of each machine or equipment unit, and see how long it is usable and economical. For this it is necessary to compare monthly the total direct cost of the equipment with the monthly amortization and the purchase cost after deduction of amortization. This will permit planning of modernization projects for the workshop.
- b. Compute the proportional cost per kilometer or hour under column 19 by dividing the total cost of the month by the total kilometers run. This proportional cost, considered as the production rate of each equipment unit, can be used to calculate the rental rate for the unit.
- c. Calculate the amount chargeable to each task for use of equipment and, thereby, compare the costs of different types of tasks.

SECTION III - Accounting Method Used in Program Budgeting.

A. The accounting system used in program budgeting should be kept in double entry.

B. The method to follow the expenditures of each program or activity is the method to calculate costs.

C. Accounting by expenditure object and economic character lies in the above system.

1. Main Preliminary Steps.

A. Distribution of Credit Provided by the National Budget.

According to the objects and economic characters of expenditures can be distributed to major programs and, if possible, to activities as determined by the chart (see section I).

This distribution is only provisional and serves as a basis for following up budget execution later. It aims at the following articles in the case of the Public Works Direction General (Central Agency).

Art. 01 all sections : Personnel.

Art. 03 " " : Service supplies.

Art. 06 section 01 : Office furniture and equipment.

Art. 07 " 02 : New house constructions.

The remaining sections have direct funds.

B. Classification of Expenditures. The expenditures of the Direction General can be divided into 2 types: direct and indirect expenditures which are charged against programs or activities in the following divisions:

- a. Recruitment of personnel, supplies, services and equipment.
- b. Forms (see sect. II).
- c. Distribution standard bases.

1. Direct Expenditures. These are related to a particular activity, activities being taken as basic units of the system.

In case of operational activities, direct expenditures cover:

- the personnel working directly for the activities concerned;
 - services and supplies
 - direct investment
- (Chargeable to the activities.

The direct expenditures of an investment activity are those necessary for the realization of this activity (equipment or work) - Ex: Direct costs of investment activity "Purchase of P.W. machines and equipment" are purchase, transportation, insurance, and bank commission costs (see section I, chapter 2, contents of programs and activities).

The program accountant enters these direct expenditures in the account or register of the activity concerned. So in case of personnel expenditures, after promulgation of the budget at the beginning of the FY the accountant makes a list of the employees of each agency designated to work for each activity for follow-up through the year.

2. Indirect Expenditures. Are those which concern more than one activity in a program, or a number of programs in an agency, or those which are common to all sections of the agency (an agency is the smallest administrative unit in a Department considered in budget execution. Ex: The P.W. Direction General and each "area" is an agency). These expenditures may be subdivided into 2 types:

a. Indirect expenditures pertaining to several activities within a program (or "semi-indirect expenditures") Ex:

- Salary and allowances (including Budget's Contribution to retirement pay) of the employees appointed to a program but not to any specific activity of the program.
- Supplies, services and equipment purchased for a program, but not clearly indicated as pertaining to any activity.

To distribute these cost to each activity, one may use:

- Forms (see sect. II) or
- Predetermined standard charge bases (see below)

b. Indirect expenditures common to a number of programs of the agency: These are general expenditures without any clear objective - In general they cover:

- Office rentals (if any) paid by the agency.
- Water and electricity.
- Telephone, telegrams and postage.
- Transportation with office vehicles including:
salary and allowances of drivers (including

budget contribution);
gas and lubricants;
drivers' clothing;
maintenance and repairs, etc.

- Maintenance and repairs of office including:

servants
guardians and janitors
such supplies as dusters, soap, towels etc.

- Direct investments such as:

vehicle purchases
equipment of the agency in general
additional constructions or general repair of
offices

employees not working for any particular program.

Before charging these costs to activities it is necessary to distribute them to concerned programs by means of:

- Forms (see section II), or
- Predetermined standard distribution bases (see below).

3. Remarks on Personnel Expenditures.

a. In every case, personnel costs cover:

- Basic salary
- Every allowance
- Contribution of the Budget to retirement pay.

b. Forms can be used to distribute these costs only when the employees concerned work permanently for a specific number of programs or activities. For employees without any definite assignment, it is necessary to use standard bases (see C).

c. When an employee working for a program - or a number of activities within the program - is on paid leave, the assignment of costs regarding this employee is based on the time spent each month by the attending employees on the same program or activities.

d. If the employee is on long sick leave, the payment to him is regarded as an overhead charge which is chargeable to the "general management" program, not as salary and allowances payment but as a social relief item.

C. Selection of Standard Bases for Distribution of Costs.

Two kinds:

- a. Standard charge basis regarding activities.
- b. Standard distribution basis regarding programs.

These bases are selected at the beginning of each fiscal year and should be appropriate to the type of work, simple and seldom vary. There is another division for these standard bases:

- Those having a relatively constant number during the FY.
- Those having a number which varies monthly with the size of the work. (See model list of standard bases, chapter 2 below).

2. Model Standard Bases for Distribution of Costs (or briefly "leaves").

Are considered as satisfying the conditions in 1-C above, and are designed to apportion monthly costs (of the agency) to programs and activities in case forms are not usable (case of common or miscellaneous costs, etc.) The program accountant has to be wary in using these standard bases. Whenever forms can be used - direct and accurate way of distributing costs - he should use them to gather data.

After having selected distribution bases as described in 1-C, the program accountant makes 2 lists of them for use during the year. One list should be made for "charge bases" for activities, and the other list for "distribution bases" for programs; these 2 kinds of bases could be similar.

At the beginning of each month, the program accountant counts the total number of bases and the number of bases that go to each program (or activity), and then enters them in the appropriate list in the columns for programs or activities (the total number of bases is in col. 3) for use during the month.

A. List of Distribution Bases for Programs. (See attached model).

This list is used for indirect costs common to several programs.

1. Distribution of Personnel Costs - No basis for these costs is recorded on the list, because the costs of employees

appointed to a definite number of programs can be distributed on the basis of individual attendance sheets.

In the very rare case when these forms cannot be used, the costs of the personnel appointed to several programs can be prorated according to the time spent by the personnel on each program, or the number of employees assigned to each program.

2. Distribution of Costs of Materials and Services.

a. House rentals, water and electricity charges, house maintenance and repairs (including servants, guardians, janitors and common supplies): The distribution basis is the number of personnel. Costs are prorated to the number of personnel on the using program. This personnel is permanent office employees, (except floating personnel,) drivers, messengers, servants, guardians, etc. The total personnel number (bases) is relatively constant during the FY except for important changes in agency function.

b. Telephone: The distribution basis is the telephone. Telephone charges are prorated to the number of telephones used by each program. The total number of telephones is relatively constant.

c. Telegrams, postage: The basis is the number of words sent and letters posted in normal conditions. Each program shares the costs in prorata of the quantity of telegrams and letters dispatched for it during the month. This basis varies from month to month.

The mail room of the agency has to keep statistics of monthly telegram words and letters sent on the basis of conventional units (ex: if the unit is a 5-piaster stamp letter, a letter of 25\$VN postage will be considered as 5 units) and make a list of units dispatched by each program. The share of the program in postage fees will be prorated according to this number of units.

d. Transportation by office vehicles (see indirect costs above). The distribution basis is the kilometer. The total number of distribution bases is the number of kilometers performed by each car. Transportation authorizations (or trip sheets) give the prorated cost to be charged against each program (see form regarding "transportation authorization").

e. Clothing: The distribution basis is the using employee. Clothing costs are distributed the same way as salary of employees.

3. Costs of Direct Investments: No distribution basis is recorded for these on the list, because the purposes are clear enough to permit charging against the benefiting program at each investment. If there is no clear purpose, the program accountant will determine a distribution basis following the circumstances. Moreover, the distribution of these investments (either totality of costs, or only the amortization as described below) is done only at the end of the year for simplification. If so, the investment costs can be prorated to the operational cost of each concerned program.

Whatever distribution basis is chosen, it should be recorded in a register or a list for control purposes. (Direct investments are those which are directly related to the agency's operation).

B. List of Charge Bases for Activities (see attached list).
Used for indirect costs specific to activities within a program.

1. Personnel Costs - When a number of employees are assigned to a definite number of activities within a program, their attendance reports are used to distribute the employees' costs to activities.

If the employees are not definitely appointed to any activity, or works, their pay is charged against each activity in prorate of the number of employees directly attached to the activity on the basis of the personnel list made for each activity (see chapter 1-Sect. B: "Direct Costs".)

2. Materials and Services.

a. House rentals, water, electricity, house maintenance and repairs (including accessory costs as above): The distribution basis is also the number of personnel; but this number comprises only employees directly attached to each activity. It is relatively constant (see below).

b. Telephone costs: The basis is the telephone. The total cost is prorated to the number of telephones used by each activity.

If no telephone is particularly assigned to any activity, the above basis cannot be used. The total cost is prorated to:

- The number of employees directly attached to each activity, or

- The total time spent on each activity, if there is no employee directly attached to the activity - (according to individual attendance reports).

c. Telegrams, postage: Same basis as for programs if statistics are kept by mail room for each activity. If not, costs are prorated to:

- The number of direct personnel of each activity, or
- The total time spent on the activity, if there is no direct personnel (see above).

d. Transportation by office vehicles: Distribution basis: the kilometer. The number of kilometers is determined by the transportation authorization (same manner as for programs).

If this basis is not available, the cost prorated to each activity is calculated the same way as for telephone, telegrams and postage (2/b, 2/c). This method is applied when the transportation accountant has not been able to follow the use of vehicles by activities.

e. Miscellaneous indirect supplies and services. The costs are prorated according to:

- The number of direct personnel of each activity
- The time spent for each activity (attendance report) if no employee is directly assigned to it.

3. Costs of Direct Investments: The charging method is similar to the one used for programs as described above (A-3).

C. Use of Cost Distribution Bases.

Ex: During fiscal year 1959 the costs of water and electricity for the P.W. Direction General (except the Gia Dinh Central Equipment Service) were VN\$192,000.

Suppose the costs are the same each month, so each month they amount to $\frac{192,000}{12} = 16,000\text{VN\$}$.

The personnel size of the Direction working for 5 programs is 216 which is distributed as follows:

1. Distribution to programs.

Cost	Basis	Total of bases	Pro. 1	Pro. 2	Pro. 3	Pro. 4	Pro. 5
Water electricity	Personnel number	216	101	42	8	12	53

Water, electricity costs shared by each program:

June, 1959

Cost	Total for all programs	Pro. 1	Pro. 2	Pro. 3	Pro. 4	Pro. 5
Water electricity (bill No XX)	16,000 VN\$	7,481\$	3,111	593-	889-	3926-

2. Charging against activities within a program.

Ex: Program 1 - "General Management." Charging bases.

Cost	Charging basis	Total bases of program	Act. 1	Act. 2	Act. 3
Water electricity	Direct employees	101	10	79	12

Costs shared by each activity:

June, 1960

Cost	Charging basis	Total bases of program	Act. 1	Act. 2	Act. 3
Water electricity	Direct employees	7,481 VN\$	10:741-	79:5851-	12:889-

3. Accounting Operations and Registers.

A. Organization: This organization is based on two main kinds of accounting functions: Administrative accounting and program accounting.

1. Functions of Administrative Accounting:

- a. Follow every day's expenditures according to the objects.
- b. Prepare obligation, liquidation, authorization, deposit files, etc.
- c. Prepare payment orders, money orders etc.
- d. Prepare lists of salaries.
- e. Maintain permanent contact with program accountant to carry out program accounting.

2. Functions of Program Accounting.

- a. Keep accounts of costs by period.
- b. Follow accounts related to budget operations: Appropriation, allotment, obligation, liquidation, deposit, and authorization.
- c. Distribute costs to programs and activities every month.
- d. Compute costs of each performance unit.
- e. Keep in close contact with all programs to get necessary information.
- f. Every month and quarter make statement of programs and activities progress.
- g. At year end make general statement of progress.

h. Make preparations to draft budget on a program and activity basis.

An employee having good knowledge of commercial accounting will be in charge of program accounting. This program accountant will have the following duties:

- Plan necessary basic accounting operations, and open main and accessory registers.
- Distribute work to members of the program accounting section and follow registration of all operations in different accounts.
- Control analysis of costs from forms and documents, and charging of the costs against concerned programs and activities.
- Control register entries, records storage and other organizational problems.
- Keep in contact with all organization units regarding program budget execution, especially the use and centralization of forms.

B. Keeping Track of Expenditures: Each expenditure is followed according to its major object and economic character, purpose, and charging program or activity.

1. Object and Economic Character of Expenditures:

Expenditures are followed and registered daily when they are made for personnel, materials and services, machines and equipment, new constructions and major repairs.

- Materials and services can be divided into major items like:

- a. Materials: Office supplies
 - Books and periodicals
 - Clothing
 - Gas and lubricants
 - Fuel
 - Miscellaneous

b. Services: House rentals, water, electricity, telephones, telegrams, postage (compulsory exp.).

- Maintenance and repair: Art. 03, sect. 22,23,24,25.
- Wages, rewards, commissions.
- Transportation, travel expense, residence.
- Miscellaneous.

Regarding equipment and construction investments, a difference should be made:

a. Direct or ordinary investments are expenditures which, though having an investment character, are necessary for the operation of the agency. Belonging to this type are the Direction General's expenditures for:

- equipping: Office furnishings and equipment, Art. 06, sect. 01. Transportation equipment, Art. 06, sect. 03.
- new constructions: houses, Art. 07, sect. 01. (additional offices or additions to office buildings).

These investment costs are distributed among benefiting programs and activities according to the above standard bases (sect. III, chapter 2).

If these investments are amortized, only the annual amortization is distributed to programs and activities (see inventories below).

b. Investments of Public Service are real investments of national resources and are also called "program investments" because their costs are assigned to particular programs or activities. They are:

- Purchase of machines (Investment activity 06-3 and equipment Art. 06 - sect. 05 (of Program "P.W. equipment warehouses and shops"
- New road constructions (Art. 07 - sect. 02 (Act. 02-3 "New Constructions" of Program "Roads"
- New water and electricity plants (Art. 07 - sect. 03 (Investment activities 03-2 (and 04-3 of Programs "Water" and "Electricity"

2. Purpose and Charging of Expenditures: Programs and Activities.

At this state, expenditures are registered periodically, usually every two weeks or month. Costs are classified into direct and indirect costs, then directly charged against concerned activities or distributed to concerned programs or activities by means of forms or standard bases as described above.

The program accountant should take care that only indirect expenditures which are directly related to a program or activity can be prorated to this program or activity.

For activities or programs including works (as maintenance and repair of roads, new constructions, maintenance and repair of equipment, etc.) besides direct and indirect costs

as described above (sect. III, ch. 1, B). There are special costs which are directly charged against the works (as described in Budget document) and called "direct funds for works".

REMARK: This follow-up of costs according to programs and activities covers only expenditures which are actually made for the programs and activities (liquidations already authorized whether payment is already effected or not; goods taken out of warehouses for use by programs or activities, personnel actually working for programs or activities).

C. Registers and Accounts.

1. Registers and Accounts to Follow-up progress of Budget.

These are registers or accounts which record every operation in budget execution from the moment credits are appropriated and allotted to the completion of programs and activities.

"Appropriation" accounts follow the credits reserved annually for the agency (after vote by National Assembly) and related possible changes (increase or decrease).

"Allotments" and "obligations" accounts are necessary to indicate credit amounts allotted to and obligated by each program, once program budgeting is well on its way. For the time being, these operations are registered by budget articles as in the past. Credit transfers are also registered in these accounts.

"Liquidation proposals" (before authorization of payment by central controller) and "liquidations effected" (after authorization of payment by central controllers) lie in special accounts to follow funds movements.

Expenditures already made are registered in activity and program accounts which are debit accounts. Each program and related activities are in one register (see model "program-activities" register attached) - one part is for costs which are common to the program, the other part for costs particular to each activity. The expenditures have been made, but are not yet ready for charging against the program.

Costs that are common to several programs or to the whole agency, or the purchase costs of supplies to be stored for some time before use, etc. are registered in accessory accounts for adjustment at the end of the month, semester or year.

2. Registers and Accessory Accounts for Adjustment Inventory Accounts.

Adjustment Accessory Accounts, as stated above, record common costs which need to be gathered before distribution to programs. They are "Waiting accounts".

"Transportation" accounts which includes the following costs:

- Salary and allowances of drivers (budget contribution to retirement pay inc.).
- Gas and lubricants.
- Drivers' uniforms (if any).
- Maintenance and repair of vehicles.

"Household works" account which includes these costs:

- Servants, guardians, janitors.
- Maintenance and repairs.

- Miscellaneous supplies related to such works (dusters, towels, etc.).

Inventory Accounts Include:

a. Inventory of office supplies showing supplies details, unit prices, quantities entered in and issued from warehouse, periodic balance quantity, damaged quantity, etc.

b. Inventory of direct investments on equipments showing equipment and furniture, date and year of reception, unit price, amortization period, benefiting agency, repair period etc.

c. Inventory of office vehicles and inventory of building equipment are similar to each other with indication of type and details, unit price, date and year of purchase, state, amortization period, important repairs, date of sale, proceeds, receiving place, etc.

d. Inventory of work investments, especially road works, has the following details:

Road type, no., and location.

Year and date when work began, time spent, work site location.

Type and process of work.

Work realized (kilometers, meters) and unit price.

Funds provided, spent, funds source, etc.

This inventory is only for completed works. Incompleted works are entered in the "inventory of works under way".

"Third person" accounts indicate debtors (supplies or services which have not been fully paid, deposits regarding con-

tracts, etc.) and creditors (overpayments not yet repaid), or advance funds for which account closing and vouchers have not been made, etc.

Remark on Distribution of Direct Investment Costs:

Costs of direct investments will be distributed at the end of each FY following either of the processes below:

a. The total cost of the complete investment will be distributed to programs and activities proportionate to the standard bases selected or the operation cost of each program or activity.

b. If only the yearly amortization of the investment is distributed to the program and activities, to simplify things, the annual amortization may be calculated for the whole year, from the FY the investment is actually put to use for the program or activity.

3. Accounts Coding.

All accounts are numbered according to a definite system, making a difference between the above two types of accounts and having a maximum of 9 groups of accounts (1-9). In this order, credits coding groups will comprise:

- | | | | |
|---------|---|---|----------------|
| Group 1 | - Appropriations | (| |
| " | 2 - Allotments | (| |
| " | 3 - Obligations | (| |
| " | 4 - Liquidation proposal | (| For personnel, |
| " | 5 - Liquidation effected | (| |
| " | 6 - Programs and activities
(with identifying numbers) | (| materials, or |
| " | 7 - Inventories | (| services |
| " | 8 - | (| |
| " | 9 - Adjustment accounts. | (| |

SECTION IV - Method of Program Budgeting Execution.

1. Appropriation and Allotment of Funds.

In the present stage, procedures for appropriation and allotment of funds are applied as in the past. But program accountants should prepare to furnish agency chiefs with information for budget execution based on programs and activities; proposals for appropriation and allotment should be made for each main program with analytical details on apportionment of funds to activities, objects of expenditures; personnel, materials, services.

Ex: Allotment proposed for

Program (name)

Amount proposed: 10,000,000 VN\$.

QUARTER III

Analysis by object of expenditures:

01 - Personnel	4,500,000\$
03 - Materials and services	1,500,000
04 - Miscellaneous	1,000,000
05 - Equipment	<u>3,000,000</u>
	10,000,000\$

Analysis by charging against activities:

Activity X-1 (name)	3,700,000\$
Activity X-2 (name)	5,450,000
Activity X-3 (name)	<u>850,000</u>
	10,000,000\$

2. Transfer of Credits:

Current procedures will be continued, but the using programs or activities must be specified.

Depending on the development of program budgeting, to avoid confusion in budget execution, and preserve the importance of programs, it is necessary to impose limitations on transfers of credits.

- Transfer from one activity to another:

1. Within 20 o/o of total provided for benefiting activity.
2. Total of program unchanged.
3. Budget and Foreign Aid Direction must be previously advised.

- Transfer from one program to another:

1. Within 20 o/o of total provided for benefiting program.
2. Total of agency unchanged.
3. Previous agreement from Budget and Foreign Aid Direction.

SECTION V - Regular Reporting.

The essential data are in:

- Reports on progress of programs and activities.
- Year end balance sheets.

1. Progress Reports for Programs and Activities.

Provisional reports each month, definite reports at the end of each quarter. A general progress report at the end of the FY.

Two copies of each type are sent to the Budget Direction.

Each program requires a separate report.

These reports must contain the following points:

- a. Credits allotted
- b. Credits obligated
- c. Credits actually used for the program and activities
 - indirect costs of personnel,
 - " " " materials and supplies
 - " " " direct investments,
 - direct costs of each activity.

d. Quantity of activity or program already realized. (Give number of units performed if achievement can be measured, if not give approximate activity ratio which has been achieved).

Moreover, the following details must appear on quarterly and year end progress reports:

- e. Quantities of supplies and materials in stock at the beginning and end of the period, the quantities received and used.
- f. The allotted amount which has not been used.

g. The amount transferred to increase the activities and program.

h. The amount assigned to the program or activities which has not been liquidated.

2. Year End Balance Sheet.

The balance sheet is closed on December 31 of the ending year and should be ready by January 15 of the following year.

Two copies of the balance sheet will be sent to the Budget Direction General (Program Direction) for follow-up.

All accounts are recorded on the balance sheet with their codes (see III, ch. 3). So program 02 will have such account as:

02 "Road and Bridges" program.

02-1 "Studies and Planning" activity.

All the agency's expenditures appear on the balance sheet, direct investments included in benefiting programs, activities and inventories, and "program investments" in concerned programs and activities.

The credit side (right) comprises credit spendings and programs and activities realized. The debit side (left) shows the sources of credits and their distribution in the National Budget.

If direct investments have been amortized, their values, less the amortization amounts, will be recorded on the credit side. Only the annual amortizations are charged against the benefiting activities. If no amortization is reckoned for direct investments, these items should no longer exist on the balance sheet, because

all the value of each investment has been charged against the concerned program or activity.

Under "In stock", is the balance of "Warehouse inventories", i.e. the quantity put into the warehouse but not yet used for any activity or program.

The balance sheet should show the credit side equal to the debit side. If the credit side exceeds the debit side, the expenditures have exceeded the amount provided or allotted, which needs additional appropriation or allotment to reestablish balance. If the credit side is less than the debit side, then there has been less spending than provided. The excess amount will be carried over to the following FY or returned to the National Budget.