



# Institute for Capacity Development (ICD)

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## Accounting Principles for Microfinance Institutions

### Course Objectives

On completion of the course, participants should be able to:

- Record transactions of an MFI's credit operations
- Produce accurate financial statements and reports in accordance with International Financial Reporting Standards (IFRS)
- Formatting Income Statements and Balance Sheets
- Record transactions of an MFI's credit operations
- Make journal entries for both Balance Sheet accounts
- Calculate and analyze financial ratios and indicators to be able to evaluate the performance
- Use the SEEP Framework tool to monitor financial performance of a microfinance institution.

### Target Groups

- Finance Managers,
- Credit Analysts
- Compliance Managers
- Operations Managers and Branch Managers
- Board Members from Microfinance,
- Credit unions, Banks and other Financial Institutions,
- Regulatory officers
- Senior managers in NGO's and Donor Agencies

### Course Outline

- General management principles and practices
- Introduction to Business Planning
- Accounting principles and their application to MFI accounting
- Reasons why accounting for an MFI is different from other businesses, financial institutions, and multipurpose institutions
- The accounting cycle and its components
- The difference between accrual and cash accounting
- Ways MFIs account for interest and donations and what this means to managers
- The purpose and components of the three types of financial statements and the portfolio report
- Formatting Income Statements and Balance Sheets according to the SEEP format

- Relationships between financial statements and the portfolio report
- Transactions and their effect on the Balance Sheet
- Record transactions of an MFI's credit operations
- Using double-entry accounting principles in recording 'debits' and 'credits'
- Designing and using of a chart of accounts
- Making journal entries for both Balance Sheet accounts (Assets, Liabilities, and Equity) and
- Income Statement accounts (Revenue and Expenses)
- Creating a general journal
- Summarizing Entries
- Posting entries to the general ledger and the cash ledger
- Tracing a transaction from point of entry to financial statements
- Reconciling bank accounts and the cash ledger
- Creating a trial balance
- Making the necessary accounting adjustments
- Creating Statements
- Preparing an Income Statement and a Balance Sheet from the Trial Balance
- The importance and use of a cash flow statement
- Recording closing entries to clear and close revenue accounts
- How financial statements can be used to identify and analyze problems
- Key indicators that help monitor an MFI
- Useful reports generated by an MIS
- The importance of internal controls and audits
- Key indicators for Financial Analysis
- Action Planning

Dates: 05<sup>th</sup> – 16<sup>th</sup> June 2017

Duration: 2 weeks

Course Cost: US\$2850/delegate

Venue: Pretoria, RSA