



དཔལ་ལྷན་འབྲུག་གཞུང་།  
དངུལ་རྩིས་ལྷན་ཁག། དམངས་རྩིས་ལས་བྱུངས།  
ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
DEPARTMENT OF PUBLIC ACCOUNTS

DPA/AD-PEMS/2016-17/ 1428

March 10, 2017

**NOTIFICATION**

This is to notify all our Missions, Embassies, Consulate and LTO Offices abroad that the following audit observations have been brought to the notice of the Ministry of Finance:

- i. **Mismatch of closing cash balance as per PEMS record vis-à-vis closing balance (cash plus bank) as per foreign currency account;**
- ii. **Inconsistency in the application of exchange rate for the transaction**

In this regard, MoF would like to reiterate these budgetary bodies to follow the following accounting treatments for the above issues as prescribed in the Financial Rules and Regulations (FRR) 2016:

**1. Application of Bank exchange rate for conversion of transaction.**

*In keeping with clause 1.3.4 of the Finance and Accounting Manual (FAM) of FRR 2016, the transactions executed in a currency other than Ngultrum should be accounted applying the exchange rate on the date of transaction.*

**2. Mismatch of closing cash balances.**

*The same clause also states that "... closing bank balances in foreign currency accounts of budgetary bodies abroad shall be converted to Ngultrum applying the exchange rate of the transaction date."*

*Page 1 of 2*

Further, in keeping with clause 8.1.7 (d) of the FAM of the FRR 2016, any differences between the receipts and payments amounts resulted in the process of conversion of the accounts statements submitted in foreign currency by the agencies abroad due to *fluctuations in the exchange rates* shall be accounted for under the broad head 8d (other receipts and other payments). The following shall be the accounting transactions:

a) **Gain in exchange rate:**

Cash A/C.            Dr.

MRP: Others: Loss/Gain in Exchange (8d. 89.23)    Cr.

b) **Loss in exchange rate:**

MRP: Others: Loss/Gain in Exchange (8d. 89.23)    Dr.

Cash A/C.            Cr.

***Note: The above transactions shall be passed at the end of every month thereby ensuring that the closing balance (cash plus bank) in FC Accounts is equivalent to closing cash balance as per PEMS cashbook applying the exchange rate as on the transaction date.***

In view of the above, all the budgetary bodies abroad are directed to adhere to the above provisions to record and report accurate closing balances.



(Tshering Dorji)

**DIRECTOR**

- Copy to:
1. Hon'ble Auditor General, Royal Audit Authority, Thimphu.
  2. Hon'ble Secretary, Ministry of Finance, Thimphu.
  3. Finance Personnel in the budgetary bodies abroad for strict compliance.

*Page 2 of 2*