

Microfinance Business Supervisory Committee



Microfinance Directive

Volume 1

Microfinance Business Supervisory Committee

Directive No. 1/2014

Government of the Republic of the Union of Myanmar
Microfinance Business Supervisory Committee
Directive No 1/2014

Nay Pyi Taw, 1375 ME 14th waxing day of Pyatho
14th January, 2014

1. Exercising the rights entrusted as per section 68, sub-section (kha), of Microfinance Law, Microfinance Supervisory Committee issues this directive No 1/2014.
2. According to decision of Microfinance Supervisory Committee Meeting (1/2013) held on 17-5-2013 and decisions of Microfinance Supervisory Committee Meeting (2/2013) held on 23-9-2013, Microfinance Supervisory Committee prescribed the following regulations to be abided by microfinance institution:-

- (a) **loan size** : loan size disbursed by Microfinance Institutions is not to exceed 500,000kyats
- (b) **Solvency Ratio for deposit taking Microfinance Institutions:** for deposit taking Microfinance Institutions maintain Solvency Ratio at 15% minimum at all time

Clarification : Total equity consists of paid-up capital, premium fee for ownership of total equity (premium ownership right for share capital), donated equity, numerous financial investment securities, reserved funds, retained earnings, net income for current year.

$$\text{Solvency ratio} = \frac{\text{Total Equity}}{\text{Total Assets}} \geq 15\%$$

- (c) **Liquidity Ratio for deposit taking Microfinance Institutions:** deposit taking Microfinance Institutions must maintain the Liquidity Ratio at 30% minimum at all times.

Clarification: The Liquidity Ratio for deposit taking Microfinance Institutions is calculated by dividing the total amount of current cash in hand and cash in bank by the total voluntary deposits Outstanding.

$$\text{Liquidity Ratio} = \frac{\text{Cash in hand} + \text{Cash in bank}}{\text{Total Voluntary Deposits Outstanding}} \geq 30\%$$

(d) **Hire Purchase** : -.Microfinance institutions are at allowed to provide goods and equipment under hire-purchase system, except for farm machinery and small production equipment.

3. Amendments for above regulations would be made as required, and in line with market situation.

Win Shein
Chairman
Microfinance Supervisory Committee

Registered No of letter Ka Ka-1/6(464/2014)

Dated 14th January, 2014

Distribution

All Members of Rural Development and Poverty Reduction Working Committee -

All Microfinance Supervisory Committee members

Office of Union Government

Office of Hluttaw

Supreme Court of the Union

Office of Constitutional Tribunal of the Union

Union Election Commission Office

Union Attorney General Office

Union Auditor General Office

Central Bank of Myanmar

All Region or State Governments

All institutions willing to perform microfinance

Managing Director, Printing and Publication Enterprise to publish in Part(1) of Myanmar Gazette

by Order

(Win Aung)
Secretary
Microfinance Supervisory Committee

Microfinance Business Supervisory Committee

Directive No. 2/2014

Government of the Republic of the Union of Myanmar
Microfinance Business Supervisory Committee
Directive No 2/2014

Nay Pyi Taw, 1375 ME, 4th waning day of Tabodwe
18th February, 2014

1. Exercising the rights entrusted as per Section 68, sub-section (Kha) of Microfinance law, Microfinance Supervisory Committee issues this directive 2/2014.
2. In accordance with the decisions made at the meeting (1/2014) of the Private Micro-credit and Savings Development Supportive Committee. held on 24-1-2014, Microfinance Institutions are required to abide by the following regulations.
 - (a) **To collect interest on loans based on an Effective Rate calculation.** It has been prescribed to collect a maximum 2.50 kyat a month per 100 kyat lent, not exceeding 30 kyat a year, for microfinance loans by directive No. (1/2011) of the Microfinance Supervisory Committee. As some Microfinance Institutions are calculating interest on **the whole amount of loan** using flat **rate** instead of calculating on the **declining balance of the loan**, it is found that it exceeds much more than the interest calculated based on **effective rate**. Hence, rates should be uniformly calculated and collected using an effective rate.
 - (b) Microfinance Institutions shall release loan information in every two months if there is no change on the following points and if there is a change release about the change immediately
 - (1) Loan products
 - (2) Loan-size according to the loan products
 - (3) Terms of repayment according to the loan products
 - (4) Amount for an installment and number of installments for repayment according to the loan product

- (5) Interest amount collected in each installment of repayment; total amount of interest to be paid for the whole loan term, effective rate of interest and mode of interest collection;
- (6) Penalty and other fees, if any, for late repayment,
- (7) Mode of collection of **compulsory saving** for accessing loan and calculation of interest on the savings.
- (8) Mention of any other fees for depositing saving, if any, and specification on withdrawal of savings.
- (9) When releasing information on savings and loans Microfinance Institutions must use language and modes of communication understandable for local people and also use Myanmar language for supervisors to make verification.

3. Amendments for above regulations would be made as required, and in line with market situation

Win Shein

Chairman

Microfinance Business Supervisory Committee

RL No.KaKa - 1/6 (533/2014)

Date : 18th February, 2014

Distribution

Chairman : Microfinance Development Committee Regions and States.

All Microfinance Supervisory Committee members.

Myanmar Microfinance Supervisory Enterprise

All organizations performing microfinance

by Order

(Win Aung)

Secretary

Microfinance Business Supervisory Committee

Microfinance Business Supervisory Committee

Directive No. 3/2014

Government of the Union of Myanmar
Microfinance Business Supervisory Committee

Directive 3/2014

Nay Pyi Taw, 1376 ME, 5th waning day of Thadingyut

13th October, 2014

1. Exercising the rights entrusted as per Section 68, sub-section (b) in Microfinance Law, Microfinance Supervisory Committee hereby issues Directive 3/2014.

2. In accordance with the decisions made at the meeting (5/2014) of Private Micro-credit and Savings Development Supportive Committee) held on 16-7-2014, and decisions made at the meeting (1/201) of Microfinance Supervisory Committee held on 4-8-2014, the **maximum loan size for the MFIs, local and international borrowings, microfinance through mobile payment system and equity financing** are prescribed as follows

(a) **Maximum loan size:** For microfinance institutions, the maximum loan size is increased from 500,000 kyats to 5,000,000 kyats. The following terms and conditions are to be irrevocably followed when providing loans-

(1) 50% of total loans disbursed and not less than 50% of total number of loan recipients must be from rural areas; and 50% of total loan disbursed and not exceeding 50% of total number of loan recipients may be from urban areas.

(2) MFIs may not provide loans for luxury goods

(3) To provide one loan recipient for one household

(4) Loan size should be gradually increased from the minimum while building trust

(5) Provide loans systematically only after assessing repayment capability of the client and acquiring information such as whether the client has loans from other MFIs.

(b) **Borrowing from local and international:** MFIs have the right to borrow loans as specified below-

- (1) **Local MFIs** are to abide by the following regulations in borrowing loans-
 - (aa) Local MFIs can borrow **only from Myanmar Economic Banks**
 - (bb) Not to exceed a **Debt to Equity ratio of 5:1**
 - (2) **International MFIs operating in Myanmar** must abide by the following regulations in borrowing loans-
 - (aa) International MFIs cannot borrow loans from local **Banks and Financial Institutions**
 - (bb) International MFIs can borrow loans from **formal Financial Institutions outside the country**
 - (cc) Though Debt to Equity Ratio 5:1 has been given, individual loans must not exceed a maximum of USD \$3 million
 - (dd) Taking loans from international formal financial institutions requires application to and concurrence from the **Central Bank of Myanmar**
 - (3) While applying for borrowing, local and International MFIs have to submit the following points;
 - (aa) Loan contract/agreement
 - (bb) recently audited financial statements and reports of the institution
 - (cc) Updated income statement and balance sheet
 - (dd) Declaration/commitment of the institution that the borrowed funds will be used in microfinance activities of the MFI.
 - (ee) Documents stating that the lending institution is a formal financial institution (not required if borrow from MEB)
- (C) Mobile payment system for MFIs. Apart from local and international remittances, Microfinance Institutions can utilize mobile payment system when performing microfinance activities. The following terms and conditions are to be abided in exercising mobile payment system:

- (1) To introduce Mobile Payment System, firstly MFIs have to apply to Central Bank of Myanmar and Ministry of Communications and Information Technology
- (2) MFIs must firmly follow Directive 4/2013 related to Mobile Banking issued by Central Bank of Myanmar.
- (3) The Microfinance Law, including its procedures and directives, must be followed precisely
- (4) In order to protect the clients' benefit, MFIs are required to have a plan to deal with issues rising from clients' limited knowledge on Mobile Payment System and or technical incompetency of the system.
- (5) Directives related to mobile payment system, occasionally issued by Microfinance Supervisory Committee, Private Micro-credit and Savings Development Supportive Committee and Financial Regulatory Department, are to be followed exactly. Information on mobile payment system may be demanded and supervised.

(d) **Equity Financing:** Local and foreign organizations with the will to do Equity Financing in local MFIs are permitted, in line with existing law.

3. Above mentioned prescriptions shall be amended if required, in accord with market situation.

Win Shein

Chairman

Microfinance Business Supervisory Committee

RL No.kaka - 1/6 (434/2014)

Dated : 13th October, 2014

Distribution

- Chairman, Microfinance Development Working Committee, all Regions and states
- All members of Microfinance Business Supervisory Committee
- All Organizations willing to perform Microfinance
- Financial Regulatory Department in Nay Pyi Taw Council, all Regions and states,

by order

(Win Aung)

Secretary

Microfinance Business Supervisory Committee

Myanma Microfinance Supervisory Enterprise

Directive No. 1/2013

Ministry of Finance
Myanmar Microfinance Supervisory Enterprise
Directive 1/2013

Nay Pyi Taw, 1375 ME, 10th waning of Nat Taw
December 27, 2013

1. In accordance with the Microfinance Law, Section (11), sub-section (kha), accounting formats and account headings to be followed by Microfinance Institutions are substituted as mentioned below:

(Ka) in place of Profit and Loss account Nga Sa Ya (17), and balance sheet Nga Sa Ya (18), to be kept by Microfinance Institutions as per directive 1/2011, dated 23-12-2011 of MMSE, the following accounting formats are specified:

- (1) Nga Sa Ya (17-1) Profit and loss account
- (2) Nga Sa Ya (18-1) Balance Sheet

(Kha) Accounts entries are to be made in accordance with the detailed descriptions on substituted accounts, (GaNga) COA in substituted accounts, must follow the account headings as described with account codes

(GaGyi)When preparing accounts use relevant account headings for MFIs and in line with international standards and practices.

(Nga) When entering CoA, currency specifications is as follows-

- (1) 0 = Myanmar Currency
- (2) 1 = US Dollar

2. Substitutions of accounting formats and CoAs in this directive are to be used with effect from 1st April 2014.

3. Detailed explanations with examples for account entries are mentioned in this directive and if any clarification is required contact Myanmar Microfinance Supervision Enterprise, telephone No 067-410548. 4. Description in this directive overrides account headings and financial reports mentioned by directive No 1/2011 of Myanmar Microfinance Supervision Enterprise.

Win Aung
Director General, Pension Department
Managing Director (attached duty)

RL No.NgaSaYa (Finance) 1/2013-2014

Dated : 27th December, 2013

Distribution

- Union Minister, Ministry of Finance
- All members of Microfinance Supervisory Committee -Government and Microfinance Development Working Committees of Nay Pyi Taw Council, Regions and States
- Chairman, Central Bank of Myanmar
- MMSEs of Nay Pyi Taw Council, Regions and States
- All Organizations willing to perform Microfinance
- Office file
- Float file

MICROFINANCE SUPERVISION DEPARTMENT

NgaSaYa (17-1)

PROFIT & LOSS STATEMENT

(amounts in millions of Kyats)

INSTITUTIONS NAME: _____

REPORT AS AT : _____

No	Description	Current month			Year to date in Kyats
		Kyats	Other foreign Currencies into Kyats	Total in Kyats	
1	Interest Income	0	0	0	
1.1	Loans to customers				
1.2	Accounts with banks and financial institutions				
1.3	Securities & Investments				
1.4	Others				
2	Interest Expenses	0	0	0	
2.1	Customer deposits				
2.2	Amounts owing to banks and other financial institutions				
2.3	Borrowings				
2.4	Others				
3	Net Interest Income (3 = 1-2)				
4	Non-Interest Income (Net)				
4.1	Commission and fee expenses				

No	Description	Current month			Year to date in Kyats
		Kyat	Other foreign Currencies into Kyats	Total in Kyats	
4.2	Other non-interest income	0	0	0	
5	Foreign exchange gain / (loss)				
6	Other income				
7	Operating Income (3+4+5+6)	0	0	0	
8	Staff expenses				
9	Admin and general expenses				
10	Depreciation				
11	Loan written off				
12	Loan loss provision				
13	Profit from operations (7+8+9+10+11+12)	0	0	0	
14	Grant income				
15	Adjustments for subsidies				
16	Profit before tax (13+14+15)	0	0	0	
17	Tax on profit				
18	Net profit for the period (16 - 17)	0	0	0	

(Prepared by)

(Checked by)

(Approved by)

Name -----

Name -----

Name -----

Designation-----

Designation-----

Designation-----

Microfinance Supervision Department
Balance Sheet
(amounts in millions of Kyats)

INSTITUTIONSNAME : _____

	ASSETS	Kyats	Other foreign Currencies into Kyats	Total in Kyats
1	Cash and balances with CBM and Bank	0	-	-
1.1	- Cash on hand and in vault		-	-
1.2	- Balance with the Central Bank of Myanmar		-	-
1.3	- Balance with banks and other Financial institutions		-	-
2	Marketable securities & short- term Investments			0
3	Loans to Customers	0	0	0
3.1	Total loans outstanding		-	-
3.2	- Less : Loan loss reserve		-	-
4	Prepayments and Other Receivables			0
5	Long-term Investments			0
6	Property and Equipment	0	0	0
6.1	Land	0	0	0
	6.1.1 - Land at cost		0	0
	6.2.2 - Less : accumulated Depreciation			0

ASSETS		Kyats	Other foreign Currencies into Kyats	Total in Kyats
6.2	Buildings	0	0	0
	6.2.1 - Building at cost			0
	6.2.2 - Less accumulated depreciation			0
6.3	Other fixed Assets	0	-	-
	6.3.1 - Other fixed assets at cost		-	-
	6.3.2 - Less : accumulated depreciation		-	-
7	Other Assets			-
TOTAL ASSETS				-

LIABILITIES AND EQUITY ACCOUNTS		Kyats	Other foreign Currencies into Kyats	Total in Kyats
8	Customer's Deposits	0	0	0
8.1	Compulsory savings deposits from clients			
8.2	Deposits received for the general public			
	8.2.1 Saving deposits			
	8.2.2 Demand deposits			
	8.2.3 Term deposits			
	8.2.4 Other deposits			

LIABILITIES AND EQUITY ACCOUNTS		Kyats	Other foreign Currencies into Kyats	Total in Kyats
9	Deposits from Banks and Other Financial Institutions			-
10	Accounts Payable			-
11	Accrued Expenses and Provisions			-
12	Long term Borrowing	-	-	-
12.1	Financial Institutions		-	-
12.2	Non-financial institutions		-	-
13	Deferred Revenue			-
14	Suspense, Clearing and Interbank Account			-
15	Other Liabilities			-
	TOTAL LIABILITIES	-	-	-
16	Equity Accounts		-	-
16.1	Paid up capital			-
16.2	Premium on share capital			-
16.3	Donated capital			-

LIABILITIES AND EQUITY ACCOUNTS		Kyats	Other foreign Currencies into Kyats	Total in Kyats
16.4	Hybrid capital instruments			-
16.5	Reserves			-
16.6	Retained earnings			-
16.7	Net income			-
	TOTAL EQUITY			-
	TOTAL LIABILITIES AND EQUITY ACCOUNTS			

(Prepared by)

(Checked by)

(Approved by)

Name -----

Name -----

Name -----

Designation-----

Designation-----

Designation-----

Explanation on Profit & Loss Statement

The main purpose of the format is to standardize the classification of income and expense items according to best practice and to standardize the descriptions of income and expense accounts.

All Microfinance institutions (MFIs) in Myanmar will submit to MMSE, on a monthly basis or more often as required by MMSE, the profit & loss statements.

MMSE will be in a position to consolidate the profit & loss reports and report on the consolidated MFIs' industry position as well as to perform inter-company comparisons.

The profit & loss is presented according to the main categories of:

- Interest Income
- Interest expense
- net interest margin
- non-interest income
- foreign exchange gain / (loss)
- other income
- operating expenses
- loan write-offs and provisions
- grants income
- adjustments
- net profit

The profit & loss statement shows the balances for the current month and the year-to-date results. MFIs which report in foreign currencies are required to state the balances in separate columns from kyat transactions.

Explanation on Balance Sheet

The main purpose of the format is to standardize the classification of assets, liabilities and equity items according to best practice and to standardize the descriptions of the accounts. For this version of the balance sheet, no account will be taken of contingent liabilities.

All Microfinance institution (MFIs) in Myanmar will submit to MMSE, on a monthly basis, or more often as required by MMSE, the balance sheet.

MMSE will be in a position to consolidate the balance sheet reports and to report the consolidated MFIs' industry balance sheet position as well as to perform inter-company comparisons.

ASSETS

- Cash and balance with CBM and Banks
- Marketable securities & short-term investments
- Loans to Customers
- Prepayments and Receivables
- Long-term Investments
- Property & Equipment
- Other Assets

LIABILITIES

- Customer' s Deposits
- Deposits form Banks and Financial Institutions
- Accounts Payable
- Accrued Expenses and Provisions
- Borrowings
- Deferred Revenue
- Suspense, Clearing and Inter-branch accounts
- Other liabilities

EQUITY

- Paid-up capital
- Premium on share capital
- Donated capital
- Hybrid capital instruments
- Reserves
- Retained earnings
- Net income

**Brief explanations for the main items in the Profit & Loss
Statement and Balance Sheet**

PROFIT & LOSS**Interest Income**

Interest earned on loans, securities and investments and on deposits placed with banks. The gross amount is included in this category.

Interest expense

Interest paid on customers' deposits and borrowings from other financial and non-financial institutions.

Net interest margin

This is the difference between income and interest expense. The net interest margin ratio is calculated by dividing net interest margin by interest Income.

Non-interest income

All other income not derived from lending activities other than foreign exchange, such as fees, commission and other regular charges from the MFI's ordinary business.

Foreign exchange gain / (loss)

The difference between the market value of the foreign currency equivalent and the book value.

Other income

Amounts not stated in either interest or non-interest income and are not ordinarily derived from MFI's business such as profits from sale of furniture or insurance compensation.

Operating expenses (Opex)

Opex are S [Staff], A [Administration], G [General overhead], and depreciation expenses.

Loan write-offs and provisions

Loan write-offs are those loans which become uncollectible or for which a 100% provision has been made. These uncollectible loans are credited against the provision accounts. Loan provisions are expense that are charged to the P&L and credited to a BS account as loan reserve.

Grants income

When a MFI receives a cash grant from an NGO or donor to be used for overhead subsidy or other purposes during the year, this account is used.

Adjustment

This is currently not used. However, the management of the MFI may use the account internally to address adjustments for subsidy adjustments for donated funds for operations or in-kind donations such as free office space and equipment or concessional loans.

Net Profit

This is the net result for the period and the year-to-date result after the with the expenses, overheads and provisions for losses are deducted from total income.

BALANCES SHEET**ASSETS****Cash balances with CBM and Banks**

This is cash in vault and cash with cashiers and balances with CBM and other banks.

Marketable securities & short-term investments

Includes treasury bills and negotiable instruments and other short-term trade securities.

Loans to Customers

This is the gross loan amounts held by customers. It includes both performing and non-performing loans.

Prepayments and Receivables

Payments which have been made to suppliers, the benefit of which cover more than one accounting period, are prepaid expenses. These prepayments are amortized over the tenor of the contractual periods. Receivables are recognized when amounts will be received in cash within the current year.

Long-term Investments

This consists of equity investments, long-term government bonds or debt securities, where the intention is to hold them to maturity and not for trading purposes.

Property & Equipment

Land, buildings, equipment, motor vehicles, leasehold improvements are included.

Other Assets

Includes interest receivable accounts and all other accounts not classifiable in the above.

LIABILITIES**Customers' Deposits**

Include only deposits from customers and non-bank customers, both voluntary and compulsory.

Deposits from Banks and Financial Institutions

Include deposits from banks and financial institutions.

Accounts Payable

These are amounts which are not yet paid for goods or services received and used and payable within the current year.

Accrued Expenses and Provisions

Included expenses incurred but not paid such as accrual for taxes or audit fees and loss provisions.

Borrowings

This account records borrowing from local and overseas banks, corporations and financial institutions in both kyats and foreign currencies. Please note that when a borrowing is in foreign currency an exchange position arises when this foreign currency is converted to kyat. When there is an exchange position, an exchange gain/loss arises when the rate of exchange changes. The gain/loss in exchange must be included in the profit & loss account.

Deferred Revenue

When revenue is received in cash that relates to future accounting periods, such as a grant received that will cover 3 years of operating expense of the MFI, the amount received must be deferred and amortized over the same period.

Suspense, Clearing and Inter-branch accounts

When an MFI has several branches within the same state/region or in several regions/states, the transactions between the Head Office and the branches are recorded in “inter-branch accounts”. These inter-branch accounts are eliminated when the main MFI reports its financial statements.

Other liabilities

Include interest payables and all other liabilities not included in the above.

EQUITY**Paid-up capital**

This records the actual cash paid in as original capital and subsequent capitalization of retained earnings.

Premium on share capital

This is the difference between the par value of the shares and the issue price of the share.

Donated capital

This account records all capital donated in cash or kind.

Hybrid capital instruments

This refers to convertible bond issues when there is an option to convert the debt portion of the instrument to equity at an exercise price and within a certain period.

Reserves

This includes both revenue and capital reserves. Revenue reserves are derived from earnings and capital reserves from revaluations of assets.

Retained earnings

This includes previous years' accumulated profit & loss not paid out as dividends but retained in the MFI.

Net income

This is the net profit & loss after providing for loan losses and taxation for the current period

Financial ratio analysis based on the Profit & Loss and Balance Sheet

1	RETURN ON ASSETS	net profit after tax / average assets = %
2	RETURN ON EQUITY	net profit after tax / average equity = %
3	FINANCIAL COST RATIO	interest expense / average assets = %
4	GROSS FINANCIAL MARGIN	(financial revenue - financial costs) / average assets = %
5	OPERATING COST RATIO	staff+ gen+ admin+ depexp / average assets = %
6	OPERATIONAL SELF-SUFFICIENCY	(interest income + other operating income) / (Interest exp. + Opex exp. + loan loss provisions) = %
7	DELINQUENCY RATIO/PORTFOLIO AT RISK	past due loans outstanding / gross loans outstanding = %
8	LOAN LOSS PROVISION RATIO	loan loss provision expense / average gross loan = %
9	RISK COVERAGE RATIO	loan loss reserve. outstanding / average gross loans outstanding = %
10	WRITE OFF RATIO	amount written off / average loans outstanding

Brief explanation on the financial ratio analysis

The 10 financial ratios can be categorized into 3 groups, namely:

- financial performance [1, 2, 3, 4, 5]
- operational self sufficiency [6]
- portfolio quality [7, 8, 9, 10]

These ratios can directly be derived from the Forms NgaSaYa (17-1) and Nga Sa Ya (18-1)

Return on assets (ROA) is derived form:

Numerator : Line 18 Nga Sa Ya (17-1)

Denominator : Average Total Assets

Return on Equity (ROE) is derived from:

Numerator : Line 18 Nga Sa Ya (17-1)

Denominator : Line 16 Nga Sa Ya (18-1)

Financial Cost Ratio is derived form:

Numerator : Line 2 Nga Sa Ya (17-1)

Denominator : Average Total Assets

Gross Financial Margin is derived from:

Numerator : Line 3 Nga Sa Ya (17-1)

Denominator : Average Total Assets

Operating Cost Ratio is derived from:

Numerator : Line 8 + 9 + 10 Nga Sa Ya (17-1)

Denominator : Average Total Assets

Operational Self Sufficiency (OSS) is derived form:

Numerator : Line 1+4+5+6 Nga Sa Ya (17-1)

Denominator : Line 2+8+9+10+11+12 Nga Sa Ya (17-1)

Portfolio at risk is derived form:

Numerator : To be obtained from Chart of Account

**Chart of Accounts for Microfinance Institutions
in Myanmar - Numerical Listing**

Account	Account Description
Number	
100000	Total Assets Control Account (This account should not be used for debit or credit transaction)
11110X	Cash on hand and in Vault
11410X	Due from Central Bank of Myanmar
11460X	Term Deposit with Central Bank of Myanmar
11510X	Current Accounts with Banks
11610X	Saving Deposits with Banks
12110X	Time Deposits with Banks
13110X	Loans to Customers
14110X	Past Due Loans
17110X	(Less) Reserve for Specific Loan Losses
17120X	(Less) Reserve for General Loan Losses
21100X	Investment Debt Securities - Hold to maturity
21160X	Accumulated Premium (Discount) - Hold to Maturity
21200X	Investment Debt Securities - Available for Sale
21260X	Accumulated Premium (Discount)-Available for Sale
21380X	Other Investment Securities
21490X	Investment in Equity Capital
21560X	Net unrealized Holding Gains (Loss)-Available for sale
22110X	Prepaid Insurance
22120X	Prepaid Deposit Insurance Assessment
22130X	prepaid Service/ Maintenance Contracts
22140X	prepaid Professional Fees
22150X	Prepaid Rent
22160X	Prepaid profit Tax
22170X	Prepaid – Other
22230X	Advance Payment or Deposits
22240X	Purchased Interest Receivable
22250X	Stationary Supply and Inventory
23110X	Accrued Interest Receivable- Due From Central Bank of Myanmar
23610X	Accrued Interest Receivable - Term Deposit with Central Bank of Myanmar
23210X	Accrued Interest Receivable - Saving Deposits with Banks
23310X	Accrued Interest Receivable - Time Deposits with Bank

Account	Account Description
24100X	Accrued Interest Receivable- Investment Debt Securities - Hold to Maturity
24200X	Accrued Interest Receivable - Investment Debt Securities - Available For Sale
24300X	Accrued Interest Receivable - Other Investment
25110X	Accrued Interest Receivable - Loans to Customers
26110X	Accrued Interest Receivable - paste Due Loans
28970	Accounts Receivable
28980X	Income Tax Receivable/ Recoverable
28990X	Dividends Receivable
29110X	Land
29120X	Land Improvement
29120X	Building
29220X	Leasehold Improvement
29230X	Fixed Assets under Construction / Development
29310X	Furniture and Fixtures
29320X	Equipment
29330X	Computer Equipment
29340X	Motor Vehicles
29350X	Other Fixed Assets
29410X	Accumulated Depreciation - land Improvements
29420X	Accumulated Depreciation - Buildings
29430X	Accumulated Depreciation - leasehold Improvements
29440X	Accumulated Depreciation -Furniture and Fixtures
29450X	Accumulated Depreciation - Equipment
29460X	Accumulated Depreciation - Computer Equipment
29470X	Accumulated Depreciation - Motor Vehicles
29480X	Accumulated Depreciation - Other Fixed Assets
29491X	Amortization - Intangible Assets
29492X	Amortization - Formation Expenses
29510X	Formation Expenses
29520X	Intangible Assets
29650X	Inter-Branch Accounts
29660X	Equivalence Foreign Exchange Position Account
29670X	Suspense Asset Account
29680X	Other Sundry Assets

Account	Account Description
300000	Total Liabilities Control Account (This account should not be used for debit or credit transactions)
32110X	Amounts owed to Central Bank of Myanmar
32210X	Deposits form the general public - Demand
32220X	Deposits form the general public - Savings
32230X	Deposits form the general public Termloan
32240X	Deposits form the general public - Other
32290X	Compulsory Deposits
33220X	Subordinated Debt
33310X	Borrowed Funds - Financial Institutions
33320X	Borrowed Funds - Non - Financial Institutions
34110X	Accrued Interest Payable - Amounts owed to Central Bank of Myanmar
34210X	Accrued Interest Payable -Deposits from the general public – Demand
34220X	Accrued Interest Payable -Deposits from the general public – savings
34230X	Accrued Interest Payable -Deposits from the general public - Term
34240X	Accrued Interest Payable -Deposits from the general public - Other
34290X	Accrued Interest Payable - Compulsory Deposits
34330X	Accrued Interest Payable - Subordinated Debt
34410X	Accrued Interest Payable - Borrowed Funds - Financial Institutions
34420X	Accrued Interest Payable - Borrowed Funds - Non - Financial Institutions
36110X	Accrued Salary Payable
36120X	Accrued Bonus/ Incentive Compensation Payable
36130X	Accrued and Withheld Payroll Taxes payable
36140X	Other Payroll Deductions Withheld payable
36150X	Accrued Employee Benefits Payable
13160X 36160	Accrued Vacation pay Payable
36210X	Accrued Expenses and Provisions
36310X	Accrue Taxes Payable
37210X	Unearned income
37310X	Deferred Income - Government and Public Grants

Account	Account Description
38110X	Accounts Payable
38210X	Dividend Payable
38310X	Dividend Withholding Taxes
38410X	Other Withholding Taxes
38510X	Interest in Suspense
38610X	Foreign Exchange Position Account
38920X	Global and General provision for Losses
38930X	Deferred Taxation
38980X	Suspense and Sundry liability Account
400000	Total Equity Control Account (This account should not be used for debit credit transactions)
40110X	Paid up Capital
40120X	premiums Related to Capital (Paid in Surplus)
40130X	(Less) Unpaid Portion of Capital
40140X	(Less) Treasury Stock
40210X	Donated capital - Current Year
40220X	Donated capital - Previous years
40410X	Hybrid Capital - Non - refundable public grants and subsidies
40420X	Hybrid Capital - Public guarantor funds for credit risks
40430X	Hybrid Capital - Perpetual subordinated debts
40440X	Hybrid Capital – Others
40510X	Revenue Reserves
40520X	Capital Reserves
40530X	Subordinated debt approved as Equity
40540X	Revaluation reserves as Equity
40550X	Other Reserves
40710X	Retained Earnings
40810X	profit Current Year
500000	Total Income Control Account (This account should not be used for debit or credit transactions)
51410X	interest Income - Due from Central Bank of Myanmar
51460X	interest Income - Term Deposit with Central Bank of Myanmar
51510X	interest Income - Savings Deposits With Banks
51610X	interest Income - Time Deposits With Banks
52110X	interest Income - Loans to Customers
52310X	interest Income - Past Due Loans
53110X	interest Income - Investment Securities - Hold to Maturity
53210X	interest Income - Investment Securities - Available for Sale
53310X	interest Income - Other Investment

Account	Account Description
56410X	Other Interest Income
57110X	Fees and Commissions on loans
57120X	Other Fees and Commissions
57210X	Fee income for Wire Transfer/Remittance
57310X	Other Non-Interest Income
57410X	Foreign Exchange Gains
57420X	Gains(loss) on revaluation of Trading / Marketable securities
57430X	Security Gains on Investment
57440X	Recovery on Loans Previously Charged - Off
57450X	Gains on Sale/ Disposal of Fixed Assets
58510X	insurance premiums on micro-insurance business
58520X	Dividends Income
58530X	Grants Income
600000	Total Expense Control Account (debit/credit)
61110X	Interest Expense - Amounts owed to Central Bank of Myanmar
61210X	Interest Expense - Deposits from the general public - Demand
61220X	Interest Expense - Deposits from the general public - Savings
61230X	Interest Expense - Deposits from the general public - Term
61240X	Interest Expense - Deposits from the general public - Other
61290X	Interest Expense - Compulsory Deposits
62230X	Interest Expense - Subordinated Debt
62310X	Interest Expense - Borrowed Fund - Financial Institutions
62320X	Interest Expense - Borrowed Funds - Non – Financial Institutions
63110X	Salaries and Bonuses Expense
63120X	Employee Overtime Expense
63130X	Employee Training - Work Related Expense
63140X	Employee Medical Expense
63180X	Employee Pension Expense
63190X	Other Employee Expense
64210X	Depreciation Expense - Land Improvements
64220X	Depreciation Expense - Building
64230X	Depreciation Expense - Leasehold Improvement
64235X	Depreciation Expense - Furniture and Fixtures
64240X	Depreciation Expense - Equipment
64250X	Depreciation Expense - Computer Equipment
64260X	Depreciation Expense - Motor Vehicles

Account	Account Description
64270X	Depreciation Expense - Other Fixed Assets
64310X	Amortization Expenses - Intangible Assets
64320X	Amortization Expenses - Formation Expenses
65310X	Repair and Maintenance Expenses
65320X	Rental Expenses
65330X	Utility Expenses
65340X	Small items of furniture, fixture and equipment not capitalized
65410X	Marketing and Advertising Expenses
65420X	Professional Services Expenses
65430X	Audit and Tax Fees Expense
65440X	License Fees Expense
65445X	Fees and Charges Paid
65450X	Legal Fees Expense
65510X	Travel Expense
65520X	Business Meal and Entertainment Expense
65530X	Communication Expenses
65710X	Stationery and Supplies Expenses
65720X	Printing and Forms-Expense
65810X	Fire and Hazard insurance Expense
65890X	Other Insurance Expense
66110X	Security Expense
66210X	Board of Directors' Fees
66220X	Shareholders Meeting Expense
66310X	Charitable Donation Expense
66410X	Dues and Memberships Expense
66610X	Penalties and Fines Expense
66810X	Motor Vehicle Operating Expense
66910X	Income Tax Expense
66990X	Miscellaneous Expense
67110X	Bad and Doubtful Debts
67140X	Doubtful and Loss of Securities
67150X	Write off on uncollectable loans non covered by provisions
67160X	Global and General Provision other than Loans
68110X	loss on Foreign Exchange
68140X	Loss on Sale/ Disposal of Security Investment Expense
68160X	Loss on Sale/ Disposal of Assets
69110X	Rebates/ Commissions to Borrowing Groups
69120X	Village Bank/ Association costs
69210X	Correspondent Bank Charges
69220X	Fee and Commission on Borrowing

1. General Nomenclature

Each chart of account (CoA) number consists of 6 digits in the form: T-CCCC-X. The significance in the structure is as follows.

(T)represents the type of asset, liability, equity, income or expense. A number with a 1 or 2 represents an asset account. A number with a 3 represents a liability account. A number with a 4 represents an equity account. Income accounts begin with the number 5 and expense accounts start with the number 6.

The digits (CCCC) represent the category and sub-category of the accounts within the assets, liability, equity, income or expense classes.

The last digit (X) represents the currency of the account. (X)has a placeholder to represent 10 currencies. For instance, 0=kyats; 1=USD; 2=SGD and so on. MMSE will issue a circular to designate the currency representation of other digits.

The logic of the coding structure can be seen in the following example.

The account 111100 means Cash on hand and in vault in kyats

The account 111101 means Cash on hand and in vault in USD

The account 111102 means Cash on hand and in vault in SGD

This coding structure allows for easy migration to computer systems and automated data processing in the future when the CoA is computerized.

Another aspect of the CoA is the use of multi-currency accounting (multi-dimensional) instead of the old-fashioned (flat or dual currency) accounting. The difference between the two accounting systems is highlighted in the manner in which exchange positions are stated. In multi-currency accounting systems, original currencies of assets and liabilities are always stated without conversion, hence the real economic and accounting risks of exchange differences can be easily ascertained. This involves the use of the exchange position accounts and its revaluation.

2. Customization and Flexibility

Microfinance Institutions (MFIs) should not create new 6-digit chart of account number by themselves without referring to MMSE because all existing CoA numbers are mapped to financial reports such as the revised profit & loss, balance sheet and ratios.

However, MFIs are permitted to append additional numbers to the basic 6-digit CoA for their own detailed general ledger accounting purposes and analysis.

For example, 111100-001 could mean Cash on hand and vault in Kyats in Yangon Raunchy, 111100-002 could refer to Cash on hand and in vault in kyats in Sagging Branch. However, for reporting to MMSE, only the 6-digit CoA number of 111100 should be reported. In other words, MFIs must consolidate the balances of the detailed sub-accounts of 111100-0001 and 111100-002 into 111100 before reporting to MMSE.

To repeat the logic again, 11110-001 could mean Cash on hand and in vault in USD in Yangon Branch, 111101-002 could refer to Cash on hand and in vault in USD in Sagging Branch. However, for reporting to MMSE, only the 6-digit CoA number of 111101 should be reported.

3. Multi-currency accounting and journalization

In multi-currency accounting systems, the debits and credits remain the same for the same types of transactions. For example, when a MFI borrows in USD in Cash, the journal entries are:

Debit: Cash (USD)

Credit: Borrowing (Kyats)

This is not the same in a dual or flat accounting system. For instance, the journal entries for a borrowing in USD in a dual accounting system with the base currency in Kyat, would be:

Debit: Cash in the equivalent of kyat (USD has been converted kyat)

Credit: Borrowing in the equivalent of kyat (USD has been converted into Kyat)

When the supervisor reviews the financial statements, the risk of the borrowing in USD cannot be ascertained in a dual currency accounting system compared to a multi-currency system.

4. Exchange positions and exchange revaluations

An exchange position is recorded when a foreign currency is converted (changed) to the functional currency (Base currency) in Kyats.

For instance, when an MFI borrows USD \$1 million, and receives this amount in its USD account in a Bank, the accounting entries are:

Debit: Balance in Bank USD \$1 million

Credit: Borrowing USD \$1 million

When \$1 million is exchanged into kyats so that it can be on-lent to customers, the exchange position is taken up as follows:

Debit: Exchange Position USD \$1 million

Credit: Balance in Bank USD \$1 million

Now, assume that in the next month USD \$1 million=900 million kyats, the equivalence in exchange must now show 900 million. To do this, the MFI must:

Debit: Exchange loss Kyats 20 million

Credit: Equivalence in exchange of Kyats 20 million

The CoA reflected clearly the exchange riskiness that all MFIs are taking when they deal foreign currencies. The old outdated dual-currency accounting system used prior to multi-currency accounting system does not clearly show the market risk of foreign exchange positions.

5. Mapping of CoA account balances directly to financial reports

Each CoA is mapped directly to the financial reports of the Profit & Loss, Balance Sheet and the Ratios. For example, CoA number 11110X is mapped to line 1.1 on Form MMSE-2/2013. In the beginning, MFIs will consistently map all general ledger accounts to the financial reports.

The challenge that remains after financial reports have been consistently prepared is for MMSE to ensure that the general ledger accounts record what they represent, whether those balances stated in the general ledger are meaningfully stated and not over-or-under stated. This would require a review of the transactions that gave rise to the general ledger accounting entries.

6. Detailed Description of chart of account

11110X	Cash on hand and in vault
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This account records cash kept in the MFI. This account can be expanded internally to record details of cash kept with cashiers and in different branches. For instance, 11110X-001, 11110X-002, 1111X- 0003.

11410X	Due from Central Bank of Myanmar
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This account records the demand account balance that the MFI maintains with CBM.

11460X	Time Deposit with Central Bank of Myanmar
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Same as the above except that this is an interest-bearing time deposit account. Interest should be accrued at least monthly and moved to income.

11510X	Current Accounts with Banks
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This account records the demand account balance that the MFI maintains with other commercial banks.

11610X	Savings Deposits with Banks
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Same as the above except that this is an interest-bearing account. Interest should be accrued at least monthly and moved to income.

12110X	Time Deposits with Banks
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Same as the above except that this is an interest-bearing time deposit account. Interest should be accrued at least monthly and moved to income.

13110X	Loans to Customers
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This account records the gross outstanding amount of all performing loans. MFIs may further sub-divide the account into types of lending, such as 13110X-001 Loans to Customers-Group Loans, 13110X-002 Loans to Customers-Individual Loans, 13110X-003 Loans to Customers-Staff Loans. Interest on loans should be accrued monthly to interest income.

14110X	Past Due Loans
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This accounts record the gross outstanding amount of all past due loans can be sub-divided into 1, 30, 60, 90, 180, 360 days past due. When a loan becomes past due, the balance in the loan account should be transferred to the past due account. Similarly, the interest accrued but not yet paid after 30 days should be reversed from interest income and credited into interest in suspense. Interest on past due loans should be accrued monthly to interest in suspense. When cash is finally received on the payment of interest, the accrued interest receivable is reversed against the cash received and interest in suspense is reversed to interest income-past due loans.

17110X	(Less) Reserve for Specific Loan Losses
17120X	(Less) Reserve for General Loan Losses

These accounts are the contra accounts to account 67110X. They record the provision for loan losses on a specific and general basis.

21100X	Investment Debt Securities - Hold to Maturity
21160X	Accumulated Premium (Discount) - HTM
21200X	Investment Debt Securities - Available for Sale
21260X	Accumulated Premium (Discount) - AFS
21380X	Other Investment Securities
21490X	Investment in Equity Capital
21560X	Net Unrealized Holding Gains (Loss) - AFS

The above accounts record short-term and long-term securities and investments and their related premiums and discounts. Short-term treasury bills, marketable and trading securities are recorded in account 21380X. Account 21200X is short-term as it is available for sale. The new revised accounting standard, IFRS 9, may well do away with this category of financial instruments. Account 21490X is considered a long term investment as it is an investment in the equity capital of another company. The account 21560X records the revaluation gains/losses on AFS securities and according to current IFRS 39 is recorded as a revaluation reserve in equity.

22110X	Prepaid Insurance
22120X	Prepaid Deposit Insurance Assessment
22130X	prepaid Service/ Maintenance Contracts
22140X	prepaid Professional Fees
22150X	Prepaid Rent
22160X	Prepaid profit Tax
22170X	Prepaid – Other

These accounts record payments made to suppliers and service providers for which the benefits of the payments extend to more than one accounting period. The prepaid expenses should be amortized monthly the respectively expense accounts.

22230X	Advance Payment or Deposits
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This account records deposits made to suppliers for purchases as partial payment or as advances to secure the purchase. The amount should be reversed to the appropriate fixed assets or other accounts, once payment is fully made.

22240X	Purchased Interest Receivable
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Purchased interest receivable refers to the accrued interest from the last date of interest payment of a security (bond) to the date when it is acquired. This amount must be reversed against the cash interest received on the next interest payment date so that a portion of the interest is taken to interest income.

22250X	Stationary Supply and Inventory
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This account is used record stationary and printing forms that are ordered in bulk for which the MFI chooses not to expense them immediately. The account should be amortized monthly based on actual usage or on estimated monthly usage and reversed to expense.

23110X	Accrued Interest Receivable- Due From Central Bank of Myanmar
23610X	Accrued Interest Receivable – Term Deposit with Central Bank of Myanmar
23210X	Accrued Interest Receivable - Saving Deposits with Banks
23310X	Accrued Interest Receivable - Time Deposits with Bank
24100X	Accrued Interest Receivable- Investment Debt Securities - Hold to Maturity
24200X	Accrued Interest Receivable - Investment Debt Securities - Available For Sale
24300X	Accrued Interest Receivable - Other Investment
25110X	Accrued Interest Receivable - Loans to Customers
26110X	Accrued Interest Receivable - paste Due Loans

These accounts record the monthly accrual of interest on loans, placements, savings deposits, and investment securities. The contra account for performing assets is the interest income account. The contra account for past due loans over 30 days is interest in suspense. Accrued interest receivable accounts are reversed when cash is received for the interest payments. When cash is received for past due loans, the interest in suspense is also reversed to interest income -past due for that portion of the interest income that was reversed when the loan turned past due over 30 days.

28970	Accounts Receivable
28980X	Income Tax Receivable/ Recoverable
28990X	Dividends Receivable

These accounts record amounts owed by suppliers, the tax authorities and dividends declared on the equity investments but not yet received. The accounts are reversed once payments are received.

29110X	Land
29120X	Land Improvement
29120X	Building
29220X	Leasehold Improvement
29230X	Fixed Assists under Construction / Development
29310X	Furniture and Fixtures
29320X	Equipment
29330X	Computer Equipment
29340X	Motor Vehicles
29350X	Other Fixed Assets
29410X	Accumulated Depreciation - land Improvements
29420X	Accumulated Depreciation - Buildings
29430X	Accumulated Depreciation - leasehold Improvements
29440X	Accumulated Depreciation -Furniture and Fixtures
29450X	Accumulated Depreciation - Equipment
29460X	Accumulated Depreciation - Computer Equipment
29470X	Accumulated Depreciation - Motor Vehicles
29480X	Accumulated Depreciation - Other Fixed Assets

These accounts record the tangible assets of property and equipment and motor vehicles and their related depreciation. No depreciation is made for freehold land and fixed assets under construction/development until they are put into use. In accordance with IFRS, property plant and equipment may be stated at fair value or at cost basis after initial recognition. If fair value is chose, the revaluation surplus is stated under capital reserves in the equity. All assets under the same class must be stated on the same basis of either fair value or cost.

29491X	Amortization - Intangible Assets
29492X	Amortization - Formation Expenses
29510X	Formation Expenses
29520X	Intangible Assets

These accounts record the intangible assets such as goodwill, trademarks, patents and formation or pre-opening expenses. The intangible assets may be amortized to expense when and if this is permitted by the Accounting rules in Myanmar.

29650X	Inter-Branch Accounts
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This account is used to record transactions between a branch of the MFI and its Head Office. The journal accounting transactions between one MFI branch and another branch must be routed through the Head Office, so that there is proper control and easy reconciliations.

29660X	Equivalence Foreign Exchange Position Account
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This account records the base currency (local currency) equivalent of the foreign exchange position account. The foreign exchange is re-valued at the market rates and the balance is compared with the equivalent foreign exchange position for a gain/ loss in re-valuation.

29670X	Suspense Asset Account
29680X	Other Sundry Assets

Suspense asset account is used when a temporary difference exists in the accounting balance and the correct appropriate account to record the transaction has not been determined. The balance in this account must be reviewed daily and closed out within a few days. Sundry assets refer to assets that cannot be classified elsewhere in the chart of accounts and are often of a temporary nature.

32110X	Amounts owed to Central Bank of Myanmar
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This account records the overdraft balance with the CBM. If a debit balance exists in 11410X, there should not be a balance in 32110X and vice versa.

32210X	Deposits from the general public - Demand
32220X	Deposits from the general public - Savings
32230X	Deposits from the general public - Term
32240X	Deposits from the general public - Other
32290X	Compulsory Deposits

These accounts record voluntary and compulsory deposits. Voluntary deposits are deposits from the general public. MFIs may offer demand, saving and term deposits according to the regulations. Interest should be accrued monthly and debited to expense accounts.

33220X	Subordinated Debt
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Subordinated debt is a borrowing whereby the MFI's creditor postpones its claims to holders of senior debts in the event of the company's liquidation. Subordinated debt is classified under long term borrowing if it is not approved as classifiable into equity. Monthly interests should be accrued and debited to expense account. Where the subordinated debt is denominated in a foreign currency, the interest expense should also be converted monthly to kyat and the exchange position recorded.

33310X	Borrowed Funds - Financial Institutions
33320X	Borrowed Funds - Non - Financial Institutions

These accounts record borrowings from financial and non-financial institutions. They are senior debts in contrast to subordinated debt mentioned above. Borrowings are classified separately as a line item in Form MMSE-2 and included under equity. Interest expense should be accrued at least monthly.

34110X	Accrued Interest Payable - Amounts owed to Central Bank of Myanmar
34210X	Accrued Interest Payable -Deposits from the general public – Demand
34220X	Accrued Interest Payable -Deposits from the general public – Savings
34230X	Accrued Interest Payable -Deposits from the general public – Term
34240X	Accrued Interest Payable -Deposits from the general public – Other
34290X	Accrued Interest Payable - Compulsory Deposits
34330X	Accrued Interest Payable - Subordinated Debt

34410X	Accrued Interest Payable - Borrowed Funds - Financial Institutions
34420X	Accrued Interest Payable - Borrowed Funds - Non - Financial Institutions

These accounts record the accrued interest payable and are contra to the respective interest expense accounts. They are reversed when payments are made.

36110X	Accrued Salary Payable
36120X	Accrued Bonus/ Incentive Compensation Payable
36130X	Accrued and Withheld Payroll Taxes payable
36140X	Other Payroll Deductions Withheld payable
36150X	Accrued Employee Benefits Parable
13160X	Accrued Vacation pay Payable
36210X	Accrued Expenses and Provisions
36310X	Accrued Taxes Payable

These accounts record the accrual of expenses. The relevant expenses are debited and the accrual accounts are credited. These accounts are used when an expense has taken place but payments have not been made. For instance, if salaries for staff have not been paid by month-end, even though staff have worked for the month, the accrued salary payable is credited and salary expense is debited by month-end. The accrual accounts are reversed when payments are made.

37210X	Unearned income
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Unearned income refers to income that has been received in advance but not yet earned by the MFI. For instance, when the MFI buys a treasury bill with a face value of 1 million kyat, but pays only 900,000 kyat; the difference is to be recorded as unearned income. The unearned income should be amortized to interest income during the tenor of the treasury bill.

37310X	Accounts Payable Deferred income – Government and public income
38210X	Dividend Payable

This account records cash grants received to subsidize the MFI's operations. Supposing the grant is to subsidize the MFI's operating expenses for the next 3 years, the amount should be first recorded as a deferred Income and amortized to account 58530X on a monthly basis for the next 36 months.

38110X	Accounts Payable
38210X	Dividend Payable

Accounts payable refers to amount owing to suppliers and other service providers not yet paid. Dividend payable is used to record the amount of dividends that the shareholders of the MFI have approved during the general meeting and which will later become payable.

38310X	Dividend Withholding Taxes
38410X	Other Withholding Taxes

When dividends cannot be paid gross to shareholders but on a net basis for which the MFI is liable to withhold tax, the dividend withholding tax account is used to record the amount of withheld tax payable. Other withholding taxes are treated in a similar manner.

These accounts record the interest income accounts. They are the contra accounts of the accrued interest accounts, except for the interest income-past due loans, which will only be used when cash is received upon the payment of overdue interest.

53110X	interest Income - Investment Securities - Hold to Maturity
53210X	interest Income - Investment Securities - Available for Sale
53310X	interest Income - Other Investment
56410X	Other Interest Income

These accounts record the interest income on debt and interest bearing investment securities. The accrued interest forming part of the cost of purchase which should be taken up as purchase interest receivable is not part of interest income since interest due to the MFI commences from the time the investment was purchased and not from the date of the last interest payment of the coupon interest.

57110X	Fees and Commissions on loans
57120X	Other Fees and Commissions
57210X	Fee income for Wire Transfer/Remittance
57310X	Other Non-Interest Income

Fees and commissions refer to all loan fees and/or commissions charged to loan customers for the taking up the loan from the MFI. Fee Income for wire transfer/remittance records fee charged by MFI for domestic transfer of funds on behalf of customers from one state/ region to the destination state/ region.

57410X	Foreign Exchange Gains
57420X	Gains (Loss) on Revaluation of Trading / Marketable Securities
57430X	Security Gains on Investment
57440X	Recovery on Loans Previously Charged - Off
57450X	Gains on Sale/ Disposal of Fixed Assets
58510X	insurance premiums on micro-insurance business
58520X	Dividends Income
58530X	Grants Income

Foreign exchange gains record the differences arising from the revaluation of the foreign exchange position account at market rates compared to the equivalence foreign exchange account. Gains/(loss) on revaluation of trading/marketable securities refer to the difference between the book value of trading/marketable securities and the market value on revaluation. Security gains record the gains when investments are disposed of. Recovery of loans previously charged off records amounts recovered or collected in cash from past due loans from non-performing customers. Gains/Loss on disposal of fixed assets record the excess of the sale proceeds of the disposal of fixed assets over the net book value. Dividend income is recorded on an equity investment when the investee company shareholders have approved the dividend payment during the annual shareholder's meeting. Grants for which amounts were received that are meant for the current financial period are credited directly to grants account.

61110X	Interest Expense - Amounts owed to Central Bank of Myanmar
61210X	Interest Expense - Deposits from the general public - Demand
61220X	Interest Expense - Deposits from the general public - Savings
61230X	Interest Expense - Deposits from the general public - Term
61240X	Interest Expense - Deposits from the general public - Other
61290X	Interest Expense - Compulsory Deposits
62230X	Interest Expense - Subordinated Debt
62310X	Interest Expense - Borrowed Funds - Financial Institutions
62320X	Interest Expense - Borrowed Fund –Non- Financial Institutions

These accounts record the interest expense on borrowings and/or overdrafts from the Central Bank of Myanmar and demand, savings and fixed deposits from customers, on deposits from the general public and on a compulsory basis as well as interest expense on borrowed funds. The contra account to interest expense is accrued is accrued interest payable. Interest expense should be recorded at least once monthly.

63110X	Salaries and Bonuses Expense
63120X	Employee Overtime Expense
63130X	Employee Training - Work Related Expense
63140X	Employee Medical Expense
63180X	Employee Pension Expense
63190X	Other Employee Expense

These accounts record all expenses on employees' salaries, overtime payments, medical, other work related expenses, any pension expense and any other expenses of employees not categorized.

64210X	Depreciation Expense - Land Improvements
64220X	Depreciation Expense - Building
64230X	Depreciation Expense - Leasehold Improvement
64235X	Depreciation Expense - Furniture and Fixtures
64240X	Depreciation Expense - Equipment
64250X	Depreciation Expense - Computer Equipment
64260X	Depreciation Expense - Motor Vehicles
64270X	Depreciation Expense - Other Fixed Assets
64310X	Amortization Expenses - Intangible Assets
64320X	Amortization Expenses - Formation Expenses

These accounts record the depreciation and amortization of both tangible and intangible assets. Depreciation policies should be consistently applied from one period to another. Where depreciation rates differ from taxation rates, a deferred taxation account may have to be recorded when the amounts are material. Intangible assets, such as goodwill, may not have to be amortized in accordance with the new IFRS standard but may have to be assessed regularly for impairment.

65310X	Repair and Maintenance Expenses
65320X	Rental Expenses
65330X	Utility Expenses
65340X	Small items of furniture, fixture and equipment not capitalized
65410X	Marketing and Advertising Expenses
65420X	Professional Services Expenses
65430X	Audit and Tax Fees Expense
65440X	License Fees Expense
65445X	Fees and Charges Paid
65450X	Legal Fees Expense

65510X	Travel Expense
65520X	Business Meal and Entertainment Expense
65530X	Communication Expenses
65710X	Stationery and Supplies Expenses
65720X	Printing and Forms-Expense
65810X	Fire and Hazard insurance Expense
65890X	Other Insurance Expense

Rental expenses refer to rental cost payable to landlords for rented premises that MFIs occupy for their business. Utility expenses include water, light, and gas but do not include drinking water for employees. Small items of furniture, fixtures and equipment not capitalized are those items whose useful lives extend beyond one financial period but are too small in absolute amounts, as for instance, water kettle, electrical outlet plugs, screw driver, cleaning utensils and similar items. The finance manager of each MFI has to state its accounting policy for fixed asset capitalization. Marketing and advertising expenses include small gift and promotion items and tokens given by the MFI to its customers, advertising of MFI services and the cost of printing brochures on MFI services to promote public awareness. Professional fees include all fees paid to consultants, designers, architects, engineers, lawyers, auditors and tax agents and advisors. Travel expenses include local and overseas travelling and consist of air tickets, accommodation, meals taken during travel, long distance bus fares and train fares. Business meals and entertainment not connected with travel are recorded separately. Communication expenses include cost of telephones, faxes, internet, mobile phones, telegrams and telexes. Stationery expenses are distinguished from printing and forms as the former consists of expendable items other than printed forms. Fire and hazard insurance expense refer to the premiums paid to insurance companies for insurance coverage against loss due to fire, explosions, water seepage, broken glass but exclude thefts, motor insurance, fidelity and cash insurance.

66110X	Security Expense
66210X	Board of Directors' Fees
66220X	Shareholders Meeting Expense
66310X	Charitable Donation Expense
66410X	Dues and Memberships Expense
66610X	Penalties and Fines Expense
66810X	Motor Vehicle Operating Expense
66910X	Income Tax Expense
66990X	Miscellaneous Expense

Security expense includes cost of security guards, costs of running security monitoring equipment, costs of tapes and disks for security camera. Board of Directors' fees refers to fees paid as remuneration to the directors of the MFI. Shareholder's Meeting Expense includes cost incurred during the annual shareholders meeting such as food and drinks, brochures, reports, meeting rooms and services as a support for the beneficiary's work or activities. Dues and memberships include joining, annual and periodic fees payable to clubs, business organizations, trade associations and sports clubs paid for the MFI or its senior managerial staff. Penalties and fines refer to all such payments to all regulatory authorities as compensation for the infringement of rules or regulations which the MFI does not comply with. Motor vehicle operating expense refers to licenses to run the MFI's fleet of motor vehicles. Income tax expense refers to income taxes. Miscellaneous expense includes all expenses that cannot be properly classified elsewhere. This account should be properly controlled by the finance manager to prevent it from incorrect use.

67110X	Bad and Doubtful Debts
67140X	Doubtful and Loss of Securities
67150X	Write of on uncollectable loans non covered by provisions
67160X	Global and General Provision other than Loans

Bad and Doubtful Debts expense is the counter-part to the Specific Provision for Bad and Doubtful Debts. This account is debited as soon as a performing loan becomes past due by over 30 days and the specific provision account is credited. Doubtful and loss on securities refers to the permanent diminution in value of securities that are not of a temporary nature. Write-off on uncollectable loans not covered by provisions refers to loans written off, on which insufficient or no specific provision was made.

68110X	loss on Foreign Exchange
68140X	Loss on Sale/ Disposal of Security Investment Expense
68160X	Loss on Sale/ Disposal of Assets

Loss on foreign exchange is the difference between the foreign exchange positions at market rates compared to the equivalence in foreign exchange position. The revaluation should be carried out at least on a monthly basis to ensure that foreign currency accounts are correctly stated for reporting purpose. Loss of sale of security and loss on disposal of fixed assets refer to the difference between the proceeds arising from the asset or security disposal compared to the book value of the asset or security.

69110X	Rebates/ Commissions to Borrowing Groups
69120X	Village Bank/ Association costs
69210X	Correspondent Bank Charges
69220X	Fee and Commission on Borrowing

Rebates to borrowing groups include any payments to a third party, including the borrowing group in respect of the loan having been made. Village Bank/Association costs refer to all expenses in connection with its lending and other activities in the village banks and associations.

Myanma Microfinance Supervisory Enterprise

Directive No. 1/2014

Ministry of Finance
Myanma Microfinance Supervisory Enterprise
Directive No. 1/2014
Nay Pyi Taw (Myanmar Calendar Year 1376, 11th waxing day of Wagaung)
August 6, 2014

1. Chart of Account (CoA) to be followed by Microfinance Institutions has been specified as per sub-section (B), section-11 of Microfinance Law. As loan classification and provisioning of loan losses are required when using COA, MMSE issued Directive No. 1/2014 stating loan classification and provisioning of loan losses.

2. In accordance with the decisions made at the meeting 5/2014 of Private Micro-credit and Savings Development Supportive Committee held on July 16, 2014, and decisions made at meeting-1/2014 of Microfinance Supervisory Committee held on August 4, 2014, Microfinance Institutions are required to abide by the following regulations.

(A) Specification for overdue loans

Portfolio at Risk for 1 day, 30 days, 60 days and 90 days, must be reported on a monthly basis, as mentioned below:

(1)	PAR (1)	=	$\frac{\text{Amount of Loan outstanding overdue by 1 day}}{\text{Total loans outstanding}}$
(2)	PAR (30)	=	$\frac{\text{Amount of loan outstanding overdue by more than 1 day but not more than 30 days}}{\text{Total loans outstanding}}$
(3)	PAR (60)	=	$\frac{\text{Amount of Loan outstanding overdue by more than 30 day but not more than 60 days}}{\text{Total loans outstanding}}$
(4)	PAR (90)	=	$\frac{\text{Amount of loan outstanding overdue by more Than 60 day but not more than 90 days}}{\text{Total loans outstanding}}$

(B) Loan Classification

Loans are to be classified as normal, below normal, low quality, potential loss and loss, by Microfinance Institutions, on the basis of outstanding loan term. It is as follows:

(1) Loans to be repaid in monthly installments are classified as follows:

Number of days overdue	Classification
Current	normal
Up to 30 days	below normal
From 31 to 60 days	low quality
From 61 to 90 days	Potential loss
91 days and above	Loss

(2) Loans repaid in installments of less than one month or other terms of repayment are to be classified as follows:

Number of days overdue	Classification
Current	normal
Up to 15 days	below normal
16 to 30 days	low quality
31 to 45 days	Potential loss
46 days and above	Loss

(C) Provision for loan loss

MFIs are responsible to establish a special reserve fund to cover potential loan losses. Provisioning of loan losses should be classified as mentioned below:

Classification	Provision
Normal Loss at risk	2%
Below Normal	10%
Low Grade	50%
Loss Potential	75%
Loss	100%

(D) Appointment of Internal Audit

In order to maintain effective internal control mechanisms, internal auditors are essentially required for MFIs. The requirements for internal auditors are as follows.

- (1) University graduate holding accounting certificates or audit certificate
 - (2) At least one year experience in account and auditing
 - (3) More than two auditors will be required if there is a large number of clients
3. Above specifications and conditions will be modified in accordance with the market situation as required.

Win Aung
Director General

Reference No. nga.ka.sa/kaka-6(255/2014)

Date August 6, 2014

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