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‘General accounting: a key asset in the financial management of public administrations in the DRC: the case of Bungulu Commune in the town of Beni’

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ABSTRACT

The Democratic Republic of the Congo established its legal framework for public finances through Law ^{No.} 11/011 of 13 July 2011. Generally speaking, the crisis in public finances frequently observed in most public administrations and bodies in the DRC often raises questions about the accounting tools that would enable them to be managed rationally. Indeed,

public services apply public accounting. Essentially, this is a cash-based accounting system focused solely on the management of revenue and expenditure. The findings of this study have shown that the accounting practices in the Bungulu Commune still contain many shortcomings and imperfections, as they do not enable the public accountant to gain a clear picture of the entity's net position, nor to determine the net result at the end of the financial year. This is why this research seeks to propose a system of general accounting tailored to

public administrations, to be maintained in the same way as private enterprises, as this is a guarantee and an indispensable basic tool for better, sustainable financial management.

Keywords: general accounting; public accounting; financial management; public administration.

1. Introduction

The management of the Congolese public finances is currently carried out within a legal and institutional framework that is entirely unsuited to the context of the Constitution of 18 February 2006, which advocates, in particular, the autonomous administration of the provinces and the decentralisation implied by the provisions of Finance Act No.^o 83-003 of 23 February 1983, as amended and supplemented by Ordinance-Law No.^(o) 87-004 of 10 January 1987. This management system is no longer in line with the aforementioned Finance Act, although it does take into account certain innovations brought about by the reforms implemented by the government since 2002, primarily concerning the actors in the expenditure chain, the carry-over of appropriations from one year to the next, and the budgetary classifications of expenditure and revenue. Hence, it was necessary to bring legislation on public finances into line with the Constitution and to formalise the reforms that had been initiated (Kambale Kyakakala, 2017).

In every public administration, public accounts are maintained to record revenue and expenditure (Kaniki Nzambi, 2018). However, this system often faces a number of challenges (transparency, efficiency, forecasting, multi-year investment, etc.). As a stopgap measure, Act No. 11/011 of 13 July 2011 proposes innovations (reforms) to diversify the types of accounts to be maintained within state bodies and departments (administrative, budgetary, material and general state accounts). These accounting systems are in line with the principle of state budgets by objectives, which must be set out by programme, unlike the budgets commonly used, which are presented by type of expenditure (resource-based budgets). An input-based budget is simpler to draw up and implement than a programme-based budget. The former authorises expenditure but does not specify why it should be authorised. Conversely, a programme-based budget is more complex to draw up and implement than an input-based budget, but it is the only one that enables public policies to be implemented through a budget, which serves as an instrument for operationalisation (Jean Mathis, 2012). By focusing our research on **the maintenance of general accounts – a strength of public administration management in the DRC: the case of the Bungulu Commune in the town of Beni** – we aim to propose a pragmatic (appropriate)

management model based on accounting and financial management principles tailored to public administration.

Indeed, in order to present a true and fair view of the Decentralised Territorial Entity and to arrive at a year-end accounting result, the recording of all financial transactions should be underpinned by administrative accounting, budgetary accounting and inventory accounting, but also – and above all – by general accounting tailored to public administrations. This forms the central theme of this analysis, which, moreover, remains an exploratory study and a first step towards the transition from public accounting to the accounting practices of private enterprises. To support this objectively, we approach public finances solely from the perspective of general accounting, with a view to implementing the reforms envisaged in the sector. To achieve this, the following research question has guided our approach: does the public accounting system currently applied in the Municipality of Bungulu enable the value of the entity's assets to be measured accurately, with a view to complying with the provisions of the Public Finance Act and determining the net profit at the end of the period? In light of this issue, this analysis is based on the following hypothesis: the public accounting system currently applied in the Municipality of Bungulu is incomplete and unsuitable for accurately measuring the value of the entity's assets and does not allow for the determination of the net result at the end of the financial year. Consequently, it cannot meet the requirements of the Public Finance Act in the Democratic Republic of the Congo. Upon completion of this research, we believe that this study will contribute to the improvement and management of public finances, and more specifically to the public accounting system applicable within public administrations in the Democratic Republic of the Congo, and in particular in the Municipality of Bungulu. To this end, this study sets out the following objectives: to propose a model for general accounting tailored to the public sector, which will enable the Municipality of Bungulu to monitor the utilisation of appropriations and ensure the traceability of revenue, as well as to regularly report on the current stock levels of tangible and intangible assets, securities and other assets across different financial years. To achieve these objectives, we employed a descriptive method underpinned by an accounting approach. These two approaches have enabled us, on the one hand, to describe the conduct of public accounting at the level of the Municipality of Bungulu and, on the other hand, the accounting approach has enabled us to gain a clear understanding of the recording of the Municipality of Bungulu's revenue and expenditure, as well as to propose a general accounting model suited to this Decentralised Territorial Entity. Furthermore, this approach has enabled us, through the application of the new public accounting reforms,

to convert the accounting systems for appropriations, materials and investments into a general government accounting system.

For data collection, we employed a combination of documentary research and open-ended interviews. The documentary research enabled us to review the accounting and budgetary records of the Municipality of Bungulu and to compile theories relating to public finance from a wide range of publications. Furthermore, the open-ended interview technique enabled us to speak with officials from the Municipality of Bungulu in order to obtain raw data verbally through these interviews. However, to ensure we remained true to the scope of the study, we prepared an interview guide containing only the questions to which they were asked to respond.

2. Attempt to apply general accounting principles at the Bungulu Local Authority level

2.1. Understanding the existing accounting system

In the centralised system, transactions are extracted, classified and grouped by nature, and recorded in subsidiary or divisional journals on a day-to-day basis. At the end of each period, the entity carries out centralisation, that is, the transfer of entries from the subsidiary journals into a journal known as the general journal, prior to posting them to the general ledger. In all cases, this system uses the same accounting records (Augustin Mapapa and Robert Manda, 2015). Having analysed all these systems, we note that the Municipality of Bungulu does not currently apply any of them. Generally speaking, our investigations have revealed that this municipality records revenue and expenditure in a cash book, adhering to the cash basis principle, which stipulates that 'if the total revenue is to be used to cover all expenditure, the same cash account must receive all revenue regardless of its source'. Nevertheless, we recommend that the Municipality of Bungulu adopt the centralised system, as this is a system used in large organisations, which includes Decentralised Territorial Entities. This system involves the use of subsidiary ledgers, which, where applicable, should be maintained as part of the chief accountant's division of labour. Indeed, the chief accountant must delegate certain tasks to assistant accountants. We therefore propose that, within the Bungulu Municipality, an assistant accountant be appointed to be responsible for.

2.2. Analysis of the accounting records kept at the Municipality of Bungulu

2.2.1. Documents recording the utilisation of funds and the traceability of revenue at the Municipality of Bungulu

Revenue traceability involves mapping out the various stages of the collection of funds at local authority level. To record a public revenue item – or, in other words, to ensure revenue traceability – the accounting officer follows four stages: recognition, settlement, authorisation and collection of the public revenue. Recognition is a stage in the collection of public funds whereby the Accounting Collector verifies the existence of a public claim to be collected. At this stage, the Deputy Mayor and the credit manager, assisted by their staff, identify the revenue-generating units by mapping taxpayers. Settlement involves calculating the amount payable. For the settlement of revenue in the Municipality of Bungulu, the following procedure is followed:

- The use of a municipal register to be sent to the printers and countersigned by the credit manager and the credit controllers;
- Printing the revenue forms to be distributed to the sector;
- Obtaining a certificate of conformity for the forms containing various headings; and finally, the issue of a delivery note. Authorisation involves a collection order issued by the delegated authorising officer. At this stage, the revenue forms are forwarded to the authorisation centre for stamping, i.e. For coding, in order to convert these revenue forms into cash.

Collection is the transfer of money from the State's debtor – generally the taxpayer – to the State treasury. At this stage, the payment forms are presented to taxpayers and those liable for tax so that they may fulfil their duties or obligations, following which the debt repayment phase commences. In the event of negligence or default on the part of the taxpayer, enforcement or compulsory recovery is carried out by tax officials; this involves sending a formal notice to those liable for tax; referring the case to the public prosecutor's office; and, finally, sealing the taxpayer's business premises. The municipality's revenue comes mainly from taxes and duties collected by the municipality, but also from revenue from retrocessions, although this is currently irregular. Generally, the document recording the revenue of a Decentralised Territorial Entity, such as the Municipality of Bungulu, is the receipt. This includes the following details: the name of the

collector, the amount to be collected in figures and words, the date and the signature.

2.2.2. Documents recording the cash balance

The cash book serves as evidence of the cash balance. The auxiliary cash book is kept on a daily basis by the public accountant, with all monthly expenditure and revenue s ultimately being transferred to the cash book (form 35C-75A). The cash book includes the transaction number, the date, the description, the amount of revenue, the amount of expenditure and, finally, the balance.

2.2.3. Other documents maintained in the public accounts

The annual report is a document that summarises the revenue received and expenditure incurred during a year. It is presented in the form of a table, the revenue section of which lists, in the first column, the type (code); in the second, the budget heading; in the third, the forecast revenue; in the fourth, the revenue received; in the fifth, the amount still to be recovered; and the final column is reserved for bonuses. As regards expenditure, the table contains a number of columns showing the nature, the budget heading, the projected expenditure, expenditure incurred and paid, expenditure still to be covered and, finally, the overspend. Based on the new Public Finance Act, we note that the annual report does not enable the Decentralised Territorial Entity to present the value of its assets accurately. To achieve this, the entity would need to draw up an internal balance sheet showing its assets on one side and its liabilities on the other. It is for this reason that this study seeks to propose a method for maintaining general accounts tailored to Decentralised Territorial Entities by setting out the annual financial statements that must be prepared.

2.3. Challenges in implementing accounting reforms in the Municipality of Bungulu

Following our research, we found that the Municipality of Bungulu has not yet implemented the accounting reforms proposed by the 2011 Finance Act, specifically the general accounting system, as it uses a single-entry accounting system; that is to say, it merely records revenue and expenditure in order to arrive at the final balance. With single-entry bookkeeping, there is only one account for every transaction. Generally speaking, the single-entry bookkeeping system used by the Municipality of Bungulu regularly encounters the following problems: assets are not tracked and, as a result, can easily be lost or stolen; liabilities are not tracked, which affects payments; it is not possible to carry out a proper audit at the Bungulu Municipality level because the

financial information presented to date is incomplete; errors are more common as transactions are recorded in a single account; and, finally, the amount of information available for the purpose of producing financial reports is significantly less. It is in light of these difficulties that the ‘ ’ reform of the Public Finance Act (*LOFIP*)^{No. 11/011 of 13 July 2011} recommends that public accounting be carried out on a double-entry basis in order to address the major challenge encountered during the implementation of the budgets of Decentralised Territorial Entities. In light of this, it is now our responsibility to propose the implementation of regular general accounting practices that take account of the aforementioned reforms.

2.4. A pilot study on the implementation of general accounting in the Municipality of Bungulu

In this section, we propose that the Bungulu Municipality maintain regular general accounting records, whilst also suggesting the use of a number of documents to be drawn up in order to visualise the financial position and enable a sound financial analysis. These include, amongst others, the balance sheet, the journal, the general ledger and the profit and loss account, which are accounting documents used to record accounting and financial transactions.

2.4.1. The Opening Balance Sheet

This balance sheet is the one drawn up at the start of a financial year. Indeed, it must correspond to the closing balance sheet as at 31 December of the previous year, in accordance with the principle that the opening balance sheet is fixed. Thus, for the purposes of this study, the current financial year coincides with the 2017 budget year. The balance sheet referred to here is drawn up on the basis of the annual accounting reports of the Municipality of Bungulu and information provided by the municipal authorities. For the purposes of this study, to distinguish it from private-sector accounting, we have included the municipality’s code – **180202** – after each account.

Table 1: Opening balance sheet as at 1 July 2017 in Congolese francs.

Account heading	Description	Gross Value	Depreciation	Net Value
22180202	Fixed assets			3 7950 000.00
23180202	Land	-	-	5,4450,000.00
244180202	Buildings	-	-	8,580,000.00
248180202	Equipment & Furniture	-	-	1,988,000.00
	Other equipment	-	-	
Sub-total		-	-	102,968,000.00
334180202	Current assets			511,500.00
411180202	Supplies and other stock	-	-	72,044,229.25
	Receivables	-	-	
Sub-total		-	-	72,555,729.25
50180202	Cash and cash equivalents			80,000.00
52180202	Securities equivalent to cash	-	-	1,553,810.00
57180202	Bank	-	-	87,700.00
	Cash	-	-	
Sub-total		-	-	17,721,510.00
Grand total		-	-	177,245,239.30
Liabilities				
102180202	Capital by allocation	-	-	177,054,979.30
Sub-total		-	-	177,054,979.30
401180202	Suppliers, office supplies and other	-	-	190,260.00

Sub-total	-	-	190,260.00
Grand total	-	-	177,245,239.30

Source: Bungulu Municipality Annual Report 2017

A review of this table reveals the various balance sheet totals, with fixed assets amounting to **102,968,000.00 Fc** and current assets amounting to **72,555,729.25 Fc**; cash and cash equivalents of **1,721,510.00 Fc** on the assets side of the balance sheet. Conversely, the liabilities side shows capital from endowment of **177,054,799.30 Fc** and office supplies of **190,260.00 Fc**. In accordance with the principle of balance sheet equilibrium, the total liabilities equal the total assets at **177,245,239.30 Fc**.

2.4.2. The journal

The journal is an accounting document in which accounting entries relating to transactions carried out by an organisation – in this case, the Municipality of Bungulu – are recorded on a day-to-day basis. Indeed, given the scale of the transactions carried out within the Municipality of Bungulu, we have adopted the classical or Italian system for recording accounting and financial information. However, it is important to note that the information recorded in the journal is taken from the annual accounts, specifically the section presenting the revenue and expenditure incurred during the 2017 financial year.

Table 2: The journal.

No.	Account		Description	Amount	
	D	C		D	C
1			Land		
			Building		
	22180202		Equipment & Furniture	37,950,000.00	
	23180202		Other Equipment	54,450,000.00	
	244180202		Supplies & other stock-	8,580,000.00	
	248180202		Receivables	1,988,000.00	
	334180202		Cash equivalents	511,500.00	
	411180202		Banks/TMB	72,044,229.25	
	50180202		Cash	80,000.00	
	52180202		to Capital through allocation	1,553,810.00	
	57180202	102180202		87,700.00	177,054,979.30
		401180202	Trade payables, supplies		190,260.00
			Opening balance		

2	52180202		Bank		
			Cash		
	57180202	706180202	Services sold	16,199,400.00	23,644,800.00
		707180202	Incidental income	43,874,845.50	2,023,0045.50
		71180202	Operating subsidies		161,999,400.00
			Cash and bank receipts		
3	57180202		Cash		
		52180202	to Bank and cash on hand	35,046,400.00	35,046,400.00
			Internal transfer		
4	57180202		Cash		
		411180202	Receivables	510,250.00	510,250.00
			Payment and settlement of receivables		
5	6041180202		Stockpiled purchases of consumable materials and supplies	7,615,872.25	
			Other purchases (electricity)	7,344,104.00	
	605180202		Transport for shopping	348,150.00	
	61180202		Maintenance, repairs and servicing	2,450,300.00	
	624180202		Studies, research and documentation	4,617,500.00	
	626180202		Telecommunications costs		
	628180202		Transfers and payments	2,194,200.00	
	65180202		to cash desk	3,819,100.00	
		57180202	Cash withdrawal voucher		
					28,389,226.25

6	23180202 244180202	57180202	Buildings (toilets) Equipment and furniture to Cash Cash withdrawal vouchers for investments	6,314,800.00 6,620,420.00	12,935,220.00
7	66180202	42180202	Staff costs to staff Breakdown of expenses	20,634,139.00	20,634,139.00
8	42180202	57180202	Staff Cashier's office Cash withdrawal slips and transfer orders	20,634,139.00	20,634,139.00
9	6033180202	33180202	Change in stock of supplies and other supplies Used in production	511,500.00	511,500.00
10	33180202	68180202	Other supplies (consumables) to V.S. other supplies Final stock takings	89,100.00	89,100.00
Grand total				356,069,459.10	356,069,459.10

Source: Bungulu Municipality Annual Report 2017

From this table, we can see that the first entry reflects the opening balance as shown in Table 4, followed by the entry recording the receipt of revenue. It appears that the total debits equal the total credits. This explains the arithmetic accuracy of our journal.

2.4.3. The General Ledger

In this document, we classify all the transactions recorded in the journal. It therefore presents all the accounts from the journal with their corresponding balances and the debit and credit totals. To save space, we do not present the General Ledger in this study. However, the transfer of accounts from the journal to the General Ledger is verified by the Trial Balance, which is in fact a tool for checking and interpreting the figures.

2.4.4. The Trial Balance

Accounting checks – that is, checks on journal entries – are carried out by drawing up a trial balance. This is defined as a table setting out the accounts in the General Ledger, showing the total amounts on the debit and credit sides and the resulting balances. In practice, it should be noted that the following trial balances are prepared: pre-inventory or provisional, post-inventory and final.

The pre-inventory or provisional trial balance:

Table 3: The pre-inventory trial balance.

Accounting entry	Account headings	As at 01/01/2017 Movements				As at 31/12/2017	
		D	C	D	C	D	C
102180202	Capital by allocation	-	177,054,979.30				177,054,979.30
22180202	Land	37,950,000.00	-			37,950,000.00	-
23180202	Building	54,450,000.00	-	6,314,800.00	-	60,764,800.00	-
24180202	Equipment and Furniture	8,580,000.00	-	6,620,420.00	-	15,200,420.00	-
248180202	Other equipment	1,988,000.00	-	-	-	1,988,000.00	-
3341180202	Supplies & other stock	511,500.00	-	89,100.00	511,500.00	89,100.00	-
401180202	Suppliers	-	190,260.00	-	-	-	190,260.00
411180202	Receivables	72,044,229.25	-	-	510,250.00	71,533,979.25	-
42180202	Staff	-	-	20,634,139.00	20,634,139.00	-	0
50180202	Securities equivalent to cash	80,000.00	-	-	-	80,000.00	-
52180202	Bank	1,553,810.00	-	16,199,400.00	17,523,200.00	230,010.00	-
57180202	Cash	87,700.00	-	61,908,295.50	61,958,585.25	37,410.25	-
58180202	Internal transfer	-	-	17,523,200.00	17,523,200.00	0	-
6033180202	Change in trade payables	-	-	511,500.00	89,100.00	422,400.00	-
604180202	Purchases of materials held in stock.	-	-	7,615,872.25	-	7,615,872.25	-
605180202	Other purchases	-	-	7,344,104.00	-	7,344,104.00	-

61180202	Transport	-	-	348,150.00	-	348,150.00	-
624180202	Servicing, repairs and maintenance	-	-	2,450,300.00	-	2,450,300.00	-
626180202	Studies, research and documentation	-	-	4,617,500.00	-	4,617,500.00	-
628180202	Telecommunications costs	-	-	2,194,200.00	-	2,194,200.00	-
65180202	Transfer and intervention	-	-	3,819,100.00	-	3,819,100.00	-
66180202	Staff costs	-	-	20,634,139.00	-	20,634,139.00	-
706180202	Services sold	-	-	-	23,644,800.00	-	23,644,800.00
707180202	Incidental income	-	-	-	20,230,045.50	-	2,023,0045.50
71180202	Revenue transferred	-	-	-	16,199,400.00	-	16,199,400.00
Grand total		177,245,239.30	177,245,239.30	178,824,219.80	178,824,219.80	237,319,484.80	237,319,484.80

Source: Data from the journal above.

In view of this table, we note that the debit totals equal the credit totals and correspond to the total of the journal entries. Furthermore, the debit balances correspond to the credit balances. Consequently, we confirm that the posting of entries from the journal to the general ledger has been carried out correctly. However, it should be noted that the provisional trial balance does not take into account certain information, the omission of which may alter the result and, consequently, the true and fair view of the entity. Thus, these adjusting and accrual entries lead to the preparation of the trial balance after stocktaking.

The Trial Balance after stocktaking:

It is drawn up following adjustments, accruals and adjustments, and the physical or off-balance-sheet inventory work.

Table 4: Balance Sheet after stock-taking.

Accounting Entry	Headings	As at 01/01/2017		Transactions		As at 31/12/2017	
		D	C	D	C	D	C
102180202	Capital by allocation	-	177,054,979.3				177,054,979.3
22180202	Land	37,950,000.0	-			37,950,000.0	-
23180202	Building	54,450,000.0	-	6,314,800.0	-	60,764,800.0	-
24180202	Equipment and Furniture	8,580,000.0	-	6,620,420.0	-	15,200,420.0	-

248180202	Other equipment	1,988,000.0	-	-	-	1,988,000.0	-
28180202	Depreciation	-	11,326,480.0	-	-	-	11,326,480.0
3341180202	Supplies & other stock	511,500.0	-	89,100.0	511,500.0	89,100.0	-
401180202	Suppliers	-	190,260.0	-	-	-	190,260.0
411180202	Receivables	72,044,229.2	-	-	510,250.0	71,533,979.2	-
42180202	Staff	-	-	20,634,139.0	20,634,139.0	-	0
50180202	Securities equivalent to cash	80,000.0	-	-	-	80,000.0	-
52180202	Bank	1,553,810.0	-	16,199,400.0	17,523,200.0	230,010.0	-
57180202	Cash	87,700.0	-	61,908,295.5	61,958,585.2	37,410.2	-
58180202	Internal transfer	-	-	17,523,200.0	17,523,200.0	0	-
6033180202	Change in stock of supplies	-	-	511,500.0	89,100.0	422,400.0	-
604180202	Purchases of materials held in stock.	-	-	7,615,872.2	-	7,615,872.2	s-
605180202	Other purchases	-	-	7,344,104.0	-	7,344,104.0	-
61180202	Transport	-	-	348,150.0	-	348,150.0	-
624180202	Servicing, repairs and maintenance	-	-	2,450,300.0	-	2,450,300.0	-
626180202	Studies, research and documentation	-	-	4,617,500.0	-	4,617,500.0	-
628180202	Telecommunications costs	-	-	2,194,200.0	-	2,194,200.0	-
65180202	Transfer and intervention	-	-	3,819,100.0	-	3,819,100.0	-
66180202	Staff costs	-	-	20,634,139.0	-	20,634,139.0	-
68180202	Depreciation charges	-	-	11,326,480.0	-	11,326,480.0	-
706180202	Services sold	-	-	-	23,644,800.0	-	23,644,800.0
707180202	Incidental income	-	-	-	20,230,045.5	-	2,023,0045.5
71180202	Revenue transferred	-	-	-	16,199,400.0	-	16,199,400.0

Grand total	177,245,239.3	177,245,239.3	190,150,699.8	190,150,699.8	248,645,964.8	248,645,964.8
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Source: Our own

This table shows that the total debits and credits are equal. This trial balance differs from the previous one in that it includes depreciation charges. Based on the above, we prepare the profit and loss account using the figures from the trial balance after stocktaking.

2.4.5. Profit and Loss Account

The profit and loss account contains the significant operating balances. These result from the consolidation, at the end of the financial year, of all income and profit accounts, as well as those relating to expenses and losses associated with the company's normal business activities (Augustin Mapapa Mbangala, 2016).

Table 5: The profit and loss account.

Ref.	Headings	Amounts
TA	Sales of goods (A)	0
RA	Purchase of goods	0
RB	Changes in stock levels	0
XA	Gross profit (TA+RA+RB)	0
TB	Sales of manufactured products (B)	0
TC	Work and services sold (C)	23,644,800.00
TD	Incidental income (D)	20,230,045.50
XB	Turnover (B+C+D)	43,874,845.50
TE	Stocked production	0
TF	Capitalised production	0
TG	Operating grant	16,199,400.00
TH	Other income	0
TI	Transfer of operating expenses	0
RC	Purchases of raw materials and office supplies	0
RD	Change in stock of materials and office supplies	0
RE	Other purchases and stock of supplies	-14,959,976.25

RF	Change in stock of other supplies	-422,400.00
RG	Transport costs & errands	-348,150.00
RH	External services	-9,262,000.00
RJ	Transfers and other service charges	-3,819,100.00
XC	Added value	31,262,619.25
RK	Staff costs	-20,634,139.00
XD	Gross operating surplus	10,628,480.25
TJ	Reversal of depreciation, provisions and write-downs	0
RL	Allocation to depreciation, provisions and write-downs	-11,326,480.00
XE	Operating profit	-697,999.75
TK	Financial and similar income	0
TL	Reversal of provisions and financial write-downs	0
TM	Transfer of financial expenses	0
RM	Financial expenses & similar charges	0
RN	Allocation to provisions and financial write-downs	0
XF	Financial result	0
XG	Profit from ordinary activities	-697,999.75
TN	Proceeds from disposals of fixed assets	0
TO	Other income	0
RO	Carrying amounts of fixed assets disposed of	0
RP	Other expenses (excluding operating expenses)	0
XH	Profit/loss excluding ordinary operating activities	0
RO	Employee profit-sharing	0

RS	Income tax	0
XI	Net profit	-697,999.75

Source: Balance sheet after stock-taking

On examining this table, a net loss of **697,999.75 Fc** is apparent. This leads us to confirm that most Decentralised Territorial Entities, including the Municipality of Bungulu, are in need of funding. It should be noted that the operating accounts are closed at the end of the financial year. Consequently, they are settled in the profit and loss account, which is duly recorded. Consequently, we draw up the final balance sheet, which shows only the balance sheet accounts or equity accounts.

Table 6: Final Balance Sheet.

Allocation	Headings	As at 1 January 2017		Movements		As at 31 December 2017	
		D	C	D	C	D	C
102180202	Capital by allocation	-	177,054,979.30	-	-	-	177,054,979.30
139180202	Net profit for the financial year	-	-	697,999.75	-	697,999.75	-
22180202	Land	37,950,000.00	-			37,950,000.00	-
23180202	Building	54,450,000.00	-	6,314,800.00	-	60,764,800.00	-
24180202	Equipment and Furniture	8,580,000.00	-	6,620,420.00	-	15,200,420.00	-
248180202	Other equipment	1,988,000.00	-	-	-	1,988,000.00	-
283180202	Depreciation of building	-	-	-	6,795,888.00	-	6,795,888.00
284180202	Depreciation of plant and equipment	-	-	-	3,397,944.00	-	3,397,944.00
2848180202	Depreciation of other equipment	-	-	-	11,326,480.00	-	11,326,480.00
3341180202	Supplies & other stock	511,500.00	-	89,100.00	511,500.00	89,100.00	-
401180202	Suppliers	-	190,260.00	-	-	-	190,260.00
411180202	Receivables	72,044,229.25	-	-	510,250.00	71,533,979.25	-
42180202	Staff	-	-	20,634,139.00	20,634,139.00	-	0
50180202	Securities equivalent to cash	80,000.00	-	-	-	80,000.00	-

52180202	Bank	1,553,810.00	-	16,199,400.00	17,523,200.00	230,010.00	-
57180202	Cash	87,700.00	-	61,908,295.50	61,958,585.25	37,410.25	-
Grand total		177,245,239.3	177,245,239.30	91,830,015.25	91,830,015.25	188,571,719.30	188,571,719.30

Source: Ourselves

From this table, we can see a net profit for the financial year of **697,999.75 Fc**, and the debit figures correspond to the credit figures. This enables us to draw up the closing balance sheet for the Municipality of Bungulu for the 2017 financial year.

Table 7: Closing balance sheet as at 31 December 2017.

Account heading	Description	Gross Value	Depreciation	Net Book Value
	<u>Fixed assets</u>			
22180202	Land	37,950,000.00	-	37,950,000.00
23180202	Buildings	60,764,800.00	6,795,888.00	53,968,912.00
24180202	Equipment & Furniture	15,200,420.00	3,397,944.00	11,802,476.00
248180202	Other equipment	1,988,000.00	1,132,648.00	855,352.00
Sub-total		115,903,220.00	11,326,480.00	104,576,740.00
	<u>Current assets</u>			
334180202	Stock of supplies and other items	89,100.00	-	89,100.00
411180202	Receivables and similar items	71,533,979.25	-	71,533,979.25
Sub-total		71,623,079.25	0	71,623,079.25
	<u>Cash and cash equivalents</u>			
50180202	Securities equivalent to cash	80,000.00	-	80,000.00
52180202	TMB/BENI Bank	230,010.00	-	230,010.00
57180202	Central Cash Office	37,410.25	-	37,410.25
Sub-total		347,420.25	-	347,420.25

Grand total		187,873,719.50	11,326,480.00	176,547,239.50
Liabilities				
	Equity			
102180202	Capital through allocation	-	-	177,054,979.30
1301180202	Net profit			697,999.75
Sub-total		-	-	176,356,979.60
	Current liabilities			
40180202	Suppliers of office supplies	-	-	190,260.00
Sub-total		-	-	190,260.00
Cash and cash equivalents		-	-	0
Total liabilities		-	-	176,547,239.50

Source: Final balance sheet above

Looking at this table, a loss of **697,999.75 Fc** is apparent. This figure is equal to the result determined when the profit and loss account was drawn up. This illustrates the principle of double-entry bookkeeping. Based on the above, we note that the general accounting system proposed above provides financial information for the 2017 financial year of the Municipality of Bungulu and produces an accounting result capable of guiding managers. Consequently, this financial information is analysed using key indicators to assess the financial health of the organisation, including its cash position.

2.4.6. The Cash Flow Statement

It is important to note that the cash flow statement is a technique used to reconcile the results for the financial year with the organisation's cash position.¹ In the context of our study, the cash flow statement provides us with relevant information on the Municipality of Bungulu's ability to generate cash and how it utilises this cash during a financial year. Based on the principle that the opening balance sheet figures are fixed (), we will draw up the cash flow statement using the opening and closing balance sheets for the 2017 financial year, as mentioned above.

¹ A. MAPAPA MBANGALA, op. cit., p. 178

Table 8: Cash Flow Statement.

REF	Headings	Amounts
ZA	Cash assets 2016 – Cash liabilities 2016	1,721,510.00
FA	CAFG	10,628,480.25
FB	Change in current assets	+932,650.00
ZB	Cash flow from operating activities	11,561,130.25
FF	Fixed Assets for the 2017 Financial Year	104,576,740.00
FG	Fixed assets for the 2016 financial year	-102,968,000.00
FH	Depreciation for the 2017 financial year	+932,650.00
ZC	Cash flow from investment activities	12,935,220.00
FK	Change in capital due to allocation	0
FL	Investment grant received	0
FM	Dividends paid	0
ZD	Cash flow from equity capital	0
FO	+Loans	0
FP	+Other financial liabilities	0
FQ	-Repayment of loans and other liabilities	0
ZE	Cash flow from external capital	0
ZF	Cash flow from financing activities	0
ZG	Change in net cash for the period	-1,374,089.75
ZH	Net cash position as at 31 December 2017 (ZG+A)	347,420.25
	Check: TA 2017 – TP 2017 (347,420.25 – 0)	347,420.25

Source: Our own calculations based on the opening and closing balance sheets for the 2017 financial year

This table reveals a funding shortfall. This means that, in the Bungulu Municipality, expenditure totalling **12,935,220.00 Fc** exceeds the resources, which are estimated at **11,561,130.25 Fc**. This situation highlights a negative variance of **1,374,089.75 Fc**, which explains the decline in cash holdings. To this end, we recommend that the municipal authorities draw on the cash credit facility to make up for the shortfall in funding and thereby achieve a balanced budget.

General conclusion

At the conclusion of this study, which focuses on **‘General accounting: an asset for the management of public administrations in the DRC – the case of the Bungulu Commune in the town of Beni’**, it is important to review its main points and briefly present the findings to which it has arrived. Our research question was summarised as follows: does public accounting, as applied at the level of the Bungulu Commune, enable the value of the administrative entity’s assets to be accurately measured, with a view to complying with the provisions of the Public Finance Act and determining a net result at the end of the period? In response to this concern, we put forward the following hypothesis: public accounting as applied at the level of the Bungulu Municipality is incomplete and unsuitable for accurately measuring the value of assets and does not allow a net result to be determined at the end of the financial year.

Verifying this hypothesis required the use of the descriptive method and the accounting approach. The descriptive method enabled us to describe the conduct of public accounting within the Bungulu Municipality, whilst the accounting approach enabled us to gain a clear understanding of how revenue and expenditure are recorded in the Bungulu Municipality. To support these methods, this study utilised the documentary technique and open-ended interviews. The documentary technique helped us to review the accounting and budgetary documentation of the Bungulu Municipality and to compile all the relevant theories on public finance from the literature available to us.

Furthermore, the open-ended interview technique proved useful during our interviews with officials from the Bungulu Local Authority, as it enabled us to obtain, verbally, the raw data essential to this research. Based on the results of our analysis, we found that the Bungulu Local Authority maintains a system of public accounting which we have characterised as cash-based accounting, as it does not allow for an accurate measurement of the value of its assets; in other words, it records only revenue and expenditure in the auxiliary cash book (form 35C-75A). It is with this in mind that we have confirmed our hypothesis that the accounting system currently

applied in the Municipality of Bungulu is inadequate for measuring the value of the entity’s assets and determining the year-end result, as it still exhibits many shortcomings in practice and does not allow the accountant to gain a clear picture of the entity’s net position, nor to determine the net result at the end of the period. This has led us to propose an appropriate general accounting system, which should be maintained on a regular basis, to enable the managers of public bodies – in this case, Decentralised Territorial Entities – to practise sound management and make financial decisions based on reliable, well-prepared information.

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