



**POLICY ENHANCEMENT AND PRODUCTIVITY PROJECT**

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# **STANDARD CHART OF ACCOUNTS**

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## ACRONYMS

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BCIE	Banco Centroamericano de Integración Económica
CNBS	National Banking and Insurance Commission
CPA	Certified Public Accountant
DPSB	Data Processing Service Bureau
FACACH	Honduran Federation of Credit Unions
FINCA	Foundation for International Community Assistance
FONAPROVI	Fondo Nacional para Producción y Vivienda
FOPRIDEH	Federation of Private Development Organizations
IAS	International Accounting Standards
IHDECOOP	Honduran Institute for Cooperatives
IPCA	Inspectora y Protectora de Cooperativas de Ahorro y Crédito de Honduras
OPDF	Private Financial Development Organization
OPD	Private Development Organization
USAID	United States Agency for International Development



## Executive Summary

The purpose of this assignment is to find an accounting solution to the challenging task of evaluating, comparing and grading the financial condition and performance of those private financial development organizations (OPDFs) and credit unions in Honduras that receive financial support from international donor agencies, but which, based on the theory that they do not receive deposits from the general public<sup>1</sup>, are not being supervised by the National Banking and Insurance Commission (CNBS).

The CNBS considers that its mandate does not include the supervision of financial institutions that are not allowed to accept deposits from the general public and, even if it did, it presently lacks the resources to effectively accomplish that task. Left to their own devices, OPDFs and credit unions do not feel compelled to adopt a unified manual of generally acceptable accounting and financial reporting standards. Consequently, as there is no uniformity or transparency in their financial records or reports, their creditors and donors are denied the means to reasonably evaluate their financial condition or performance or to effectively compare them against their own peer group.

Most OPDFs and credit unions claim that they apply the accounting practices that are appropriate for nonprofit organizations<sup>2</sup> but, it is generally recognized in Honduras, that there is no uniformity in their charts of accounts, definitions, accounting practices or performance indicators. The absence of transparency in the system forces international organizations to protect their programs by using a wide variety of contracts, often with many restrictions, in an attempt to ensure that their loans and donations are actually used for their intended purposes.

On the other hand, there are good accounting manuals for financial institutions available in Honduras. The CNBS has a very good manual for the financial institutions under its supervision. It also conforms to the International Accounting Standards (IAS). The federation of credit unions, FACACH, endorses a good manual that was originally developed with USAID assistance, and which is kept updated by an affiliated organization, IPAC. However, neither FACACH nor IPAC has the enforcement authority possessed by the CNBS. Consequently, only 47 cooperatives, out of the 104 that constitute FACACH's membership, have voluntarily adopted the IPAC manual in whole or in part.

During a meeting on May 25, 2000 with the CNBS, we were informed that they will start supervising credit unions in the second half of this year. As the CNBS claims that it lacks sufficient assets to deploy for the on-site and off-site examination of an additional 104 institutions, they intend to implement their decision gradually. The first stage will cover the direct supervision of the eight largest credit unions. The rest will be supervised indirectly,

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<sup>1</sup> In fact, many credit unions accept deposits from non-members and OPDFs accept savings deposits from their borrowers, which are euphemistically called "guarantee deposits."

<sup>2</sup> The most comprehensive compendium of the practices is contained in the auditing manual for non-profit organizations published by the American Institute of Certified Public Accountants (AICPA) in New York.

through means that still have to be decided. Perhaps the CNBS will attempt to qualify some organization, such as IPAC, to conduct the supervision of the smaller credit unions. What seems probable, if not yet certain, is that the credit unions will have to adopt and comply with either the CNBS Manual or a hybrid of the CNBS and IPAC manuals. The latter would have to be evaluated and approved by the CNBS.

The CNBS decision to supervise the credit unions does not mean that the scope of this project is diminished, because there may be delays in the actual implementation of that decision or, in the end, the smaller cooperatives could be left without effective supervision. Passage into law of the “Covelo bill” would bring about CNBS supervision only over those OPDFs that meet the proposed minimum capital requirement of 10 million Lempiras or US\$ 679,340. The small OPDFs would then have to be liquidated or left without any supervision. Therefore, the need to unify and improve the accounting and financial reporting practices of the non-regulated financial institutions will continue to be a serious problem that needs a solution.

We found that the CNBS Accounting Manual, which includes a complete chart of accounts and definitions, is logically organized in the traditional sequence generally used by financial institutions. All accounts are numbered and, those that need to be, have definitions that are concise, yet generally adequate and clear. The manual is as comprehensive and detailed as is necessary to provide the CNBS with sufficient financial information to effectively supervise the Honduran banking system<sup>3</sup>. The Manual is also adequate in terms of complying with current international best accounting practices, particularly for banks operating in Honduras, considering that the Honduran financial system is still relatively modest, with a small securities market and practically no derivatives to speak of. Although there is always some room for minor improvements, and occasionally for more clarity, the manual has enough accounts to record any type of transaction that Honduran banks are legally allowed to engage in at present.

We found that the IPAC-FACACH combination of accounting manual and key indicators is logically organized, easy to follow, very comprehensive, and thorough in terms of definitions and instructions on how to post the appropriate accounting entries. We found this combination to be generally adequate and it might be acceptable for more widespread use, after a few deficiencies are corrected. The Fundacion Covelo proposed chart of accounts is remarkably similar to the IPAC chart but, at this stage of its development, it either lacks definitions or they were not ready to provide them to us.

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<sup>3</sup> However, effective supervision also requires that the CNBS have the means to ensure compliance with its accounting and reporting rules, and that it can deploy the assets required to periodically and adequately verify the completeness and accuracy of the internal records maintained, and the reports submitted, by the financial institutions under its supervision. It should also be noted that many banks are able to shield certain activities from regulatory scrutiny through offshore banks or corporations, or through off-balance sheet transactions, that are structured to avoid recording them in the appropriate contingent or memorandum accounts.

We prepared a tentative chart of accounts for non-regulated financial institutions, based mainly on the account numbers and nomenclature used by the CNBS, with some influence from the IPAC-FACACH nomenclature for the capital accounts. As for definitions, there is no need to write new ones: We recommend the ones contained in the CNBS manual, except for the capital accounts section, where the ones used by the IPAC-FACACH are more suitable for nonprofit organizations. But, even more importantly, we recommend the adoption of the loan classification and loan loss reserve standards established by the CNBS, in order to bring uniformity and coherence to the measurement of the portfolio at risk (PAR) in non-regulated financial institutions.

It should be understood that micro lenders have to depend more heavily on payment experience than on risk analysis to classify their loans, because it is very costly to subject small loans to the rigors of credit analysis applied to corporate borrowers. Banks also classify their consumer loan portfolios based on their delinquency status. The solution to this challenge would be to apply to OPDFs and credit union personal loans portfolios the classification standards used by banks for consumer loans.

We then discussed our findings and recommendations with: FINCA, IPCA, FONAPROVI, Fundacion Covelo, FACACH and FOPRIDEH. As expected, they all agree that the CNBS manual is the most comprehensive, detailed and reliable, because it conforms to the International Accounting Standards. FONAPROVI, as a government lender to the Honduran financial system, would support the enforcement of the CNBS manual, its rules and regulations, across the board.

Fundacion Covelo and some large OPDFs would like to be supervised by the CNBS, to enable them to legally accept deposits from the general public. To achieve that goal, they submitted the “Covelo bill” to the legislature. However, the OPDFs and the credit unions, claim there should be some variances allowed for their particular circumstances. The most cogent arguments in this respect were made by FACACH: The existing Cooperatives Law sets the rules for payment of *excedentes* or profits to the members, and also establishes if, why and when, directors and officers of credit unions may be subjected to enforcement actions or removal. Current law also forbids the CNBS from charging supervisory or examination fees to credit unions. FACACH believes that all these issues, as well as the legal conflict between the Cooperatives Law and the CNBS Law, could be resolved by new legislation designed specifically for credit unions.

Both groups claim that they are already in the process of adapting their accounting manuals for compliance with the CNBS rules, and that they intend to submit their proposed versions, in due course, for evaluation and approval by the CNBS. In “due course” appears to mean waiting for the national legislature to pass those bills into law<sup>4</sup>. We were very well impressed by FOPRIDEH’s idea of creating a data processing service bureau. This would provide centralized accounting services to all or at least most of the smaller OPDFs, which cannot afford the

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4 For more than a year, the “Covelo bill” for OPDFs has been in the legislature. It would appear to be the logical complement to the FOPRIDEH bill for OPDs, as it specifically addresses the regulatory requirements for OPDFs. Coordinated efforts for passage by the proponents of the two bills are not evident.



software required to efficiently and uniformly post their entries, maintain their books and produce financial reports.

Our first recommendation is that the non-regulated financial institutions should be persuaded, or compelled by the international donors and the Honduran Government, or a combination of both, to either adopt the CNBS Manual (together with all the related rules and regulations) or, at a minimum, to adopt an abridged and slightly modified version of the CNBS Manual. The abridged version of the CNBS chart of accounts and indicators, that we prepared for this purpose, is attached to this report as Annex F. Either alternative should be established as a condition for qualifying any non-regulated financial institution as a beneficiary, borrower or intermediary of funds from donors and lenders. We hope that all the projects under discussion come to fruition, that the non-regulated financial institutions get their bills passed into laws, and are thereby compelled to adopt the CNBS Manual. If these things do not happen, then our proposed manual will be available as a substitute<sup>5</sup>.

We were well impressed with FOPRIDEH's idea of organizing a centralized Data Processing Service Bureau (DPSB) for the small OPDFs, and we recommend that this concept should be thoroughly evaluated and, if found practicable, that it should be implemented for the benefit of all non-regulated financial institutions, whether OPDFs or credit unions, that wish to have an efficient, low-cost, uniform, dependable and transparent accounting and financial reporting system.

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<sup>5</sup> We also feel obliged to mention that, no matter how good an accounting manual may be, it will not by itself ensure the uniformity and transparency that we are seeking. A good accounting manual will only serve to properly account for the figures provided to the accountants. Accounting is not designed to assess the quality of a borrower, nor to be a substitute for the good judgment and probity of the directors and officers of an organization. General ledger accounts are simply the repositories of management decisions, based on good or bad policies and, regrettably, but all too often, no policies at all. While we are proposing uniform accounting practices, additional efforts will be needed to ensure the adoption of sound policies by the institutions that we are trying to help, such as reasonable standards for loan classification, reserves and charge-offs.

## SECTION I

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# Assessment of the CNBS Accounting Manual

### A. Assessment

After a very careful evaluation, we found that the CNBS *Manual Contable* (the Manual), which includes a complete chart of accounts, definitions, and financial indicators is *logically organized* in the traditional sequence generally used by financial institutions. All accounts are numbered and, those that need to be defined, have descriptions that are concise, adequate and clear.

The numbering system is based on an accumulation of digits, used to identify *Parts*, such as assets, with one digit; *Groups*, such as loans, with two additional digits; *Categories*, meaning currency, with one additional digit; then each of the six supporting subgroups or subsidiary ledgers are identified by two additional digits each. The first six digits are mandatory for all users, as well as all other subsidiary accounts listed in the chart. Users are free to add new sub-accounts having 8 digits or more, with prior notice to the CNBS. Proposed amendments to existing accounts may be submitted for approval. These notice and approval requirements are a reasonable condition to ensure that any changes to the chart of accounts are evenly disseminated, through CNBS circular letters, to all users listed in the CNBS Directory. Certain general ledger groups appear to have an overabundance of subsidiary accounts. However, those are required to keep track of the numerous types of assistance programs, funded by international organizations through the Honduran Government, and disbursed through the banking system. Considering that foreign currency denominated accounts and transactions, mainly in U.S. dollars, are permitted, most general ledger accounts have a foreign currency counterpart, substantially increasing the total number of accounts in the Manual.

The Manual is also *comprehensive and detailed*. It provides the CNBS with sufficient financial information to effectively monitor and control the Honduran financial system. However, it should be noted that to effectively supervise the system, the CNBS should have the means to ensure compliance with its accounting and reporting rules, and that it can periodically and adequately verify the accuracy of the internal records maintained, and the reports submitted, by the financial institutions under its supervision.

The Manual contains very precise and sensible instructions concerning the treatment of loans that are delinquent, past due, or in litigation. These instructions mandate the transfer of the entire principal amount to the appropriate category. Interest income is recognized on the accrual basis and there are clear instructions for ceasing the accrual of interest on past due loans that remain delinquent as to principal or interest for three months or more (in the U.S. the equivalent deadline is 90 days). The Manual is supported by regulatory circular letters that prescribe, in nearly identical terms to those in force in the U.S., the loan classification categories, the conditions that warrant classification, and the required reserves for each category. To supplement on-site examinations, banks are required to conduct self-assessments of at least 75 percent of their loan portfolios on an annual basis. In addition, financial institutions are required to submit externally audited financial statements annually, certified by CPA firms that have met the CNBS

qualification standards. Audited financial statements must be presented in a format prescribed by the CNBS and must be in conformity with the current International Accounting Standards (IAS), established by the IAS Committee<sup>6</sup>.

The Manual is *substantially in compliance with current international best accounting practices*<sup>7</sup>, particularly for financial institutions operating in Honduras, considering that the Honduran financial system is still relatively uncomplicated, with a small and not very active securities market and practically no derivatives to speak of. Although there is always room for some improvement, and occasionally for more clarity, the manual has enough accounts to record any type of transaction that Honduran banks are legally allowed to engage in at present. We only noted three exceptions worth mentioning:

1. Due from shareholders: Unfunded capital *contribuciones* or contributions, which should be called *subscripciones* or subscriptions, are recorded as a receivable (under Other Assets, Sundry Debtors, Contributions Receivable, General Ledger account 104101.06). The result of this treatment is that both, Asset and Capital accounts, are inflated by amounts that have not yet actually been paid-in by the shareholders<sup>8</sup>.
2. Repos: In the U.S., securities sold under repurchase agreements (repos), for periods no longer than 90 days, are carried as liabilities in the balance sheet. The same treatment is applied by the BCIE. The CNBS treats the equivalent transactions in Honduras (*reportos*) as off-balance sheet items, and those are reported as Contingent Liabilities (*Acreedores por Reporto*, GL account 402103). The credit balance is offset by an equivalent debit balance as a Contingent Asset (under *Reportos - Titulos por Recibir*, GL account 401103). The effect of the CNBS treatment is to understate the liabilities on the seller's or secured borrower's balance sheet.
3. Investment securities: Although the CNBS requires reserves against possible losses on investment securities (through provisions credited to the Valuation Reserves for Investments GL account 207103), the Manual, which is generally very precise in its instructions, is mute on how to compute the valuation reserve for investment securities.

There is no evidence in the Manual that the CNBS requires securities portfolios to be segregated into trading and held-to-maturity accounts, as required under FAS 115 in the U.S., nor is there evidence that investment securities must be periodically marked-to-

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<sup>6</sup> In Honduras the IAS are referred to as "NIC" for *Normas Internacionales de Contabilidad*, for the Spanish version of the IAS, published by the Colegio de Contadores Publicos de Mexico).

<sup>7</sup> It should be understood that the International Accounting Standards (IAS) are not identical to the U.S. GAAP. For example, GAAP does not recognize revaluation of assets due to inflation while the IAS does recognize it and provides rules for its amortization.

<sup>8</sup> On the other hand, capital contributions actually paid-in by the shareholders, which are pending completion of the formalities required for the approval of the increase in capital, are correctly recorded as a liability (under Other Obligations, Contributions Pending Capitalization, GL account 203105).

market. Some local experts argue that this is not material at present, because the level investment securities in bank portfolios, coupled with their short duration, does not meet the materiality standards that would require such a discipline. It is true that the securities market in Honduras is not very active. The absence of widespread speculation in fixed income securities does not warrant such a discipline on institutional investors. We submit the views of experts to balance our observation because, without an analysis of the financial condition of the Honduran banking system, we cannot judge the issue of materiality, and such an analysis was not within the scope of our terms of reference. It should be pointed out that these observations are not intended to suggest that the CNBS should adopt FAS 115 anytime soon. However, the CNBS should be encouraged to at least have institutional investors (banks, finance, and insurance companies) mark-to-market their medium and long term investment securities portfolios more often than once a year for the audited financial statements. Although the authorities may argue that government bonds have no commercial risk, there is always the interest rate risk, which can negatively affect the value of securities.

In performing this assessment we referred to the notes we had taken three years ago, during a meeting in May 1997 with the Central Bank, in which we discussed the accounts of the *Balance Analitico* used by banks for financial reporting purposes. We were pleased to note certain improvements in the treatment of loans and reserves. Our 1997 notes are quoted verbatim below, with our contemporaneous comments between parentheses. “ The accumulated depreciation for fixed assets and the allowance for loan losses are shown as liability accounts listed as *Reservas de Valuacion* (still true); net income year to date is not included in the capital account, but is listed as other liabilities (no longer true); Delinquent loans are included among Various in Other Assets (no longer true). Loans are considered delinquent when past due 30 days or more as *mora financiera* and have to be placed on non-accrual after 90 days as *mora judicial* (still true).” The CNBS Circular No. 020/99 dated June 8, 1999 contains sound and comprehensive instructions on how to classify loans according to risk and delinquency and establishes the required reserve levels for each category.

## SECTION II

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# Assessment of the Chart of Accounts of Non-Regulated Institutions

### A. Assessment Basis

We based our assessment on four charts of accounts provided by three sources: The IPCA chart and manual for the FACACH affiliated credit unions. The charts of accounts of two leading OPDFs: FINCA Honduras and Fundacion Covelo. For the latter we evaluated two, the one currently in use and the one proposed for implementation when the “Covelo bill” is passed into law. To facilitate our analysis we prepared a table to compare, line-by-line, two of those charts of accounts, the IPCA chart and Covelo’s proposed version, with the CNBS chart. The summary is attached as Annex D. We also compared the accounts used for financial statements presentation purposes by IPCA, and Covelo against the CNBS required format for regulated financial institutions. That summary is attached as Annex E. The reasons for our selection and results of our assessment are described below.

### B. Credit Unions

The IPAC Accounting Manual<sup>9</sup> has been fully or partially adopted by at least 47 of the credit unions affiliated with IPAC. There are 104 credit unions in Honduras. We were told that many credit unions, particularly those that are not affiliated with IPAC, have serious accounting deficiencies. IPAC is an organization chartered under the Cooperatives Law and it is very closely linked to FACACH, the Honduran federation of credit unions. IPAC operates as the technical support arm of FACACH, to audit, examine, grade (on a scale of A to D) and assist those credit unions that are willing to submit to a higher level of accountability than that which is currently required by their government regulator, IHDECOOP. The Manual is complemented by the FACACH manual of key performance indicators<sup>10</sup>.

After a careful review, we found that the combined IPAC Manual and the FACACH key indicators are logically organized, easy to follow, very comprehensive, and thorough in terms of clear definitions and helpful instructions on how to post the appropriate accounting entries. It also includes guidelines for the correct presentation of financial statements. However, the Manual is not complemented by supporting rules or guidelines on how to classify and create reserves for their loans by level of risk. Among the deficiencies we noted in the credit practices of credit unions are the following: Loans are not classified by risk level, but only according to the longevity of their delinquency. The delinquent loan indicators take into account the entire principal outstanding balance of unsecured loans (*fiduciaríos*), but not of cash secured (*automaticos*) or mortgage (*hipotecarios*) loans, on they theory that the collateral is a substitute for the reserve. While that theory may be reasonable for the cash secured loans, it is not always

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<sup>9</sup> IPCA: Manual Contable para Cooperativas de Ahorro y Crédito and Formatos para Presentación de Estados Financieros, Junio 1999

<sup>10</sup> FACACH: Indicadores Claves de Evaluación para Cooperativas de Ahorro y Crédito, III Edición, Junio 1996

valid for the mortgage loans. While IPAC recommends the recognition of interest income by the accrual method, many credit unions use the cash method. Their reasoning is that, if they accrue interest income before it is collected, their net income (excedentes) will seem larger and the members will demand a larger distribution.

In our judgment, the IPAC accounting manual is, after the CNBS Manual, the next best in overall quality and, consequently, the one that comes closest - but not quite - to conformity with the current IAS.

### **C. Private Financial Development Organizations**

We initially reviewed the Fundacion Covelo chart of accounts (*Catalogo de Nomenclatura*) currently used by that organization and some of its associates in an informal network of ten OPDFs. After an analysis of the chart, we concluded that it does not compare favorably with either the CNBS or the IPCA Manuals. We then decided to leave aside that chart and instead base our assessment on the proposed chart of accounts (*Ayuda Memoria Revision Manual de Contabilidad General para OPDFs*) developed by Fundacion Covelo for adoption by OPDFs, if and when the “Covelo Bill” becomes law. The Fundacion Covelo staff reasonably regards their proposed chart of accounts as a work in progress.

The proposed chart of accounts was then compared, on a line-by-line basis, with the CNBS and IPCA Manuals. It is more comprehensive than the one currently in use, but it lacks definitions. Most of the nomenclature is nearly identical with the IPAC Manual. Fundacion Covelo also has an excellent Management Manual (*Manual Gerencial - Indicadores Claves para OPDs de Honduras, Junio 1977*) that contains key performance indicators, standards and grading categories. The Management Manual also contains a couple of pages with very brief instructions for posting entries to the general ledger accounts. We also noted that the proposed chart of accounts includes accounts for inflation adjustment entries. This is not to be criticized and may even be a valuable management tool, but it does not conform to contemporaneous local practice and would preclude an apples-to-apples comparison with peers. Fundacion Covelo also uses a combination of interest income recognition methods: The accrual method for investments in bank time deposits and the cash method for loans. Their rationale for the latter is that they receive funds from AID and AID demands financial reports (called *estados de rendicion de cuentas*) based on the cash method.

From FINCA Honduras, another leading OPDF, we obtained an informal chart of accounts, in the form of a trial balance, and a list of their indicators, but we could not get their definitions, although they claim to have them. The FINCA list of accounts is more complete than the Fundacion Covelo project, as it is practically a copy of the CNBS Manual, according to FINCA’s Executive Director. It also has many similarities with the IPCA chart of accounts. However, their treatment of delinquent loans needs improvement, as they do not segregate the balance of loans in litigation (*cobro judicial*) from past due loans (*vencidos*) in a balance sheet account, but only as a memo account; they said that they update their loan loss reserves monthly, aiming for 95% to 100% coverage of delinquencies and that past due loans are supposed to be charged-off after 180 days but, in practice, they only charge-off non-collectible loans once a year.

From FONAPROVI, the government lender to financial institutions, we learned that many OPDFs have inadequate accounting records and produce unreliable financial reports. As a result, those are precluded for using FONAPROVI's credit facilities. Even some of the better OPDFs that have borrowed from FONAPROVI or from third parties through FONAPROVI, have relied on very deficient collateral records and even failed to appropriately post loan payments received from borrowers. We believe that some of these problems may well deserve the attention of a forensic auditor and a prosecutor.

From FOPRIDEH, the OPD federation and an intermediary that lends funds from several international sources to the OPDs, we learned that their collection experience is not good, that 35% of the loans to OPDs are in arrears and that six of them are already in litigation (*cobro judicial*).

The combined comments from FONAPROVI, FOPRIDEH, IPCA and FACACH lend credence to the general feeling that much is amiss in the management of several, perhaps too many, non-regulated financial institutions. We have to conclude that many of the loan problems experienced by FONAPROVI resulted from inaccurate financial statements prepared from inadequate accounting records.

#### **D. Comparison with International Best Practices**

We performed this part of our assessment by comparing the accounting practices as well as the charts of accounts, because it is not enough to compare lists of accounts without reference to how they are actually being used.

Our evaluation disclosed that the charts of accounts and accounting practices of OPDFs and possibly many credit unions do not conform to the IAS due to the many deficiencies that we noted, or that were reported to us by various sources. It should be mentioned that the following list is not necessarily common to all non-regulated financial institutions, as it is actually a compendium:

- There are no accounts for, or instructions on how to, amortize premiums or to accrete discounts, or to mark-to-market investment securities.
- There is no consistency in recognizing interest income - sometimes it is done on a cash basis and others on the accrual method.
- Unposted items may be allowed to remain in suspense accounts for long periods of time before reconciliation and resolution.
- Some donations to subsidize expenses are posted as operating income instead of extraordinary income. Donations in kind are often not properly amortized.
- There is no recognition of contingencies through contingent accounts.

- Loan losses may have been and still may be sometimes capitalized, so that they can be amortized on a deferred basis instead of being recognized as a loss in the period during which they were incurred.
- Some of the capital account structures are more complicated than they need to be.

There is also the issue of those OPDF liabilities called “guarantee deposits.” Some OPDFs have liability accounts that are used to for credit balances that are described as voluntarily placed by thrifty borrowers, who wish to wholly or partially secure their loans with cash<sup>11</sup>. We believe that those accounts represent ordinary deposits.

## E. Comparison with the CNBS Chart of Accounts

The comparison of the charts of accounts used by non-regulated financial institutions with the CNBS chart of accounts, was based on Annex D, which lists all general ledger accounts used by the CNBS for banks, by IPAC for credit unions, and the chart of accounts developed by Fundacion Covelo for adoption by OPDFs. Our line-by-line analysis of the table revealed that:

1. The CNBS chart has deposit accounts that are not needed by OPDFs, as they are not presently allowed to accept deposits (see footnote 1). The same applies to the Central Bank due-from accounts, check clearing, collection item accounts, and overdraft accounts.
2. CNBS accounts dealing with paid bank guarantees, credit cards, current account loans are not needed by OPDFs or credit unions.
3. The capital of nonprofit organizations is called *patrimonio* and may consist of contributions or aportaciones and donations or *donaciones*. Net income is called *excedente* or operating surplus. From an accounting point of view, this is only a semantical difference. However, credit unions have two forms of capital: (a) Members’ contributions (*Aportaciones de socios*) and accumulated surplus or deficit (*excedentes o deficits de ejercicios anteriores*). Members may take out their contributions when they withdraw from the credit union and are entitled to borrow up to 90% of their contribution at any time, using it as collateral for the loan. This form of capital is, at best, semi-permanent and should be not be included in the formula for the capital adequacy ratio. Their capital reserves (called *reservas* or *reservas institucionales*) are the bedrock capital of the credit union. That account is nourished by 50% of the credit union’ annual net income (*excedente*) and it is not available for distribution until after a credit union has been liquidated and has satisfied all of its outstanding obligations.

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<sup>11</sup> Borrowers are not usually inclined to offer any collateral to their lenders, unless it is a condition for approving the credit. It is even rarer that a borrower will voluntarily offer his or her cash as collateral, particularly after the loan has been disbursed. Yet, it is said that balances in these OPDF accounts are growing substantially. Either those OPDF borrowing clients are exceptionally gracious and considerate to their lenders, or the OPDFs are actively bidding for those funds by offering sufficiently attractive interest rates. In any case there may be a violation of law, in the sense that OPDFs are not permitted to accept deposits, and that “cash collateral” can only be reasonably assumed to be a “security” or “guarantee deposit,” when it is established as a condition precedent to the approval of the credit. Otherwise, such a credit balance should be considered as an ordinary deposit.



4. The CNBS chart was not designed for non-profit organizations, therefore it does not cover the different types of donations among its liabilities, income and capital accounts. However, there should be no difficulty in adding the necessary accounts and definitions.
5. Contingencies: Except for the CNBS Manual, none of the other charts of accounts that we examined listed any contingent accounts. Those only contained a short list of memo accounts. It is difficult to believe that any organization, even a nonprofit institution, is completely free of contingent liabilities, whether contractual or unexpected. The simple execution of a lease agreement creates a contractual obligation on the part of the lessee to pay a certain sum until the lease expires. That contractual obligation is a contingent liability, and it must be recorded as such, according to sound accounting practices.
6. Interest income accrual accounts are a simple matter to set up, whenever the non-regulated financial institutions decide to move from the cash to the accrual method of interest recognition.

## SECTION III

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### The Tentative Chart of Accounts

#### A. Development

The method that we used to develop a tentative chart of accounts for non-regulated financial institutions started with the same table (Annex F) that we used to assess the differences between charts of accounts. Then we used the CNBS chart of accounts and amended it as follows:

1. For non-regulated financial institutions that do not have any foreign currency exposure: Dispense with all general ledger accounts that contain a "2" as its fourth digit. However, the fourth digit should not be eliminated, as it is now used by some, and will later be needed by others. Also dispense with all international trade related accounts dealing with letters of credit and acceptances, but not the domestic acceptances.
2. For non-regulated financial institutions that do not have any checking account deposits: Dispense with all groups of accounts that are used for checking account deposits, Central Bank due-from accounts, check clearing and collection item accounts, and overdraft accounts.
3. Loans: The CNBS chart of accounts covers all types of loans. The loan accounts are further subdivided into four performance categories: current, delinquent, past due, and in litigation. These categories and their definitions should most definitely be adopted by all financial institutions in the country, including OPDFs and credit unions. For purposes of classifying loans by risk level and to compute the appropriate reserves, all lenders should adopt CNBS Circular letter 020/99.
4. Capital: The tentative chart of accounts simply renames the capital accounts, from the CNBS terminology to the nomenclature used by nonprofit organizations.
5. Donations: If the donor makes the grant for the purpose of subsidizing a certain type of expense during given period, upon receipt of the funds the amount should be credited to unearned income (*Creditos Diferidos, Donaciones por Aplicar*, GL account 2061022) and subsequently charged to unearned income and credited to extraordinary income in the appropriate income account for donations (*Productos Extraordinarios, Otros - Donaciones*, GL account 503199), as the expenses that the grant is intended to subsidize, are paid and charged. If the grant is intended as a permanent capital contribution, then it must be credited directly to capital (*Patrimonio, Donaciones*, GL account 301102). If the grant is a capital donation in kind, its market value and useful life should be determined, the value debited to fixed assets and credited to capital (*patrimonio*). Then the item should be depreciated, preferably in the straight-line method, with credits to fixed assets and debits to capital (*patrimonio*) over the term of its useful life.
6. Contingencies: Except for the CNBS Manual, none of the other charts of accounts that we examined listed any contingent accounts. Those only contained a short list of memo

accounts. Therefore, we recommend that the tentative chart of accounts include the contingent accounts section of the CNBS Manual.

After resolving the differences between the CNBS and non-profit charts of accounts, our recommendation is that non-regulated financial institutions should adopt the abridged and slightly modified version of the CNBS Accounting Manual presented in Annex G, that they should use the CNBS definitions and adopt the other prescriptions contained in the CNBS circular letters, in particular, with those dealing with loan classifications and loan loss reserves.

The reasons for our recommendation follow:

1. The CNBS Accounting Manual is the most comprehensive compendium of accounts and definitions available for financial institutions operating under Honduran laws, business customs and practices, and it conforms to the IAS.
2. Central control of the Manual by the CNBS ensures that any additions, deletions or amendments to the chart of accounts must first have its approval. Through its circular letters, the CNBS has the means to simultaneously inform all users, of any changes to the Manual.
3. The CNBS Manual can be easily adapted for use by non-regulated financial institutions. It will simply need to be reduced by dispensing with all the general ledger accounts that only need to be used by banks. If and when any group of non-regulated financial institutions are allowed expand their activities to compete with banks, they can simply refer to the CNBS Manual to find any account that they may conceivably need in the foreseeable future.
4. The CNBS Manual is already in use by all Honduran banks, which means that there is a large pool of bank employees that are familiar with it, making that knowledge transferable to non-regulated financial institutions that hire former bank employees.
5. Adoption of the CNBS Manual will simplify the task of external auditors and may thus reduce the cost of external audits.
6. If and when any non-regulated financial institution is authorized to become a regulated financial institution, the transition will be smoother.
7. The adoption of a uniform accounting manual by all Honduran financial institutions, whether or not regulated, will facilitate the collection of statistical data and the computation of indicators at the national level. It will also provide a more coherent background of information if the national credit bureau (*Central de Riesgos*) is expanded to include non-regulated financial institutions.

To compensate for the few deficiencies in the CNBS Manual, as noted previously in this report, we recommend the following:

1. Un-funded capital contributions should not be recorded as receivables or as capital. They should be posted as an entry to a Memorandum Account.
2. To the extent that non-regulated financial institutions do not engage in substantial amounts of borrowings via repos, no action would be recommended now in this respect. But, if that changes, then we recommend that repos should be reported in the balance sheet as liabilities.
3. Most non-regulated financial institutions in Honduras invest their temporary excess liquidity in interest bearing time deposits with banks. Few of those institutions invest in securities, and those that do, have small fixed-income portfolios with short term fixed income securities. Therefore, at this time there is no need to require that those institutions mark-to-market their modest and very short term investment portfolios. However, if those investment portfolios should grow in the future, and their maturities extend considerably beyond one year, then they should be mark-to-market their, at least on quarterly basis, and to disclose the unrealized gain or loss as a note in their financial reports.

The proposed chart of accounts presented in the table included in Annex G, is an abridged and slightly modified version of the current CNBS chart of accounts, for potential users that will have to be convinced, rather than compelled to adopt it, and which, in most cases, will be substantially less technically sophisticated in accounting practices than banks. It is also a modified version of the tentative charts of accounts used for discussion with representatives of the interested parties in Honduras. It is presented in Spanish, because it is the language of the targeted users, who may not be familiar with many of the equivalent terms in English.

## **B. Results of Discussions**

### **B1. FINCA Honduras**

FINCA Honduras is one of the leading OPDFs. They already use a modified version of the CNBS chart of accounts and they strongly believe that it would be very salutary if all OPDFs adopted the CNBS Manual or a slightly modified version of it.

### **B2. IPCA**

IPCA is an independent agency that, in alliance with FACACH, examines and risk grades 45% of the credit unions in Honduras. Although they believe that their own chart of accounts and manual are ideally suited for credit unions, they recognize that sooner or later, all cooperatives will have to adopt the CNBS Manual, as they gradually submit to CNBS supervision. They plan to submit their own manual to the CNBS for approval, in the hope of being allowed to keep it, or at least part of it, before the CNBS makes a final decision. Under these circumstances, they had no interest in considering an alternative in the form of our tentative manual. They are totally supportive of the view that all financial institutions should operate under uniform accounting practices, accounts, and definitions, with a few variations to accommodate the activities permitted or prohibited by law to different types of financial institutions.

### **B3. FONAPROVI**

FONAPROVI is a dependency of the Secretary of Finance that lends to financial institutions and is supervised by the CNBS. It supports the adoption of the CNBS Manual by all financial institutions in Honduras.

### **B4. Fundación Covelo**

In their opinion, the issue would be resolved if the national legislature passed the “Covelo bill” into law, thereby bringing the OPDFs under CNBS supervision, and the approval by the CNBS of the accounting manual for OPDFs that Fundación Covelo is developing.

### **B5. FACACH**

Through IPAC, FACACH intends to develop an accounting manual that would comply with the CNBS requirements, but which recognizes the differences in the treatment of capital or *patrimonio* and net income or *excedentes*, based on internationally accepted accounting practices for credit unions.

### **B6. FOPRIDEH**

FOPRIDEH showed interest in the tentative chart and asked that we send a copy as soon as possible. They also mentioned their interest in organizing a central data processing service bureau for OPDFs.

## SECTION IV

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# Uniform Performance Indicators & Implementation Plan

### A. Uniform Performance Indicators

After completing the proposed chart of accounts, we evaluated the financial performance indicators used by the CNBS, Fundacion Covelo, FINCA and FACACH. Then we selected the CNBS, Fundacion Covelo and FACACH indicators to compare against a set of standard indicators commonly used in the U.S., as shown in the attached table (Annex F). From that exercise we selected certain indicators for inclusion in our proposal, which is included in the Proposed Chart of Accounts, Indicators and Standards table (Annex G). There is nothing objectionable with the indicators that were left out of our proposal. Those can be very useful for the directors and officers of credit unions and OPDFs. However, we felt that the number of indicators submitted for evaluation by donors and lenders should be limited to a manageable number of key ratios, measuring asset quality, capital adequacy, earnings, liquidity, and efficiency, in that order of importance.

### B. Implementation Plan

To promote the adoption of a uniform accounting manual for adoption by all non-regulated financial institutions in Honduras, we suggest the following steps:

1. Recruit one or two persons<sup>12</sup> to complete the development of an accounting manual based on our abridged and modified version of the chart of accounts attached as Annex G. The manual should permit the addition of certain deposit accounts by credit unions (savings and time deposits) as well as foreign currency accounts by credit unions or OPDFs as needed. The manual should include, as addenda, the format for financial statement presentation prescribed by the CNBS and the list of financial performance indicators recommended above. There would be no need to develop definitions for the chart of accounts as those contained in the CNBS manual are appropriate for most of the accounts. For the accounts in our chart that have no definition in the CNBS manual (capital accounts and donations for the nonprofit sector) we recommend using the definitions contained in the IPAC manual. With those two sets of definitions, the proposed manual for non-regulated institutions would be complete.
2. When the proposed manual is completed it should be submitted for evaluation and editorial comments to a review committee composed of three prominent accounting experts, selected from the following groups: A competent CPA, with experience in the accounting practices of financial institutions, from the Colegio de Contadores Publicos de

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<sup>12</sup> We recommend that consideration should be given to Mr. Luis Rivera, outgoing Executive Director of FINCA, because he is very well versed in accounting and has practical experience in managing a large OPDF. He is also very familiar with the CNBS chart of accounts and believes that it should be universally adopted by Honduran OPDFs.

Honduras<sup>13</sup>. One representative of the credit unions, who understands their accounting practices<sup>14</sup>. A third representative of the OPDFs, who understands their accounting practices<sup>15</sup>.

3. After the review committee has edited the proposed manual, it should be submitted to the technical unit of the CNBS for comments, an endorsement, or at least a “no objection” determination, if they are not willing to officially grant it their seal of approval. If the CNBS is unwilling to accept the task, then consideration should be given to seeking an endorsement from the Colegio de Contadores Publicos de Honduras. One or the other or both, would provide the manual with a high degree of credibility and therefore, hopefully, acceptability by the targeted institutions. It would also be rightfully considered as a native production, instead of a foreign imposition.
4. The finished product, with the support or endorsements that it is able to gather, should be subjected to a cost/benefit evaluation by the USAID and PEP staffs, before a budget is prepared for printing and dissemination, particularly if USAID funding is to be provided for that purpose.
5. If the project earns USAID approval, then an implementation budget should be prepared. The budget should start with a list of target institutions. Funding should be provided to recruit and train a small team of local consultants, whose task would be to contact the directors and officers of all targeted institutions, to attempt to convince them to adopt the manual as a tool to improve their accounting practices and financial reports, with the objective of gaining credibility in the eyes of potential donors and lenders. It should be implied that, otherwise, donors and lenders would be very reluctant to even consider their applications for funding.
6. No later than three months after the start of the dissemination campaign, the USAID and PEP Project should conduct a thorough assessment of the campaign results and determine if it has been successful enough to warrant continuation or termination of the project. The entire campaign may require as long as 12 or even 18 months to ensure that saturation is achieved. Minimum targets for target institutions adoption of the manual must be established from the beginning so that progress can be measured. We recommend the following minimum adoption targets: First quarter: 15%. Second quarter: 25 percent.

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<sup>13</sup> We recommend that consideration should be given to Mr. Ronald Romero, Director, PricewaterhouseCoopers in Tegucigalpa, because of his ample experience in the field of accounting for financial institutions, his intimacy with the CNBS Manual and his familiarity with the accounting principles applicable to non-profit organizations.

<sup>14</sup> We recommend that consideration should be given to Mr. Mario Luis Giron, Manager of IPCA, for his position as Manager of an organization dedicated to the improvement of the accounting and financial reporting practices of Honduran credit unions.

<sup>15</sup> We recommend that consideration should be given to Mr. Julio Cesar Urquia, Finance Director of FOPRIDEH for his support of intelligent initiatives mentioned in this report and for the probable impartiality he would bring to the committee, as he does not appear to have any preferences among the two classes of OPDFs, the large and the small ones.

Third quarter: 45 percent. Fourth quarter: 60 percent. Fifth quarter: 75 percent. Sixth quarter: 90 percent.

To organize a centralized DPSB primarily, but not exclusively, for non-regulated financial institutions in Honduras, we suggest the following plan:

1. Recruit a project implementation team. The team will first identify the best type of organizational structure for the DPSB under Honduran law: For profit or nonprofit; autonomous or a dependency of an existing federation or association, such as FOPRIDEH or IPCA.
2. The team will then prepare a feasibility study based on a list of targeted institutions, organization costs, capital expenditures, marketing campaign budget, revenue projections based on alternative pricing schedules for the services to be rendered by the DPSB, operating expense projections (personnel, premises, other operating expenses). Identify funding sources for the project, such as donations, grants or stock subscriptions and, if required, loans. The feasibility study should carefully analyze the following important issues:
  - Selection of the hardware and software<sup>16</sup> that should be used to run an on-line, multi-institutional, full accounting service, through data input terminals at all client business locations. The service should include the preparation of daily trial balances, account reconciliation, audit trails, balance sheets, income statements, as well as a variety of well-designed and easily understandable management reports, with particular emphasis on loans, delinquencies and allocated reserves, fund tracking reports to comply with donor and lender requirements, and comprehensive reports on each institution's clientele (age, sex, occupation, income level, location, borrower types). The software should be programmed to accept the proposed chart of accounts, prepare financial statements and compute financial performance indicators, in conformity with the proposed accounting manual.
  - The pricing policy for services rendered by the DPSB should include installation charges to the client (terminal, training and procedures manuals) and monthly service fee based on utilization, but with a minimum charge. It should also include the possibility of financing the installation charges (for 12 or even 24 months), to make adoption of the system more attractive to the smaller financial institutions.

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<sup>16</sup> While we do not endorse it, we have heard very favorable comments on the SIEM sistem for micro-credit loan accounting. The system is available from the Soft Corporation in Guatemala. We are informed that the system includes modules for general ledger accounting, investments, and bank accounts.



3. If the study confirms the feasibility of the project and it gains the approval of USAID, then a major business decision will have to be made: To proceed with the organization of the DPSB and begin marketing once it is up and operational, or to first proceed with the marketing campaign to acquire sufficient service contracts (pre-sales) to assure reaching at least the break-even point from the start, before actually incurring the capital expenditures and other commitments (staff, premises, utilities, supplies). In either case, the team would then be expected to prepare a complete set of procedure manuals as well as descriptive and attractive brochures to properly market the service.
4. The team should then conduct a three-month high-intensity sales campaign directed at the target institutions. When the initial campaign is completed it should be carefully assessed. If the results are satisfactory, then it should be continued until the market has been fully covered. If the initial results are not satisfactory, then adjustments would have to be made either to the product or to the marketing program, or both, and the modified marketing campaign should be relaunched.

## ANNEX A

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### List of Meetings

**22 May 00.** USAID. Armando Busmail, Senior Program Analyst. Discussed terms of reference and arranged meeting with IPCA.

**22 May 00.** IPCA (Inspectora y Protectora de Cooperativas de Ahorro y Crédito de Honduras, Ltda.) A private organization that provides technical assistance in accounting matters to credit unions affiliated with FACACH. Jose Mario Giron, Gerente, Wilson Herrera and Miguel Ocampo, Inspectores de Campo, discussed credit unions: Organization, accounting practices, financial indicators, legislation, supervision by IHDECOOP, affiliation with FACACH. Obtained their accounting manual, financial statement presentation manual, and key indicators manual.

**22 May 00.** Fundación Covelo, one of the leading Honduran OPDFs. Raul Sanchez, Asesor and Anibal Montoya, Contralor. Discussed OPDFs: Organization, accounting practices, financial indicators, legislation, lack of any formal supervision, affiliation with FOPRIDEH. Obtained their bylaws, current and proposed charts of accounts and Management Manual.

**24 May 00.** PricewaterhouseCoopers. Ronald Romero, Director. Discussed the CNBS Manual, Honduran Accounting Standards, International Accounting Standards, nonprofit organizations accounting standards, accounting practices of Honduran credit unions and OPDFs. Obtained copy of the financial statements presentation format required by the CNBS.

**24 May 00.** FOPRIDEH (Federación de Organizaciones Privadas de Desarrollo de Honduras) the federation for OPDs. Julio Cesar Urquia, Gerente Financiero. Discussed FOPRIDEH'S organization, objectives and proposed legislation. Discussed OPDF accounting practices and the lack of uniformity in that respect.

**25 May 00.** FINCA Honduras, an OPDF affiliated with FINCA Internacional. Luis Rivera, Director Ejecutivo. Discussed their business and accounting practices, financial and performance indicators. Obtained copies of their trial balance and list of indicators. Definitions were not made available to us. Mr. Rivera supports the idea of compelling all OPDFs to adopt uniform accounting and financial reporting practices modeled after the CNBS Manual.

**25 May 00.** CNBS. Director Marco Tulio Mendieta, Presidente Gonzalo Carias and senior staff hosted a meeting with the PEP Chief of Party and consultants in which we participated. Concerning our topic, we discussed their plan to supervise credit unions, the constraints that prevent their supervision of other institutions and their willingness to share the CNBS manual with them.

**26 May 00.** IPCA, second visit to discuss the tentative chart of accounts. José Mario Girón, Gerente. Discussed possible implications of the CNBS decision to start supervising the credit unions in the near future, the accounting practices that would be implemented, and the effect on IPCA.

**29 May 00.** FONAPROVI (Fondo Nacional para Produccion y Vivienda) a dependency of the Secretary of Finance that lends to financial institutions and is supervised by the CNBS. Regino Quesada, Jefe del Departamento Fiduciario. Discussed their objectives and activities and the challenges faced in lending to and collecting from non-regulated financial institutions, such as, lack of uniform accounting practices, inadequate management of collateral securing loans and other problems resulting from the lack of supervision, uniformity and transparency in their accounting and financial reporting practices. Ing. Quesada supports the adoption of the CNBS Manual by all financial institutions in Honduras.

**29 May 00.** Fundacion Covelo, second visit. Raul Sanchez, Asesor and Anibal Montoya, Contralor. They were aware of our meeting with the CNBS. We again discussed the proposed “Covelo bill” and the inconsistent accounting practices of many OPDFs. In their opinion, the issue would be resolved if the national legislature passed the Covelo bill into law, thereby bringing the OPDFs under CNBS supervision, and the approval by the CNBS of the accounting manual for OPDFs that Covelo is developing.

**29 May 00.** FACACH (the federation of credit unions). Carlo Magno Amaya, Gerente General. Discussed possible implications of the CNBS decision to start supervising the credit unions in the near future, the accounting practices that would be implemented, and the effect on IPCA. Although Mr. Amaya believes that CNBS supervision of credit unions is a positive development, there are conflicts between the CNBS Law and the Cooperatives Law that would have to be resolved by new legislation legitimizing the authority of the CNBS over credit unions and recognizing the differences between the capitalization requirements of cooperatives and banks. He also said that, through IPAC, they intend to develop an accounting manual that would comply with the CNBS requirements, but recognizing the differences in the treatment of capital or *patrimonio* and net income or *excedentes*, based on internationally accepted accounting practices for cooperatives.

**30 May 00.** FOPRIDEH, second visit. Julio Cesar Urquia, Gerente Financiero. Again discussed pending legislation: The “FOPRIDEH bill” for all OPDs and the complementary “Covelo bill” for the OPDFs and the effect of their passage into law on the accounting practices of the OPDFs. Mr. Urquia pointed out that the ten largest OPDFs would not find it too difficult to adapt to the CNBS Manual within the six-month period proposed in the “Covelo bill”. However, the smaller OPDFs would have to be left out of the CNBS supervisory framework or liquidated. He suggested that FOPRIDEH should try to obtain a software program to run an on line accounting system for all the small OPDFs. The advantages would be that the OPDFs that cannot afford their own EDP systems could subscribe to the FOPRIDEH service at a reasonable cost (as is done in the US by many small community banks using independent data processing service bureaus). Through that service, it would be easier to induce to those OPDFs to standardize their lending and accounting practices. It would also lead to a uniform chart of accounts and standardized reports on their financial condition and performance. We recommended that he contact Mr. Giron at IPCA, for guidance in organizing a technical assistance program (in accounting practices) for small OPDFs and showed him the draft our tentative chart of accounts. He showed interest in it and asked that we send him a copy as soon as possible.

**30 May 00.** AID. Pre-departure debriefing. AID: Dennis Sharma, John Caracciolo, Armando Busmail and Danilo Alvarado, PEP: Miguel Fernandez. Presented and discussed the objective of the project and the need for it, our progress to date with the assignment’s terms of reference, our

findings and recommendations. The verbal presentation was supported by a written Preliminary Report dated 30 May 00. The AID staff then asked for the final written report to be submitted as soon as possible.

## ANNEX B

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### List of Documents Used

- “Anteproyecto de la Ley de Organizaciones para el Desarrollo de Honduras,” April 1999
- “Anteproyecto de la Ley que Regula la Actividad Financiera de la Organizaciones Privadas de Desarrollo – OPDs,” undated
- “Ayuda Memoria Revisión Manual de Contabilidad Genera para OPDFs,” Fundación Covelo
- “Balance Analítico”, Central Bank of Honduras
- “Catálogo de Nomenclatura,” Fundación Covelo
- “Chart of Accounts and Key Indicators,” FINCA
- “Circular 020-99, National Banking and Insurance Commission
- “Formatos para Presentación de Estados Financieros,” IPCA, June 1999
- “Indicadores Claves de Evaluación para Cooperativas de A & C, III Edición,” FACACH, June 1999
- “Indices Financieros,” National Banking and Insurance Commission
- “International Accounting Standards,” International Accounting Standards Committee, published by the Instituto Mexicano de Contadores Publicos: Normas Internacionales de Contabilidad, 1998
- “Ley de Instituciones Financieras, Decreto 170-95”
- “Ley de la Comisión Nacional de Bancos y Seguros, Decreto 155-95”
- “Manual Contable,” National Banking and Insurance Commission
- “Manual Contable para Cooperativas de Ahorro y Crédito,” IPCA, June 1999
- “Manual for the Preparation of Call Reports,” Federal Financial Institutions Examination Council
- “Manual Gerencial, Indicadores Claves para OPDs de Honduras,” Fundación Covelo, June 1977
- “Modelo de Estados Financieros para Bancos,” National Banking and Insurance Commission, December 1999
- “Uniform Bank Performance Reports,” Federal Financial Institutions Examination Council

**ANNEX C**

## Comparative Table of the Financial System & Accounting Practices

<b>Type of Institution</b>	Banks, Finance Companies, Savings & Credit Associations	Savings & Credit Cooperatives	Private Development Financial Organizations (OPDFs)
<b>Governed by</b>	Financial Institutions Law CNBS Law & Regulations	Cooperatives Law	Nothing
<b>Regulated by</b>	National Banking & Insurance Commission (CNBS)	Honduran Institute for Cooperatives (IHDECOOP)	Unregulated
<b>Trade groups</b>	Bankers Association	Coop Federation (FACACH) Inspection & Protection (IPCA)	Honduran OPD Federation (FOPRIDEH)
<b>Accounting Manual</b>	CNBS Manual: A very comprehensive & detailed accounting manual for regulated financial institutions	Of the 104 S&C Coops, only 47 are affiliated with IPCA. Those are required to use the IPCA Manual. For others, it is optional.	There is no standard manual for the 60 OPDFs. Ten OPDFs (red Covelo) are encouraged to use Fundacion Covelo's chart of accounts and Management Manual. It contains financial indicators, performance standards, a grading system, and some account definitions
<b>Chart of accounts</b>	Yes, very comprehensive	Yes, very comprehensive	For Fundacion Covelo: Yes, but very simple <sup>17</sup>
<b>Account definitions</b>	Yes, concise but adequate	Yes, concise but adequate	Few and inadequate, contained in the Management Manual
<b>Key ratios</b>	Yes	Yes	Yes
<b>Standards</b>	Only for capital adequacy	Yes	Yes
<b>Loan grades</b>	Comprehensive loan classification instructions	Loans are only classified based on past due status.	Loans are only classified based on past due status.
<b>Loan reserves</b>	Reserves are required for past due loans and classified loans	Loan loss reserves required only for past due loans	Loan loss reserves required only for past due loan
<b>Delinquent loans</b>	According to the Manual, the entire loan balance is transferred from Current (Vigente) to Delinquent (Atrasado) if any payment due on principal or interest is overdue by 30 days or more		
<b>Past due loans</b>	According to the Manual, the entire loan balance is transferred from Delinquent (Atrasado) to Past Due (Vencido)		
<b>External auditors</b>	Required	Optional	Optional <sup>18</sup>

<sup>17</sup> Which their external auditors, KPMG, certifies as in compliance with accounting standards for non-profit organizations, but which appears to be more applicable to a commercial firm than to a financial institution.

<sup>18</sup> Fundacion Covelo is externally audited by KPMG

<b>Permitted depository activities</b>	Banks: Checking, savings & time. S & L Assns: Savings & time. Finance comp: Time only	Savings & time	None <sup>19</sup>
<b>Interest recognition</b>	Income & expense on an accrual basis	Income & expense on an accrual basis	Income on a cash basis. Expense on an accrual basis
<b>Foreign currency</b>	Permitted and actively used	Permitted and seldom used	Permitted and seldom used

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<sup>19</sup> But Fundacion Covelo has client's accounts with credit balances, ostensibly as loan collateral.





## ANNEX D

### Comparative Table of Charts of Accounts

#### Components

**CNBS:** Comision Nacional de Banca y Seguros - Current Chart Of Accounts For Banks

**COVELO:** Fundación Covelo, Proposed Chart Of Accounts for OPDFs

**IPCA:** Inspectoría y Protectoría de Cooperativas de Ahorro y Crédito de Honduras, Ltda (IPCA)  
Current Chart of Accounts for IPCA Affiliated Savings & Loan Cooperatives

#### Compilation Method

These charts of accounts have been edited, to make it easier for the reader to compare the principal general ledger accounts (*mayor*). Subsidiary ledger (*auxiliar*) accounts have not been included, except for those that warrant special attention for the purpose of our analysis.

#### Note

All account titles in *italics* should not be included in a chart of accounts designed specifically for non-regulated financial institutions, mainly because they cannot accept checking accounts and thus have no need to be members of the clearing house or to maintain accounts with the central bank. The fourth column in the cnbs chart contains the page number of the cnbs accounting manual with the corresponding definition.

<b>CNBS</b>	MAYOR	AUXILIAR	PAG #	<b>COVELO</b>	MAYOR	AUXIL	<b>IPCA</b>	MAYOR	AUXIL
x-xx-x-xx-xx-xx-xx-xx-xx				x-xx-x-xx-xx			X-X-XX-XX		
<b>ACTIVOS</b>	1000			<b>ACTIVOS</b>	1		<b>ACTIVOS</b>	1	
DISPONIBILIDADES	1011		1	ACTIVO CIRCULANTE	11		DISPONIB INMEDIATAS	11	

POLICY ENHANCEMENT & PRODUCTIVITY PROJECT

CAJA	101101	1	CAJA	1101	CAJA	1101
						12
<i>DEP BANCO CENTRAL</i>	101102	2				
DEPOSITOS en BANCOS	101103	2	BANCOS	1102	BANCOS	1102
<i>CHEQUES A COMPENSAR</i>	101104	2				
<i>CHEQUES Y V AL COBRO</i>	101105	2				
INVERSIONES	1021	3	INVERSIONES C PLAZO	1103	INVERSIONES C PLAZO	1103
INVERSIONES EN VAL	102101		INVERSIONES PLAZO	1201	INVERSIONES L PLAZO	1202
<i>INVERSIONES DE FONDOS ESPECIALES</i>	102102	4				
Del Fondo de Prest Social	101102.0					
	1					
PRESTAMOS,	1031	4	PRESTAMOS C PLAZO	1104	PRESTAMOS C PLAZO	1104
VIGENTES	103101	5	VIGENTES	110401		
ATRASADOS	103102	5	ATRASADOS	110402		
VENCIDOS	103103	5	VENCIDOS	110403		
			PRESTAMOS X COB L P	1202	PRESTAMOS X COB L P	1201
			VIGENTES	120201		
			ATRASADOS	120202		
			VENCIDOS	120203		
PRESTAMOS EN EJECUCION JUDICIAL	103104		EN COBRO JUDICIAL	120204		
RESERVAS DE VALUACION PARA	2071					
CREDITOS DUDOSOS	207101	44	PROVISION PARA PREST INCOBRABLES	1110	EST PARA PREST INCOBRABLES	1601
INTERESES DE DUDOSO RECAUSO	207102	44				
AMORTIZACION DE INVERSIONES	207103	44	PROVISION PARA INVERSIONES	1111	PROVISION PARA INVERSIONES	
DEPRECIACION DE EDIFICIOS	207104	44	DEPRECIACION ACUMULADA	1204	DEPREC ACUM EDIFICIOS	1603

DEPRECIACION DE INSTALACIONES	207105	44	EDIFICIOS Y MEJORAS	120401	DEPRC ACUM MEJORAS PROP ARREND	1604	
DEPRECIACION DE MOBILIARIO Y EQUIPO	207106	44	MOBILIARIO Y EQUIPO	120402	DEPREC ACUM MOB Y EQUIPO	1605	
AMORTIZACION DE ACTIVOS EVENTUALES	207107	44			EST PARA BIENES ADJUDICADOS	1602	
DEPRECIACION DE ACTIVOS ARRENDADOS	207108	44					
AMORTIZACION DE OTROS VALORES	207109	45					
OTROS ACTIVOS	1041		OTROS ACTIVOS	1304			
DEUDORES VARIOS	104101				DOC Y CTAS X COBRAR	1106	
			DOC X COBRAR	1105	DOC X COBRAR		110601
			CUENTAS POR COBRAR	1106	CUENTAS POR COBRAR		110602
			CTAS X COB INTERFONDO	1107			
Aportaciones por cobrar: ACCIONISTAS		15					
AGENTES	104102						
COMISIONES X COBRAR	104103	15					
INTE Y DIV X COBRAR	104104	15	INT X COB PRESTAMOS	1108			
			INT X COB INVERSIONES	1109	INT X COB INVERSIONES	1105	
BIENES PARA ARREND	104105	15					
SUC, AGENCIAS, MATRIZ	1051	17					
SUCURSALES	105101	17					
CASA MATRIZ CTA CTE	105102	17					
ACTIVOS EVENTUALES	1061	18			BIENES ADJUDICADOS	1107	
INMUEBLES (oreo)	106101						
MUEBLES	106102						
TITULOS VALORES	106103						
EROGACIONES POR ACTIVOS EVENTUALES	106104						

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ACTIVOS FIJOS	1071		18	BIENES MUEBLES E INMU	1203		PROP, PLANTA Y EQUIPO	13
BIENES RAICES		107101	18					
MOBILIARIO Y EQUIPO		107102	19					
INSTALACIONES		107103	19	MEJORAS PROP ARREND	1303			
BIENES ARRENDADOS		107104	21					
							OTROS PROG NO FINANC	1503
CARGOS DIFERIDOS	1081		21	ACTIVO DIFERIDO	13		ACTIVO DIFERIDO	14
				DEPOSITOS EN GARANTIA	1301		DEP EN GARANTIA	1501
GASTOS ANTICIPADOS		108101	21				PAGOS ANTICIPADOS	1108
INT Y COM ANTICIPADOS		108102	21					
CUENTAS POR AMORT		108103	22	GASTOS DE ORGANIZ	1302		GASTOS DE CONSTIT	1401
				AMORT GASTOS DE ORG	1305		AMORT GASTOS CONS	1607
				AMORT GASTOS DE ORG		130501	AMORT ACUM DE INTANG	1609
				AMORT MEJORAS PROP		130502	AMORT MEJORAS PROP	1604
				ARREND			ARREND	
							INTAGIBLES	1404
PAPELERIA Y UTILES		108104	22				PAPELERIA Y UTILES	1402
ESPECIES FISCALES Y T		108105	23				TIMBRES Y ESPECIES F	1502
PRIMAS POR AMORT INV EN		108106	23					
VALORES								
PERDIDAS POR AMORT INV EN		108107	23					
VALORES								
OTROS CARGOS DIFERIDOS		108119	23					
<b>PASIVO</b>	2000			<b>PASIVO</b>	2		<b>PASIVO</b>	
EXIGIBIL INMEDIATAS	2011		24	PASIVO CIRCULANTE	21		EXIGIBILIDADES A CP	21
DEPOSITOS CHEQUES		201101	24					
DEPOSITOS ESPECIALES		201102	25					
DEP A TERMINO VENC		201103	25					
OBLIG VENCIDAS PEND DE PAGO		201104	26					
CEDULAS Y BONOS SORTEADOS		201105	26				OBLIG CONTRACT CP	2108

OBLIG X ADMINIST	201108	27				
ACREEDORES VARIOS	201109	28				
			IMP Y RETEN X PAGAR	2106	RETENCIONES X PAGAR	2106
			PROVISIONES POR PAGAR	2108	SERV PUB X PAGAR	2105
			GASTOS ACUM E IMPUEST X PAGAR	2107		
DIVIDENDOS POR PAGAR	201110	30			EXCEDENTES X PAGAR A AFILIADAS	2109
			DOC Y CTAS POR PAGAR	2104	DOC Y CTAS POR PAGAR	2107
INTERESES POR PAGAR	201112	31	INTERESES POR PAGAR	2105	INTERESES POR PAGAR	2104
COMISIONES X PAGAR	201113	33				
CUOTAS ANTICIPADAS	201114	33				
IMPUESTO RENTA PAGAR	201115	34				
EXIGIB A TERMINO	2021	34	PASIVO FIJO	22	PASIVO A LARGO PLAZO	22
DEPOSITOS DE AHORRO	202101	34	DEPOSITOS DE AHORRO	2101	AHORRO A LA VISTA	2101
DEPOSITOS A TERMINO	202103	35	DEPOSITOS A PLAZO	2102	DEP A PLAZO (CORTO)	2102
					DEP A PLAZO (LARGO)	2201
OTRAS EXIGIBILIDADES	2031	35				
DEP EN GARANTIA	203101	36	DEP EN GARANTIA LP	2202	DEP RECIB EN GARANTIA	2401
INGRESOS BIENES ADM	203102	36				
	201103	37				
SUCURSALE <i>CHEQUES Y GIROS EN CIRCULACION S, AGENCIAS Y CASA MATRIZ</i>	203104	37				
APORTACIONES POR CAPITALIZAR	203105	37	DONACIONES X APLICAR LP	2203		
OBLIGACIONES BANCARIAS	2041	38	PRESTAMOS X PAGAR CP	2103	PRESTAMOS X PAGAR CP	2103
CREDITOS Y OBLIG BANCAR	204102		OBLIG CON BANCOS NAC		210301	
			OBLIG CON ORG INTERNAC		210302	
			OBLIG INST FINANCIERAS		210303	
			OBLIG CON OPDFs		210304	

			PRESTX PAGAR L PLAZO	2201	PREST X PAGAR LP	2202
			OBLIG CON BANCOS NAC		220101	
			OBLIG CON ORG INTERNAC		220102	
			OBLIG CON INST FINANC		220103	
			OBLIG CON OPDFs		220104	
					OBLIG CONTRACTUALES	2203
OBLIG X ACTIVOS ARREN	204103	40				
OBLIG SUBORDINADAS A TERMINO	204104	41				
<i>RESERVAS TECNICAS</i>	2051					
CREDITOS DIFERIDOS	2061		PASIVO DIFERIDO	23	PASIVO DIFERIDO	23
			INGRESOS DIFERIDOS	2301	VAL COBRAD X ANTICIP	2301
INT Y COM RECIBIDAS POR ANTICIPADO	206101	42	INT COBRAD X ANTICIP		230101	230102
CANTIDADES PEND DE APLICACION	206102	42				
UTILIDAD POR REALIZAR VENTA DE INMUEB	206103	43				
DESC POR DEVENGAR SOBRE INV EN VAL	206104	43				
INGRESOS NO DEVENGADOS X ARREND	206105	43	RENTAS COBRAD X ANTICP		230102	230101
RESERVAS EVENTUALES PARA IMPUESTOS Y CONTRIB	2081					
RESERVA PARA PREST SOC	208101	45			PROVISION BENEF SOC	2402
RESERVAS ESPECIALES	208102	45			PROV PARA DESA Y OTR	2403
	208103	45				2405
<b>CAPITAL Y RESERVAS</b>	3000		<b>PATRIMONIO</b>	3	<b>PATRIMONIO</b>	3
CAPITAL	3011					
CAPITAL	301101	46	CAPITAL	31	APORTACIONES	31
SUPERAVIT PAGADO	301102	47	PATRIMONIO INSTITUCION	32		

RESERVA LEGAL		301103	47	RESERVAS	33	RESERVAS	33
CAPITAL COMPLEMENTARIO	3021						
RESERVAS POR REVALUAC		302101	47				
RESERVAS PARA CONTING		302102	47				
UTILIDADES NO DISTRIBUIDAS		302103	47	RESULT ACUM EJERC ANTERIORES	35	EXCEDENTE OF DEF EJERC ANT	3501
OTRAS RESERV DE CAPITAL		302107	48	DONACIONES	34	RESERVAS ESPECIALES	32
PERDIDAS EJERCICIOS ANTERIORES		302108	48				
RESULTADOS DEL EJERCICIO		302109	48	RESULT DEL EJERCICIO	36	EXCED O DEF DEL PERIO	3502
<b>ACTIVOS Y PASIVOS CONTINGENTES</b>	4000						
ACTIVOS CONTINGENTES	4011		49				
GARANTIAS Y AVALES OTORGADOS		401101	49				
CREDITOS POR UTILIZAR		401102	49				
REPORTOS - TITULOS POR RECIBIR		401103	49				
PREST Y DESC NEGOCIADOS		401104	49				
PASIVOS CONTINGENTES	4021						
GARANTIAS Y AVALES EXIGID		402101	50				
EXIGIBILIDADES CONTRACT		402102	50				
ACREEDORES POR REPORTO		402103	50				
RESPONSABIL SUBSIDIARIA		402104	51				
<b>INGRESOS</b>	5000			<b>INGRESOS</b>	4	<b>INGRESOS</b>	4
PRODUCTOS FINANCIEROS	5011		51	INGRESOS FINANCIEROS	41	INGRESOS DE OPER	41
INTERESES		501101		INTERESES S/ PRESTAMOS	4101	INGRESOS FINANC	4101
				INTERESES S/ DEPOSITOS	4104	INTERESES S/ PREST	410101
				INT S/ CTAS CHEQUES	4105	INT / DEP AHORRO	410103
				INTERESES S/ INVERS	4106	INT S/ CTAS CHEQUES	410104
				OTROS INGRESOS DE CARTERA	4103	INTERESES S/ INVERS	410102
						INT DEVENG CTA DOLARES	410107

					INT DEVEN S/ PAGARES	410108
DIVIDENDOS SOBRE ACCIONES Y PARTICIP	501102				INT DEV X FILIAL O PRINCIPAL	410109
COMISIONES	501103	COMISIONES	4102		COMISIONES	410105
					INGRESOS X FIDEICOM	410106
PRODUCTOS X SERV	5021	52				
COMISIONES	502101					
ARRENDAMIENTOS	502102	INGRESOS X ALQUILERES	4402		INGRESOS NO OPER	42
MANEJO DE CUENTAS	502103					
OTROS	502199	53 OTROS INGRESOS	44		INGR X OPER NO FINAN	43
PRODUCTOS EXTRAORD	5031					
VENTA DE ACTIVOS EVENTU	503101	53				
VENTA DE MUEBLES E INMUE	503102	53 UTIL VENTA ACTIVOS FIJOS	4401			
INDEMNIZACIONES	503103	53				
OTROS	503199	53 OTROS INGRESOS	44			
					INGRE POR DONACIONES	42
					INGRE POR REVAL MONET	43
RESULTADOS DE EJERCICIOS ANTERIORES	5991					
REINTEGRO DE RESERVAS	599101					
RECUPERACIONES	599102					
OTROS	599199	54				
<b>GASTOS</b>	6000	54 <b>EGRESOS</b>	5		<b>EGRESOS</b>	5
GASTOS FINANCIEROS	6011	GASTOS FINANCIEROS	51		COSTO FINANCIERO	51
INTERESES	601101	INTERESES S/ OBLIG	5101		INTERESES S/ OBLIG	510103 A 510106
		INTERESES S/ DEPOSITOS	5102		INTERESES S/ DEP	510101 Y 510102
COMISIONES	601102					



AJUSTES A RES TECNICAS	601103	54					
BENEFICIOS ADICIONAL	601104	55					
GASTOS DE ADMINIST	6021		GASTOS DE ADMINIST	52		GASTOS DE OPERACION	52
CONSEJEROS Y DIRECTORES	602101	55				GASTOS DE ESTRUCT	53
FUNC Y EMPLEADOS	602102	55	FUNC Y EMPLEADOS	5201		FUNC Y EMPLEADOS	5201
IMPUESTOS Y CONTRIB	602103	55					
HONORARIOS PROF	602104	56				HONORARIOS PROF	5202
ARRENDAMIENTOS	602105	56				ALQUILERS	5204
REPARACIONES Y MANTENI	602106	56				GASTOS EN MANTENI	5205
SEGURIDAD Y VIGILAN	602107	56					
MERCADEO	602108	56				PROMOCION Y PUBLICID	5207
PRIMAS DE SEGUROS	602109	56				SEGUROS Y FIANZAS	5208
DEPREC Y AMORT	602110	57				DEPREC Y AMORT	5209
COMISIONES	602111	57					
PAPEL, UTILES Y SUMIN	602112	57	PAPELERIA Y UTILES	5202		SUMINISTROS	5203
GASTOS DIVERSOS	602199	57	GASTOS ADMIN CREDITOS	53		SERVICIOS PUBLICOS	5206
						PROVISIONES Y FONDOS	5210
EGRESOS EXTRAORD	6971	57				OTROS GASTOS	54
VENTA DE ACTIVOS	697101					PERDIDA VENTA DE	5401
EXTRAORDINARIOS						ACTIVOS	
VENTA DE MUEBLES E INUEBLES	697102						
MULTAS E INDEMNIZ	697103						
PERDIDAS VARIAS	697199	58	GASTOS ADMIN OTROS	57		GASTOS POR PROG NO	55
			PROGRAMAS			FINAN	
			GASTOS POR REVAL MONET	54			
GASTOS DE EJERCICIOS ANT	6981	698101	58				
IMPUESTO S/ LA RENTA	6991	699101	58				
<b>CUENTAS DE ORDEN Y</b>	7000	58	<b>CUENTAS DE ORDEN</b>			<b>CUENTAS DE ORDEN</b>	6
<b>REGISTRO</b>							
			DEUDORAS Y ACREEDORAS	55	56	CUENTAS DE ORDEN	61
VALORES Y BIENES CEDIDOS EN	7011	58					
GARANTIA							
CREDITOS OBTEN DEL BANCO	701101						
CENTRAL							

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CRED OBTEN DE OTRAS ENTIDADES OFIC		701102		
CRED OBTEN DE OTRAS INST FINANCIERAS		701103	59	
GARANTIA DE CREDITOS CONCEDIDOS	7021		59	
TITULOS VALORES		702101		
HIPOTECAS		702102		
BIENES MUEBLES		702103		
OTRAS GARANTIAS RECIBIDAS		702104		
REPORTOS TITULOS POR ENTREGAR		702105	60	
CLASIFICACION DE CARTERA	7031		60	
CREDITOS COMERCIAL		703101		
CREDITOS DE CONSUMO		703102		
CREDITOS PARA VIVIEN		703103	60	
CREDITOS A RELACIONA		703104	60	
ADMINISTRACIONES AJENAS	7041		61	
DOC Y VALORES		704101	61	
ADMINIST CARTERA AJENA		704102	62	
FIDEICOMISOS		704103	62	FIDEICOMISOS 6102
DOC Y VALORES PROPIOS REMITIDOS	7051		63	
PARA SU COBRO		705101	63	
OBLIG FINAN EMITIDAS	7061		64	
BONOS		706101		
ESTAMPILLAS DE AHORRO EMITIDAS		706102		
TITULOS DE CAPITALIZ		706103	64	
OPER EN SUSPENSO	7071		64	
INT EN SUSPENSO S/ OPER CREDITICIAS		707101	64	
CUENTAS DE REGISTRO	7081		65	
VALORES EN CUSTODIA		708101	65	
CUENTAS INCOBRABLES CASTIGADAS		708102	65	PRESTAMOS INCOBRABLES 6102

BIENES EN CARTERA DE ARRENDAMIENTO	708103	65		
CONTROL PARA PONDERACION DE RIESGO	708104	66		
CUOTAS MENSUALES POR COBRAR	708105	67		
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			CUENTAS DE ORDEN X CONTRA	6199

**ANNEX F**

## Comparative Table of Financial Performance Indicators

No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
	<b>ASSET</b>	<b>QUALITY</b>									
1.1	Loan Loss Reserve / Total Loans	Reserve coverage	7	Reserva para creditos e intereses dudosos / Total cartera crediticia	Mide el porcentaje de reserva EFECTUADA	112 113	Reserva para créditos incobrable / Prestamos por cobrar	Mide adecuación de la reserva por tipo de préstamo.	1.2	Provisiones para incobrables / Cartera afectada descubierta	No menos del 100%
1.2	Past Due + Non Perf Loans / Loan Loss Reserve	Reserve adequacy	9 6 8	Reserva para creditos esperada / Total cartera crediticia e intereses Creditos Cat I & II / Total Cart Cred e Int Intereses por cobrar sobre prestamos / Cartera crediticia directa	Mide el porcentaje de reserva REQUERIDA  Mide la calidad de la cartera Mide la eficiencia en el cobro de intereses						
1.3	Delinquent Loans / Total Loans	Delinquency ratio									
1.4	Past Due + Non Perf Loans / Total Loans	Past Due & Non Perf Loan ratio	11	Créditos vencidos + creditos en cobro judicial / Total cartera crediticia e intereses	Mide el efecto de la suspension del registro de intereses devengados	121	Cartera afectada mas de 30 dias / Cartera total	Mide nivel de contaminacion. Parametro: Menos del 10%	2.1	Monto de la cartera afectada / Cartera total	Parametro: No mas del 10%
			10	Operaciones en suspenso / Total cartera crediticia e intereses	Representa el riesgo de perdida por cartera vencida						
1.5	Net Loan Losses / Total Loans	Charge-off ratio				123	Castigos netos de cartera / Cartera promedio	Parametro: Menos del 5%	2.2	Castigo neto de prestamos / Promedio de cartera	Castigo neto = castigos menos recuperaciones Parametro: No mas del 1.5%

No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
	<b>CAPITAL</b>	<b>ADEQUACY</b>									
2.1	Capital / Total Assets	Capital ratio				111	Res Patrimonial + exced o perd acum + donaciones / Activos totales	Mide adecuacion de capital <sup>20</sup>	1.1	Res Patrimonial + exced o perd acum + donaciones / Activos totales	Parametro: No menos del 7%
2.2	Capital / Risk Weighted Assets	Risk Weight Based capital ratio	1	Recursos propios / Activos ponderados por riesgo	Mide la adecuacion de capital. Minimo requerido 10%						
			2	Deuda total / Capital y reservas	Apalancamiento por deuda. Maximo permitido 10 veces						
			3	Depositos ordinarios del publico / Capital y reservas	Apalancamiento por depositos. Promedio del sistema: inferior a 20 veces						
			5	Patrimonio ajustado / Capital y reservas	Patrim ajustado por el exceso o deficit en la reserva. Indice < 1 indica riesgo de menoscabo al patrimonio						
	<b>EARNINGS</b>										
									b 2.1	Intereses recibidos por cartera + comisiones / Promedio de cartera	Tasa de rendimiento de cartera de cred bajo el metodo de efectivo. Parametro: Igual al mercado
									b 2.2	Intereses devengados X invers C y M plazo / Promedio de invers C y M plazo	Rendimiento de la cartera de inv bajo el metodo de acum. Parametro: Igual al mercado.

<sup>20</sup> Falta la pagina del Manual Gerencial 7, asumo que mide coeficiente de adecuacion del capital.

No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
3.1	Interest Income / Average Assets	Asset yield	19	Ingresos financieros / Activos productivos promedio	Tasa de rendimiento sobre activos productivos	133			b 2.3	Int recibidos por cartera + int deveng por invers + comisiones / Promedio de cartera e inversiones	Parametro: Mas del 7% del costo ponderado de los pasivos
3.2	Interest Expense / Average Assets	Cost of funding assets	20	Egresos financieros / Oblig depositarias promedio + oblig bancarias promedio	Tasa de costo de fondos				b 2.8	Intereses y comisiones sobre aportaciones, dep y prest / Promedio de aportaciones, dep y prest	Mide la tasa de costo de fondos. Parametro: = o > a la tasa prom del merc formal segun el Banco Central.
3.3	Net Interest Income / Average Assets	Net interest margin	21	Rendimiento financiero costo financiero	Margen bruto				4.1	Tasa activa - Tasa pasiva	Margen bruto. Debe cubrir gastos, reservas y producir excentes
3.4	Net Income / Average Total Assets	Return on average assets (ROAA)	18	Utilidad neta / Activos productivos promedio	Rentabilidad de los activos productivos	133	Excedente del periodo / Patrimonio promedio	Parametro: Mas del 5%	b 2.10	Excedentes brutos / Activos promedio	Mide la rentabilidad de activos. Para metro: No menos del 3%.
3.5	Net Income / Equity	Return on equity (ROE)	17	Utilidad neta / Capital y reservas	Minimo razonable, en terminos reales, nivel igual a la tasa de inflacion	131	Ingresos totales - donaciones / Gastos totales	Parametro: Mas del 120%. Tienen un indice, el 132, ajustado por la tasa de inflacion.	b 2.11	Interes pagados sobre aportaciones + excedentes a distribuir / activos promedio	Mide la tasa de rendimiento a las aportaciones. Para metro: Mayor que el > IPC <sup>21</sup>
									4.4	Ingresos totales - ingresos extraordinarios / Gastos totales	Capacidad de cubrir gastos con ingresos operativos propios. Parametro: Mas del 110%
									4.3	Res patrim + exced o perd acum + donac + 50% exced del periodo / 7% de activos totales	Mide capacidad de los resultados de aumentar el patrimonio por no menos del 7% del activo. Parametro: Mas del 100%

<sup>21</sup> IPC: Indice de Precios al Consumidor

No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
4.1	Cash +Banks + Marketable Securities / Deposits + Borrowings	Liquidity ratio	13	Activos Liquidos MN / Depositos Ordinarios del Publico MN	Debe de exceder el encaje e inversiones obligatorias en titulos del gobierno	141	Activo circulante / Pasivo circulante	Razon coriente Parametro: Debe ser mas de 2X	5.1	Caja + bancos + Inversiones C plazo / Ahorros y depositos	Mide liquidez. Parametro: Mas del 30%
			14	Activos Liquidos ME / Depositos Ordinarios del Publico ME	Debe exceder encaje e inver oblig en val extranj de primer orden						
4.2	Loans / Deposits & Borrowings	Loan to deposits & borrowings ratio	15	Cartera Crediticia Directa/ Depositos Ordinarios del Publico	Coeficiente mayor de 1 indica que la cartera excede los depositos.						
			16	Activos liquidos + Prest Interbanc concedidos / Dep Ord del Pub + Prest Interbanc Recibidos	Mide la liquidez agregada.						
5.1	<b>MANAGEMENT</b> Net Interest Income + Other Operating Income / Other Operating Expenses	<b>EFFICIENCY</b> Expense coverage ratio									
			22	Gastos de administracion / Activos productivos promedio	Coeficiente del costo administrativo	212	Gastos operativos ( Dep de credito) / Activo promedio	Parametro: Menos del 20%	4.2	Gastos administrativos / Activos promedio	Parametro: Menos del 3%
			23	Activos productivos promedio / Gastos de administracion	Rotacion de gastos administrativos	124	Prestamos por cobrar / Activo total	Parametro: Mas del 80%	b 1.1	Cartera neta de prestamos / Activos totales	Parametro: Igual o mas del 70%.
			24	Gastos en personal / Utilidad bruta	Coeficiente de cobertura del costo de personal				b 2.9	Provision para incobrables + Prima de seguros sobre depositos + fianza de seguros / Activos promedio	Mide la tasa del costo de proteccion. Parametro: No mas del 2%

No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
			4	Activos no productivos / Capital y reservas	Proporcion de capital y res immobilizados. Max permitido en activos fijos 40%, en gastos de organizacion e instalacion 15%.				3.2	Activos fijos netos + otros activos no productivos / Activos totales	Parametro: No mas del 10%
5.2	Income Producing Assets / Total Assets	Productive asset ratio	12	Activos productivos / Total activos reales (o sea, netos) (y excluye contingencias)	Mide la eficiencia de la administracion de activos	122	Prestamos + Inversiones / Activo total	Parametro: Mas del 90%	3.1	Inversiones C y L plazo + prestamos netos / Ahorros + depositos + prestamos a pagar + Aportaciones	Los activos productivos deben exceder a los pasivos con costo. Parametro: Mas del 100%
5.3	Total Assets / Number of employees	Staff efficiency ratio	25	Depositos ordinarios del publico / Total empleados	Mide la eficiencia del personal en el manejo y captacion de depositos	213	Bancos Comunales / Promotores de credito	Parametro: Mas de 15 a uno			
			26	Depositos ordinarios del publico / Numero de oficinas	Mide la eficiencia de las oficinas en el manejo/ captacion de depositos	211	Cientes activos / Empleados de credito	Parametro: Mas de 150 a uno			
5.4	Total Loans / Number of employees	Lending efficiency ratio									
5.5	Current Borrowers - Last Year End Borrowers / Last Year End Borrowers	Client growth rate				151	Cientes activos actuales - clientes previos / Clientes previos	Parametro: >20%. Tambien miden (indice 153) el crecimiento en bancos comunales: Parametro: > 20%	6.2	Afiliados actuales - afiliados previos / Afiliados previos	Mide tasa de crecimiento de afiliados. Parametro: Mas del 10%
									b 3.4	Membresia total / Poblacion econ activa en la comunidad de la cooperativa	Mide el porcentaje de penetracion en el mercado de la cooperativa



No.	STANDARD		No.	CNBS	Banks	No.	FUND COVELO	OPDFs	No.	FACACH	Cooperatives
5.6	Last FYE Net Loans - Previous FYE Net Loans / Previous FYE Net Loans	Loan growth rate				152	Cartera actual - cartera anterior / Cartera anterior	Parametro: Mide crecimiento NETO de cartera. Mas del 25%.	b 3	Recursos actuales - recursos anteriores / Recursos anteriores	Usan 3 indices para medir cada recurso: Aportaciones, Ahorros y DPF. Parametro: Deben ser mayores al IPC
									6.1	Activo actual - Activo anterior - excedentes e intereses capitalizados / Activo anterior	Mide tasa de crecimiento del activo. Parametro: No menos del 5% mas que la tasa anual de inflacion

**ANNEX G**

## Proposed Chart of Accounts

The following is an abridged and slightly modified version of the current CNBS chart of accounts. It is presented in Spanish, because it is the language of the ultimate beneficiaries, who may not be familiar with many of the equivalent terms in English. The first column lists the general ledger account name, second column lists the general ledger account numbers, the third column lists the most important sub-accounts, and the fourth indicates the page number where the appropriate definition may be found in the CNBS Manual. While some names are different, such as *Patrimonio* and *Capital de Socios* instead of *Capital*; *Donaciones* instead of *Superavit*; *Reservas Institucionales* instead of *Reservas*; and *Excedentes* instead of *Utilidades*, the accounts are equivalent and the definitions in the CNBS Manual are, for accounting purposes, correct and to the point.

<b>NOMENCLATURA</b>	<b>CUENTA</b>	<b>SUB-CUENTA</b>	<b>PAG #</b>
<b>ACTIVOS</b>	<b>1000</b>		
DISPONIBILIDADES	1011		1
CAJA		101101	1
DEPOSITOS en BANCOS		101103	2
INVERSIONES	1021		3
INVERSIONES EN VAL		102101	
INVERSIONES DE FONDOS		102102	4
ESPECIALES			
Del Fondo de Prestaciones Sociales		101102.01	
PRESTAMOS,	1031		4
VIGENTES		103101	5
ATRASADOS		103102	5
VENCIDOS		103103	5
PRESTAMOS EN EJECUCION		103104	
JUDICIAL			
RESERVAS DE VALUACION PARA	2071		
CREDITOS DUDOSOS		207101	44
INTERESES DE DUDOSO RECAUSO		207102	44
AMORTIZACION DE INVERSIONES		207103	44
DEPRECIACION DE EDIFICIOS		207104	44
DEPRECIACION DE INSTALACIONES		207105	44
DEPRECIACION DE MOBILIARIO Y		207106	44
EQUIPO			

AMORTIZACION DE ACTIVOS EVENTUALES	207107	44
DEPRECIACION DE ACTIVOS ARRENDADOS	207108	44
AMORTIZACION DE OTROS VALORES	207109	45
OTROS ACTIVOS	1041	
DEUDORES VARIOS	104101	
COMISIONES X COBRAR	104103	15
INTE Y DIV X COBRAR	104104	15
BIENES PARA ARREND	104105	15
OFICINAS Y CASA MATRIZ	1051	17
OFICINAS	105101	17
CASA MATRIZ CTA CTE	105102	17
ACTIVOS EVENTUALES	1061	18
INMUEBLES	106101	
MUEBLES	106102	
TITULOS VALORES	106103	
EROGACIONES POR ACTIVOS EVENTUALES	106104	
ACTIVOS FIJOS	1071	18
BIENES RAICES	107101	18
MOBILIARIO Y EQUIPO	107102	19
INSTALACIONES	107103	19
BIENES ARRENDADOS	107104	21
GASTOS ANTICIPADOS	108101	21
INT Y COM ANTICIPADOS	108102	21
CUENTAS POR AMORT	108103	22
PAPELERIA Y UTILES	108104	22
ESPECIES FISCALES Y TIMBRES	108105	23
PRIMAS POR AMORT INVERS EN VALORES	108106	23
PERDIDAS POR AMORT INV EN VALORES	108107	23
OTROS CARGOS DIFERIDOS	108119	23
<b>PASIVO</b>	2000	
EXIGIBILIDADES INMEDIATAS	2011	24
OBLIG VENCIDAS PEND DE PAGO	201104	26
OBLIG X ADMINIST	201108	27
ACREEDORES VARIOS	201109	28
INTERESES POR PAGAR	201112	31
COMISIONES X PAGAR	201113	33

EXIGIBILIDADES A TERMINO	2021		34
OTRAS EXIGIBILIDADES	2031		35
DEPOSITOS EN GARANTIA		203101	36
INGRESOS BIENES ADMINISTRADOS		203102	36
		201103	37
<b>DONACIONES POR APLICAR A</b> PATRIMONIO		203105	37
OBLIGACIONES BANCARIAS	2041		38
CREDITOS Y OBLIG BANCARIAS		204102	
OBLIG X ACTIVOS ARRENDADOS		204103	40
<b>RESERVAS TECNICAS</b>	2051		
CREDITOS DIFERIDOS	2061		
INT Y COM RECIBIDAS POR ANTICIPADO		206101	42
<b>DONACIONES POR APLICAR A</b> GASTOS		206102	42
UTILIDAD POR REALIZAR VENTA DE INMUEB		206103	43
DESC POR DEVENGAR SOBRE INV EN VAL		206104	43
INGRESOS NO DEVENGADOS X ARREND		206105	43
RESERVAS EVENTUALES	2081		
PARA IMPUESTOS Y CONTRIB		208101	45
RESERVA PARA PRESTACIONES SOCIALES		208102	45
RESERVAS ESPECIALES		208103	45
<b>PATRIMONIO, RESERVAS Y EXCEDENTES</b>	3000		
<b>PATRIMONIO</b>	3011		
<b>CAPITAL DE SOCIOS</b>		301101	46
<b>DONACIONES</b>		301102	47
<b>RESERVAS INSTITUCIONALES</b>		301103	47
<b>CAPITAL COMPLEMENTARIO</b>	3021		
<b>RESERVAS POR REVALUAC</b>		302101	47
<b>RESERVAS PARA CONTING</b>		302102	47
<b>EXCEDENTES EJERCICIOS ANTERIORES</b>		302103	47
<b>OTRAS RESERV DE CAPITAL</b>		302107	48
<b>PERDIDAS EJERCICIOS ANTERIORES</b>		302108	48
<b>EXCEDENTES DEL EJERCICIO</b>		302109	48

<b>ACTIVOS Y PASIVOS CONTINGENTES</b>	4000		
ACTIVOS CONTINGENTES	4011		49
GARANTIAS Y AVALES OTORGADOS		401101	49
CREDITOS POR UTILIZAR		401102	49
REPORTOS - TITULOS POR RECIBIR		401103	49
PREST Y DESC NEGOCIADOS		401104	49
PASIVOS CONTINGENTES	4021		
GARANTIAS Y AVALES EXIGID		402101	50
EXIGIBILIDADES CONTRACT		402102	50
ACREEDORES POR REPORTO		402103	50
RESPONSABIL SUBSIDIARIA		402104	51
<b>INGRESOS</b>	5000		
PRODUCTOS FINANCIEROS	5011		51
INTERESES		501101	
DIVIDENDOS SOBRE ACCIONES Y PARTICIP		501102	
COMISIONES		501103	
PRODUCTOS X SERVICIOS	5021		52
COMISIONES		502101	
ARRENDAMIENTOS		502102	
MANEJO DE CUENTAS		502103	
OTROS		502199	53
PRODUCTOS EXTRAORDINARIOS	5031		
VENTA DE ACTIVOS EVENTUALES		503101	53
VENTA DE MUEBLES E INMUE		503102	53
INDEMNIZACIONES		503103	53
OTROS: <b>DONACIONES</b> PARA GASTOS		503199	53
EXCEDENTES DE EJERCICIOS ANTERIORES	5991		
REINTEGRO DE RESERVAS		599101	
RECUPERACIONES		599102	
OTROS		599199	54
<b>GASTOS</b>	6000		54
GASTOS FINANCIEROS	6011		
INTERESES		601101	
COMISIONES		601102	
AJUSTES A RESERVAS TECNICAS		601103	54
BENEFICIOS ADICIONALES		601104	55

GASTOS DE ADMINISTRACION	6021		
CONSEJEROS Y DIRECTORES		602101	55
FUNCIONARIOS Y EMPLEADOS		602102	55
IMPUESTOS Y CONTRIBUCIONES		602103	55
HONORARIOS PROFESIONALES		602104	56
ARRENDAMIENTOS		602105	56
REPARACIONES Y MANTENIMIENTO		602106	56
SEGURIDAD Y VIGILANCIA		602107	56
MERCADEO		602108	56
PRIMAS DE SEGUROS		602109	56
DEPREC Y AMORT		602110	57
COMISIONES		602111	57
PAPEL, UTILES Y SUMIN		602112	57
GASTOS DIVERSOS		602199	57
EGRESOS EXTRAORDINARIOS	6971		57
VENTA DE ACTIVOS EXTRAORDINARIOS		697101	
VENTA DE MUEBLES E INUEBLES		697102	
MULTAS E INDEMNIZACIONES		697103	
PERDIDAS VARIAS		697199	58
GASTOS DE EJERCICIOS ANTERIORS	6981	698101	58
<b>CUENTAS DE ORDEN Y REGISTRO</b>	7000		58
VALORES Y BIENES CEDIDOS EN GARANTIA	7011		58
<i>CRED OBTEN DE ENTIDADES OFICIALES</i>		701102	
CRED OBTEN DE OTRAS INST FINANCIERAS		701103	59
GARANTIA DE CREDITOS CONCEDIDOS	7021		59
TITULOS VALORES		702101	
HIPOTECAS		702102	
BIENES MUEBLES		702103	
OTRAS GARANTIAS RECIBIDAS		702104	
REPORTOS TITULOS POR ENTREGAR		702105	60
CLASIFICACION DE CARTERA	7031		60
CREDITOS COMERCIALES		703101	
CREDITOS DE CONSUMO		703102	
CREDITOS PARA VIVIENDA		703103	60
CREDITOS A RELACIONADAS		703104	60
ADMINISTRACIONES AJENAS	7041		61
DOCUMENTOS Y VALORES		704101	61

ADMINISTRACION DE CARTERA AJENA		704102	62
FIDEICOMISOS		704103	62
DOC Y VALORES PROPIOS	7051		63
REMITIDOS PARA SU COBRO		705101	63
OBLIG FINANCIERAS EMITIDAS	7061		64
BONOS		706101	
OPERACIONES EN SUSPENSO	7071		64
INT EN SUSPENSO S/ OPER CREDITICIAS		707101	64
CUENTAS DE REGISTRO	7081		65
VALORES EN CUSTODIA		708101	65
CUENTAS INCOBRABLES CASTIGADAS		708102	65
BIENES EN CARTERA DE ARRENDAMIENTO		708103	65
CONTROL PARA PONDERACION DE RIESGO		708104	66
CUENTAS DE ORDEN X CONTRA	7191		67