

The Cabinet
Cabinet Resolution No. (66) of 2020
Concerning the Regulation of Project Sponsorship in the
Federal Government

The Cabinet,

- Having reviewed the Constitution,
- And Federal Law No. (1) of 1972 concerning the Competencies of Ministries and Powers of Ministers, and its amendments,
- And Federal Decree-Law No. (26) of 2019 on Public Finance,
- And based on the proposal of the Minister of Finance and the approval of the Cabinet,

Has decided:

Article (1)
Definitions

For the purposes of implementing the provisions of this Resolution, the following words and phrases shall have the meanings assigned to each of them, unless the context indicates otherwise:

The State	:	The United Arab Emirates.
Federal Entities	:	The federal entities to which the provisions of Federal Decree-Law No. (26) of 2019 on Public Finance apply.
Head of the Federal Entity	:	The Minister, Chairman of the Board, Head of the Entity, or their equivalent, as the case may be.
The Committee	:	The Project Sponsorship Committee established under the provisions of this Resolution.
Project Sponsorship	:	Financial support, whether "in-cash" or "in-kind" or both, provided to sponsor an event, activity, function, individuals, or one or more entities, in exchange for a benefit to one or all parties.

Article (2)
Objectives of the Resolution

This Resolution aims to achieve the following:

1. To define and unify the controls and policies based on which sponsorship is accepted, granted, received, or rejected.
2. To ensure the consistency of sponsorship objectives with the strategic goals and core values of the Federal Entity.
3. To increase awareness of the concept of sponsorship as a valuable element in society and to establish a mechanism for evaluating sponsorship opportunities.

Article (3)

Scope of Application

The provisions of this Resolution shall apply to Federal Entities, with the exception of the following:

1. Ministry of Defence.
2. Supreme Council for National Security.
3. Ministry of Cabinet Affairs.
4. Any federal entity whose establishing law prohibits it from receiving or granting sponsorship.

The Cabinet may exempt any federal entity or any project from the application of the provisions of this Resolution.

Article (4)

Formation and Tasks of the Committee

1. A committee named the (Project Sponsorship Committee) shall be established in each Federal Entity by a decision of the Head of the Federal Entity or their delegate.
2. The Committee shall be composed of three to five members, including:
 - a. A representative from the Strategy and Future organisational unit.
 - b. A representative from the Government Communication organisational unit.
 - c. A representative from the Financial Affairs organisational unit.
3. If any of the above-mentioned organisational units are not included in the Federal Entity's organisational structure, the Head of the Federal Entity or their delegate may propose the formation of the Committee with

members representing other organisational units listed in the Federal Entity's organisational structure.

4. The Committee shall undertake the following tasks:

- a. To study sponsorship requests, whether those submitted by the Federal Entity or those granted to the Federal Entity.
- b. To decide on sponsorship requests by either accepting or rejecting the request.

5. The Committee may invite specialists and technicians, whether employees of the Federal Entity or from outside, to assist the Committee in its tasks.

Article (5)

Committee's Working Mechanism

1. A meeting of the Committee shall not be valid unless attended by an absolute majority of its members, i.e., more than 50% of the members, provided that the Chairman of the Committee or their deputy, in their absence, is present.

2. The Committee's decisions shall be issued by a majority vote of the members present at the meeting. In the event of a tie, the side of the Chairman of the Committee, or their deputy in the Chairman's absence, shall prevail.

3. The Committee shall prepare an agenda for its meetings that includes all topics to be discussed, and the agenda shall be distributed to all members in a timely manner before the meeting to allow members to review and prepare.

4. The Committee shall document and record all its work and discussions in minutes signed by the attending members and approved by the Chairman or their deputy in their absence.

Article (6)

Types of Project Sponsorship

The Federal Entity shall take the following measures, according to the type of sponsorship provided to it:

1. If the sponsorship provided is financial "in-cash" support, the Federal Entity shall record the financial values in the designated register and

deposit them in a separate bank account, in accordance with the procedures outlined in the Annex attached to this Resolution.

2. If the sponsorship provided is in-kind support, the Committee shall receive, evaluate, and record the in-kind item and its financial value in the register, in accordance with the procedures outlined in the Annex attached to this Resolution.

Article (7)

Categories of Project Sponsorship

Sponsorship providers or recipients are classified into the following categories:

1. Sponsorship providers or recipients within the State:

- a. Federal entities.
- b. Local entities.
- c. Private sector.
- d. Natural person.
- e. Public benefit associations and institutions.

2. Sponsorship providers or recipients outside the State:

- a. Governmental entities.
- b. Private sector.
- c. Natural person.
- d. Non-profit international organisations or institutions.

Article (8)

Objectives of Project Sponsorship

When granting or receiving sponsorship, the following objectives must be achieved:

- 1. To enhance the vision, mission, and values of the Federal Entity.
- 2. To contribute to achieving the objectives of the Federal Entity as listed in its approved strategic plan.
- 3. To achieve a benefit for any of the sponsorship parties.

Article (9)

Controls for Granting or Receiving Sponsorship

The following controls must be adhered to when granting or receiving sponsorship:

1. All sponsorship-related activities must be conducted officially and through the approved communication channels of the Federal Entity.
2. It is prohibited to receive or grant sponsorship from or to companies or individuals whose wealth is known to be derived from illegal activities or when there are indicators of corruption and related economic crimes.
3. It is prohibited to receive or grant sponsorship from or to companies or individuals who have been convicted of money laundering or terrorism financing.
4. It is prohibited to receive or grant sponsorship from or to individuals until it is verified that there is nothing to prevent receiving or granting the sponsorship in accordance with the controls mentioned in this Resolution.
5. All sponsorship contributions are subject to Value Added Tax in cases where there is a benefit in return for the sponsorship.
6. All applicable legislation in the State, including tax-related legislation, must be applied.
7. All Federal Entities must issue a tax invoice in cases where there is a benefit in return for the sponsorship.
8. Federal Entities may not receive or grant sponsorship from or to any entity that conflicts with their objectives or the objectives of the Federal Government.
9. Funds received may not be used for any purpose other than that for which they were received.
10. The sponsor must not have a direct or indirect interest with the Federal Entity that could lead to a conflict of interest.
11. The ownership of the in-kind item provided as support shall be transferred to the beneficiary entity, ensuring that all official procedures in this regard are completed.
12. All amounts related to the sponsorship must be recorded in the designated register from the beginning of the activity until its completion.

13. To enhance governance and transparency, details of sponsorship projects, sponsoring entities, and amounts received and granted must be disclosed in periodic reports and the explanatory note of the final account.

14. If an in-kind or financial "in-cash" sponsorship is approved, and it later becomes apparent to the Federal Entity that there is information, causes, or changes that would lead to a decision to reject the sponsorship, the full amount or in-kind item received must be returned to the entity that provided it.

Article (10)

Controls for Receiving Sponsorship

All Federal Entities must observe the following controls when receiving project sponsorship from any granting entity:

1. Prepare an annual plan by the organisational units in the Federal Entity regarding projects that aim to attract sponsors to finance or contribute to their financing, and submit it to the Head of the Federal Entity before the end of the fiscal year for approval, in preparation for its implementation during the following fiscal year.
2. Prepare a study on the project for which sponsorship is sought, defining its objectives and the extent of its alignment with the strategic goals of the entity.
3. Define sponsorship packages that allow for the participation of more than one partner in sponsoring the project, specifying the characteristics, benefits, and conditions of each category.
4. Conclude a contract or memorandum of understanding with the granting entity, which must include the following:
 - a. Identification of the contracting parties (the granting entity and the beneficiary Federal Entity).
 - b. Objectives and outcomes of the sponsored project.
 - c. Tasks and responsibilities of the contracting parties.
 - d. A statement of all details related to the sponsorship and the financing mechanism.
 - e. Determination of the contract period.

- f. Specification of the means and form of use of the government entity's logo by the sponsoring entity.
 - g. Determination of the mechanism for handling any surplus from the sponsorship amount, if any.
 - h. Determination of the value of financial penalties applicable to either party in case of breach of the contract terms or damage to the other party's reputation.
5. Open a dedicated bank account to deposit the amounts received from the granting party, which is to be closed after the project is completed, in coordination with the Ministry of Finance.
6. Disclose all details related to the granting entity, the amounts and in-kind items received, and the projects to be sponsored in the final account.
7. Prepare a detailed report for each sponsored project, which includes the project name, sponsorship period, sponsorship value, amounts spent to date, and project status, and submit it to the Project Sponsorship Committee and the Head of the Entity.
8. Return the remaining amount to the granting entity if the project is not completed after receiving the sponsorship amount, for any reason, unless the concluded contract states otherwise.
9. Return sponsorship surpluses, if any, to the granting entity after the project is completed, unless the concluded contract states otherwise.
10. Refuse to receive sponsorship in any of the following cases:
- a. The policies and objectives of the beneficiary entity conflict with the directions and policies of the Federal Government.
 - b. The directions and objectives of the beneficiary entity conflict with the strategic goals of the Federal Entity.
 - c. There is a conflict of interest between the Federal Entity and the granting entity.
 - d. The granting entity represents political, partisan, religious, or sectarian associations.
 - e. The granting entity is unknown, suspicious, or has objectives that conflict with the policy of the State.

f. The granting entity has been previously convicted of money laundering or terrorism financing.

Article (11)

Procedures for Receiving Sponsorship

1. All organisational units in the Federal Entity shall submit their proposals for projects for which they wish to attract sponsorship to the Head of the Federal Entity before the end of the fiscal year.
2. The organisational unit responsible for the project shall, in coordination with the Committee, prepare a comprehensive study of the project, which shall include the following:
 - a. A detailed explanation of the project.
 - b. The objectives of the project.
 - c. The alignment of the project's objectives with both the objectives and policy of the Federal Government and the strategic goals of the Federal Entity.
 - d. The estimated cost of the project.
 - e. A list of potential sponsors and the benefits to be granted to them in return for sponsorship.
 - f. The expected value of the sponsorship and sponsorship packages (if any).
3. A summary of the projects shall be presented to the Committee for its approval.
4. Projects approved by the Committee shall be included in an annual plan for projects and their sponsorship, and submitted to the Head of the Federal Entity for approval.
5. The organisational unit responsible for the project, in coordination with the Government Communication organisational unit, shall contact entities that may wish to sponsor the project, no less than ninety (90) days from the project start date. If there is no organisational unit concerned with government communication, coordination shall be with the organisational unit responsible for exercising government communication functions.

6. The organisational unit responsible for the project shall coordinate with the organisational unit responsible for preparing contracts to draft the contract and have it signed by both parties.
7. In the case of receiving financial "in-cash" sponsorship, the Financial Affairs organisational unit shall coordinate with the Ministry of Finance to open a special bank account for the received amount.
8. If there is a benefit in return for the provided sponsorship, the Financial Affairs organisational unit shall issue a tax invoice in this regard.
9. In the case of receiving in-kind sponsorship, the Committee shall inspect and appraise the received sponsorship, prepare a memorandum, and send it to the Financial Affairs organisational unit.
10. If the entity applies accrual-based accounting, the Financial Affairs organisational unit shall indicate the nature of the in-kind sponsorship in the system until it is disbursed for project implementation. If the entity applies the modified cash basis, the in-kind sponsorship must be disclosed in its financial statements.
11. The organisational unit responsible for the project shall appoint a representative to follow up on the project's implementation.
12. If the granting entity fails to execute the contract, the matter shall be referred to the concerned organisational unit to take necessary actions in accordance with the applicable legislation.

Article (12)

Controls for Granting Sponsorship

For the purpose of granting sponsorship to any federal entity to support a project, all Federal Entities must observe the following controls:

1. Sponsorship shall not be granted until the Federal Entity is provided with a study of the project to be sponsored, showing its desired objectives.
2. Ensure that the objectives of the project to be sponsored are compatible with the policies of the State and the strategic goals of the Federal Entity.
3. Ensure the availability of a financial allocation in the budget for project sponsorship.
4. Conclude a contract with the beneficiary entity that includes the following:

- a. Identification of the contracting parties (the granting entity and the beneficiary entity).
 - b. Tasks and responsibilities of each party.
 - c. Objectives and outcomes of the project.
 - d. Specification of the sponsorship amount and its disbursement mechanisms.
 - e. Specification of the mechanism for returning any surplus from the sponsorship amount (if any).
 - f. Determination of the value of financial penalties applicable to the beneficiary entity in case of its breach of the contract terms or damage to the reputation of the Federal Entity.
5. Refuse to provide sponsorship in any of the following cases:
- a. The policies and objectives of the beneficiary entity conflict with the directions and policies of the Federal Government.
 - b. The directions and objectives of the beneficiary entity conflict with the strategic goals of the Federal Entity.
 - c. The beneficiary entity represents political, partisan, religious, or sectarian associations.
 - d. The project conflicts with the State's policies regarding the environment and sustainability.
 - e. There is a conflict of interest between the granting Federal Entity and the beneficiary entity.
 - f. The entity requesting sponsorship has been previously convicted of money laundering or terrorism financing.

Article (13)

Procedures for Granting Sponsorship

1. The entity requesting sponsorship shall submit a comprehensive study of the project to the Federal Entity, which includes the following:
 - a. A detailed explanation of the project.
 - b. The objectives of the project.

- c. The alignment of the project's objectives with both the objectives and policy of the Federal Government and the strategic goals of the Federal Entity.
 - d. The estimated cost of the project.
2. The request shall be presented to the Committee to study it and ensure that it meets all the controls mentioned in Article (12) of this Resolution.
3. If the Committee approves the sponsorship request, the Government Communication organisational unit shall take the following actions:
- a. Contact the requesting entity to agree on the sponsorship mechanism. If there is no organisational unit concerned with government communication, coordination shall be with the organisational unit responsible for exercising government communication functions.
 - b. Coordinate with the organisational unit responsible for preparing contracts to draft the contract and have it signed by both parties.
 - c. Coordinate with the Financial Affairs organisational unit to transfer the sponsorship amount to the requesting entity, if the sponsorship is financial "in-cash".
 - d. Coordinate with the Procurement organisational unit to ensure the availability of the sponsored materials in the warehouses. If not available, the materials shall be purchased and disbursed to the requesting entity according to its procedures.
 - e. Appoint a representative to follow up on the project's implementation.
4. If the beneficiary entity fails to execute the contract, the matter shall be referred to the concerned organisational unit to take necessary actions in accordance with the applicable legislation.

Article (14)

Repeals

The decisions and circulars issued regarding project sponsorship in the Federal Government are hereby repealed, and any provision that contravenes or conflicts with the provisions of this Resolution is also repealed.

Article (15)
Publication and Entry into Force

This Resolution shall be published in the Official Gazette and shall come into force on the day following the date of its issuance.

Mohammed bin Rashid Al Maktoum
Prime Minister

Issued by us:

On: 21 / Safar / 1442 H

Corresponding to: 08 / October / 2020 AD

**Attached Annex
to Cabinet Resolution No. (66) of 2020
Concerning the Regulation of Project Sponsorship in the
Federal Government**

First: Procedures for Recording the Receipt of Financial "In-Cash" Sponsorship

1. Upon receiving cash sponsorship, the Financial Affairs organisational unit in the Federal Entity shall contact the Ministry of Finance to open a new bank account.
2. After obtaining the necessary approvals, the Financial Affairs organisational unit shall follow the procedures for opening a bank account as stated in the Unified Financial Procedures Manual.
3. The Financial Affairs organisational unit shall issue a tax invoice for the sponsorship value, including the imposition of Value Added Tax if there is a benefit in return for the sponsorship, taking into account the provisions of the Public Clarification issued by the Federal Tax Authority on the application of VAT to donations, grants, and sponsorship contributions.

In case of applying the modified cash basis:

1. The Financial Affairs organisational unit shall record the accounting entries upon receiving the sponsorship, grant, or donation as follows:
 - a. If Value Added Tax is not applicable:
 - Dr/ Bank Account (Bank Name – Account Number)
 - Cr/ Receipts Under Settlement (Project Name)
 - b. If Value Added Tax is applicable:
 - Dr/ Bank Account (Bank Name – Account Number)
 - Cr/ Receipts Under Settlement (Project Name)
 - Cr/ Value Added Tax – Output.
 2. The Financial Affairs organisational unit shall record the accounting entries when disbursing from the sponsorship, grant, or donation amount as follows:
 - Dr/ Receipts Under Settlement (Project Name)
 - Dr/ Value Added Tax – Input or Dr/ Non-Recoverable Value Added Tax
 - Cr/ Bank Account (Bank Name – Account Number)
- The above VAT accounts for sponsorship, grants, and donations shall have a separate code in the Federal Financial System to distinguish them from

those accounts related to the federal budget. A net VAT item shall be created to close the input and output VAT items.

3. If there is a surplus and the Federal Entity must return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Receipts Under Settlement (Project Name)

Cr/ Bank Account (Bank Name – Account Number)

4. If there is a surplus and the Federal Entity is not required to return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Receipts Under Settlement (Project Name)

Cr/ Revenue from Non-Exchange Transactions (Project Name)

5. Upon completion of the project/event, the Financial Affairs organisational unit shall contact the Ministry of Finance to close the bank account opened for this purpose.

6. After obtaining the necessary approvals, the Financial Affairs organisational unit shall follow the procedures for closing the bank account as stated in the Unified Financial Procedures Manual.

In case of applying the accrual basis:

1. The Financial Affairs organisational unit shall record the accounting entries upon receiving the sponsorship, grant, or donation as follows:

a. If Value Added Tax is not applicable:

Dr/ Bank Account (Bank Name – Account Number)

Cr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

b. If Value Added Tax is applicable:

Dr/ Bank Account (Bank Name – Account Number)

Cr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

Cr/ Value Added Tax – Output

2. The Financial Affairs organisational unit shall record the accounting entries when disbursing from the sponsorship, grant, or donation amount to recognise the expense as follows:

Dr/ Expenses (Project Name)

Dr/ Value Added Tax – Input or Dr/ Non-Recoverable Value Added Tax

Cr/ Bank Account (Bank Name – Account Number)

The above VAT accounts for sponsorship, grants, and donations shall have a separate code in the Federal Financial System to distinguish them from those accounts related to the federal budget. A net VAT item shall be created to close the input and output VAT items.

3. The Financial Affairs organisational unit shall record the accounting entries to recognise revenue upon disbursement from the sponsorship, grant, or donation amount, for the value of the amounts actually used, as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

Cr/ Revenue from Non-Exchange Transactions (Project Name)

4. If there is a surplus and the Federal Entity must return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

Cr/ Bank Account (Bank Name – Account Number)

5. If there is a surplus and the Federal Entity is not required to return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

Cr/ Miscellaneous Revenue (Project Name) – the source must be specified in the entry description.

6. Upon completion of the project/event, the Financial Affairs organisational unit shall contact the Ministry of Finance to close the bank account opened for this purpose.

7. After obtaining the necessary approvals, the Financial Affairs organisational unit shall follow the procedures for closing the bank account as stated in the Unified Financial Procedures Manual.

Second: Procedures for Recording the Receipt of In-Kind Sponsorship

In case of applying the accrual basis:

1. Upon receiving in-kind sponsorship, the Project Sponsorship Committee shall receive and evaluate the item based on the Accounting Standards Manual of the UAE and prepare a memorandum to that effect.
2. The Project Sponsorship Committee shall send the memorandum to the Financial Affairs organisational unit to be recorded in the Federal Entity's accounts.
3. The Financial Affairs organisational unit shall record the accounting entries upon receiving the in-kind sponsorship as follows:

Dr/ Inventory

Cr/ Revenue from Non-Exchange Transactions - Deferred (Project Name)

4. When the in-kind sponsorship is disbursed, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Expenses by Nature (Materials) (Project Name)

Cr/ Inventory

5. The Financial Affairs organisational unit shall record the accounting entries to recognise revenue upon disbursement for the value of the actual disbursement as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred

Cr/ Revenue from Non-Exchange Transactions (Project Name)

6. If there is a surplus and the Federal Entity is not required to return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries for the value of the remaining inventory as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred

Cr/ Revenue from Non-Exchange Transactions (Project Name)

7. If there is a surplus and the Federal Entity must return it to the granting entity, the Financial Affairs organisational unit shall record the accounting entries for the value of the remaining inventory as follows:

Dr/ Revenue from Non-Exchange Transactions - Deferred

Cr/ Inventory

In case of applying the modified cash basis:

The Federal Entity must disclose all in-kind grants/donations/gifts received in its financial statements.

Third: Procedures for Recording the Granting of Financial "In-Cash" Sponsorship

After obtaining all approvals and appropriations for the project to be sponsored, the organisational unit responsible for the project shall contact the Financial Affairs organisational unit to disburse the sponsorship amount.

In case of applying the accrual basis:

(1) Conditional Grant:

a. If VAT is not applied by the entity that received the sponsorship, in accordance with the Public Clarification issued by the Federal Tax Authority on the application of VAT to donations, grants, and sponsorship contributions:

1. The Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Financial Asset – Grant (Project Name)

Cr/ Bank Account (Bank Name – Account Number)

2. When the conditions are met, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Sponsorship Expenses (Project Name)

Cr/ Financial Asset – Grant (Project Name)

b. If VAT is applied by the entity that received the sponsorship, in accordance with the Public Clarification issued by the Federal Tax Authority on the application of VAT to donations, grants, and

sponsorship contributions, and a tax invoice has been received to cover the sponsorship value:

1. The Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Financial Asset – Grant (Project Name)

Dr/ Value Added Tax – Input or Dr/ Non-Recoverable Value Added Tax

Cr/ Bank Account (Bank Name – Account Number)

2. When the conditions are met, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Sponsorship Expenses (Project Name)

Cr/ Financial Asset – Grant (Project Name)

3. If there is a surplus that the beneficiary entity must return to the Federal Entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Bank Account (Bank Name – Account Number)

Cr/ Financial Asset – Grant (Project Name)

(2) Unconditional Grant:

The Financial Affairs organisational unit shall record the accounting entries as follows:

- a. If VAT is not applied by the entity that received the sponsorship, in accordance with the Public Clarification issued by the Federal Tax Authority on the application of VAT to donations, grants, and sponsorship contributions:

Dr/ Sponsorship Expense (Project Name)

Cr/ Bank Account (Bank Name – Account Number)

- b. If VAT is applied by the entity that received the sponsorship, in accordance with the Public Clarification issued by the Federal Tax Authority on the application of VAT to donations, grants, and sponsorship contributions, and a tax invoice has been received to cover the sponsorship value:

Dr/ Sponsorship Expense (Project Name)

Dr/ Value Added Tax – Input or Dr/ Non-Recoverable Value Added Tax

Cr/ Bank Account (Bank Name – Account Number)

In case of applying the modified cash basis (conditional or unconditional):

1. The Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Sponsorship Expense (Project Name)

Cr/ Bank Account (Bank Name – Account Number)

2. If there is a surplus that the beneficiary entity must return to the Federal Entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Bank Account (Bank Name – Account Number)

Cr/ Sponsorship Expense (Project Name)

Fourth: Procedures for Recording the Granting of In-Kind Sponsorship

After obtaining all approvals and appropriations for the project to be sponsored, the organisational unit responsible for the project shall contact the Financial Affairs organisational unit to disburse the sponsorship.

In case of applying the accrual basis:

1. The Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Inventory

Cr/ Bank Account (Bank Name – Account Number)

2. When the conditions are met, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Sponsorship Expenses (Project Name)

Cr/ Inventory

3. If there is a surplus that the beneficiary entity must return to the Federal Entity, the Financial Affairs organisational unit shall record the accounting entries as follows:

Dr/ Assets / Inventory

Cr/ Sponsorship Expense (Project Name)

In case of applying the modified cash basis:

The Federal Entity must record the inventory in the warehouse records.