

2. Inspection Checklist for Cash Procurements

The procurement transactions in Mongolia, in many cases among the small-scale individual owned enterprises, are cash transactions without receipts or barter transactions. It is important for these taxpayers to realize the importance of properly recording the procurement amounts also as a means of evidencing the correctness of their returns in taxation.

2.1 Identification of Cash Procurement Leads to Proper Identification of Sales Revenues (For those who do not keep books)

In performing inspection of procurement accounts, it is important also to check when the item was sold, in addition to verification of the veracity of the transaction. Specifically, prior to beginning the inspection of receipts relating to procurement, interview the supplier or through telephone directories in the office and other materials identify the transaction counter-parties.

Then the tax inspection is initiated, but during the inspection, a transaction confirmation should be performed with the supplier on an item by item basis to determine the true procurement amount, and procurement volume. Based on these facts, calculate the average gross margins for the month in which the inspection is undertaken and calculating backwards using the gross margins should produce the proper sales revenues.

It is necessary to confirm that the income amounts calculated above do not vary materially with income amounts of enterprises in the same industry-size who are filing proper income tax returns. This will also be a valuable evidential data in case legal appeal is made against the National Tax Authority's assessments.

2.2 Checking on Fictitious/Inflated Procurement (Recording parties)

In inspecting the procurement accounts of the taxpayer who prepares accounting records, the following two points should be borne in mind:

(1) Are fictitious procurements being recorded?

If there are phantom procurements being recorded there will be a reduction of the reported income by the same amount. Phantom procurements are created by falsifying receipts or by obtaining receipts from elsewhere. Attention should be paid to spot purchases, cash procurements, and large purchases at or near the end of the accounting period and an investigation of the goods movements will lead to an uncovering of fictitious accounting. If the responses given are dubious an effective inspection tactic is to go directly to the transaction counterpart to confirm the details of the transaction.

(2) Are the procurements being inflated?

In creating false accounting of procurements accounts there are two major methods: fictitious volumes and inflation of purchase prices. Recordation of fictitious volumes can be traced by following the movements of the goods but the inspection method for detecting padding of prices is involved.

In order to detect price padding, one needs to follow the price trend over time, say a year, of the same product and, at the same time, check with the counterpart.

The results of the examination will be greatly determined by the selection of the product to be investigated and the thoroughness of the investigation. In this sense, it is necessary for the inspector to develop "inspector's instincts", thus, it is important to continue training in this regard.

(3) Check also supplier's tax reporting situation

The procurement by the taxpayer represents a sale for the counterpart. Therefore, inspection of the procurement accounts is also an inspection of the revenue accounts of the counterpart. Examination of the counterpart's tax reporting status during the inspection will enable efficient selection of inspection targets.

3. Checkpoints in Inspecting the Various Expense Items

Individuals/enterprises that are familiar with accounting practices will eventually, as a result of the tax framework, direct their attention to increasing expenses. This is permissible so long as it is kept within the appropriate boundaries; however, once it crosses the boundaries then it becomes tax evasion. Driving this point home to the taxpayers that keep accounting records will be an important element in the future of Mongolian tax administration.

(1) Are household-related expenses included?

Household-related items refer to personal expenses that are unrelated with the business and it goes without saying that these items should not be expensed on the business accounts. It is important to continue questioning the taxpayer with regard to each expense item until the use of funds is abundantly clear.

Also, developing a nose able to sense the use of funds just by inspecting the receipt is an important step in the development of a capable inspector.

(2) Is the time of expense recognition appropriate?

In the inspection of the expense accounts, the inspections should not be limited to the determination of the veracity of the purported transaction but also should include examination of the appropriateness of the timing of the recognition of the transaction. In other words, it is important to understand that, in accordance with the principle of matching costs against revenues, even if payment has already been made, it must be recorded as a prepaid expense and the recognition of expenses must be deferred to the following accounting period.

(3) Are there false or inflated expense recordations?

Specific inspection checkpoints are the same as those outlined in the “Checkpoints for cash procurements” section but the peculiarities of the expense items include, (i)

those that do not entail movement of goods, such as meals, and (ii) consumable goods that are quickly consumed after purchase. As a result, it is difficult to uncover fictitious accounting from the movement of the goods; thus, it is necessary to use great care in the inspection.

4. Checkpoint for Asset Items

Actual verification of cash/deposit accounts is, in addition to the determination of other documents that are in the safe, the first step in the uncovering of improper accounting. Also, checks on the suspense accounts can lead to identification of back rebates that cannot be recognized in the expense accounts. As the calculation of the depreciation of fixed assets has a significant impact on the determination of the enterprise income, the acquisition of appropriate knowledge is essential.

(1) Actual Inspection of Cash/Deposit Accounts

In the cash account check that the book balances correspond to the actual outstanding. However, those who have the intention to evade taxation will be able to fix the balances to match if prior notice of an inspection is given. For businesses involving cash transactions a surprise inspection without prior notice is an effective way to undertake such inspections.

In executing surprise inspections, it is important to determine the prior day's sales revenues and the location of the supporting documents. An examination must determine whether the taxpayer is conducting proper accounting practices on a day to day basis. If the inspector uncovers omissions in the accounting, it is important to persuade the taxpayer to admit to the practice of such practices in other instances in the past.

After these examinations are complete, the only remaining task is to perform the determination of the revenues using gross margins.

If discrepancies are uncovered between the book and the actual cash balances, the erroneous entries can be discovered by tracing all entries.

(2) Checking of Details of the Suspense Accounts (Suspense Payment Accounts, Advances etc.)

Suspense items refer to items for which cash/deposits have already been expended but the details of the expenditure or timing of expense recognition cannot be yet determined. These items, sometimes, are linked with improper expenditures.

For example, if a rebate is demanded by a counterpart, a payment is made and booked as a suspense item but at the end of the accounting period the balances still remain on the balance sheet as without a proper receipt it cannot be expensed. A further examination of these items, for the taxpayer who is being inspected, results in an increase in expenses, but for the recipient, it is likely that he has not recorded the receipt as a revenue item. If this information is utilized in inspections of the counterpart, inspections that have some immediate effectiveness can be realized.

This is an area where data based information must be a priority.

(3) Depreciation of Fixed Assets

Inspection of asset items must be carried out with the following points in mind:

- (i) Confirmation of the use of a proper depreciation period in the calculation of the depreciation expense.
- (ii) Ensure that items that properly should be classified as fixed assets are not being expensed as consumable or as repairs.
- (iii) Ensure that improper payments are not being included into the purchase price of fixed assets and expensed as depreciation expenses.

Often, considering the impact that the depreciation expense has on the profit and loss determination, depreciation is looked upon lightly by the inspectors. Especially items such as (iii) where improper payments are included in the fixed assets, the

amounts tend to be large and often some years have lapsed since the time of the purchase and, as a result, examination is often abbreviated. There are some taxpayers who takes advantage of this tendency; hence, it is desirable that a review of this item is always included.

5. Checkpoint of Liability Items

Some liability accounts can lead to discovery of improper accounting practices. One is a classification of accounts that have been used in the padding of expenses/fictitious expenses and the other is a metamorphosis of items that should have been recognized as income. Scrutiny of these accounts will lead to discovery of improper accounting practices.

(1) Check on Overstatement of Accounts Payable/Accrued Expenses Items

The importance of the inspection of these accounts lies in the fact that these accounts are used in accounting entries as outlined below.

- Purchases \$XXX / Accounts Payable \$XXX
- Expenses \$YYY / Accrued Expenses \$YYY

In other words, most of the counterpart accounts of the liability accounts are linked to profit and loss accounts and those who want to achieve a substantial reduction in profits at the end of the accounting period tend to record fictitious purchases or expenses. In inspecting these accounts, in addition to a close scrutiny of the delivery notice/invoice issued by the supplier a confirmation of execution of actual payment should be made in the following accounting period. In many cases the payment for fictitious items are made in cash. It goes without saying that in confirmation of such transactions, examination of the counterpart is an effective inspection technique.

(2) Examination of Deposits Received/Suspense Receipts/Deferred Accounts that Should be Recognized as Income

These accounts are used in deferring sales revenues that have been received but not yet recognized into revenues and recorded on the balance sheet as liability items. Under normal circumstances, these amounts would be transferred to revenue accounts in the following accounting period, but in some cases some are paid out by cash/deposits without having been transferred to revenues.

Proper Entry: Deferred Amounts \$XXX / Sales \$XXX

Improper Entry: Deferred Amounts \$YYY / Cash \$YYY

As a result of such entries, sales revenues are paid out to an individual without having been transferred and recognized as income. Therefore, for these accounts scrutiny should be made from the following perspectives:

- (i) Are there any items that ought to be transferred into Sales (Income) Accounts?
- (ii) Are there items that have been paid out directly?

(3) Examination of Borrowings Accounts (Utilizing Off the Book Assets as Working Capital via Personal Borrowings Accounts)

Taxpayers who have accumulated off the book assets through the practice of improper accounting, sometimes resort to the use of Personal Borrowing Accounts in order to utilize the misappropriated funds as working capital into the enterprise when they experience shortage of working capital. A careful examination of increases/decreases in these accounts and checking the source and use of these funds will often facilitate discovery of impropriety in the accounting. In many cases, the funds raised through such improprieties tend to accumulate in the bank accounts of the taxpayer and it is necessary for the inspector to gain skills of conducting investigations against banks.

6. Inspection Items for Each Account Category

Cash and Deposits

Cash and Deposits – 1

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transaction procedural table for the Receipt and Disbursements of Cash & Deposits/Receipt of interest	Identification of the types of tickets used Who has the authority over the movement of cash and deposit accounts?
Balances	Reconciliation of Balance Report and the Cash/Deposit Ledgers and account analysis	Correctness of the balances, reconciliation with the previous accounting period
	Examination of Loan-to-Deposit ratio (restricted deposits/borrowings) and its correspondence to borrowings	Are there off balance sheet deposits being pledged against borrowings?
	Actual inspection of Cash/Deposit Certificates and reconciliation of actual inspection tables against cash ledgers	Are expenditures of illegal funds being disguised in the deposit balances?
	Obtaining Cash/Deposit Certificates and reconcile	Identification of cash and deposits that are not in the scope of actual inspection
	Reconciliation of Receipt for Collateral and Cash Ledgers/Statements	Identification of off balance sheet assets
Common Inspection	Inspection of cash on hand and existence of abnormal balances and cause/existence of approvals	Check on fictitious transactions
	Amendments/soiling/continuity in ink color	Scrutiny of redundant entries, entry changes/reasons to uncover improprieties
	Repetitive occurrence of amended entries	Major amendments signal likelihood of improprieties
	Entries of same amount or to the same party twice or more in one month	Of these one of them may be a fictitious entry
	Existence of nonstandard payment method	Abnormal transactions may signal improper accounting
	Deposit account that is not necessary given the scale and business conditions	Amounts remitted into personal accounts even though the underlying transaction is a corporate transaction may signal improprieties
Deposits	Reconciliation of copies of Receipts and Cash Ledgers	
	Actual inspection of used/unused Receipt Ledgers and reconciliation with Receipt and Disbursement Ledger	Seizure of copies of receipts used in exclusion from sales
Expenditures	Reconciliation of Receipts/Invoices with the Cash Ledger	For transactions without invoices confirm the details Suspect fictitious purchases or payment of expenses Examine also dealings with isolated locations
	Reconciliation of Deposit Book to cash ledger	Have revenues been disguised as borrowings?
Bad Loans	Confirmation of bad loan occurrence	Have accounts receivable been disguised as bad loans?
Interest	Reconciliation of Bank Interest Statements with Deposit/Interest accounts	Are there any receipts of interest from off balance sheet deposits?

Accounts Receivable

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transaction procedure chart relating to recording of Accounts Payable/Sales/Deposits	Identification of items omitted from sales How are the identification and controls over accounts receivable and collections being effected? Who makes the judgements on bad loan classification?
Balances	Reconciliation of balances by accounts with prior period end balances	Identify period end omissions Reductions caused by returns/discounts may signal fictitious returns/discounts
	Confirmation with customers and inspections of causes of any discrepancies between the responses received and ledger balances	Beware of accounts with "0" balances
	Inspection of next period business conditions/recovery records	Are there items being deferred to the next period?
Recovery	Reconciliation with Cash/Deposits	Are the transactions being properly recorded?
	Reconciliation of copies of Receipts and Ledger	Compare dates, counterpart, and invoices
	Deposit slips, remittance notice	Ensure that accounts receivable are not being collected into off balance sheet deposits. Confirm settlement procedures
Bad Loans	Confirmation of occurrence of bad loans, check occurrence of write-offs	Has there been any collection in the post closing?

Inventory

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transaction procedural chart regarding Receipt and Disbursement	Who is responsible for inventory count and how is it done?
Balances	Reconciliation of Inventory Sheet and the Receipt & Disbursement Ledgers	Are consigned inventories being excluded? Is there any calculation error?
Inventory	Appropriateness of the method and procedures for Inventory count, examination of continuity, reconciliation with prior period	Timing and method of inventory count
	Observation of physical inventory and the state of inventory management	Are inventories being recorded based on approximation? Are specific items being excluded?
	Reconciliation with inventory list/ receipt & disbursement ledger	Has there been any tampering in the numbers or values?
Receipt and Disbursement Ledger Procurement Ledger	Reconciliation of Packing List against the Receipt & Disbursement ledger	Have the addressee /date /volume /value/ totals been sorted and recorded
	Reconciliation of Purchase Request, copy of Order and Procurement Ledger	Have the addressee/date/volume/value/ totals been sorted and recorded Are there any fictitious/off the book transactions?
	For cash procurements reconcile Packing List/Receipt against Receipt & Disbursement Ledger	Confirm existence of invoices Are there any redundant payments?
	Check the records of receipt against Procurement Ledger and Receipt & Disbursement Ledger	Existence of lags between the time of appropriation and unrecorded procurement inventory balances
Rebates & Discounts	Reconciliation of Return Receipts, Discount Calculation Sheet and the Receipt & Disbursement Ledger	Are there any sold items that have been treated as returned goods? Are there any items that have been recorded as purchased at full value but actually had been discounted?
	Reconciliation of copies of Returns Packing List, Shipping Ledger and Receipt & Disbursement Ledger	Confirmation of incidence of returns and item control
	Reconciliation of copies of Receipt/ Settlement Receipt, Invoices against Receipt & Disbursement Ledger	Are the sorting entries appropriate?
	Reconciliation of receipt & disbursement volumes at immediately prior to and post period end in Procurement Ledger/Sales Ledger/ Receipt & Disbursement Ledger	Is the timing of the Appropriation appropriate?

Loans/Suspense Payment

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transaction procedural charts regarding accrual/extinction of claims	Types of documents prepared and stored
Balances	Confirmation of Details by Debtor	Purpose of the credit Are there any long term loans?
	Comparison of current balances by debtor with prior period	Reasons for change
	Reconciliation of Agreement, Borrowing Note, Guarantee, Deposit Receipt against the Statement	Confirmation of borrowers and loan terms
	Inspection of amount of potentially irrecoverable claims	
	Inspection of business conditions/ collection records in the succeeding period	Are the amounts being collected as scheduled?
	Inspection of the propriety of having accounts with values non-finalized	Reasons for not being finalized Are there any long-term suspense payments?
Receipt of Collateral	Comparison with prior period end collateral types/values	Reason for the variance
	Comparisons of changes in collateral and changes in loan value	Are there any off balance sheet loans?
	Reconciliation of copies of Collateral Receipts against Ledger records and Statement	
	Reconciliation of Receipts for Collateral Received against Records of Restoration	Confirmation of the date and the party to which security was restored
Appropriation	Reconciliation of Agreement/ Borrowing Note against Statements	Confirm loan and loan purpose/terms/ existence of collateral/loan details including interest rate
	Reconciliation of Receipt/Deposit Receipts against Statements	Propriety of large Suspense Payments Beware of fictitious expense, purchases
Interest	Interest Received	How are interest payments being accepted?
	Reconciliation of Interest Calculation Statement/copies of Receipts/copies of Invoices with the Interest Accounts	Are the interest rates correctly calculated?
	Non-interest bearing loans	Is interest being received in another way?

Fixed Assets

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transaction procedural chart regarding Purchase/ Construction/Divestment/Removal	What types of documents are being prepared
Balances	Analysis of Statements showing Carry-overs, Change and Period end Balance	Are the records sorted?
	Comparisons with balance in the Statement of prior period end	Are there any items in which the balances have materially changed?
	Inspection of occurrence of acquisition for value	Has there been acquisition for value? Is the purchase price being overstated? Have off balance sheet funds been utilized in payment for the purchase?
Loans	For items lent, confirm Loan Agreement and reconcile with Fixed Asset Ledger/Statement	Confirm the loan
	Inspection of monthly receipts of rental payments	Confirm Agreement and copies of Receipts Confirm the method of receipts
Visual Inspection	Obtain asset layout diagram and perform actual confirmation	Are there any off balance sheet assets?
Provision of Collateral	Comparison with prior period end collateral types/value provided	Are off balance sheet assets being provided as collateral?
	Existence of borrowings from non-relationship banks	Suspect off the book transactions
	Reconciliation of Loan Agreement/ Borrowing Note/Collateral Deposit Receipt against Ledger Statement	Purpose of the borrowing
Appropriation	Reconciliation against Agreement, Estimate, Fixed Asset Ledger and Statement	Confirmation of purchase and purchase price
	Reconcile Packing Slip, Receipt, Invoice against Fixed Asset Ledger, Statement	Confirmation of addressee, date and method of payment
Divestment and Removal	Analysis of the details of the reduction	Confirmation of the occurrence of a divestment, removal or disposal. Have these assets become off balance sheet assets?
	Existence of new equipment plans for assets sold or removed	What is the reason for the divestment of removal?
	Confirm the details of the agreement from the Agreement Reconcile against Fixed Asset Ledger	Confirm amount and settlement method.

Accounts Payable/Accrued Expenses

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transactional procedural chart regarding Appropriation/Payment	Who is responsible for purchases and accounts payable, payment of expenses and funds flow?
Balances	Reconciliation of Item by item Statement against the ledger	Are there errors in the Appropriation or summation?
	Comparison of balances by counterparts with prior period end balances	Existence of spot or transactions with parties in remote areas Existence with parties whose names or addresses are ambiguous
	Comparison of amount recorded this period with prior period	Confirmation of the causes of the variance.
	Confirmation with obligors with large/long-term balances	Reasons for the large amount/long-term. Suspicion of fictitious entries.
	Inspection of Waybills, Packing List sent within several days of period end	Are there items for the following period included in this period?
Common Inspection	Transactions with a differing time lag period between Appropriation and payment	The reasons behind the difference
	Existence of payments made on days other than the normal payment date	Reasons Suspicion of payment for a fictitious transaction
	Incidence of multiple payments to the same party within a month	Duplication? There is a possibility of transaction without substance
	Transactions involving large amounts	Scrutinize transactions with new customers Compare the amount of the transaction relative to the size of the customer
	Examine existence of off the book/ fictitious transaction	Confirm purchase related documents including copies of order forms
	Examine return receipts and discount calculation statements	Confirmation of the actual returns or discounts
Appropriation	Inspection and verification of contents of Packing List, Waybills, and Invoices	Check for calculation errors
	Examination of Purchase Request, copies of Order Forms and Estimates	Examine addressee, date and volumes Are the prices appropriate (too low, too high)?
Payment	Reconciliation of Receipts and Invoices	Has the payment been made on the date specified and what are the payment terms?
	Examine Bank Remittance Applications	Confirm methods of payment Suspect payment from bank not recorded on the books or from off balance sheet deposits
	Verify Cash and Deposits	Confirm payment
Returns and Discounts	Examine Return Receipt, Discount Calculation Statement and Invoice	Confirm date, addressee, returns and discounts
	Reconcile with Inventory Receipt and Expenditure Ledger	Are the items sorted and recorded?

Borrowings

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Prepare transaction procedural chart regarding Borrowings/Repayments	Who negotiates the borrowings and what types of documentation are prepared?
Balances	Verification and analysis of Statements and Ledger	Relationship to lender, purpose of the borrowing, repayment terms
	Comparison of Borrowing Balances by lender with prior period end balances	Confirmation of the reasons for the changes Examine borrowings from individuals
	Comparisons of changes in deposit balances with changes in the borrowing balances	Examine Loan to deposit ratio (restricted deposits/borrowings), off balance sheet deposits, fictitious borrowings
	Lender by lender comparisons of interest payments with prior period	Correspondence with borrowing balances
	Reconciliation of Loan Balance Certificate with Statements	Confirm bank name, addressee and dates Verify copies with originals
	Confirm Borrowing Balances with lender	Confirm the fact of the borrowing Are off balance sheet deposits being disguised as borrowings?
	Reconcile Loan Agreement, Borrowing Notes, Deposit Book and Statements	Confirm details of the borrowings and cash receipts
	Examine borrowing and repayment records of succeeding period	Confirm repayments and repayment methods Appropriateness of period end balances
Collateral	Comparison of Types and values of collateral pledged with prior period	Reasons for the difference Are off balance sheet assets being used as collateral?
	Comparison of the changes in the value of Pledged Collateral with the changes in the Borrowing Balances	Existence of off balance sheet borrowings Existence of off balance sheet collateral
	Reconciliation of Loan Agreement, Guarantee, Borrowing Note and Statements	Confirmation of borrowing
	Reconciliation of Deposit Receipt, Collateral Receipt with Statements	Confirmation of borrowing
	For short-term borrowings, examine by use of funds, lender, amount and terms	Maturity, collateral, interest rates, reasons for the short term
Common Inspection	Borrowings from non-relationship bank, from individuals	Confirm borrowing terms, purpose of the borrowing. Suspect off balance sheet transactions
	Abnormal rates of interest (too low or too high) Irregular repayment periods	Suspect fictitious interest payments Suspect off balance sheet borrowings
Appropriation	Reconcile Loan Agreement, copies of Loan Application with Statements	Confirm details of the borrowing Are off balance sheet funds being disguised as borrowings?
Repayment	Reconcile Receipts with Statement	Confirm repayments and methods of repayment
Interest	Examine the period end accounting treatment methodology from interest calculation period in the period	Existence of omission of liabilities Is this interest payment for borrowings that exist?

Suspense Receipts

	Inspection Item/Focus	Items Requiring Special Attention
Organization	Preparation of transactional procedural chart regarding Accrual /Extinction of liabilities	What items are included in Suspense Receipts? What documents are prepared?
Balances	Examination of Statements by Counterpart and Ledger	For long term suspense items, the reasons
	Comparison of balances by counterpart with prior period	Reasons for the variance Suspect fictitious transactions for those with no clear addresses or with parties in remote areas
Common Inspection	If the counterpart is a supplier/customer or individuals	Reasons Confirm details of the transaction
	Long-term suspense items that have been suddenly paid	Reasons for payment Confirm the settlement method
	Large value items	Is there a receipt of off balance sheet funds?
Appropriation	Reconciliation of Deposit Books with Statements	Factual confirmation
	Reconcile copies of Receipts against Statements	Propriety of treatment of large amount as Suspense Receipts Examine the source of funds
Payment	Reconcile copies of Receipts against Statements	Beware of treatment of large amount as Suspense Receipts Examine date and handwriting
	Reconcile Deposit Books against Statements	Factual confirmation of dates, etc.

7. Indirect Method Taxation

The calculation of the income in Income Taxation and Corporate Taxation is based upon exclusion of required expenses from the total revenues. If the taxation authorities exclude those taxpayers for whom income calculations from the actual values are made difficult due to factors such as the taxpayer not keeping book records, lack of documentation on original records (cash register slips, invoices, receipts etc.), or inaccurate records even if the taxpayer had been keeping books, from being subject to taxation, it would contravene the Principle of Fairness of Taxation and from the perspective of those who are paying taxes and filing tax returns is inexcusable.

In these cases, the taxation authorities will need to gather information required for the calculation of taxable income from other sources and using information levy taxes based on an estimate. This is referred to as Taxation under Indirect Method and applied in the above-mentioned cases where there is a lack of accounting records or original records and also used in order to verify the reported amounts in cases where tax returns have been filed.

Examples of methods of estimation by industry are listed below for reference.

Industry	Estimation Methodology	Notes
Hotels	Number of bed sheets used per year X average revenue per hotel user Number of hotel users calculated by the number of towers purchased X average revenue per hotel user	In addition to bed sheets look also at meals served
Restaurants (Chinese Food)	<p>[Rice]</p> <input type="checkbox"/> Annual volume of rice purchased/volume of rice used per rice cooker X number of rice servings per rice cooker X average price of the meal *obtain the purchase volume through checks with the supplier	<input type="checkbox"/> Measure the weight per meal <input type="checkbox"/> Reduce the volume for leftovers, servings for family and employees
	<input type="checkbox"/> Daily frequency of cooking rice X number of portions at each cooking cycle X average price of the meal X number of operating days *Number of Operating Days = Number of days in the year – holidays	
	<p>[Noodles]</p> <input type="checkbox"/> Number of balls of noodles used per year X average price of serving *Obtain annual usage volume through checking with the supplier	
	<p>{Coffee}</p> <input type="checkbox"/> Volume of coffee beans purchased in a year (kg.) X number of cups per kg. X average price per cup * Obtain annual purchases through checking with the supplier	<input type="checkbox"/> The number of cups differ according to the preparation method (drip, syphon etc.)
Liquor Retailer Bars	<input type="checkbox"/> Number of bottles of liquors purchased X average price per bottle *classify by types (whisky, beer, vodka etc.) ** obtain purchase volume through checking with the supplier	<input type="checkbox"/> Finer the classification, the more accurate the estimation <input type="checkbox"/> Ensure all purchases are captured <input type="checkbox"/> Take into consideration self-consumption <input type="checkbox"/> Take into consideration inventory

8. Items to be Included in Interviews Conducted During Inspections

Business Summary

As of MM, DD, YYYY

1. Overview of the Business

Owner	Name			Facility	Name		
	Address				Location		
Business Details			Date Established				
			Renovation Date				
			Operating Hours				
Employees				Personnel Expenses			
Principal/family	People			Monthly Average			Tg.
Employees	People	Annualized	People	Annual			Tg.
Part time	People			Part time			Tg.
Fixed Holidays				Condition of the Facility			
Every	day	Days per month	(Excellent, Good, Fair, Poor)				
Equipment Status							
Counter		People	Equipment/Machines	Number			
Tables		People					
Rooms		People					
Other		People					
Total Capacity		People					

2. Cash Control

Cash register/Safe/Cash box/Other ()	
Responsible Person	

3. Preparation and Filing of Original Records

Register Slips	Receipts	Invoices	Memos		
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N

4. Certificates Prepared/Received

	Time of Order Receipt (Time of Order Issuance)	Time of Delivery	Time of Invoice	Time of Receipt (Time of Payment)	How are copies of certificates issued and to parties and those received filed
Sales					
Procurement					
Expenses					

5. Types of Ledgers Kept and Status of Appropriation

Ledgers		Recording	Ledgers		Recording
Cash Ledger	Y / N	Y / N(by MM,DD)	Procurement Ledger	Y / N	Y / N(by MM,DD)
Sales Ledger	Y / N	Y / N(by MM,DD)	Payable Ledger	Y / N	Y / N(by MM,DD)
Receivable Ledger	Y / N	Y / N(by MM,DD)	Expense Ledger	Y / N	Y / N(by MM,DD)

6. Check at the Time of Inspection ① (If appropriate mark [O] if not appropriate mark with [X])

Sales		Procurement		Expenses	
Recording of cash sales		Recording of cash sales		Personnel Expenses	
Recording Spot (extra) sales		Recording Spot (extra) sales		Balance with expenses related to sales	
Recording of Sales in Remote areas		Recording of Sales in Remote areas		Existence of expenses not related to the business	
Recording of settlements by remittances		Seasonal Variances		Proportional apportionment of household expenses	
Recording of sales during special sale events				Exclusion of household expenses	
Recording of self-consumption					
Seasonal Variances					
Recording of Miscellaneous (Rebates) Revenues					

Check at the Time of Inspection ② (In case of Appropriation based on estimation)

Sales		Procurement		Expenses	
Method of estimation		Method of estimation		Method of estimation	
Does it correspond to procurement		Does it correspond to sales		Does it correspond to sales	
Compare with own statement		Compare with own statement		Does it correspond to procurement	

Checks at the Time of Inspection ③

Inventory	
On the spot inventory	
Consigned/custodial inventory	
If estimated, method of estimation	

Checks at the Time of Inspection ④

Is the Income Appropriate	
Compare with living expenses And educational expenses	
Compare with deposit and repayment of loans	

7. Trend of Sales over Progressive Years

	Sales	Procurement	Expenses			Sales	Procurement	Expenses	

Mongolia Side

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11E