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"BAU International University, Batumi"

LTD Financial Management Policy

Batumi
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Contents

Article 1.Goals and Tasks of Financial Management Policy	3
Article 2.Rule of Financial Accountability	3
Article 2.University Budget	6
Article 2.1 Rule and Term of Budget Production	6
Article 2.2. Classification of Budget Articles	6
Article 2.3.Budget Execution Monitoring	7
Article 3.Accounting Policy	7
Article 3.1. Reporting currency	7
Article 3.2. Foreign currency	7
Article 3.3. Recognition of earnings	8
Article 3.4.Loan-related expenditures	8
Article 3.5.Profit tax	8
Article 3.6.Fixed assets	8
Article 3.7.Intangible assets	9
Article 3.8.Impairment of assets	9
Article 3.9.Lease	9
Article 3.10.Commodity-material values	10
Article 3.11.Trade and other receivables	10
Article 3.12.Trade liabilities	10
Article 3.13.Loans and overdrafts	10
Article 3.14.Remuneration of hired workers	11
Article 4.Rule for reimbursement of te costs	
Article 4.1.Procurement rule	11
Article 4.2.Remuneration payment rule	12
Article 4.3.Rule for reimbursement of the business trip expenses	12
Article 4.4.Rule for funding the student self-governance	14
Article 4.5.Funding of Scientific-Research Activity	15
Article 5.Rule for tuition fee payment	15
Article 6.Financial Accounting System	16
Article 7.Evaluation and control of the financial management system	16
Article 8.Financial risk management	17

Article 1. Goals and Tasks of Financial Management Policy

The financial management policy of BAU Batumi International University defines the mechanisms for managing and controlling the financial aspects of the University, as well as reviews the financial and accounting policies of the University and their subsequent evaluation.

The goal of financial management policy is to improve the quality of the lawful and efficient use of the University's financial resources. In the view of the mentioned above, the major goal of the financial policy of the university is:

- to formulate such mechanisms, that will ensure an efficient planning and implementation of the financial resources of the university.
- to manage the accounting and financial operations in accordance with the legislation.
- to ensure continuous control over the use of financial resources.
- to ensure the transparency of financial management.

Article 2. Financial accountability rule

The goal of the financial accountability rule is to determine the basis for the accountability, delegation and distribution of the entitlements of the responsible persons with regard to the functioning of the financial system of the university.

The responsibility for the establishment and proper functioning of the University's financial management and control system rests upon the University Rector and the Head of Administration.

The following structural units are involved in the implementation of financial management and control within the competencies defined by the internal regulations of the University:

- Meeting of Partners
- Rector
- University administration
- Faculty
- Other Structural Units

The Meeting of Partners is the highest governing body, one of the functions of which is to control the financial activities of the University. The meeting is authorized to request from the Rector of the Teaching University at any time the financial reports for the relevant period, to control and check the financial documentation of the University and the execution of the budget;

The Rector is the person in charge of the leadership and representation of the University, who, in consultation with the Academic Council, is appointed and dismissed by the Meeting of Partners.

The rector is accountable to the Partner's Meeting.

In terms of performing the financial management and control, the main goal of the Rector of the University is to ensure the achievement of the goals set by the University Strategy and Action Plan; In this direction, the functions of the Rector are:

- Administering the process of seeking the financial resources needed for strategic development, their efficient and transparent spending.
- Performing the budget planning and control.
- Review and approval of the draft of the annual budget.
- Review of the report on the control of budget execution by the Administration.

The University Administration is a unit that implements financial planning, management and reporting in accordance with the goals set out in the University Strategic Plan. The activities of the administration are managed by the Head of Administration, who is accountable to the Rector of the university.

In the area of financial planning, management and control, the functions of the Head of Administration include:

- Managing the financial activities of the University, in particular controlling the budget planning, its implementation and execution.
- Coordination and supervision of the ongoing procurement processes in the University.
- Supporting the Heads of the Faculty and other structural units in the budget planning process of the structural units, as well as monitoring the implementation of the mentioned budget.
- Reporting on the financial results of the University.

The Finance Department is under the supervision of the University Administration. Finance Department is accountable to the Head of Administration and the Rector.

The functions of the Finance Department are:

- preparation of the accounting statements and financial statements in accordance with the international standards of financial accounting;
- accounting for expenditures and revenues within the budget approved by the University.
- accounting for the expenditure portion of university grant projects, as well as grants received from international and local donor organizations.
- declaration of tax liabilities of the Teaching University in accordance with the Tax Code of Georgia and settlement with the budget;
- engagement in the planning, management and implementation process of the finances of the University.

In order to ensure the achievement of the strategic goals and objectives of the University, the Faculty is actively involved in the process of financial planning, execution and control, the activities of which are headed by the Dean. The Dean of the Faculty:

- is responsible for organizing the financial priorities of the subordinate faculty.
- participates in the process of drafting the faculty budget, submitting it to the administration and approving the consolidated budget
- is responsible for the efficient spending of budget expenditures allocated to the activities of the subordinate faculty.
- is responsible for controlling the records of lecture hours conducted by visiting lecturers within the faculty, preparing the relevant payroll and submitting it to the administration.
- participates in procurement procedures within the scope of his/her competence, which includes initiating the procurement, substantiating its purpose and monitoring the compliance of the purchased goods / services.
- is responsible for accounting for the material, technical and other assets of its structural unit and for controlling the use of assets only in the interests of the University.

The Dean of the Faculty is accountable to the Rector and the Head of Administration for financial planning, execution and control.

Other structural units of the University, which are represented by their supervisors are involved in the university financial planning, execution and control.

In the area of financial management, the Head of a structural unit:

- is responsible for setting the priorities of the Department under his/her supervision.
- is involved in the process of drawing up the budget of the Department under his/her supervision, which is necessary to implement the goals set out by the strategy of the University.
- is responsible for the efficient spending of budget expenditures allocated to the activities of the subordinate structural unit.
- participates in procurement procedures within the scope of his/her competence, which includes initiating the procurement, substantiating its purpose and monitoring the compliance of the purchased goods / services.
- is responsible for accounting for the material, technical and other assets of its structural unit and for controlling the use of assets only in the interests of the University.

The Head of the structural unit is accountable to the Rector and the Head of Administration for financial planning, execution and control.

Article 2. University budget

The University budget is the combination of income and expenses, that is approved by the University Rector with the purpose of fulfilling the functions and obligations of the Teaching University;

Article 2.1 Rule and Term of Budget Production

The process of preparation and approval of the draft budget of the University is coordinated by the Head of Administration.

The elaboration of the draft budget is performed prior to the start of the academic year

The budget planning process begins with the determination of the financial resources required by the faculty of the university and other structural units within the framework of their activities, taking into account the goals set out in the strategic plan of the university.

The Head of the administration reviews the budget presented by the structural units, determines its compliance with the strategic goals of the university, after which it submits it to the Rector for consideration.

The university draft budget is approved by the order of the Rector.

Changes and / or amendments to the budget are made at any time during the budget year in case the change between the main articles of the budget exceeds 30%.

The change in the budget is initiated by the Head of administration, who submits the draft of the substantiated changes to the Rector.

After the review, the change in the budget is approved by the Order of the Rector of the University.

Article 2.2. Classification of Budget Articles

The budget is formed according to all financial sources and includes incomes and expenditure amounts. (Annex 1)

The formation of the income part is performed on the basis of two sources:

- 1. Fee for education**
- 2. Other revenues:**
 - 2.1. Grant projects
 - 2.2. Lease
 - 2.3. Sales of acquired or created assets
 - 2.4 Training or consultation services
 - 2.5 Loan

- 2.6 Incomes received from another activity, which do not contradict the mission and goals of the university mission and are not prohibited as prescribed by the Georgian legislation

The formation of the expenditure part is performed by two types of expenditures:

1. Capital expenditures - the costs assigned for the achievement of long-term goals, which are designated for the achievement of the strategic goals of the university.

2. Current expenditures:

- 2.1. Salaries of administrative, academic, visiting and assisting staff;
- 2.2. Expenditures necessary for the improvement of teaching
- 2.3. Amounts necessary for financing the student self-governance
- 2.4. Staff development expenditures
- 2.5. Research-related expenditures
- 2.6. Marketing expenditures
- 2.7. Library expenditures
- 2.8. Lease and other services expenditures
- 2.9. Staff business trip expenditures
- 2.10. Other unforeseen expenses

Article 2.3. Budget Execution Monitoring

The university performs the monitoring of the budget execution in a constant regime. Every month, the Finance Department submits the interim information about the monthly circulation of the financial flows to the Head of Administration. The final monitoring is performed in the end of the academic year on the basis of the annual report submitted by the Head of Administration to the Rector.

Article 3. Accounting Policy

BAU International University, Batumi LTD operates in accordance with the International Accounting Standards Board's International Financial Reporting Standard for Small-and Medium-Sized Entities ("IFRS for SMEs").

Article 3.1. Reporting currency

The national currency of Georgia is GEL (Georgian Lari), which represents the functional currency of the company.

Article 3.2. Foreign currency

When preparing the financial statements of the company, the currency that is different from the functional currency (a foreign currency) of the company is recognized in accordance with the exchange rate of the National Bank of Georgia established on the transaction date. In the end of every statement, the financial amounts that dominate in a foreign currency is exchanged in accordance with the rate of the National Bank of Georgia established on the given day.

Non-monetary means recognized at fair value, which are denominated in a foreign currency, are exchanged in accordance with the rate of the National Bank of Georgia established on the date, when their fair value had been determined. The conversion in accordance with the exchange rate does not concern those monetary means that have been determined in a foreign currency by their historical value.

The differences of exchange rates of the monetary means are recognized in the profit-loss balance sheet for the period when they were initiated, except for the exchange rate differences of the existing loans, which concern the assets under construction and the existing assets for the future productive use, which are included into the value of those assets, when they are viewed as the correction for the interest costs of the existing loans in a foreign currency.

Article 3.3. Earning Recognition

The evaluation of earnings is performed on the basis of a fair value of the received or to be received reimbursement minus the deductions and the taxes related to the sales obtained on behalf of the Georgian government.

Article 3.4. Loan-related expenditures The expenditures related to the use of loans are included into the profit-loss statement of the period when they occurred.

Article 3.5. Profit tax

Despite the fact that the legal obligation to pay the profit tax arises only after paying the dividends, the recognition of the obligation is performed for the date of announcing the dividends, if the probability is high that the decision on the announcement of the dividends will not be abolished.

The costs of profit tax excludes the the profit tax for the dutiable expenditures, since the mentioned is not based on the concept of the profit tax (it is recognized as an operational expenditure in the profit or loss).

Article 3.6. Fixed assets

The evaluation of fixed assets is performed by means of the accumulated depreciation and accumulated impairment loss, on the basis of the decreased prime cost.

Depreciation accounting is performed with the purpose of distributing the prime cost of the assets according to their estimated useful life. by applying the straight line method. To account for depreciation with regard to the fixed assets, the following annual rates are used:

- furniture and other inventory - 20%
- intangible assets - 15%

- Improvement of leased property - 15% in accordance with the usage of useful life of term envisaged by the building lease.

If there is any sign that the depreciation norm, the useful life term of an asset or the remaining value have significantly changed, the depreciation of the given asset will be corrected prospectively with the purpose of reflecting the new expectation.

Article 3.7. Intangible assets

The intangible assets are reflected in by means of accumulated depreciation and the prime cost minimized by the accumulated devaluation loss. Its amortization is performed by a a straight-line basis during the estimated useful life of an asset. If it is impossible to determine the estimated useful life of the intangible asset in a reliable manner, then the useful life of the asset is determined on the basis of the estimate of the management, but no more than 10 years.

Article 3.8. Impairment of assets

The review of the main assets, intangible assets and goods and material values is performed for each reporting date, to determine whether there is any sign for the mentioned assets to be impaired. In the event of a possibility of any sign of impairment, the to be reimbursed value of any asset (or a group of a related assets) and it will be compared with its carrying amount. If the evaluated to be reimbursed value is less, the carrying amount will be decreased up until its value to be reimbursed, whereas the impairment loss will be immediately recognized in the profit or loss.

If, a restoration/compensation of the impairment loss occurs in the future , the book value of an asset (or a group of similar assets) will increase to the corrected evaluated quantity of the reimbursed value of the asset, but it will not increase more than the amount, which had been determined for those cases, if the impairment loss of the asset (or a group of similar assets) was not recognized in previous years. The amount to be compensated/restored for the impairment loss is immediately recognized in the profit or loss.

Article 3.9. Lease

The lease is classified as a financial lease at the time when the lease terms take into consideration the transfer of in fact all risks and economic profits related to the ownership of the assets provided by lease to the company. All other leases are classified as operational (regular) leases.

The rights for the assets possessed under a financial lease are recognized, as the assets of the company, by an amount equal to the real value of the leased property (or if it is less, then by the discounted value of the minimum lease payment fees), which is defined in the beginning of the lease. The corresponding liability

towards the lessor will be reflected in the financial statement, as a financial lease liability. The lease payment fees are distributed between the accrued financial expenditures and the lease liabilities so that a permanent interest rate is established in terms of the uncovered remainder of the liabilities. The accrued financial expenditures are deducted from the profit or loss evaluation. The assets possessed under a financial lease will be included into the fixed assets and they will also be charged with the depreciation and the evaluation of their impairment loss is performed in the same manner, as for the assets in the ownership of the company.

Within the frames of a usual lease, the lease payment fees to be paid will be reflected in the profit or loss by a straight line method, during the relevant lease timeframe.

Article 3.10. Commodity-material values

The recognition of commodity-material values is performed by the least amount among the sales price decreased at the expense of the expenditures necessary for the selling of the production and the prime cost. The prime cost is calculated by the weighted average method.

Article 3.11. Trade and other receivables

The delivery of service/goods is generally performed on the basis of usual credit terms and no interest is accrued to the debit debt. At the end of each reporting period, the book values of trade and other receivables are analyzed, so that it can be determined whether there is an objective evidence that these amounts are not compensable. If such evidences exist, the devaluation loss will be immediately recognized either in profit or loss.

At the end of the reporting period, the receivables shown in a foreign currency will be recalculated in the monetary units of the entity, in accordance with the the exchange rate determined on the reporting date. The gain or loss received due to the difference in the exchange rate will be reflected in other income or in other expenses.

Article 3.12. Trade liabilities

Trade liabilities represent the liabilities undertaken under ordinary credit terms and no interest is accrued.

At the end of the reporting period, the trade liabilities shown in a foreign currency will be recalculated in the monetary units of the entity, in accordance with the the exchange rate determined on the reporting date. The gain or loss received due to the difference in the exchange rate will be reflected in other income or in other expenses.

Article 3.13. Loans and overdrafts

The interest expense is recognized by means of an effective interest method and is reflected in the financial expenditures.

Article 3.14. Remuneration of hired workers

Remuneration of the hired workers, for the employees of the sales department represents a sum of a fixed amount and a bonus. For administration, the remuneration is fixed and it does not change, if no decision has been made to increase their remuneration or to motivate them on a one-time basis in the form of giving them a bonus. The remunerations are paid on a monthly basis.

Article 4. Rule for reimbursement of the costs

Article 4.1. Procurement rule

Procurement represents a process, when the university purchases goods or services from external suppliers.

The process is carried out in the following manner:

- The Material-Technical Department on the basis of a preliminary agreement with the other structural units performs the identification and assessment of the university needs.
- The suppliers send the offered proposals to the Head of Administration
- The Head of Administration evaluates the received proposals and presents them to the Rector
- The Rector selects the supplier.

After selecting the supplier, an agreement is concluded. The agreement may be concluded both in Georgian and in a foreign language. In the event of an argument between the parties, the issue of granting the advantage is solved on the basis of the agreement.

The agreement shall include:

- a) the exact name and details of the parties; b) the object of the agreement;
- c) the value of the agreement;
- d) the terms for delivering the goods, services or fulfilling the works; e) the rule for delivering the goods, providing the service and/or receiving and acknowledging the work performed;
- f) payment terms and conditions; g) the period of duration of the agreement effectiveness;
- h) termination terms of the agreements and the rule for making amendments to it;
- i) In the event of disputes, the rule for their review and solution (including the jurisdiction to be applied and the competent court).

The submission of the documentation confirming the delivery of either goods or services to the university by the supplier is performed according to the legislation effective in Georgia.

Article 4.2. Remuneration payment rule

The remuneration of labor represents the wage issued to a person employed by the university, which is paid out as a result of performing the job duties in the amount specified by the labor agreement on a monthly basis.

Except for the remuneration for the work performed, the university is entitled to issue bonuses. A bonus is a form of an incentive, which is issued for the work that has been performed in an exemplary and thorough manner, for a long-term and honest job or for fulfilling an assignment of a particular complexity and significance.

The monthly calculation of the remuneration of labor is performed by the Human Resources Manager in the following manner:

- the remuneration of labor of administrative and assisting staff is calculated according to the fixed remuneration amount specified in their labor agreement.
- the remuneration of labor of academic staff is calculated on the basis of the labor agreement, the full-time schedule and the rule for the workload of academic and visiting staff.
- the remuneration of labor of visiting staff is calculated on the basis of the labor agreement and the rule for the workload of academic and visiting staff.

After calculating the monthly remuneration of labor for the employed person, the information that is processed by the Human Resources Manager is transferred to the Finance Department, which on the basis of the Rector's signature makes the payment.

Article 4.3. Rule for reimbursement of the business trip expenses

The staff employed at the university may be sent on a business trip upon the decision of the institution, both within the territory of the country and abroad. An explanatory note about the business (in a form of an official e-mail or a printed document) trip is submitted to the Rector, which shall include the information about the person traveling on the business trip, the starting date and the ending date of the business trip, the location (locations) of the business trip, the events related to the business trip and the list of the expenses necessary for supporting them financially, the starting date and the ending date of the event that is supposed to take place, as well as the information about the amounts that will be covered by the inviting party (if there is such).

On the basis of the explanatory note, the Rector issues an order on a business trip, which is sent to the Human Resources Manager and the Finance Department. The Finance Department, on the basis of the order, gives out a cash advance of the business trip expenses to the person that is travelling on a business trip. The business trip expenses include the expenses of daily allowance - per diem and the living cost for renting a living space, determined by the legislation, as well as, if necessary, the expenses incurred for receiving a visa for the appropriate foreign country, whereas for a business trip of less than 30 kilometers,

when it is possible to come back to the working (residing) location the same day, only the transportation expenses are reimbursed.

When on a business trip within the territory of the country, the employee is provided with a per diem daily allowance in the amount of GEL 50 (except travelling for the business purposes up until 30 kilometers), whereas for the reimbursement of the living expenses - the employee is provided with the amount that is equal to the value of an average hotel room. The employee may receive more than the amount specified above for reimbursing the mentioned expenses on the basis of the substantiated request and an agreement from the authorized line manager.

When travelling on a business trip within the territory of the country, the employee may receive the amount after coming back from the business trip, within no later than 30 days since the submission of the documents confirming the payment of the relevant de facto expenses.

When traveling on a business trip beyond the territory of the country, the employee received the amount determined by the legislation for daily allowance as well as renting a living space in accordance with the prescribed standards. The employee is provided with an amount for transportation with the value of no more than a ticket of an economy class. The employee may receive more than the determined amount on the basis of the substantiated request and an agreement from the authorized line manager.

Within no later than 30 days since the end of the business trip, the employee who came back from a business trip in the country or from abroad shall submit to the Finance Department the documents confirming the de facto expenses incurred during the business trip.

When travelling on a business trip within the territory of the country, the employee is obliged to submit the document confirming the de facto incurred expenses for renting the accommodation and transportation, as well as documents confirming other additional expenses, if such exist.

When travelling abroad, the employee is obliged to submit the document confirming the transportation expenses. The employee is also responsible for submit the document confirming the de facto incurred expenses for daily allowance and renting the accommodation, if this expenses exceeds the standards stipulated by the legislation.

If the employee is unable to present to the Finance Department the documents confirming the full expenditure of the amount paid out to the employee in the form of a cash advance, the employee is obliged to return to the university the difference between the amount paid out in the form of a cash advance and the expenses incurred de facto. The university is entitled to deduct the mentioned difference from the remuneration of the employee.

Article 4.4. Rule for funding the student self-governance

Self-governance financing sources are:

- budget of the teaching university;
- incomes received from the projects of the student self-governance;
- voluntary donations and grants;
- other incomes allowed by the legislation.

The university takes into consideration the financial resources necessary for the funding of the student self-governance when drawing up the annual budget. While determining the amount of the self-governance budget, the financial resources necessary for the goals determined by the strategy and the action plan of the university are taken into consideration.

With the help of the budget allocated by the university, the self-governance has the opportunity to fund the projects presented by the students, as well as their participation in different projects and activities, for example participation in conferences and training sessions, etc.

In accordance with the budget allocated by the university, in the beginning of the academic year, the self-governance shall present a pre-determined plan with activities, which will ensure the utilization of the mentioned budget. It is important to specify in details all the expenses and incomes, which are initiated as a result of the implementation of each activity.

The Faculty submits the presented plan to the Head of Administration, who checks the purpose of the indicated expenses and their relevance. The university also checks the alignment of the activities provided in the plan with the strategic and action goals. Upon completing the mentioned procedure, the plan approved by the Head of Administration is transferred to the Rector for approval on the basis of an order.

The self-governance is obliged to submit a document confirming the expenses incurred for the activities in a form of a report. The report should contain the information confirming the utilization of the pre-determined budget. If there is a difference between the expected and the real expenditures, the person submitting the report from the self-governance determines in writing the necessity and the inevitability of the changes in the pre-determined budget.

The student self-governance is entitled to spend the budget allocated by the university during the academic year. If the self-governance was unable to fully utilize the budget allocated by the university to them, the remaining unused part of the budget will not be transferred to the following academic year.

Article 4.5. Funding of Scientific-Research Activity

The funding of scientific and research activity is performed in accordance with the "Scientific Research Activity Strategy and Policy and the Procedure of Implementation". The volume of the pre-determined budget for funding the scientific and research activity is envisaged by the annual budget of the university. The utilization of the mentioned budget is performed by means of participating in conferences (at the local and international levels, the applicant should participate in the role of a leader, chairperson, moderator or he/she should have a similar status) and by obtaining an internal university research grant. The research project grant is granted by means of a competition, which has a pre-determined commission.

In accordance with the directions of scientific-research priority, which has been defined in the research development strategy, the research budget may be spent in different quarters of the year. The university requests a report from the owner of the grant and/or the funded staff periodically (the period depends on the duration of the research to be conducted), which describes the information on the utilization of the pre-determined and classified expenses and in the event of changes, a substantiated necessity. On the basis of requesting the report, the university ensures the financial transparency and also facilitates the establishment of good practice in the academic management. The total annual amount of the funding for scientific-research activity is provided, as a rule, in the total budget of the university drawn up in the beginning of the year.

Article 5. Regulation for Tuition Fee Payment

The determination of the tuition fee for the following academic year by the university is performed in the beginning of every academic year, on the basis of the order issued by the Rector.

The payment of the tuition fee is made during the course of one academic year, by semesters in two stages, within the deadlines for academic and financial registration, determined by the Order of the Rector. It is possible to determine additional deadlines for paying the tuition fee by an order of the Rector. A semester tuition fee is equal to half of the full tuition fee.

The student is responsible to pay the tuition fee by cash (in the Finance Department) or by a bank transfer to the bank account of the university.

A failure to pay the tuition fee causes the suspension of the student status. The person with a suspended status is not refunded the amount paid for the tuition fee.

The student has his/her status suspended for 5 (five) years, after this period of time, the student's status is terminated. The student with a terminated status is not refunded the amount paid for the tuition fee, if there is such.

The amount of the tuition fee as stipulated by the agreement is sustained for the student within the timeline envisaged by the educational program (except for those cases, when the tuition fee is reduced), whereas in the event of eliminating the grounds for suspending the student's status and the enrolling on the basis of the rule of restoring the status, the student pays the tuition fee defined for the ongoing academic year for the relevant educational program.

In the event of a failure to pass the academic course by the student or the inability to obtain credits through the student's fault, the student is obliged to pass the appropriate academic registration and make the payment for a repeated hearing of the subject, the fee for one ECTS credit is determined by the internal regulatory act of the teaching university.

The student who has transferred through the rule of mobility (from a Georgian or a foreign country university), in the event of not recognizing the mandatory credits, is obliged to register the subjects and pay the fee of the relevant credit.

In the event of a dispute related to the payment of the tuition fee, the student is obliged to present the payment order confirming the payment, otherwise the financial liability will be considered as unfulfilled.

The legal state of the student participating in an exchange educational program, will be regulated with regard to the financial part, on the basis of a separate agreement act or in accordance with the agreement, according to the mobility program.

Article 6. Financial Accounting System

For the program accounting of the financial and economic activity, the university uses an electronic system of accounting, the access to which is available for the Finance Department. The Finance Department is responsible for the accuracy of the information inserted into the electronic system of accounting and for its conscientious management. On the basis of the Rector's order, depending on the work needs, it is possible for another authorized person to be granted an access to the mentioned electronic system.

The update of the financial accounting electronic system is performed annually or when necessary.

Article 7. Evaluation and control of the financial management system

The university uses the following types of methods for the evaluation and control of the financial management system:

- 1. Monthly report on the circulation of financial resources - the present report** is submitted to the Head of Administration by the Finance Department. The monthly report contains the expenses and incomes incurred and received during one month.
- 2. An internal audit** - a group implementing the internal audit may be established upon the decision of the Rector on the basis of the request of the Head of Administration or the results of the financial management monitoring.

The team ensures the evaluation of the adequacy and effectiveness of the University Management and Control System, in particular the compliance of the University Financial Management with the procedures set out in the Financial Policy.

3. **External Audit** - Financial audits are performed annually by an independent external audit firm to verify the correctness of financial and tax activities.
4. Material supplies inventory procedures - with the purpose of conducting inventory procedures, once a year, on the basis of an order of the Rector, a commission is established at the university, the composition of which includes the representatives of the Material-Technical Department, Library, Laboratory and the Finance Department. On the basis of the Rector's order, it is possible to appoint another additional person as a member of the commission. The purpose of the inventory procedures, is to perform the quantitative accounting of the material supplies existing in the electronic system as well as check the state of the material supplies.
5. Checking the monetary remainders - every month, the Finance Department checks the remainders existing on the bank accounts and at the cashier's and compares them with the remainders existing in the electronic system.

Article 8. Financial risk management

Due to the loss caused by the financial risk, a huge emphasis is made on the management of such risks and their active monitoring, so that the losses caused as a result of the impact of the risks are brought to the minimum.

The financial risk management of the university consists of 3 stages:

- Risk analysis
- Risk management
- Control

At the stage of analyzing the risks, the university performs the identification of the risk and as well as its evaluation, in accordance with the danger that may be caused by this risk.

For the financial risks to be identified, the following shall be studied:

- threats that may cause an unwilling result
- the resources of the university, which may suffer due to the financial risks.
- the losses caused as a result of the impact on the risk resources
- the factors, that may increase or decrease the probability of the risk occurrence

The following belongs to the list of the major financial risks of the university:

- financial management of the organization (internal risk)
- credit means (external risk)
- exchange rate fluctuation (external risk)

- dynamics of the interest rate (external risk)
- solvency of the students to be able to pay the tuition fee (eternal risk)

After identifying the financial risks, the university performs their evaluation, which implies the evaluation of the probability of a loss and its volume. When evaluating the probability of a risk, the management of the university analyzes as to how frequently the major financial risks identified occurred in the university. If any of the financial risks occurs more frequently, then it is clear that the probability of occurrence is the highest and this is the exact risk that represents the most significant threat to the university.

After the analysis of the financial risk, the university makes a decision on the selection of the methods for managing the risk. The university uses 3 methods to manage the risk:

- risk elimination
- risk mitigation
- risk taking

When eliminating the risk, the University minimizes the likelihood of the occurrence of the financial risk by refusing to take any action related to a given risk.

When using the risk mitigation method, the frequency of probability of occurrence of risk and the magnitude of probability of occurrence of loss are mitigated.

The risk-taking method is used when it is impossible to use the financial risk management methods. Risk-taking implies that the university accepts in whole or in part and bears the loss on its own.

After the last stage of risk management, the implemented management method is controlled, which involves the planning and implementation of measures necessary for monitoring and inspection.

Budget of "BAU International University, Batumi" LTD

Income	
Fee for education	
Lease	
Sales of acquired or created assets	
Loan	
Training or consultation service	
The local and international grants	
Other income	
Expenses	
Salary (sum)	
Remuneration of academic and invited staff (according to the programs)	
Administrative staff (including the employees of the structural units of the faculties)	
Bonus / incentive of the academic and administrative staff	
Enhancement of the qualification of academic and administrative staff	
Enhancement of the qualification of academic staff (according to the programs)	
Enhancement of the qualification of administrative staff	
Business Trip	
Student and Academic Staff Activity	
Local and International Scientific conferences organization	
Internationalization/International Relations	
Funding and promotion of a research activity	
Career support events for students and alumni	
Student, cultural, sports and cognitive activities	
self-government	
Ensuring the Learning Process	
Rent	
Utility Expenses	

Communication Expenses	
Program Accreditation / Authorization Expenses	
Cost of electronic system for the management of a learning process	
Supplies for the learning process	
Clinic practice	
Marketing activity	
Advertisement in social network and mass media	
Advertisement warehouse/inventory	
Other advertisement (exhibitions, presentations)	
University brand events	
Attracting and orgnizing foreign students	
Loan Financing	
Loan principal	
Loan %	
Capital expenses	
Infrastructural Projects	
Costs of laboratories	
Material and technical base rehabilitation	
Library book fund (books and electronic databases)	
Other Administrative Expenses	
Service	
Representative expenses	
Logistical expenses	
Audit service	
Bank commission charges	
Taxes expenses (property tax, land tax)	
Translation expense	
Vehicle operating expenses	

Public registry and notary service expenses	
Cartridge re-charging expenses	
Stationery expenses	
Sanitary-hygienic expenses	
Other unforeseen expenses	
Financial outcome	