# **Accounting Policies and Procedures Manual**

**[Company Name]**

**Effective Date:** **[Date]** **Version:** **[1.0]**

## **1. Introduction**

### **1.1. Purpose of the Manual**

This Accounting Policies and Procedures Manual (the "Manual") outlines the accounting principles, policies, and procedures that **[Company Name]** (the "Company") must follow. The primary purpose of this Manual is to:

* Ensure consistent application of accounting principles and practices across all financial transactions.
* Promote accuracy, reliability, and timeliness in financial reporting.
* Establish clear responsibilities and accountability within the accounting and finance functions.
* Provide guidance for all employees involved in financial processes.
* Ensure compliance with relevant accounting standards, laws, and regulations.
* Facilitate the training of new accounting personnel.

### **1.2. Scope**

This Manual applies to all employees, departments, and operations of **[Company Name]** that are involved in financial transactions or financial reporting. It covers the core accounting functions and processes critical to the Company's financial operations.

### **1.3. Authority and Responsibility**

This Manual is authorized by **[Name/Title, e.g., Chief Financial Officer or Board of Directors]**. All employees are expected to adhere to the policies and procedures outlined herein. The **[Department Name, e.g., Finance Department]** is responsible for maintaining and updating this Manual.

### **1.4. Manual Revisions**

This Manual will be reviewed annually, or more frequently as needed, to ensure its continued relevance and compliance with changes in accounting standards, regulations, or Company operations. All revisions must be approved by **[Name/Title, e.g., CFO]** and communicated to affected personnel.

## **2. Company Overview**

### **2.1. Mission and Vision**

* **Mission:** **[Insert Company's Mission Statement]**
* **Vision:** **[Insert Company's Vision Statement]**

### **2.2. Organizational Structure**

**[Provide a brief description or insert an organizational chart snippet outlining the finance department's structure, reporting lines, and key roles (e.g., CFO, Controller, Accounting Manager, Staff Accountant).]**

### **2.3. Key Personnel and Roles**

* **Chief Financial Officer (CFO):** **[Name]** - Responsible for overall financial strategy, compliance, and oversight.
* **Accounting Manager:** **[Name]** - Manages daily accounting activities, supervises staff, and ensures adherence to policies.
* **Accounts Receivable Specialist:** **[Name]** - Handles invoicing, cash receipts, and collections.
* **Accounts Payable Specialist: [Name]** - Manages vendor invoices, payments, and expense reimbursements.
* **Payroll Administrator:** **[Name]** - Processes payroll and ensures compliance with tax regulations.
* **[Add other relevant roles as applicable]**

## **3. General Accounting Principles**

### **3.1. Basis of Accounting**

**Policy:** **[Company Name]** uses the **[Accrual Basis / Cash Basis]** of accounting.

* **Accrual Basis:** Revenues are recognized when earned, regardless of when cash is received. Expenses are recognized when incurred, regardless of when cash is paid. This provides a more accurate picture of the Company's financial performance over a period.
* **Cash Basis:** Revenues are recognized when cash is received. Expenses are recognized when cash is paid. (Typically used by smaller entities or for tax purposes.)

### **3.2. Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) Adherence**

**Policy:** All financial statements and accounting records of **[Company Name]** shall be prepared in accordance with **[Generally Accepted Accounting Principles (GAAP) in the United States / International Financial Reporting Standards (IFRS)]**, unless otherwise specified for internal management reporting.

### **3.3. Materiality**

**Policy:** Transactions and events will be recorded and reported based on their materiality. A transaction is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality thresholds will be reviewed and established annually by **[Name/Title, e.g., CFO]**.

### **3.4. Consistency**

**Policy:** Accounting policies and methods will be applied consistently from one accounting period to the next to ensure comparability of financial data over time. Any changes in accounting policies will be disclosed in the financial statements, along with their impact.

### **3.5. Going Concern**

**Policy:** Financial statements are prepared on the assumption that **[Company Name]** will continue to operate indefinitely. If there are significant doubts about the Company's ability to continue as a going concern, appropriate disclosures will be made.

## **4. Chart of Accounts**

### **4.1. Structure and Usage**

**Policy:** The Chart of Accounts (COA) is a systematically organized list of all accounts used by **[Company Name]** to record financial transactions. It is structured to facilitate accurate financial reporting and analysis.

* **Account Numbering Convention: [e.g., 1000-1999 for Assets, 2000-2999 for Liabilities, 3000-3999 for Equity, 4000-4999 for Revenue, 5000-5999 for Cost of Goods Sold, 6000-6999 for Operating Expenses, etc.]**
* **Department/Location Codes:** **[If applicable, describe how department or location codes are integrated into the COA or used as separate dimensions for tracking.]**

### **4.2. Account Definitions**

**Procedure:** Each account in the COA has a specific purpose and definition. Employees are to use the most appropriate account for each transaction.

* **Example:**
  + **Account:** 1010 - Cash in Bank
    - **Definition:** Represents funds held in the Company's primary operating bank accounts.
  + **Account:** 4000 - Sales Revenue
    - **Definition:** Revenue generated from the primary business activities of selling **[goods/services]**.
  + **Account:** 6100 - Office Supplies Expense
    - **Definition:** Costs incurred for general office supplies used in daily operations.

**[Provide a comprehensive list or reference to the full Chart of Accounts document.]**

### **4.3. New Account Requests**

**Procedure:** Any request for a new general ledger account must be submitted to **[Name/Title, e.g., Controller]** using the "New Account Request Form" **[or equivalent process]**. The request must include:

1. Reason for the new account.
2. Proposed account number and name.
3. Definition and intended use.
4. Impact on existing reporting.

Approval is required from **[Name/Title, e.g., CFO or Controller]** before a new account can be added to the accounting system.

## **5. Cash Management**

### **5.1. Cash Receipts**

#### **5.1.1. Receiving Payments (Checks, ACH, Credit Cards)**

**Policy:** All cash and checks received must be securely stored until deposited. Electronic payments (ACH, credit cards) must be reconciled daily.

**Procedure:**

1. **Mail/Physical Checks:**
   1. Mail is opened by **[Position, e.g., designated administrative staff].**
   2. Checks are immediately logged into a **[e.g., check logbook/spreadsheet],** including date, payor, amount, and invoice number (if applicable).
   3. Checks are then forwarded to the **[Position, e.g., Accounts Receivable Specialist]**.
2. **Electronic Payments (ACH/Credit Card):**
   1. Daily reports from the bank or payment processor are downloaded by **[Position, e.g., Accounts Receivable Specialist].**
   2. Transactions are matched to outstanding invoices or appropriate revenue accounts.

#### **5.1.2. Daily Deposit Procedures**

**Policy:** All cash and checks received must be deposited into the Company's bank account daily, or at least within **[e.g., 1 business day]** of receipt.

**Procedure:**

1. **[Position, e.g., Accounts Receivable Specialist]** prepares the daily deposit slip, ensuring the total matches the logged receipts.
2. A copy of the deposit slip and supporting documentation (e.g., check log, payment reports) is retained.
3. Deposits are made at **[Bank Name]** by **[Method, e.g., bank teller, night deposit, remote deposit capture]**.
4. The deposit receipt is reconciled against the deposit slip and retained.

#### **5.1.3. Recording Cash Receipts**

**Policy:** All cash receipts must be accurately and timely recorded in the accounting system.

**Procedure:**

1. **[Position, e.g., Accounts Receivable Specialist]** enters cash receipts into the **[Accounting Software Name]** system, applying payments to specific customer invoices or recording as unapplied cash if an invoice is not yet available.
2. The general ledger accounts affected (e.g., Cash, Accounts Receivable, Revenue) are verified.
3. All entries are reviewed and approved by **[Position, e.g., Accounting Manager]** daily/weekly.

#### **5.1.4. Petty Cash Management**

**Policy:** Petty cash is maintained for minor, incidental expenses that cannot be paid through normal disbursement channels. The petty cash fund limit is **$[Amount]**.

**Procedure:**

1. **Custodian:** **[Position, e.g., Office Manager]** is the designated petty cash custodian.
2. **Disbursements:**
   1. A "Petty Cash Voucher" must be completed for each disbursement, including date, amount, purpose, and signature of recipient.
   2. Original receipts must be attached to the voucher.
3. **Replenishment:**
   1. When the fund runs low, the custodian submits a request for replenishment, along with all vouchers and receipts, to **[Position, e.g., Accounting Manager]**.
   2. The total cash on hand plus vouchers must equal the established fund limit.
   3. A check is issued to the custodian to replenish the fund.
4. **Reconciliation:** The petty cash fund is reconciled **[e.g., weekly/monthly]** by **[Position, e.g., Accounting Manager]**.

### **5.2. Cash Disbursements**

#### **5.2.1. Payment Authorization Matrix**

**Policy:** All cash disbursements require proper authorization based on the established payment authorization matrix.

**Procedure:** **[Insert a table or describe the authorization matrix here]**

#### **5.2.2. Check Issuance Procedures**

**Policy:** Checks are issued only for properly authorized and documented expenditures.

**Procedure:**

1. **Payment Request:** A valid invoice or payment request, approved according to the authorization matrix, is submitted to **[Position, e.g., Accounts Payable Specialist]**.
2. **Check Preparation:** Checks are prepared using the **[Accounting Software Name]** system.
3. **Check Signing:**
   1. Checks under **$[Amount]** may be signed by **[Position, e.g., Accounting Manager]**.
   2. Checks over **$[Amount]** require two signatures: **[Position 1, e.g., Controller]** and **[Position 2, e.g., CFO]**.
   3. Blank checks are never pre-signed.
4. **Check Distribution:** Signed checks are mailed or distributed to vendors.
5. **Voided Checks:** All voided checks must be marked "VOID" and retained.

#### **5.2.3. Electronic Funds Transfers (EFT/ACH)**

**Policy:** EFT/ACH payments are used for approved vendors and require the same authorization as check payments.

**Procedure:**

1. Vendor bank details are verified and entered into the accounting system only by authorized personnel.
2. EFT/ACH batches are prepared in the **[Bank Portal/Accounting Software]** by **[Position, e.g., Accounts Payable Specialist]**.
3. EFT/ACH batches require dual authorization in the banking system by **[Position 1, e.g., Controller]** and **[Position 2, e.g., CFO]**.
4. Confirmation of successful transfers is obtained and reconciled.

#### **5.2.4. Wire Transfers**

**Policy:** Wire transfers are used for urgent or international payments and require the highest level of authorization.

**Procedure:**

1. Wire transfer requests must be submitted in writing to **[Position, e.g., CFO]**.
2. Requests must include full beneficiary bank details, amount, currency, and purpose.
3. All wire transfers require approval from **[Position 1, e.g., CFO]** and **[Position 2, e.g., CEO]**.
4. Wire transfers are initiated through the bank's secure online portal.
5. Confirmation of the transfer is obtained and filed.

### **5.3. Bank Reconciliations**

#### **5.3.1. Frequency and Responsibility**

**Policy:** All bank accounts are reconciled monthly to ensure the accuracy of cash balances.

**Procedure:**

* **Responsibility:** Bank reconciliations are prepared by **[Position, e.g., Staff Accountant]**.
* **Review:** Reconciliations are reviewed and approved by **[Position, e.g., Accounting Manager or Controller]** by the **[e.g., 10th business day]** of the following month. The preparer and reviewer must be different individuals (segregation of duties).

#### **5.3.2. Reconciliation Procedures**

**Procedure:**

1. Obtain the monthly bank statement and the general ledger cash account balance from the accounting system.
2. Compare deposits on the bank statement to deposits in the general ledger and cash receipts records.
3. Compare checks cleared on the bank statement to checks issued in the general ledger and cash disbursement records.
4. Identify and investigate any outstanding checks or deposits in transit.
5. Record any bank service charges, interest earned, or other bank adjustments as journal entries.
6. Ensure the reconciled bank balance equals the general ledger cash balance.

#### **5.3.3. Handling Discrepancies**

**Procedure:** Any discrepancies identified during the reconciliation process must be investigated immediately. Significant discrepancies are to be reported to **[Position, e.g., Controller/CFO]** for resolution.

## 6. Accounts Receivable

### 6.1. Invoicing

#### **6.1.1. Invoice Creation and Approval**

**Policy:** All sales of goods or services must be accurately invoiced in a timely manner.

**Procedure:**

1. Sales orders or service agreements are reviewed by **[Position, e.g., Sales Coordinator/AR Specialist]**.
2. Invoices are generated from the **[Billing/Accounting Software Name]** system based on approved sales orders or service completion.
3. Each invoice must include:
   1. Company Name and Address
   2. Customer Name and Address
   3. Invoice Number
   4. Invoice Date
   5. Due Date
   6. Description of Goods/Services
   7. Quantity and Unit Price
   8. Total Amount Due
   9. Payment Terms
4. Invoices are reviewed for accuracy by **[Position, e.g., Accounting Manager]** before distribution.

#### **6.1.2. Invoice Distribution**

**Procedure:**

1. Invoices are sent to customers via **[Method, e.g., email, postal mail]** within **[e.g., 1 business day]** of approval.
2. A copy of each invoice is retained in the accounting system.

#### **6.1.3. Credit Terms**

**Policy:** Standard credit terms are **[e.g., Net 30 days]**. Any deviation from standard terms must be approved by **[Position, e.g., Sales Manager and/or Controller]**.

### **6.2. Collections**

#### **6.2.1. Collection Procedures and Communication**

**Policy:** A systematic approach is used to collect outstanding receivables to minimize bad debts.

**Procedure:**

1. **Reminder 1:** **[e.g., 7 days]** before due date: Automated email reminder sent.
2. **Reminder 2:** **[e.g., 1 day]** after due date: Automated email reminder sent.
3. **Follow-up 1:** **[e.g., 7 days]** past due: **[Position, e.g., AR Specialist]** makes a polite phone call or sends a personalized email.
4. **Follow-up 2:** **[e.g., 30 days]** past due: **[Position, e.g., AR Specialist]** sends a formal letter or email, potentially involving **[Position, e.g., Sales Manager].**
5. **Escalation:** **[e.g., 60-90 days]** past due: Account is escalated to **[Position, e.g., Controller/CFO]** for further action, which may include legal action or referral to a collection agency.

#### **6.2.2. Aging of Accounts Receivable**

**Policy:** The Accounts Receivable Aging Report is generated and reviewed regularly to monitor outstanding balances.

**Procedure:**

1. The AR Aging Report is generated **[e.g., weekly/bi-weekly]** by **[Position, e.g., AR Specialist].**
2. The report is reviewed by **[Position, e.g., Accounting Manager]** to identify delinquent accounts and plan collection efforts.

### **6.3. Bad Debts**

#### **6.3.1. Policy for Write-Offs**

**Policy:** Accounts deemed uncollectible will be written off as bad debt expense. An account is considered uncollectible when **[e.g., all reasonable collection efforts have been exhausted, the customer has declared bankruptcy, the account is X days past due].**

#### **6.3.2. Approval Process for Write-Offs**

**Procedure:**

1. **[Position, e.g., AR Specialist]** prepares a "Bad Debt Write-Off Request" detailing collection efforts and reasons for write-off.
2. Requests for write-offs up to **$[Amount]** are approved by **[Position, e.g., Accounting Manager].**
3. Requests for write-offs over **$[Amount]** are approved by **[Position, e.g., Controller/CFO].**
4. A journal entry is prepared to debit Bad Debt Expense and credit Accounts Receivable.

## 7. Accounts Payable

### **7.1. Vendor Management**

#### **7.1.1. Vendor Setup and Approval**

**Policy:** All new vendors must be formally set up in the accounting system before any payments can be made.

**Procedure:**

1. A "New Vendor Request Form" must be submitted by the requesting department to **[Position, e.g., Accounts Payable Specialist].**
2. The form must include vendor name, address, contact information, and a brief description of goods/services provided.
3. **[Position, e.g., AP Specialist]** verifies vendor details and checks for duplicates.
4. New vendor setup requires approval from **[Position, e.g., Accounting Manager].**

#### **7.1.2. W-9/Tax ID Collection**

**Policy:** A W-9 form (for U.S. vendors) or equivalent tax identification information must be obtained from all new vendors before their first payment, to ensure compliance with tax reporting requirements.

**Procedure:**

1. **[Position, e.g., AP Specialist]** requests a completed W-9 form from the vendor.
2. The W-9 form is securely stored.
3. Vendor tax ID information is entered into the accounting system.

### **7.2. Invoice Processing**

#### 7.2.1. Receipt and Logging of Invoices

**Policy:** All vendor invoices must be received, logged, and routed efficiently.

**Procedure:**

1. Invoices are received via **[Method, e.g., email to a dedicated AP inbox, postal mail].**
2. **[Position, e.g., AP Specialist]** logs each invoice into the **[Accounting Software Name]** system, noting date received, vendor, amount, and due date.
3. Invoices are then routed to the appropriate department or individual for approval.

#### **7.2.2. Three-Way Matching (PO, Receiving Report, Invoice)**

**Policy:** For purchases involving a Purchase Order (PO), a three-way match is required before payment.

**Procedure:**

1. **[Position, e.g., AP Specialist]** matches the vendor invoice against:
   1. The approved Purchase Order (PO) to ensure goods/services were ordered.
   2. The Receiving Report (or proof of service completion) to confirm goods/services were received.
2. Any discrepancies must be investigated and resolved with the vendor and/or requesting department before proceeding.

#### **7.2.3. Invoice Approval Workflow**

**Policy:** All invoices must be approved by the authorized budget owner or department head.

**Procedure:**

1. Invoices are routed to the appropriate approver(s) via **[Method, e.g., email, workflow system]**.
2. Approvers review the invoice for accuracy, completeness, and adherence to budget.
3. Approval must be documented **[e.g., in the workflow system, via email, with a signature on the invoice]**.
4. Invoices are returned to **[Position, e.g., AP Specialist]** for processing after approval.

### **7.3. Payments**

#### **7.3.1. Payment Scheduling**

**Policy:** Payments are scheduled to take advantage of early payment discounts while ensuring timely payment to maintain good vendor relationships.

**Procedure:**

1. Payments are typically processed on **[e.g., Tuesdays and Thursdays]** or as per vendor terms.
2. **[Position, e.g., AP Specialist]** generates a "Payments Due Report" from the accounting system.
3. Payments are prioritized based on due date and available discounts.

#### **7.3.2. Payment Methods (Checks, ACH, Credit Cards)**

**Policy:** Payments are made using the most efficient and cost-effective method.

**Procedure:**

* **Checks:** Processed as per Section 5.2.2.
* **ACH:** Processed as per Section 5.2.3.
* **Company Credit Cards:** Used for specific types of purchases as outlined in the "Company Credit Card Policy" **[reference another policy if applicable]**. All credit card statements must be reconciled monthly and supported by original receipts.

#### **7.3.3. Reconciliation of Vendor Statements**

**Policy:** Vendor statements are reconciled monthly to ensure all invoices and payments are accurately recorded.

**Procedure:**

1. **[Position, e.g., AP Specialist]** compares vendor statements to the accounts payable sub-ledger.
2. Any discrepancies are investigated and resolved promptly.

### **7.4. Expense Reimbursements**

#### **7.4.1. Policy and Procedures for Employee Expenses**

**Policy:** Employees are reimbursed for legitimate business expenses incurred on behalf of the Company, in accordance with the "Employee Expense Reimbursement Policy" **[reference another policy if applicable].**

**Procedure:**

1. Employees submit expense reports through **[Expense Reporting Software Name]** or using the "Expense Reimbursement Form."
2. Original receipts are required for all expenses over **$[Amount]**.
3. Expenses must be submitted within **[e.g., 30 days]** of incurrence.

#### **7.4.2. Approval Limits**

**Procedure:**

* Expense reports up to **$[Amount]** are approved by the employee's direct supervisor.
* Expense reports over **$[Amount]** are approved by the direct supervisor and **[Position, e.g., Department Head/Controller].**

## **8. Payroll**

### **8.1. Payroll Processing Schedule**

**Policy:** Payroll is processed on a **[e.g., bi-weekly, semi-monthly]** basis, ensuring employees are paid accurately and on time.

**Procedure:**

* **Payroll Period End:** **[Date/Day]**
* **Timecard Submission Deadline:** **[Date/Day]** by **[Time]**
* **Payroll Approval Deadline:** **[Date/Day]** by **[Time]**
* **Pay Date:** **[Date/Day]**

### **8.2. Timekeeping Procedures**

**Policy:** All employees must accurately record their work hours in the designated timekeeping system.

**Procedure:**

1. Non-exempt employees record hours daily in **[Timekeeping System Name]**.
2. Exempt employees record exceptions (e.g., sick leave, vacation) in **[Timekeeping System Name]**.
3. Supervisors review and approve employee timecards by the deadline.

### **8.3. Employee Deductions and Benefits**

**Policy:** All authorized employee deductions (e.g., taxes, benefits, garnishments) are accurately calculated and remitted.

**Procedure:**

1. New hire paperwork includes all necessary deduction authorizations.
2. Changes to deductions (e.g., benefits enrollment) are processed by **[Position, e.g., HR Department]** and communicated to payroll.
3. Payroll ensures accurate calculation and remittance of all deductions.

### **8.4. Payroll Tax Compliance**

**Policy:** The Company complies with all federal, state, and local payroll tax laws and regulations.

**Procedure:**

1. Payroll taxes are calculated and withheld accurately.
2. Tax filings (e.g., Form 941, W-2s, state unemployment) are submitted by their respective deadlines.
3. Tax payments are remitted timely.

### **8.5. New Hires and Terminations**

**Policy:** Procedures are in place to ensure new hires are added to payroll correctly and terminated employees are processed in compliance with labor laws.

**Procedure:**

* **New Hires:** [**Position, e.g., HR Department]** provides all necessary new hire information (e.g., W-4, I-9, direct deposit) to payroll before the first pay period.
* **Terminations:** **[Position, e.g., HR Department]** notifies payroll of terminations, including the last day worked and any final pay requirements (e.g., unused vacation payout).

## **9. Fixed Assets**

### **9.1. Capitalization Policy and Thresholds**

**Policy:** An asset is capitalized if it meets the following criteria:

1. It has a useful life of more than one year.
2. Its cost exceeds the capitalization threshold of **$[Amount]**. Expenditures below this threshold are expensed in the period incurred.

### **9.2. Acquisition and Recording of Assets**

**Procedure:**

1. Upon acquisition of a qualifying asset, all related costs (e.g., purchase price, shipping, installation) are accumulated.
2. **[Position, e.g., Staff Accountant]** records the asset in the fixed asset sub-ledger, including:
   1. Asset description
   2. Acquisition date
   3. Original cost
   4. Estimated useful life
   5. Depreciation method
   6. Salvage value (if applicable)
   7. Asset tag number (if applicable)

### **9.3. Depreciation Methods and Schedules**

**Policy:** Fixed assets are depreciated over their estimated useful lives using the **[Straight-Line / Declining Balance / Sum-of-the-Years' Digits]** method.

**Procedure:**

1. Depreciation is calculated monthly/annually by **[Position, e.g., Staff Accountant]** using the fixed asset software/schedule.
2. A journal entry is prepared to debit Depreciation Expense and credit Accumulated Depreciation.

### **9.4. Asset Tracking and Physical Verification**

**Policy:** All fixed assets are tagged and tracked. Periodic physical inventories are conducted.

**Procedure:**

1. New assets are assigned a unique asset tag number upon acquisition.
2. A physical inventory of fixed assets is conducted **[e.g., annually/bi-annually]** by **[Department, e.g., Finance/Operations]** to verify existence and location.
3. Discrepancies are investigated and reconciled.

### **9.5. Disposals and Impairments**

**Policy:** Assets that are sold, retired, or otherwise disposed of are removed from the fixed asset ledger. Impaired assets are written down to their recoverable amount.

**Procedure:**

1. **Disposal:** When an asset is disposed of, **[Position, e.g., Staff Accountant]** removes the asset's original cost and accumulated depreciation from the books. Any gain or loss on disposal is recognized.
2. **Impairment:** Annually, or when events indicate, assets are reviewed for impairment. If an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized.

## **10. Inventory Management**

### **10.1. Inventory Valuation Method**

**Policy:** Inventory is valued using the **[First-In, First-Out (FIFO) / Weighted Average / Specific Identification]** method.

### **10.2. Inventory Receiving Procedures**

**Procedure:**

1. Upon receipt of goods, **[Position, e.g., Warehouse Staff]** verifies the quantity and condition against the purchase order and vendor packing slip.
2. A Receiving Report is generated and forwarded to Accounts Payable.
3. Inventory is physically moved to its designated storage location.
4. **[Position, e.g., Inventory Clerk]** updates the inventory management system with the received quantities.

### **10.3. Inventory Issuance and Transfers**

**Procedure:**

1. Inventory is issued from stock only upon receipt of an authorized request (e.g., sales order, production order).
2. All inventory movements (issuance, transfers between locations) are recorded in the inventory management system.

### **10.4. Physical Inventory Counts / Cycle Counting**

**Policy:** Regular physical inventory counts or cycle counting procedures are performed to ensure the accuracy of inventory records.

**Procedure:**

* **Physical Inventory:** A full physical inventory count is conducted **[e.g., annually]** by **[Department, e.g., Operations/Finance]**.
* **Cycle Counting:** **[If applicable, describe cycle counting frequency and procedures.]**
* Discrepancies between physical counts and system records are investigated and adjusted.

### **10.5. Obsolete and Damaged Inventory**

**Policy:** Obsolete, slow-moving, or damaged inventory is identified and written down to its net realizable value.

**Procedure:**

1. **[Position, e.g., Inventory Manager]** identifies obsolete/damaged inventory during physical counts or periodic reviews.
2. An "Inventory Adjustment Request" is submitted for approval by **[Position, e.g., Controller]**.
3. A journal entry is prepared to adjust the inventory value and recognize the loss.

## **11. Revenue Recognition**

### **11.1. Policy for Recognizing Revenue**

**Policy:** Revenue is recognized in accordance with **[ASC 606 (Revenue from Contracts with Customers) / IFRS 15 (Revenue from Contracts with Customers)]**. This involves a five-step model:

1. Identify the contract(s) with a customer.
2. Identify the separate performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

### **11.2. Specific Revenue Streams**

**Procedure:**

* **Sales of Goods:** Revenue is recognized when control of the goods is transferred to the customer (e.g., upon shipment, upon delivery).
* **Services:** Revenue for services is recognized over time as the services are performed, or at a point in time when the service is completed, depending on the nature of the service contract.
* **Subscriptions:** Revenue from subscriptions is recognized ratably over the subscription period.
* **[Add other specific revenue streams and their recognition criteria, e.g., long-term contracts, licensing fees.]**

### **11.3. Contract Review and Performance Obligations**

**Procedure:**

1. All new and significant customer contracts are reviewed by **[Position, e.g., Legal Department/Finance Department]** to identify performance obligations and determine the appropriate revenue recognition timing.
2. **[Position, e.g., Revenue Accountant]** ensures revenue is recorded in the correct period based on the satisfaction of performance obligations.

## **12. Month-End and Year-End Close Procedures**

### **12.1. Closing Schedule and Checklist**

**Policy:** A detailed closing schedule and checklist are used to ensure all necessary tasks are completed accurately and timely for month-end and year-end closes.

**Procedure:** **[Provide a sample checklist or reference to the full checklist document.]**

* **Day 1-2:** Reconcile cash and bank accounts.
* **Day 3-4:** Process all outstanding invoices and payments.
* **Day 5-7:** Prepare and post all necessary accruals and prepayments.
* **Day 8-9:** Reconcile all balance sheet accounts.
* **Day 10:** Review general ledger for unusual entries.
* **Day 11-12:** Prepare preliminary financial statements.
* **Day 13-15:** Review financial statements with management.
* **Day 15:** Finalize and distribute financial statements.

### **12.2. Accruals and Prepayments**

**Policy:** Appropriate accruals and prepayments are recorded to ensure expenses and revenues are recognized in the correct accounting period.

**Procedure:**

1. **[Position, e.g., Staff Accountant]** identifies expenses incurred but not yet invoiced (accruals) and payments made for future period benefits (prepayments).
2. Supporting documentation is maintained for all accruals and prepayments.
3. Journal entries are prepared and approved.

### **12.3. Journal Entry Review and Approval**

**Policy:** All non-routine journal entries must be reviewed and approved by an authorized individual.

**Procedure:**

1. Journal entries are prepared by **[Position, e.g., Staff Accountant].**
2. Supporting documentation is attached to each journal entry.
3. Journal entries are reviewed and approved by **[Position, e.g., Accounting Manager/Controller]** before posting.

### **12.4. Reconciliation of General Ledger Accounts**

**Policy:** All balance sheet accounts are reconciled monthly to supporting documentation.

**Procedure:**

1. **[Position, e.g., Staff Accountant]** prepares reconciliations for all balance sheet accounts (e.g., Accounts Receivable, Accounts Payable, Fixed Assets, Accrued Expenses).
2. Reconciliations are reviewed and approved by **[Position, e.g., Accounting Manager/Controller]**.

### **12.5. Financial Statement Preparation**

**Policy:** Accurate and timely financial statements are prepared at the end of each accounting period.

**Procedure:**

1. After all closing entries and reconciliations are complete, **[Position, e.g., Controller]** generates the Income Statement, Balance Sheet, and Statement of Cash Flows from the accounting system.
2. Financial statements are reviewed for accuracy and completeness.

## **13. Financial Reporting**

### **13.1. Internal Financial Statements**

**Policy:** Internal financial statements are prepared to provide management with timely and relevant financial information for decision-making.

**Procedure:**

* **Monthly Reports:** **[e.g., Income Statement, Balance Sheet, Cash Flow Statement, Departmental Expense Reports]** are distributed to **[Management Group, e.g., Department Heads, Executive Team]** by **[Date, e.g., 15th business day of the following month]**.
* **Variance Analysis:** Significant variances from budget or prior periods are analyzed and explained.

### **13.2. External Reporting Requirements**

**Policy:** The Company complies with all external financial reporting requirements.

**Procedure:**

* **Tax Filings:** **[Position, e.g., Controller/External Tax Accountant]** is responsible for preparing and filing all required tax returns (e.g., corporate income tax, sales tax, payroll tax) by their respective deadlines.
* **Regulatory Reports:** Any other required regulatory reports are prepared and submitted as per legal requirements.
* **Audits:** The Company cooperates fully with external auditors during annual financial statement audits.

### **13.3. Reporting Deadlines**

**Procedure:**

* **Monthly Internal Reports:** **[Date]**
* **Quarterly Tax Filings:** **[Date]**
* **Annual Financial Statements (Internal): [Date]**
* **Annual Tax Filings:** **[Date]**
* **External Audit Completion:** **[Date]**

## **14. Internal Controls**

### **14.1. Segregation of Duties**

**Policy:** Duties are segregated to minimize the risk of error, fraud, and unauthorized activity. No single individual should have control over all phases of a transaction (authorization, recording, custody of assets).

**Procedure:**

* **Cash Receipts:** The person opening mail and logging checks should not be the same person making deposits or recording cash receipts in the general ledger.
* **Cash Disbursements:** The person approving an invoice should not be the same person signing the check or initiating the electronic payment.
* **Payroll:** The person responsible for timekeeping should not be the person processing payroll or distributing paychecks.
* **Journal Entries:** The person preparing a journal entry should not be the person approving or posting it.

### **14.2. Authorization and Approval Processes**

**Policy:** All financial transactions require appropriate authorization and approval based on established limits and policies.

**Procedure:**

* Refer to specific sections of this Manual (e.g., Cash Disbursements, Expense Reimbursements) for detailed authorization matrices and approval workflows.
* Approvals must be documented.

### **14.3. Physical Controls**

**Policy:** Physical assets and sensitive financial documents are protected from theft, damage, or unauthorized access.

**Procedure:**

* Cash and checks are kept in a secure location (e.g., locked safe) until deposited.
* Blank check stock is stored in a locked cabinet.
* Access to accounting records and systems is restricted to authorized personnel.
* Fixed assets are tagged and tracked.

### **14.4. Information System Controls**

**Policy:** Access to accounting software and financial data is restricted and monitored.

**Procedure:**

* User access rights in **[Accounting Software Name]** are assigned based on job responsibilities and the principle of least privilege.
* Passwords are required to be strong and changed regularly.
* Data backups are performed **[e.g., daily/weekly]** and stored securely offsite.
* System logs are reviewed periodically for unusual activity.

### **14.5. Whistleblower Policy**

**Policy:** The Company encourages employees to report any suspected financial irregularities, fraud, or violations of this Manual without fear of retaliation.

**Procedure:**

* Reports can be made anonymously through **[e.g., a dedicated hotline, an independent third-party service, or directly to a designated senior manager/Board member]**.
* All reports will be investigated promptly and confidentially.

## **15. Record Retention**

### **15.1. Document Retention Policy**

**Policy:** All financial and accounting records are retained for specific periods in accordance with legal, regulatory, and business requirements.

**Procedure:** **[Provide a table or reference to a detailed document retention schedule, e.g.:]**

### **15.2. Storage and Retrieval Procedures**

**Procedure:**

* **Digital Records:** All digital records are stored on **[e.g., secure network drives, cloud storage solution]** with appropriate backup and access controls.
* **Physical Records:** Physical documents are filed in an organized manner in **[e.g., secure storage room, offsite storage facility].**
* A clear indexing system is used to facilitate quick retrieval of documents.

### **15.3. Disposal of Records**

**Policy:** Records are disposed of securely after their retention period has expired.

**Procedure:**

* Physical documents are shredded.
* Digital documents are securely deleted from all storage locations.
* A record of disposed documents is maintained.

## **16. Glossary of Terms**

This section provides definitions for key accounting and financial terms used in this Manual.

* **[Add relevant terms specific to your Company's operations.]**