
Accounting & Financial Policies

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Chapter 1: Overview

Welcome

Congratulations and thank you for purchasing this policy and procedure manual. Peak Strategy© engages leading experts in the field and to assist in writing and reviewing the policies. This results in a comprehensive and up to date view of the most current thinking in the industry.

Each of our manuals contains hundreds of pages and tools. For some organizations this manual is just a start of an even larger repository of policies. For others, they pick and choose only a portion of the policies that are appropriate for their company. Regardless of how the manual is used, it will save you hundreds of hours of preparation and development time because we have done it for you! Anyone who has been through the effort of developing procedures knows the value of having a manual that can easily be changed to fit the needs of your organization. The benefits of this manual include:

- Saves countless hours developing procedures from scratch
- Ability to implement procedures quickly
- Provides documentation for audit or regulatory reasons
- Challenges you to think about areas and policies you might of overlooked in the past
- Helps provide direction and guidance to new and existing employees

1.0 Introduction

Although the importance of policies and procedures for businesses is increasingly recognized, the complexity of issues involved means that the size and shape of information may vary widely from company to company. This may depend on many factors, including the size of the company, the sensitivity of the business information they own and deal with in their marketplace, and the numbers and types of information and computing systems they use.

When starting out it is a good idea to use a phased approach, starting with a basic policy framework, hitting the major policies that are needed and then subsequently developing a larger number of policies, revising those that are already in place and adding to this through the development of accompanying guidelines and job aids documents which will help support policy. To assist you in the process we bring you though the Peak Strategy Process© outlined in the picture below.



During the Preparation Phase we discuss the importance of policies and procedures and the differences between the two. In this stage we also discuss the need for understanding your audience. During the Evaluation Phase we take you through a process of identifying and prioritizing your procedures. Once you have prioritized your procedures, it is time to begin developing them in the Act Phase. We provide you key tips and thoughts on how to develop effective procedures. Finally once the procedures are complete and they have been communicated to the employees we discuss how to continuously improve them in the Kaizen Phase.



2.0 Financial Responsibilities

The financial staff of any company has the task to acquire and then help operate resources so as to maximize the value of the company. No matter the size of the firm, it is important to make sure that all policies and procedures are in place. There are some specific activities that must be done including:

Forecasting and planning

The financial staff must coordinate the planning process. This means they must interact with people from other departments as they look ahead and lay the plans that will shape the firm's future.

Major investment and financing decisions

A successful firm usually has rapid growth in sales, which requires investments in plant, equipment, and inventory. The financial staff must help determine the optimal sales growth rate, help decide what specific assets to acquire, and then choose the best way to finance those assets.

Coordination and control

The financial staff must interact with other personnel to ensure that the firm is operated as efficiently as possible. All business decisions have financial implications, and all managers—financial and otherwise—need to take this into account. For example, marketing decisions affect sales growth, which in turn influences investment requirements. Thus, marketing decision makers must take account of how their actions affect and are affected by such factors as the availability of funds, inventory policies, and plant capacity utilization.

Risk management

All businesses face risks, including natural disasters such as fires and floods, uncertainties in commodity and security markets, and volatile interest rates. The financial staff is responsible for the firm's overall risk management program, including identifying the risks that should be managed and then managing them in the most efficient manner.

In summary, people working in financial management make decisions regarding which assets their firms should acquire, how those assets should be financed, and how the firm should conduct its operations. If these responsibilities are performed optimally, financial managers will help to maximize the values of their company and ensure its continued success.

Chapter 2: Policies & Procedures

Accounting for Assets

Purpose

This policy establishes the fundamental guidelines and practices for properly accounting and reporting assets on the Company's Balance Sheet. An asset is an element of the financial statements constituting economic resources as of a certain date, and expected to benefit future operations i.e. land, buildings, work-in-process, inventory, and receivables.

Assets are recorded on the Company's Balance Sheet using the accrual basis of accounting. Increases in Assets are recorded as debits.

Assets represent items of value that the Company owns or controls. Assets have three primary characteristics:

They are an economic resource expected to provide future benefits to the Business.

The Company will obtain that benefit and maintain control over the asset.

The event giving rise to the Company's right to control of the asset has already occurred.

The company maintains a series of internal control checklists which help protect company assets. Persons reviewing this document should also review the internal control checklists.

Division of Duties

The person responsible for recording fixed assets does not make general ledger entries

The reconciliation of the Fixed Asset detail accounts with the fixed asset control accounts and making entries into the fixed asset software are separate

The custodian of the fixed assets and the taking of physical inventory are separate

The person responsible for tagging fixed assets is not the fixed asset custodian

The person responsible for locating missing fixed assets is not the fixed asset custodian

Capital asset purchases require authorization

Asset disposals require authorization

Responsibilities

The Controller or designee is designated as the Fixed Asset System Coordinator and is responsible for ensuring:

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- Administration and maintenance of the asset and property accountability and control system
 - The designation of custodial areas and Property Custodians for each asset group
 - That Property Custodians have current records of the property for which they are responsible
 - That the designated Property Custodians are responsible for maintaining current custodial records for all in-use fixed assets within their assigned
 - Custodial area
 - Developing systems which assure that assets are given proper care and protection and are used for official business purposes only

Property Custodians are responsible for:

- Notifying the Controller whenever fixed assets are acquired lost, destroyed, stolen or disposed of
- Identifying and reporting to management any property which is useable but not needed, or which should be disposed of
- Assisting in taking physical inventories

Individual employees are responsible for:

- The proper use, care and protection of company property
- Ensuring that company property is used only for the conduct of official company business
- Reporting any suspected fraud, theft, or embezzlement

Asset Categorization

Assets are classified into three groups:

- Current Assets
- Long term Assets
- Other Assets

Assets are further organized on the Company's Balance Sheet in descending order of liquidity.

Tagging

Positive identification of Company fixed assets requires the use of a tagging system.