

# XYZ Company

## Policies and Procedures – Financial close

### Accounting Department

#### **I. General**

It is the responsibility of the Accounting department to ensure that the financial statements accurately and fairly present the position of the company prior to public issuance. This procedure is designed to provide guidance on how the Company should close its general ledger and prepare accurate financial statements on a timely, consistent basis.

For more information, refer to the Company Journal Entries and procurement policies.

#### **II. Sub ledger close**

1. The CFO is responsible for ensuring a timely financial close process.
2. The Accounting Manager should ensure that all sub ledgers, including Accounts Receivable, Fixed Assets, and Accounts Payable are closed for entry approximately five (5) days after month end.
3. The Accounting Manager is responsible for reconciling all sub ledgers to the GL.
4. The Great Plains GL is closed approximately 20 days after month end and can only be reopened by the CFO.

#### **III. Non-routine transactions**

1. The CFO is required to identify and monitor non-routine accounting transactions and significant events in order to ensure such transactions are properly accounted for and disclosed on the Company's financial statements.
2. Accordingly, the CFO maintains an Excel list of significant, material or non-routine transactions, (along with their financial impact), that have occurred during the quarter in order to ensure such items are properly accounted for and disclosed in the financials.
3. This list is filed in the quarterly SEC financial statement binder along with the quarter end financial statements.
4. This list is maintained on the Finance directory and thus may not be accessed by other Company personnel.
5. The Company also holds frequent (at least monthly) meetings with the CEO and external auditors and other Senior Company personnel to appraise and discuss significant events and evaluate their likely and potential impact to the financials.

#### **IV. Balance Sheet review**

1. Upon preliminary close of the month the Accounting Manager will perform a balance sheet review, in addition to preparing the normal account reconciliations.
2. This balance sheet review will consist of researching aged or outstanding items which may not be realizable; assessing the appropriateness of all reserves; and documenting any recommended adjustments as necessary.
3. AR items aged over one year, which after reasonable collection efforts have been made, are still outstanding with no apparent resolution, should be cleared off the general ledger.
4. AP items aged longer than two years from vendors that the Company has no ongoing relationship with shall be written-off, after sufficient vendor inquiry has been made.
5. For more information, please review the Company's Account Reconciliation procedures.

#### **V. P&L Account Analysis**

1. Certain significant P&L accounts, including general and administrative expense, payroll and professional fees, are also reviewed by the Accounting Manager.
2. P&L review will consist of detailing all monthly activity, including ensuring reasonableness of the expense, along with proper classification in the income statement.
3. For more information, please review the Company's Account Reconciliation procedures.

#### **VI. Preparation of external financial statements**

1. The CFO, with the assistance of the External Reporting accountant, is responsible for preparation of the Company's 10Q and 10K documents.
2. The External Reporting accountant utilizes a GAAP checklist to ensure that all financial disclosures made by the Company properly and consistently apply U.S. generally accepted accounting principles.
3. The CFO is responsible for ensuring that all recent accounting pronouncements or changes to GAAP have been properly address by the Company.
4. Financial statements disclosed in the reports are prepared internally by the Accounting department.
5. The CFO and External Reporting accountant prepare footnotes for the Company's financial disclosures based on information prepared and provided by the Accounting department.
6. All footnotes must have adequate supporting documentation and are filed in the quarterly SEC financial statement binder.
7. The external financial reports are located in a directory that only the External Reporting accountant and CFO have access to.
8. A draft version of the 10Q and 10K are sent to the Company's external general counsel and external auditors for their review.
9. The final draft version of the 10Q/10K is sent to the Audit Committee for their review and approval.

