

Standard Operating Procedure (SOP)

Financial Management, Accounting, and Monthly Owner Reporting

This SOP details the processes for **financial management, accounting, and monthly owner reporting**, encompassing budgeting, expense tracking, revenue recognition, financial statement preparation, reconciliation procedures, tax compliance, and the generation of accurate and timely reports for owners. The goal is to ensure transparent, consistent, and compliant financial operations that support informed decision-making and maintain stakeholder confidence.

1. Budgeting and Forecasting

1. Review historical financial data and current market trends each fiscal year.
2. Collaborate with stakeholders to develop annual budgets by business segment.
3. Document assumptions, approval processes, and periodic budget review timelines.
4. Update forecasts quarterly or as requested by owners/management.

2. Expense Tracking

1. Record all expenses promptly in the accounting system with supporting documentation (e.g., invoices, receipts).
2. Assign appropriate cost codes for accurate reporting and analysis.
3. Periodically review expenses against budgets and flag variances.
4. Ensure necessary approvals are documented for payments above threshold amounts.

3. Revenue Recognition

1. Record revenue as earned in accordance with applicable accounting standards.
2. Monitor receivables and send timely invoices to clients/customers.
3. Recognize adjustments for discounts, returns, or credits as necessary.

4. Financial Statement Preparation

1. Prepare monthly financial statements (Balance Sheet, Income Statement, Cash Flow Statement) by the agreed deadline (e.g., 10th business day of each month).
2. Ensure all financial data is reconciled and reviewed for accuracy before finalization.
3. Include explanatory notes for significant variances or unusual transactions.

5. Reconciliation Procedures

1. Perform monthly bank reconciliations for all accounts.
2. Reconcile major general ledger accounts (e.g., cash, receivables, payables) to supporting schedules.
3. Investigate and resolve discrepancies within two business days of identification.

6. Tax Compliance

1. Track and ensure timely payment of all tax obligations (income tax, sales tax, payroll tax, etc.).
2. Maintain supporting documentation for all tax filings and payments.
3. Schedule periodic reviews with external tax advisors to ensure up-to-date compliance.

7. Monthly Owner Reporting

1. Prepare and distribute owner reports with the following minimum contents:
 - Monthly and year-to-date financial statements
 - Budget vs. actual analysis with commentary
 - Outstanding receivables and payables summaries
 - Key financial ratios and performance metrics
 - Narrative summary of financial performance
2. Distribute reports electronically by the 15th of each month or as specified by contractual agreement.
3. Schedule review meetings with owners, as required, to discuss results and answer questions.

8. Recordkeeping and Documentation

1. Retain all financial records, supporting documentation, and communications for a minimum of seven years.
2. Ensure backup and security protocols are followed to prevent data loss or unauthorized access.

- 3. Archive monthly reporting packages for easy retrieval during audits or reviews.

9. Internal Controls and Review

- 1. Segregate duties where possible between transaction entry, approval, and reconciliation functions.
- 2. Conduct periodic internal audits to assess compliance with this SOP.
- 3. Review and update this SOP annually or as required by changes in laws/regulations or business practices.

Approval and Revision History

Version	Date	Approved By	Comments
1.0	2024-06-10	[Name/Title]	Initial Issue

Point of Contact: [Name, Title, Email]