

SOP: Chart of Accounts Setup and Maintenance

This SOP details the **chart of accounts setup and maintenance** process, covering the creation, organization, and regular updating of account codes to ensure accurate financial reporting. It includes defining account categories, assigning account numbers, maintaining consistency across accounting periods, and ensuring compliance with regulatory standards. The procedure aims to streamline financial data management and support accurate bookkeeping and financial analysis.

1. Purpose

To establish procedures for setting up, organizing, and maintaining the chart of accounts (COA) to facilitate accurate, compliant, and consistent financial reporting.

2. Scope

This SOP applies to all finance department personnel responsible for managing the company's accounting system and financial records.

3. Responsibilities

- **Finance Manager:** Oversees the COA setup and ensures compliance.
- **Accountants:** Implement changes; maintain and update the COA.
- **Internal Auditor:** Reviews COA for accuracy and compliance.

4. Definitions

Term	Definition
Chart of Accounts (COA)	A structured list of organizational accounts used to record financial transactions.
Account Code	An alphanumeric identifier assigned to each account in the COA.

5. Procedure

- 1. Define Account Categories:**
 - Assets
 - Liabilities
 - Equity
 - Revenue
 - Expenses
- 2. Assign Account Numbers:**
 - Use a standardized numbering scheme for each account category (e.g., 1xx for Assets).
- 3. Create New Accounts:**
 - Submit request to Finance Manager with justification, category, and suggested number.
 - Finance reviews, approves, and documents new account setup.
- 4. Maintain Consistency:**
 - Review the COA regularly (at least annually) for obsolete, duplicate, or misclassified accounts.
 - Update or deactivate accounts as necessary, ensuring all changes are documented and communicated.
- 5. Compliance and Documentation:**
 - Ensure alignment with GAAP/IFRS and company policy.
 - Maintain a history log of all changes to the COA.

6. Review and Update

The chart of accounts and this SOP are to be reviewed annually or as needed based on changes in organizational

structure or regulatory requirements.

7. References

- Generally Accepted Accounting Principles (GAAP)
- International Financial Reporting Standards (IFRS)
- Company Financial Policy Manual

8. Document Control

Version	Date	Author	Approved By	Remarks
1.0	2024-06-01	Finance Dept.	CFO	Initial Release