

SOP: Monthly, Quarterly, and Annual Closing Processes

This SOP defines the **monthly, quarterly, and annual closing processes** to ensure accurate financial reporting and compliance. It includes guidelines for ledger reconciliations, adjustments, accruals, and review procedures. The document outlines timelines, roles, and responsibilities to streamline closing activities, facilitate timely financial statements, and support effective audit readiness. The objective is to maintain financial integrity and provide consistent reporting for stakeholders.

1. Purpose

To provide a standardized process for closing financial periods, enabling accurate and timely reporting, compliance, and audit readiness.

2. Scope

This SOP applies to all departments and personnel responsible for financial transactions, reporting, and reconciliations.

3. Roles and Responsibilities

Role	Responsibility
Finance/Accounting Team	Execute closing checklist, perform reconciliations, prepare journals, and support auditors.
Department Heads	Review and approve accruals, ensure timely submission of relevant documents.
Controller/Finance Manager	Oversee closing, review accuracy, approve adjustments, and ensure compliance.
External Auditor (Annual Close)	Perform audits post-closing and provide feedback.

4. Timeline Overview

Period	Frequency	Close Due Date
Monthly Closing	Every Month	5th business day after month-end
Quarterly Closing	Q1, Q2, Q3, Q4	10th business day after quarter-end
Annual Closing	Fiscal Year-End	20th business day after year-end

5. Procedures

5.1 Monthly Close

- Collect and review all source documents (invoices, statements, transaction logs).
- Verify and reconcile bank accounts and ledgers.
- Prepare and post monthly journal entries for accruals, prepaids, and adjustments.
- Reconcile sub-ledgers (AR, AP, Inventory) with General Ledger.
- Review trial balance for errors or unusual balances.
- Generate preliminary financial statements for management review.
- Document any adjustments and obtain approval from Finance Manager.

5.2 Quarterly Close

- Include all monthly close activities for the quarter.
- Perform additional reconciliations (e.g., fixed assets, intercompany accounts).
- Assess quarter-end accruals and provisions.
- Prepare management reports and variance analyses.
- Meet with Department Heads to review results.

5.3 Annual Close

- Complete all monthly and quarterly close activities for the fiscal year.
- Finalize year-end accruals, reserves, and provisions.
- Conduct comprehensive balance sheet and P&L reviews.
- Coordinate with external auditors, providing schedules and supporting documents.
- Approve and archive final financial statements.

6. Documentation & Audit Readiness

- Maintain all closing checklists, working papers, and reconciliations digitally for at least 7 years.
- Review documentation regularly to comply with audit and regulatory standards.

7. Review and Update

This SOP will be reviewed annually and updated as necessary to reflect changes in regulations, systems, or business processes.