# **A blue and green background  Description automatically generatedSmall Business Financial Policy Handbook**

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## **Table of Contents**

1. Introduction
2. Roles and Responsibilities
3. Accounting Practices
4. Cash Management
5. Revenue and Accounts Receivable
6. Expenses and Accounts Payable
7. Payroll
8. Asset Management
9. Financial Reporting
10. Tax Compliance
11. Internal Controls
12. Document Retention

## **1. Introduction**

This handbook outlines the financial policies and procedures for our business. These policies ensure accurate financial reporting, protect company assets, and maintain compliance with applicable laws and regulations.

### **Purpose**

* Establish clear financial procedures
* Define roles and responsibilities
* Ensure consistent practices
* Protect business assets
* Maintain accurate records

## **2. Roles and Responsibilities**

### **Owner/Operator**

* Ultimate responsibility for financial oversight
* Review and approve monthly financial statements
* Authorize expenditures over $1,000
* Review bank reconciliations monthly
* Sign all tax returns and financial documents

### **Designated Financial Manager**

* Maintain accounting records
* Process accounts payable and receivable
* Prepare payroll
* Reconcile bank statements
* Generate financial reports

### **Employees**

* Submit timesheets by designated deadlines
* Follow expense reimbursement procedures
* Report any financial irregularities
* Protect company assets and information

## **3. Accounting Practices**

### **General Practices**

* Use approved accounting software for all financial records
* Maintain accounting records on accrual basis
* Follow GAAP principles appropriate for small business
* Reconcile all accounts monthly
* Back up financial data daily

### **Chart of Accounts**

* Maintain standardized chart of accounts
* Review and update annually
* Document all account definitions
* Required approval for new account creation

## **4. Cash Management**

### **Bank Accounts**

* Maintain separate business and personal accounts
* Limit access to authorized personnel
* Require dual signatures for checks over $2,500
* Reconcile bank statements within 5 days of receipt

### **Cash Handling**

* Document all cash receipts immediately
* Deposit cash receipts within 24 hours
* Maintain petty cash fund of $200
* Require receipts for all petty cash disbursements

## **5. Revenue and Accounts Receivable**

### **Revenue Recognition**

* Record revenue when earned
* Document all sales with numbered invoices
* Review pricing changes quarterly
* Maintain customer records

### **Accounts Receivable**

* Invoice customers within 2 business days
* Review aging reports weekly
* Follow up on overdue accounts at 30, 60, and 90 days
* Document collection efforts
* Require owner approval for write-offs

## **6. Expenses and Accounts Payable**

### **Purchase Authorization**

* Purchases under $100: Employee discretion
* Purchases $100-$1,000: Manager approval
* Purchases over $1,000: Owner approval
* Document all purchases with receipts

### **Payment Processing**

* Pay invoices within terms
* Take advantage of early payment discounts
* Require W-9 forms for all vendors
* Review vendor statements monthly

### **Expense Reimbursement**

* Submit expenses within 30 days
* Require receipts for all reimbursements
* Use standard expense report form
* Process reimbursements within 2 weeks

## **7. Payroll**

### **Time Reporting**

* Submit timesheets bi-weekly
* Require manager approval
* Document overtime authorization
* Maintain attendance records

### **Payroll Processing**

* Process payroll bi-weekly
* Direct deposit when possible
* Maintain employee files
* Review tax withholdings annually

## **8. Asset Management**

### **Fixed Assets**

* Maintain fixed asset register
* Tag assets over $500
* Annual physical inventory
* Document disposal of assets
* Calculate depreciation monthly

### **Inventory**

* Physical count monthly
* Reconcile to accounting records
* Document shrinkage
* Review slow-moving items quarterly

## **9. Financial Reporting**

### **Monthly Reports**

* Income Statement
* Balance Sheet
* Cash Flow Statement
* Budget vs. Actual
* Accounts Receivable Aging
* Accounts Payable Aging

### **Review Process**

* Prepare reports by 15th of following month
* Owner review by 20th of month
* Document and investigate variances
* Maintain supporting documentation

## **10. Tax Compliance**

### **Sales Tax**

* Calculate and collect appropriate sales tax
* File returns monthly/quarterly as required
* Maintain exemption certificates
* Review rates and jurisdictions annually

### **Payroll Tax**

* File quarterly payroll returns
* Deposit withholdings as required
* Reconcile quarterly to general ledger
* Prepare annual W-2s and 1099s

### **Income Tax**

* Maintain tax calendar
* File estimated taxes quarterly
* Gather documentation monthly
* Engage tax professional annually

## **11. Internal Controls**

### **Segregation of Duties**

* Separate cash handling and recording
* Different people for payables and receivables
* Regular rotation of duties when possible
* Cross-training of key functions

### **Documentation**

* Use standard forms
* Maintain audit trail
* Number all documents sequentially
* Regular review of procedures

## **12. Document Retention**

### **Retention Schedule**

* Accounts Payable: 7 years
* Accounts Receivable: 7 years
* Bank Statements: 7 years
* Tax Returns: Permanent
* Payroll Records: 7 years
* Contracts: 7 years after expiration

### **Storage**

* Secure physical storage
* Electronic backup
* Access controls
* Annual review and purge

Last Updated: [Date]

Approved By: [Owner Name]