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

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## **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]