



## ***Client Month End or Quarter End Accounting Procedures:***

### ***MYOB Clients***

We provide this Accounting Procedures Memorandum as an example of the processes clients should undertake to accurately close of your books at the end of each month.

You are welcome to add and amend as you discover other areas that also require to be completed in your specific business each month.

The following areas are required to be examined at the end of each accounting period

### **i.e. Monthly and Quarterly**

1. Bank Reconciliation
2. Debtors Ledger
3. Creditors Ledger
4. Sales Invoicing
5. Superannuation Payable
6. Payroll Clearing Account
7. GST Collected & GST Paid
8. Statutory Accounts
9. Petty Cash
10. Suspense accounts
11. Customer Deposits (liability in Balance Sheet)
12. Inter Company Loan Account

In detail:

**1.) Bank Reconciliations:**

At the time a bank statement is received by the business the statement should be reconciled against the company's computerised accounting system. This may happen more frequently if bank statements are downloaded electronically. The balance of the bank statement should then be ticked off against the computerised accounting system.

This reconciliation process should take place for all company bank accounts, credit cards and mortgage loans (as all of these are effectively bank accounts of the business).

Once the bank reconciliation is completed and all transactions that have passed through the bank have been ticked, cleared and reconciled and your balance agrees with the balance on the Bank Statement then a review of what is left on the reconciliation that has not been marked should be undertaken.

The items that will appear may be unpresented cheques and or deposits not yet credited on your bank statements.

The unpresented cheques should be perused carefully to determine why a cheque is still outstanding and the presenting party has not banked the cheque. After a while if a cheque has not been presented and is ageing a scan of your accounting file should be undertaken to determine if the cheque is accurate and if the cheque transaction has not been entered twice into your system, or cancelled by someone in the company.

Often the same cheque is entered twice on accounting systems and one gets presented and the other is left in the unpresented list as it really is nothing more than an error entry. Once you are satisfied that there has only been one cheque prepared and it continues to remain unpresented then you should contact the supplier to ask if they have received the cheque and why it remains unpresented.

An entry for a deposit that remains on your bank reconciliation may mean that the bank has not recorded the deposit correctly against your bank account. Alternatively the bank deposit may have been entered into your accounting system and never reached the bank i.e. still sitting in someone's draw of their desk.

Another possibility is that you were advised by a customer that the payment has been made and you entered it to the accounting records when in fact the deposit never took place. Finally you may have entered the deposit correctly but marked the wrong bank account on your accounting system for depositing and it was deposited into a second bank account in error. No matter what the reason, you need to investigate why the deposit is marked as going into your bank but has not been shown on the bank statement.

Finally the message here is that unpresented cheques and deposits not yet credited should not exist and when they appear in your bank reconciliation at the end of the month they should be investigated and attended to by one means or another.

## **2.) Debtors Ledger (Accounts Receivable):**

At the end of each month a review of the debtors should be undertaken to examine the ageing of customer's accounts, the accuracy of balances and to determine if monies that have been paid by customers have been recorded and banked and that cheques received are not sitting in the desk draw unbanked. Follow up to customers is then undertaken as part of a debt collection process throughout the month.

A check should also be carried out that all customers have been invoiced for the month and to ensure that double invoicing has not taken place.

**Warning:** Do not post or enter General Journal entries into the Debtors Ledger (Accounts Receivable) as you will not be able to reconcile the total of the Debtors Ledger to the Subsidiary Control Accounts of all the individual debtors. All entries including credit notes must be entered using the Sales Module

## **3.) Creditors Ledger (Accounts Payable):**

At the end of each month a review of the creditors should be undertaken to examine the ageing of vendor's accounts, the accuracy of balances and to determine if monies that have been paid to suppliers have been recorded.

A comparison of all paper copies of the vendor statements should be made to the computer's accounts payable list to ensure that all supplier invoices that have been received or incurred have been recorded on the computerised accounting system.

Please ensure that you are entering creditors or supplier invoices into the accounting system using the correct date on the supplier's invoice.. dates are important.

Please also be aware when paying an invoice it is impossible in the real world to pay a supplier's invoice on a date before the invoice existed thus ensure that your dates are accurate as to when the invoice date is and the date you are using for payment of the invoice.

**Warning:** Do not post or enter General Journal entries into the Creditors Ledger (Accounts Payable) as you will not be able to reconcile the total of the Trade Creditors Ledger to the Subsidiary Control Accounts of all the individual creditors. All entries including credit notes must be entered using the Purchases Module

#### **4.) Sales Invoicing:**

At the end of each month you need to examine the sales module on your computer for Quotes and Orders to ensure that if an invoice needs to be rendered that it “is” created and sent and not left on the system as a Quote or Order.

It is also imperative that payments made by customers are not applied against open Quotes or Orders and that these are converted into Invoices before customer receipts are applied. The conversion to an invoice recognises the revenue in the books and records and also had GST consequences.

#### **5.) Superannuation Payable:**

Superannuation is a statutory payment and must be made on time either quarterly or monthly.

Superannuation is usually calculated by the payroll module in the accounting software that you are using and creates an expense that is posted to a Profit and Loss Statement and a liability in the Balance Sheet.

At the end of each month you should run a payroll summary for the month and compare this report that discloses the monthly superannuation cost to the Profit and Loss Statement for the month to see that they agree.

It is the corresponding liability account (Superannuation Payable) in the Balance Sheet that needs reconciliation; the liability creates what one would consider a “clearing account”. A clearing account is one that is cleared back to zero after the process of all accounting entries have been completed.

The payroll module creates the superannuation expense and the corresponding liability. When the liability is paid either monthly or quarterly and posted in the books to the liability account then the liability account should clear back to zero if the amount of the payment(s) has been made correctly (hence a clearing account) in this case after all the superannuation payments have been made for the period it should agree with the liability that has been created by the payroll module leaving no liability left to pay for that period.

The reconciliation process here is to see that the payments made to staff superannuation providers agrees with the liability after the end of each payment period. If there is a balance left in the liability account for the specific period and after payments have been made for that period then most likely an error has been made in the payments made to superannuation providers. The discrepancy needs to be found and corrected promptly.

You can use the bank reconciliation facility to reconcile the superannuation payable account and offset the individual superannuation payable against the amounts paid. This is a clearing account and the reconciliation of this account using this process should agree back to zero.

## **6.) Wages, Wages Payable and Payroll Clearing Accounts:**

Payroll is a statutory payment and must be made on time in accordance with your payroll period.

Wages, PAYG Withholding (Group Tax) and Net Wages Payable are usually calculated by the payroll module in the accounting software that you are using and creates a Wages expense that is posted to a Profit and Loss Statement and a liability for PAYG Withholding in the Balance Sheet and a Net Wages Payable ("Clearing Account") in the Balance Sheet .

At the end of each month you should run a payroll summary for the month and compare this report that discloses the monthly gross wages cost to the Profit and Loss Statement for the month to see that they agree.

It is the corresponding liability Net Wages Payable ("Clearing Account") in the Balance Sheet that needs reconciliation, the liability creates what one would consider a "clearing account". A clearing account is one that is cleared back to zero after the process of all accounting entries have been completed.

The payroll module creates the Net Wages Payable. When the liability is paid after each pay date and posted in the books to the correct account then the Net Wages Payable account should clear back to zero if the correct payment(s) has been made correctly (hence a clearing account) in this case after all the payroll payments have been made for the period it should agree with the liability that has been created by the payroll module leaving no liability left to pay for that period.

The reconciliation process here is to see that the payments made to employees agrees with the liability after the end of each payment period. If there is a balance left in the Net Wages Payable account for the specific period and after payments have been made for that period then most likely an error has been made in the payments to staff or the payroll run is incorrect. The discrepancy needs to be found and corrected promptly.

### **7.) GST Collected, GST Paid and PAYG Withholding:**

As you lodge your BAS either monthly or quarterly it is essential that you transfer the GST Collected and GST Paid for the period to the General Ledger account "Amount Owing to ATO". This is carried out by a General Journal and is dated on the last day of each period.

This will allow the Amount Owing to ATO account in the Balance Sheet to coincide with the ATO portal debt that the ATO records.

The way in which we suggest that this be determined is by looking at the general ledger accounts for GST Collected and GST Paid or Balance Sheet accounts on an accrual basis and taking up the balance shown in the general ledger at the end of the period.

At the same time the amount owing for PAYG withholding should be transferred to the Amount Owing to ATO account on a monthly basis if you lodge an IAS monthly, if not or on a quarterly basis when you lodge BAS quarterly. Note that all entries are for month end and should be dated at the end of the appropriate period

### **8.) Statutory Accounts & Statutory General Ledgers and Clearing Accounts**

The accounting system creates clearing accounts so that they are able to be reconciled and cleared out to zero at the end of each account period, ie monthly or quarterly.

An example of these accounts are

- Superannuation Payable,
- PAYG Withholding Payable,
- Payroll Clearing Account,
- Amount Owing to ATO.

These are deemed statutory accounts and are designed to clear to zero and to reconcile to other documents such as the ATO's Integrated Client Account (ICA) used by the ATO for tracking PAYG Withholding Payable & GST.

These general ledger accounts are statutory liabilities and not Trade Creditors or Accounts Payable and are not to be used in the same manner as Trade Creditors. You are not to treat these as Trade Creditors and create Purchase entries or journals for these accounts.

These general ledger accounts and the entries that go into these accounts are **date sensitive** and must show the actual date entries have been transacted.

By using purchase type entries you may cause date issues and reconciliation issues, hence we strongly recommend that you do not attempt to record transactions into these statutory by using the purchase module.

**9.) Petty Cash:**

A petty cash float must be established, the amount recommended is determined by the size and needs of the business, an amount of \$400 is suggested and must be retained in a proper petty cash box not loose or in an envelope in a drawer.

Only one individual must have access to this money and a support staff member when the nominated person is not available.

Any money withdrawn must have a receipt (chit) for the equivalent amount replacing the money withdrawn, this receipt must have the GST requirements clearly identified.

If an advance is given to a staff member a voucher stating the person advanced the money and the date must be placed in the petty cash box as substitution for the amount taken.

The voucher within a very short and reasonable time will be replaced by receipts representing the monies spent and any change being returned. No loans are to be made out of petty cash to staff unless approved by one of the company cheque signing authorities.

A petty cash impress sheet must be maintained and a running balance on that sheet must always equal the sum of cash in the petty cash box and advance vouchers. When the amount in petty cash reduces to an unworkable level the difference of the original float amount less the money in petty cash will be drawn by cheque and cashed.

The receipts from petty cash will be attached to the cheque requisition (along with the petty cash impress summary sheet) and will always equal the amount spent. Thus all monies spent represented by receipts is replaced periodically and the float will always be returned to the original sum. No hidden floats are to be kept.

**10.) Suspense accounts:**

Please ensure that you examine the suspense account at the end of every month and clear out all entries as soon as possible, the suspense account is used for storing entries that are unknown for the shortest possible time and so as not to hold up processing and reconciling items and until such times as answers are obtained. It is not an account to be forgotten about!

### **11.)Customer Deposits (liability in Balance Sheet)**

Please ensure that you examine this account at the end of every month and clear out all entries as soon as possible, this account is used for storing prepayments by customers at a time when invoices have not as yet been rendered and entered into the accounting system. Once an invoice is entered the Trade Debtor may have the monies already paid and sitting in Customer Deposits account applied against the invoice in the normal way as if the customer had paid after the invoice was rendered, instead of using the bank account for the payment of the trade debtor, change the bank account ledger number being used in receiving deposits for receipting money to that of the Customer Deposit ledger number.

This is not an account to be forgotten about!

### **12.)Inter Company Loan Account**

There may be instances where there is more than one entity in your business group and there are transactions between entities in your group. An example of this is that Company "A" pays a bill on behalf of Company "B" or Company "A" lends money to Company "B" there are other examples but in effect it means that transactions need to be recorded in both sets of books to take up what has occurred.

In these cases Loan Accounts are created in each entity that will show the monies owing from entity to entity. It is important to record these transactions in both sets of books as they happen so that they are not forgotten and to remember that an Asset in one set of books is a Liability in another.

The month end reconciliation is to ensure that both sets of books reconcile with each other and are in sync.

### **Other month end procedures:**

Ensure you take up all interest charged on loans each month.

Review the monthly Profit and Loss to see if there are any odd amounts sitting in the statements that may have been posted to an incorrect ledger number.

Provide the owner a list of all monies that should be paid at the end of the month so that the owner knows how much cash is needed at month end

\*If you have any queries with any of the suggested procedures please do not hesitate to contact our office.

**The Mischel & Co Group Pty Ltd**  
**Accountants and Business Advisors**  
**Suite 102 First Floor 41 Cecil Street Southbank Vic 3006**  
**Ph: 96849999    Fx: 96849988    Email: admin@mischco.com.au**  
**Postal Address: P.O Box 1380 St Kilda South Vic 3182**