

Identifying Best Accounting Practice

[Documenting all business processes](#) to ensure proper and consistent execution is essential.

Creating consistent, well-documented accounting procedures is even more critical. Maintaining a clearly defined set of accounting policies and procedures makes record-keeping easier and assists third-party bookkeepers and auditors, or an [external accounting department](#) who need to understand your accounting process in order to do their job well. Unfortunately, too many businesses don't adequately document their accounting procedures, or apply accounting policies consistently. For example, are invoices processed at the same time each month? If they go out sporadically it can cause issues with the approval and review process, accounts receivables, collections, and the expectation of clients, not to mention the impact it could have on cash flow. Starting out with a common set of protocols makes the accounting process efficient and manageable for all concerned.

Here are some basic steps to consider when creating accounting policies and procedures:

- 1. Identify your risks and weaknesses.** Determine the areas that need improvement. Examine the entire accounting process flow and look for flaws or bottlenecks in the procedures. Also look for areas that may be subject to fraud or error. If, for example, your collections are too slow it could be because of delays in billing, payment terms are not defined properly with clients, or you may need to accept different payment options. Understanding where the weak links are in your accounting procedures is the first step to creating and documenting effective procedures that address those problems.
- 2. Know your checks and balances.** There will be times when what seems to be the easiest and best accounting solution actually sidesteps checks and balances. Apply accounting best practices to avoid errors such as having the same individual handling billing is also processing receivable payments. If one person handles bills and receivables it's too easy to miss or hide a discrepancy, or even detect theft. Having a separate set of eyes on billings and receivables may seem more complicated, but it maintains proper financial controls. It's crucial to create an auditable accounting trail as part of your policies and procedures.
- 3. Monitor for complaints.** We recommend tracking complaints from customers and vendors about billing or payments that may uncover flaws in accounting procedures. Look for patterns. Are bills sent out consistently so clients can expect them at the same time of the month? That would indicate that bill scheduling needs to be changed. Have there been complaints about staff telephone etiquette or lack of available information about invoices? That may indicate that additional training is required? These types of issues can be resolved with refined policies and procedures.

When designing policies and procedures, always consider what internal controls need to be applied to prevent errors or fraud. Documenting everything clearly and concisely is the key. Use a

standardized format that provides step-by-step instruction with a separate section for each accounting process, e.g. accounts payable, accounts receivable, etc. To organize the procedures, assign a number to each system. For example, all accounts payables could be tracked with the number 1 and accounts receivables with the number 2 for easy identification.

It is best practice to review your policies and procedures annually, if not more frequently. This will ensure that the accounting systems keep pace with the evolving or growing business.