

Key Functions of Your Accounting Department



Who is watching your bottom line?

The **functions of the accounting and finance department** in any business can get a little confusing. Entrepreneurs tend to think and move quickly, so ensuring the accounting department is stable is pivotal in the growth of your business.

Over the next few articles, we'll discuss how you can clearly define **roles and responsibilities of your accounting department**, starting with the basics.

What are the Key Roles of the Accounting Department?

While some people may have a differing opinion, the essential roles and duties of virtually any accounting department should include the following:

- **Money out** – making payments and keeping the bills paid
- **Money in** – processing incoming payments
- **Payroll** – make sure everyone gets paid (including the government)
- **Reporting** – preparing financial reports, e.g. P&L, Balance sheets and [budgets](#)
- **Financial Controls** – to avoid errors, fraud and theft

Accounting Department Responsibilities in Detail

1. **Accounts Payable (money out)** – In order to maintain great relationships with vendors making sure that everyone gets paid on time is a vital role. The role of the accounting department includes keeping an eye on opportunities to save money, for example, determining if there are discounts or incentives available for paying certain vendors more quickly. At the very least, AP should be scheduled to assure that the least amount of money has to go out per payment, i.e., no late payment charges!
2. **Accounts Receivable and Revenue Tracking (money in)** – Another critical duty of the accounting department is to account for and track receivables, including outstanding invoices and any required collection actions. Accounts receivable is responsible for creating and tracking invoices. The responsibility here includes assuring that customers pay those

invoices on time, so a system of *friendly reminders* is crucial.

3. **Payroll** – Payroll is a critical function of the accounting department and includes making sure all employees are paid accurately and timely. In addition, proper tax is assessed and tax payments are on time with state and federal government agencies.
4. **Reporting and Financial Statements** – The primary reason you collect data properly in your accounting software is to prepare financial reports that can be used for budgeting, forecasting and other decision making processes. In addition, these and other reports are needed for communication to investors, banks and other professionals that play a role in the growth of your business.
5. **Financial Controls** – Financial controls include reconciliations, dividing the responsibilities and following the GAAP standards of accounting principles, all of which are implemented with view toward compliance, fraud and theft prevention. The role of the Controller is to ensure procedures are set up properly to manage that process without errors.

These are just some of the main roles and functions of the accounting department in businesses, there are many more responsibilities the accounting department is responsible for and a number of subcategories. Those will depend upon the specific nature of your business. For instance, inventory control and tracking, government forms and tax filings and fund raising might be other essential areas of focus that your accounting department would be responsible for.

Defining those responsibilities is essential for your business. While the specific roles may vary from business to business, one thing is certain: if your accounting department does not perform these key functions effectively and efficiently, you could be headed for some serious (and not so pleasant) surprises.

The great news is that if these functions are covered well, you'll find that your accounting department creates a solid base and the most important measurement tool for your company's entire operation. If you think you need some help getting your accounting department in order, or would like to outsource it (many companies prefer to do this!), then check out this link to get a [free quote](#).