



51A Middle Street Newburyport MA 01950
Phone: 800-588-7039 Fax: 877-902-4284
contact@bhfe.com www.bhfe.com

Course Information

Course Title: *Accounting Procedures Guidebook* #360921

Number of continuing education credit hours recommended for this course:

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

CPA:11 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

The typical business needs a system of policies and procedures in order to reduce errors, minimize fraud, and maintain tight control over its operations. The *Accounting Procedures Guidebook* contains the detailed procedures and forms needed for every accounting system, from accounts payable to treasury, as well as for such operational areas as order entry, shipping, purchasing, and receiving. Procedures are separately stated for manual and computerized accounting systems. The course also addresses how to create and enforce procedures, as well as when to update them. In short, this course provides the baseline policy and procedure information needed to enhance the operations of any business.

Program Delivery Method: NASBA QAS Self-Study (interactive)

Subject Codes/Field of Study

NASBA (CPA): Accounting

Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: Basic familiarity with accounting practices.

Advance Preparation: None

Course Content

Publication/Revision date: 7/22/2021.

Author: Steven M. Bragg, CPA.

Final exam (online): Fifty-five questions (multiple-choice).

Instructions for taking this course

Note: Download and save the PDF of this course to your computer for future reference, and to enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window) for easier navigation.

In order to receive CPE credit for this course, you must complete the course within one year of the date of purchase. This includes achieving a passing grade of at least 70% on the final exam. Exams may be retaken if not passed on the first attempt (no charge).

Complete the course by following the learning assignments and objectives listed below and studying the review questions after each major section in the text. Once you have completed each learning assignment and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- Go to "My Account" and view your courses.
- Select "Take Exam" for this course and follow instructions.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Specify the situations in which procedures should or should not be employed, and the best procedure format to use. Also note the constituencies most interested in the development of procedures.
- Specify the uses of order forms and return merchandise authorizations, and the application of verification techniques in the order entry process flow.
- Identify the clauses and documents used in a credit review, as well as the triggering events for credit changes.
- Specify the documents required in the shipping process flow.
- Specify the flow of documents required to produce a customer invoice.
- Specify the uses to which a credit memo can be put, and the positions involved in the collection process.
- Identify the steps in the cash receipts process flow.
- State the authorizing documents used to order goods and services, as well as the steps in the purchasing process.
- Specify the control points in the analysis and processing of procurement card statements.
- Identify allowable items to include in an expense report and situations in which per diem payments are made.
- Recognize the situations in which the petty cash amount should be altered, and actions to take if a variance is found.
- Recognize the documents used to control the inflow of goods to a business, and the contents of inventory tags.

- Specify the reasons for using three-way matching and the variations on this concept to improve the processing of payables, as well as the use of adjustment letters.
- Identify the reasons for verifying count tags and the uses to which a cycle counting report can be put.
- State the differences between a timesheet and timecard, and note the contents of an employee record. Also recognize the types of employee pay deductions.
- Specify the reasons for using a capital request form, the steps required to dispose of a fixed asset, and whether to engage in a post installation review.
- Identify how investable cash is calculated, the use of a cash concentration account, and when to distribute inter-company cash.
- Identify the situations in which subsidiary ledgers are closed, when approvals are needed before financial statements can be issued, and the approval process for EDGARizing financial statements.

About the Author

Steven Bragg, CPA, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2021 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

ISBN-13: 978-1-938910-59-3

Printed in the United States of America

Table of Contents

Chapter 1 - Overview of Accounting Procedures	1
The Nature of a Procedure.....	1
The Need for Procedures	1
The Number of Procedures to Develop.....	2
Obtaining Buy-In.....	3
The Mechanics of Procedure Production.....	4
Procedure Production Steps	4
Formatting Steps	5
Procedure Design Tips.....	6
Business Process Diagrams	7
Dissemination of Procedures	8
Retrieval of Procedures.....	9
Procedural Updates	10
Enforcement of Procedures.....	10
Carrot Activities	10
Stick Activities.....	11
Deviations from Procedures.....	11
The Procedure Writer	12
The Need for Policies	12
Chapter 2 - Order Entry Procedures.....	15
Forms: Sales Order Form.....	15
Forms: Return Merchandise Authorization.....	16
The Order Entry Procedure (Manual System)	17
The Order Entry Procedure (Integrated System)	20
The Granting of Return Merchandise Authorizations.....	21
Chapter 3 - Credit Procedures	25
Forms: Sales Order Form.....	25
Forms: Credit Application	26
The Credit Examination Procedure (Manual System)	27
The Credit Examination Procedure (Integrated System)	32
Chapter 4 - Shipping Procedures	38
Forms: Sales Order Form.....	38
Forms: Pick List.....	39
Forms: Packing Slip.....	40
The Shipping Procedure (Manual System)	41
The Shipping Procedure (Integrated System).....	45
The Drop Shipping Procedure	48
Chapter 5 - Customer Billing Procedures	50
Forms: The Invoice.....	50

Forms: The Credit Memo	52
Forms: The Statement of Account	55
The Billing Procedure	56
Additional Manual Billing Steps	60
Variations on the Billing Procedure.....	62
The Credit Memo Procedure.....	65
The Statement of Account Procedure	67
Cash Sales	69
Chapter 6 - Collection Procedures	72
Forms: The Credit Memo Approval Form.....	72
The Collection Procedure	73
The Credit Memo Request Procedure.....	77
The Allowance for Doubtful Accounts Calculation Procedure	77
Chapter 7 - Cash Receipts Procedures	81
Forms: Sales Receipt	81
Forms: Mailroom Check Receipts List	82
The Cash Receipts Processing Procedure	83
The Check Receipts Processing Procedure.....	85
The Process Credit Card Receipts Procedure	89
The Process Lockbox Receipts Procedure	92
The Remote Deposit Capture Procedure.....	92
Chapter 8 - Purchasing Procedures	97
Forms: Purchase Requisition	97
Forms: Purchase Order	98
Forms: Blanket Purchase Order Release.....	99
The Purchase Requisition Procedure	100
The Purchasing Procedure	102
Variations on the Purchasing Procedure	107
The Bidding Procedure	107
Chapter 9 - Procurement Card Procedures	111
Forms: Reconciliation Checklist.....	111
Forms: Missing Receipts Form.....	112
Forms: Disputed Expenditure Form.....	113
Forms: Lost Card Notification Form	114
The Card Reconciliation Procedure	115
The Lost Card Procedure	118
Chapter 10 - Expense Report Procedures	121
Forms: Expense Report Form	121
The Expense Report Submission Procedure (Manual System).....	122
The On-Line Expense Report Submission Procedure.....	126

The Expense Report Review Procedure.....	127
Chapter 11 - Petty Cash Procedures	132
Forms: Petty Cash Transfer Form.....	132
Forms: Petty Cash Voucher.....	133
Forms: Petty Cash Book	133
Forms: Petty Cash Reconciliation.....	134
The Petty Cash Funding Procedure.....	135
The Petty Cash Disbursement Procedure.....	137
The Petty Cash Review Procedure.....	139
Chapter 12 - Receiving Procedures	143
Forms: Receiving Report.....	143
Forms: Return Merchandise Authorization.....	144
Forms: RMA Receipt Notification.....	145
The Receiving Procedure (Manual System)	146
The Receiving Procedure (Computerized System).....	150
The Receiving Returned Goods Procedure.....	153
Chapter 13 - Accounts Payable Procedures	157
Forms: Check Request Form	157
Forms: Adjustment Letter.....	158
The Supplier Invoice Processing Procedure (Manual System).....	159
The Supplier Invoice Processing Procedure (Integrated System).....	162
Accounts Payable Credits Processing Procedure.....	164
The Evaluated Receipts Processing Procedure	166
The Check Payment Issuance Procedure	168
Payment Alternatives.....	172
The Void Checks Procedure	172
Chapter 14 - Inventory Procedures.....	176
Forms: Inventory Count Tag.....	176
The Physical Inventory Count Procedure	177
The Cycle Counting Procedure	180
The Obsolete Inventory Investigation Procedure.....	182
The Inventory Valuation Procedure.....	185
Chapter 15 - Payroll Procedures	190
Forms: For the New Hire	190
Forms: The Timecard	195
Forms: The Paycheck and Remittance Advice	197
The Adding an Employee Procedure	198
The Timecard Data Collection Procedure.....	200
The Commission Calculation Procedure	204
The Payroll Processing Procedure	205

The Employee Payment Procedure	210
Chapter 16 - Fixed Asset Procedures	214
Forms: Capital Request Form	214
Forms: Asset Disposal Form.....	215
The Capital Request Form Completion Procedure	216
The Capital Request Form Analysis Procedure	219
The Post Installation Review Procedure.....	222
The Asset Recognition Procedure.....	224
The Interest Capitalization Procedure.....	226
The Fixed Asset Record Creation Procedure.....	228
The Asset Revaluation Procedure.....	231
The Asset Exchange Procedure	234
The Depreciation Procedure	235
The Impairment Analysis Procedure	237
The Asset Retirement Obligation Procedure	239
The Intangible Asset Analysis Procedure.....	241
The Asset Tracking Procedure.....	244
The Asset Disposal Procedure	247
Chapter 17 - Treasury Procedures.....	251
Forms: Cash Forecast	251
Forms: Investment Quote Sheet.....	252
Forms: Drawdown/Repayment Form	253
The Cash Forecasting Procedure	254
The Funds Investment Procedure.....	256
The Cash Concentration Procedure	260
The Line of Credit Borrowing Procedure	263
The Foreign Exchange Hedging Procedure	266
Chapter 18 – Closing the Books Procedures	271
Closing the Books – Private Company	271
Closing the Books – Public Company	277
Bank Reconciliation Procedure.....	279
Answers to Chapter Questions	282
Glossary	294
Index	299

Preface

A business needs a set of well-designed procedures to ensure that its transactions are completed in a uniform manner. Otherwise, a company will experience inefficiencies and an increased incidence of fraud, and will spend an inordinate amount of time correcting transaction errors. The *Accounting Procedures Guidebook* is designed to rectify these problems by walking you through dozens of accounting and operational procedures and forms. Applying these procedures to a business makes it easier to manage, increases operational efficiencies, reduces errors, and enhances the level of control.

In Chapter 1, we discuss the need for accounting procedures, how to determine the correct number of procedures to develop, and how to create and distribute them. In Chapters 2 through 7, we cover the procedures needed for the sales cycle, from the initial receipt of orders through credit planning, shipping, billing, collections, and the receipt of cash. In Chapters 8 through 13, we describe the procedures needed for the procurement cycle, including purchasing, accounts payable, receiving, and several related topics. In Chapters 14 through 17, we address the same types of information for inventory, payroll, fixed assets, and treasury activities. Finally, Chapter 18 addresses the process flows for closing the books of a private company and a public company. The presentation in Chapters 2 through 18 includes forms, procedures, and flowcharts.

The answers to many questions about accounting procedures can be found in the following chapters, including:

- How do I format a procedure?
- How do I handle deviations from procedures?
- How do I handle a return merchandise authorization?
- What process should I follow for a credit examination?
- What controls should be placed on the shipping of goods?
- Which format should I use for a statement of account?
- Which controls should I include in a cash receipts procedure?
- How do I construct a purchasing procedure?
- What system is needed to manually process expense reports?
- How does the three-way matching process work in accounts payable?
- How do I conduct a physical inventory count?
- What is the procedure for processing payroll?

The Accounting Procedures Guidebook is designed for both professionals and students. Professionals can use it as a reference tool for creating and revising procedures and forms, while it provides students with an overview of the entire system of procedures. Given its complete coverage of the accounting procedures topic, *The Accounting Procedures Guidebook* may earn a permanent place on your book shelf.

Centennial, Colorado
July 2021