CFO Eyes

• Finance Templates & Policy Documents

Finance Manual

Accounting Principles, Policies & Procedures

Ready-made. Peer-reviewed. Built by CFOs, for finance teams.

This Finance Manual provides a comprehensive, ready-to-use framework covering accounting principles, financial close procedures, internal controls and reporting standards for growing companies. Customize the highlighted fields and adapt to your applicable accounting framework.

Document	Finance Manual – Accounting Policies & Procedures
Version	1.0
Language	English
Applicable framework	[IFRS / US GAAP / Local GAAP – select as appropriate]
Prepared by	CFO Eyes | cfo-eyes.com
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How to Use This Manual

Getting started

This Finance Manual is designed as a ready-to-use framework. Fields in [brackets] indicate content that should be customised to reflect your company's specific circumstances, legal entity name, applicable accounting framework and internal thresholds.

Customisation checklist

– Replace [Company Name] with your legal entity name throughout
– Select your applicable accounting framework (IFRS / US GAAP / Local GAAP) in Section 2
– Confirm materiality thresholds in Sections 3 and 5 with your auditor
– Update the authorisation matrix in Section 11 to reflect your actual signatories
– Review and localise all tax references in Section 9
– Have the manual approved by the Board or equivalent governance body before use

1. Purpose and Scope

Why this manual exists and who it covers

[Company Name] ("the Company") is committed to maintaining accurate, consistent and transparent financial records. This Finance Manual establishes the accounting principles, policies and procedures that govern all financial reporting, record-keeping and internal control activities of the Company.

The manual applies to all employees, contractors and subsidiaries involved in financial transactions, record-keeping or reporting, and covers:

- All legal entities within the [Company Name] group
- All financial periods from the effective date stated on the cover
- Transactions recorded in any currency

Policy owner

This manual is owned by the Chief Financial Officer (CFO) or equivalent finance lead.
Any material departure from the policies set out herein must be approved in writing by the CFO.
The manual shall be reviewed at least annually and updated to reflect changes in applicable regulations.

2. Regulatory Framework

The rules we follow

2.1 Applicable Accounting Standards

The Company prepares its financial statements in accordance with [select one]:

Framework	Jurisdiction / Applicability	Primary Guidance
IFRS (International Financial Reporting Standards)	Cross-border / listed entities	IASB standards and interpretations (IFRIC)
US GAAP	US entities or US-listed	FASB Accounting Standards Codification (ASC)

Framework	Jurisdiction / Applicability	Primary Guidance
Local GAAP	Jurisdiction-specific	[Insert local standard, e.g. K3 / FRS 102 / HGB]

The Company applies [selected framework] consistently across all reporting periods. Any change in accounting framework requires Board approval and prospective or retrospective application as required by the new standard.

2.2 Statutory and Regulatory Requirements

In addition to the accounting standards above, the Company complies with:

- Local company law requirements regarding record-keeping, statutory filing and audit
- Tax legislation in each jurisdiction where the Company operates
- Anti-money-laundering (AML) and know-your-customer (KYC) obligations where applicable
- Data protection requirements applicable to financial data

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3. Fundamental Accounting Principles

The foundation of all financial reporting

The Company's financial statements are prepared in accordance with the following fundamental principles. These principles take precedence over any individual policy, and no policy in this manual should be interpreted or applied in a way that conflicts with them.

Term / Principle	Description / Application
Going Concern	Financial statements are prepared on the assumption that the Company will continue to operate for the foreseeable future. If material uncertainty exists, this must be disclosed prominently.
Accruals Basis	Transactions are recognised when they occur, not when cash is received or paid. Revenues are matched to the costs incurred to generate them (matching principle).
Consistency	Accounting policies are applied consistently from period to period. Changes to policy require disclosure, with prior-period figures restated unless impracticable.
Prudence	Assets and income are not overstated; liabilities and expenses are not understated. Uncertain gains are not recognised until realised. Probable losses are recognised as soon as identified.
Materiality	Only information that could reasonably influence the decisions of users is separately disclosed or precisely measured. Immaterial items may be aggregated or approximated.
Substance over Form	Transactions are accounted for in accordance with their economic substance, not merely their legal form.
No Offsetting	Assets and liabilities, and income and expenses, are not offset against each other unless specifically permitted by the applicable standard.

Materiality threshold

For this company, a quantitative materiality threshold of [x]% of revenue or [x% of total assets, whichever is lower] is used as a starting point.

Qualitative factors (regulatory sensitivity, related-party nature, trend significance) may elevate a transaction to material regardless of size.

Confirm thresholds with your auditors annually.

4. Revenue Recognition

When and how we record income

4.1 General Principle

Revenue is recognised when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer. The amount recognised reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company applies IFRS 15 / ASC 606 / [applicable standard] using the five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations

5. Recognise revenue when (or as) each performance obligation is satisfied

4.2 Revenue Streams

Revenue Type	Recognition Timing	Key Judgements
Sale of goods	At a point in time – when control transfers to the customer (delivery terms determine this)	Incoterms / shipping terms; variable consideration
Rendering of services	Over time – recognised as services are performed (stage of completion)	Stage-of-completion estimate; unbilled accruals
Subscription / SaaS	Over time – straight-line over the subscription period	Contract modifications; free trial periods
Licences	At a point in time (right to use) or over time (right to access) depending on nature	Nature of licence; stand-alone selling price
Construction / long-term contracts	Over time – percentage-of-completion using input or output method	Cost-to-complete estimates; loss contracts
Government grants	Recognised when conditions are met and receipt is reasonably certain; matched to related expense	Conditions attached; repayment risk

4.3 Contract Assets and Liabilities

Where revenue has been recognised but not yet invoiced, the amount is presented as a contract asset (accrued income). Where cash has been received in advance of performance, the amount is presented as a contract liability (deferred income) and released to revenue as performance obligations are satisfied.

> **Important – deferred income**
> Annual subscriptions and service contracts invoiced upfront must always be deferred and recognised monthly.
> The balance sheet balance of deferred income should be reconciled to the underlying contract schedule at each period end.

5. Expenditure & Cost Recognition

When and how we record costs

5.1 General Principle

Costs are recognised in the income statement in the period to which they relate, consistent with the accruals basis. Supplier invoices received after period end that relate to the closed period are accrued.

5.2 Capitalisation vs. Expensing

An expenditure is capitalised (recognised as an asset) if it meets all of the following criteria:

- It is probable that future economic benefits associated with the item will flow to the Company
- The cost of the item can be measured reliably
- The item meets the Company's capitalisation threshold (see below)

Capitalisation threshold

Items with a cost below [e.g. USD 1,000 / EUR 1,000] and / or a useful life of 12 months or less are expensed as incurred.

Items above the threshold with a useful life exceeding 12 months are capitalised as fixed assets.

This threshold should be reviewed annually and approved by the CFO.

5.3 Depreciation and Amortisation

Depreciation is charged on a straight-line basis from the date the asset is available for use. The following useful economic lives (UEL) apply:

Asset Category	Useful Life	Method	Residual Value
Buildings (owned)	20–40 years	Straight-line	Market estimate
Leasehold improvements	Shorter of lease term or UEL	Straight-line	Nil
Plant & machinery	5–15 years	Straight-line	Nil
IT hardware & servers	3–5 years	Straight-line	Nil
Vehicles	4–5 years	Straight-line	Market estimate
Office furniture & equipment	5–10 years	Straight-line	Nil
Purchased software licences	3 years	Straight-line	Nil
Internally generated intangibles (R&D)	3–5 years	Straight-line	Nil
Patents / IP (acquired)	Legal life or UEL if shorter	Straight-line	Nil
Goodwill (if applicable)	As per applicable standard	See policy note	N/A

5.4 Research & Development Costs

Research costs are expensed as incurred. Development costs are capitalised once all of the following criteria are met (IAS 38 / ASC 350 equivalent):

- Technical feasibility of completing the intangible asset
- Intention to complete and use or sell the asset
- Ability to use or sell the asset
- Probability of generating future economic benefits
- Availability of adequate resources to complete development
- Ability to reliably measure the expenditure

Capitalised development costs are amortised over their useful life once the asset is available for use.

6. Balance Sheet – Assets

Recognition, measurement and impairment

6.1 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash.

6.2 Trade Receivables

Trade receivables are initially recognised at the invoice amount (transaction price) and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Company applies the simplified approach to ECL under IFRS 9 (or equivalent), using a provision matrix based on days past due:

Ageing bucket	ECL rate (indicative)	Basis
Current (not past due)	0.5%	Historical loss rate adjusted for forward-looking factors
1–30 days past due	2%	As above
31–60 days past due	5%	As above
61–90 days past due	15%	As above
91–180 days past due	40%	As above
>180 days past due	75%–100%	Individual assessment; write-off if irrecoverable

Note

The ECL rates above are illustrative. Your company should calibrate these rates to its own historical loss data and current credit environment, in consultation with your auditor.

6.3 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises all costs of purchase, costs of conversion and other costs to bring inventories to their present location and condition.

An obsolescence review is performed at each period end. Write-downs are recognised as an expense in the period they occur.

6.4 Prepayments and Accrued Income

Costs paid in advance that relate to future periods are recognised as prepayments and released to the income statement in the period to which they relate. Revenue earned but not yet invoiced is recognised as accrued income based on stage of completion or contractual entitlement.

7. Balance Sheet – Liabilities

Obligations, provisions and contingencies

7.1 Trade Payables and Accruals

Trade payables are recognised when the Company has received goods or services and a legal obligation exists. Accrued expenses are recognised for goods or services received but not yet invoiced at period end, based on the best estimate of the amount due.

7.2 Deferred Income

Amounts received from customers in advance of the Company satisfying its performance obligation are recorded as deferred income (contract liabilities). These are released to revenue as performance obligations are satisfied (see Section 4).

7.3 Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required, and a reliable estimate of the amount can be made.

Term / Principle	Description / Application
Warranty provisions	Recognised at the point of sale based on historical warranty claim rates. Reviewed at each period end.
Restructuring provisions	Recognised only when a detailed, formal plan exists and has been communicated to those affected.
Legal and regulatory provisions	Recognised based on legal advice. Disclosed as a contingent liability if outflow is possible but not probable.
Onerous contracts	A provision is made for the unavoidable cost of meeting the obligations of a contract that exceed the expected economic benefits.

7.4 Contingent Liabilities

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes unless the possibility of outflow is remote. The disclosure includes the nature of the contingency, an estimate of the financial effect, and uncertainties relating to timing or amount.

8. Foreign Currency

Functional currency, translation and FX differences

8.1 Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which each entity operates. The Company's presentation currency is [insert currency, e.g. USD / EUR / GBP / SEK].

Each entity within the Group determines its own functional currency. Transactions in currencies other than the entity's functional currency are recorded at the spot exchange rate on the date of the transaction.

8.2 Monetary Items at Period End

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate on the last business day of the reporting period. Exchange differences arising on settlement or retranslation are recognised in the income statement under finance income / finance costs.

FX close procedure

– Obtain closing exchange rates from [e.g. European Central Bank / Bloomberg / central bank of functional currency country] on the last business day of the period
– Document the rate source and rates used in the close workpapers
– Retranslate all outstanding foreign-currency monetary items in the general ledger
– Post the FX gain/loss to the designated income statement account

8.3 Translation of Foreign Operations

Where the Group consolidates entities with a functional currency different from the presentation currency, the following translation method applies (IAS 21 / ASC 830 equivalent):

- Assets and liabilities: closing rate at the balance sheet date
- Income and expenses: average rate for the period (or transaction date rate if exchange rates fluctuate significantly)
- Translation differences: recognised in other comprehensive income (OCI) and accumulated in a separate translation reserve within equity

9. Taxation

Current tax, deferred tax and indirect taxes

9.1 Current Tax

Current tax is calculated on taxable profit for the period using the tax laws and rates that have been enacted or substantively enacted by the balance sheet date in the jurisdictions where the Company operates and generates taxable income.

Jurisdiction note

Insert the applicable corporate tax rate(s) and any special regimes (e.g. R&D tax credits, patent box, group relief) relevant to your company's jurisdictions.
Tax rates and rules change. Always confirm current rates with your tax advisor.

9.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on enacted or substantively enacted rates.

9.3 Indirect Taxes (VAT / GST / Sales Tax)

The Company complies with all indirect tax obligations in each jurisdiction where it is registered. Indirect taxes collected from customers are not recognised as revenue. Input tax recoverable is recognised as a receivable; output tax payable is recognised as a liability. Net positions are reconciled to the tax authority filing at each reporting period.

10. Month-End & Period-Close Procedure

Ensuring a complete, accurate and timely close

10.1 Close Calendar

The following activities must be completed within the standard close window. Adjust specific deadlines to reflect your company's reporting cycle.

Day (post period end)	Activity	Owner
Day 1–2	Lock accounts payable sub-ledger; cut-off review for late invoices	AP / Finance
Day 1–2	Lock accounts receivable sub-ledger; confirm invoice register	AR / Finance
Day 3	Post payroll accruals, holiday pay and employer social charges	Finance / HR
Day 3	Obtain FX closing rates; retranslate foreign currency monetary items	Finance
Day 4	Post depreciation and amortisation journals	Finance
Day 4	Accrue intercompany recharges; confirm IC balances with counterparts	Finance
Day 5	Post prepayments, accrued income and deferred income adjustments	Finance
Day 5	Post tax provisions (current and deferred)	Finance
Day 6	Complete balance sheet reconciliations (see Section 10.2)	Finance
Day 7	P&L review and variance analysis versus budget and prior period	CFO
Day 8	Management accounts distributed to leadership / Board	CFO

10.2 Mandatory Balance Sheet Reconciliations

Every balance sheet account must be reconciled monthly. At minimum, the following accounts require a signed-off reconciliation with supporting documentation:

- Cash and bank – reconcile to bank statements (all accounts)
- Trade receivables – reconcile to the AR sub-ledger ageing report
- Accrued income / contract assets – reconcile to contract schedule
- Prepayments – reconcile to prepayment schedule
- Inventories – reconcile to inventory management system / count
- Trade payables – reconcile to AP sub-ledger ageing report
- Accruals – reconcile to accruals schedule
- Deferred income / contract liabilities – reconcile to contract schedule
- Tax accounts – reconcile to tax authority statements
- Intercompany balances – confirm agreement with counterpart entity
- Fixed asset register – agree net book value to GL

Reconciliation standard

Each reconciliation must show: opening balance, movements (debits/credits), closing balance, and explanation of any unexplained variance.

Unexplained variances above the materiality threshold must be escalated to the CFO and resolved before sign-off.

> Reconciliations must be reviewed and approved by an individual who did not prepare them (segregation of duties).

11. Internal Controls & Authorisation

Safeguarding assets and ensuring data integrity

11.1 Authorisation Matrix

The following authorisation levels apply to all financial commitments. All approvals must be documented and traceable.

Transaction Type	Approver – Level 1	Approver – Level 2	Threshold
Supplier invoices & purchase orders	Department head	CFO	Up to [insert amount]
Supplier invoices & purchase orders	CFO	CEO	Above [insert amount]
Expense claims & travel	Line manager	—	Up to [insert amount]
Expense claims & travel	CFO	—	Above [insert amount]
Bank payments	CFO	CEO (dual sign)	All amounts
New supplier onboarding	Finance / procurement	CFO	All suppliers
Contract signatures	CFO	CEO / Board	Per signing authority policy
Payroll approval	HR	CFO	Each pay run
Capital expenditure	CFO	CEO / Board	As per capex budget policy

11.2 Segregation of Duties

No single individual may control all stages of a financial transaction. At minimum, the following duties must be separated:

- Initiating / requesting a transaction ≠ Approving the transaction
- Approving a payment ≠ Executing the bank transfer
- Recording a transaction in the accounting system ≠ Reconciling the related account
- Raising a customer invoice ≠ Posting cash received

Where the size of the team makes full segregation impracticable, compensating controls (such as management review, enhanced audit trail, or periodic independent review) must be documented and applied.

11.3 Journal Entry Controls

All manual journal entries must include: a description of the purpose and underlying business transaction, reference to supporting documentation, the preparer's name, and approval by an authorised reviewer. System-generated journals (depreciation, FX, payroll) are reviewed as part of the period-close procedure.

11.4 Fraud Prevention

Employees are required to report suspected fraud, error or non-compliance through the Company's whistleblowing channel. Finance management performs the following controls to deter and detect fraud:

- Periodic surprise cash counts and bank reconciliation reviews
- Vendor master file changes require dual authorisation and are reviewed quarterly
- Duplicate payment checks performed monthly
- Analytical review of expense patterns and unusual journal entries
- Annual fraud risk assessment as part of the internal audit plan

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12. Intercompany Transactions

Policies for transactions between group entities

All transactions between entities within the [Company Name] Group must be conducted on arm's-length terms, in accordance with the OECD Transfer Pricing Guidelines and applicable local tax regulations.

12.1 Transfer Pricing Methods

Term / Principle	Description / Application
Goods / Tangible products	Comparable Uncontrolled Price (CUP) as primary method; Cost-plus as secondary. Margins must be documented and benchmarked.
Services / Management charges	Cost-plus method: actual cost base plus an arm's-length margin (typically 5–15% depending on service nature). Mark-up must be documented.
Loans and financing	Interest rate set by reference to the arm's-length rate for comparable financing (e.g. applicable federal rate or EURIBOR + spread).
Royalties / IP licences	Profit split or CUP method. Licence rate set under a formal intercompany agreement, reviewed periodically by external advisor.

12.2 Intercompany Invoicing and Settlement

Intercompany invoices must be raised monthly for recurring charges. Each invoice must include: description of service or goods, reference period, quantity or basis of calculation, currency, and the applicable transfer price.

IC balances are reconciled between entities monthly (or quarterly as a minimum). Unresolved differences must be investigated and cleared before consolidation.

12.3 Consolidation Eliminations

At consolidation, all intercompany balances, transactions and unrealised profits arising from intercompany sales are eliminated. The consolidation elimination journal is prepared by Group Finance and reviewed by the CFO.

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13. Financial Reporting

Management accounts, board packs and statutory reporting

13.1 Management Accounts

Monthly management accounts are prepared within [x] business days of period end and distributed to the Senior Leadership Team and Board. The standard management accounts package includes:

- Income statement – actual vs. budget vs. prior period (month and YTD)
- Balance sheet – current period vs. prior year-end
- Cash flow statement – actual vs. forecast
- Key performance indicators (KPIs) and metrics dashboard
- Commentary on material variances and significant events

13.2 Annual Financial Statements

Statutory financial statements are prepared annually in accordance with the applicable accounting framework and local company law. The statements are audited by an independent external auditor appointed by the Board (or equivalent governance body) and filed with the relevant regulatory authority within the statutory deadline.

13.3 Going Concern Assessment

The Board and Finance are jointly responsible for performing a going concern assessment at each annual and interim reporting date. The assessment considers:

- Cash flow forecasts for at least 12 months from the date of approval of the financial statements
- Access to committed financing facilities
- Sensitivity analysis under reasonable downside scenarios
- Material uncertainties that may cast significant doubt on the Company's ability to continue

Where material uncertainty is identified, this is disclosed in the financial statements. The CFO documents the going concern assessment in the audit file each year.

14. Document Management & Retention

Record-keeping standards and retention requirements

All financial records must be retained in accordance with local statutory requirements and the Company's document retention policy. At minimum, the following retention periods apply:

Document Type	Minimum Retention Period	Format
General ledger and trial balance	10 years (or as local law requires)	Digital / original
Purchase invoices and supporting documents	7–10 years	Digital or original
Sales invoices	7–10 years	Digital or original
Bank statements and payment records	7–10 years	Digital / original
Payroll records	10 years	Digital / original
Tax filings and correspondence	10 years post assessment	Digital / original
Signed contracts	Duration of contract + 7 years	Signed original or certified copy
Board minutes and resolutions	Permanently	Original
Annual financial statements	Permanently	Filed / original
Audit workpapers	7 years post audit sign-off	Digital / physical

Localise this section

Retention periods vary by jurisdiction and document type. Always confirm minimum retention periods with your legal counsel and tax advisor.

Retention periods restart when a dispute, investigation or litigation is commenced.

15. Glossary

Key terms used in this manual

Term / Principle	Description / Application
Accrual	A revenue or expense that has been earned or incurred but not yet recorded because no invoice or payment has been exchanged.
Amortisation	The systematic allocation of the cost of an intangible asset over its useful economic life.
Contract asset	An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer, conditional on something other than the passage of time.
Contract liability	An entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer (deferred income).
Deferred tax	A balance sheet item representing future tax obligations or assets arising from temporary differences between the carrying value and tax base of assets and liabilities.

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Term / Principle	Description / Application
ECL	Expected Credit Loss – a probability-weighted estimate of credit losses over the life of a financial instrument, as required by IFRS 9.
Functional currency	The currency of the primary economic environment in which an entity operates.
Going concern	The assumption that an entity will continue in operational existence for the foreseeable future.
Impairment	A reduction in the recoverable amount of an asset below its carrying amount. Recognised as an expense in the period identified.
Intercompany (IC)	Transactions between entities that form part of the same group.
Materiality	Information is material if its omission or misstatement could influence the economic decisions of users of financial statements.
OCI (Other Comprehensive Income)	Items of income and expense that are not recognised in profit or loss as required or permitted by IFRSs.
Prepayment	A payment made in advance for goods or services to be received in a future period.
Provision	A liability of uncertain timing or amount, recognised when a present obligation exists, outflow is probable, and a reliable estimate can be made.
Transfer pricing	The price set for goods, services or intangibles transferred between related entities within a group, required to be at arm's length.

16. Version History & Approval

Document control

Version	Date	Summary of changes	Approved by
1.0	[Insert date]	Initial release	[CFO name / title]

Annual review reminder

This manual must be reviewed at least annually by the CFO and re-approved by the Board (or equivalent).

Material changes to accounting standards, tax legislation or business model should trigger an ad-hoc review.

All version changes must be recorded in the table above and communicated to affected staff.

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