FINANCE POLICIES
Financial Reporting Policy and Procedure

Policy Number:	F3
Adoption Details:	28 January 2018
Last Review Details:	25 November 2021

POLICY OBJECTIVE:

To provide a financial framework, including meeting Accounting Standards, and other regulatory and statutory requirements, to ensure Smart Books accounting data is accurate, reliable and compliant.

POLICY SCOPE:

This Policy covers Smart Books accounting data and financial reporting (including the Annual Budget, Budget Reviews and Annual/Monthly Financial Statements).

POLICY STATEMENT:

INTRODUCTION

The Chief Executive Officer (CEO) must ensure that there are proper accounts and records of the transactions and affairs of the business. The CEO must ensure that efficient financial systems and procedures are established. This Policy is designed to ensure Smart Books operates under appropriate financial governance and meets all its regulatory obligations.

PRINCIPLES

(a) Practices are conducive to sound financial management.
(b) There is full compliance with all relevant financial standards and statutory requirements.
(c) Financial practices and reports are accurate, reliable, easy to understand and consistent.

PROVISIONS

1. FINANCIAL REPORTING

Financial Reporting is required to meet statutory requirements and Smart Books' organisational needs to effectively monitor financial performance.

Monthly Reporting Procedure

Monthly reports will be prepared in accordance with GAAP principles. The bookkeeper will prepare reports on a calendar basis and distribute them to management and board members for the end-of-month board meeting.

Annual Financial Reporting Procedure

The Annual Financial Report will be prepared in accordance with applicable accounting standards. The Annual Financial Report must be submitted to the company auditors by 30 September. The CEO must ensure that the Annual Financial Report for the financial year is presented to the Board no later than 30 November.

2. ANNUAL BUDGET

The Annual Budget is to be prepared and finalised by 31 May. The CEO must ensure that the Annual Budget for the financial year is presented to the Board after 1 June but no later than 31 August in the year to which the Annual Budget relates.

Budget Review Procedure

Budget reviews will be conducted throughout the financial year as good financial practice. Any proposed budget amendments will be presented to Board, for determination, as part of the Monthly Financial Statements.

3. PREPARATION OF FINANCIAL REPORTS

Financial reports should be prepared in accordance with the following significant accounting policies:

3.1 Basis of Preparation (AASB 101)

3.1.1 Prepared in accordance with the Australian Accounting Standard AASB101, Australian Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Generally Accepted Accounting Principles (GAAP).

3.1.2 Except for cash flow information, the financial report has been prepared on an accrual basis. It is based on historical costs, modified, where applicable, by the measurement of the fair value of selected non-current assets, financial assets and liabilities.

3.2 Rounding Off Figures

3.2.1 All figures shown in financial reports are rounded to the nearest dollar.

3.3 Goods and Services Tax (GST)

3.3.1 Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

3.3.2 Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

3.4. Superannuation

3.4.1 Smart Books contributes to several Superannuation Funds on behalf of employees.

3.5 Cash and Cash Equivalents

3.5.1 Cash and cash equivalents include cash on hand, cash at bank and deposits available on-demand with banks.

3.5.2 Bank overdrafts are shown as short-term borrowings in current liabilities in the statement of financial position.

3.6 Trade and Other Receivables

3.6.1 Trade and other receivables include amounts due from third parties for goods sold in the ordinary course of business.

3.6.2 Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

3.6.3 All other receivables are classified as non-current assets. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when objective evidence indicates they will not be collectible.

3.7 Inventories (AASB 102)

3.7.1 Inventories are measured at the lower of cost and net realisable value.

3.7.2 Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.8 Fixed Assets (AASB 116)

3.8.1 Each class of fixed assets within either property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

3.9 Depreciation

3.9.1 The depreciable amount of all fixed assets, including buildings, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

3.9.2 Depreciation periods used for each class of depreciable asset are:

Buildings	40 years
Furniture and Equipment	8 years
Fittings and Fixtures	6 years
Computer Equipment	3 years

3.9.3 The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

3.9.4 Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period they arise.

3.10 Capitalisation Threshold

3.10.1 Expenditure on items of equipment under $1,000 is not capitalised.

3.11 Fair Value of Assets and Liabilities (AASB 13)

3.11.1 When performing a revaluation, Smart Books uses a mix of both independent and management valuations.

3.11.2 AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into.

3.12 Impairment (AASB 116)

3.12.1 A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of a loss event having occurred, which has an impact on the estimated future cash flows of the financial asset(s).
In the case of available-for-sale financial assets, a significant or prolonged decline in the instrument's market value is considered a loss event. Impairment losses are recognised in profit or loss immediately.

Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

3.12.2 In accordance with Australian Accounting Standards, Smart Books assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

3.13 Trade and Other Payables

3.13.1 Trade and other payables represent liabilities for goods and services provided to Smart Books before the end of the financial year that are unpaid and arises when Smart Books becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are typically paid within 30 days of recognition.

3.14 Employee Benefits (AASB 19)

Short-Term Employee Benefits

3.14.1 Provision is made for Smart Books' obligations for short-term employee benefits. Short-term employee benefits (other than termination) are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

3.14.2 Smart Books obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. Smart Books obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

3.14.3 Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by market yields at the end of the reporting period on government bonds with maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

3.14.4 Smart Books' obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where Smart Books does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

3.15 Borrowing Costs (AASB 123)

3.15.1 Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

3.16 Provisions

3.16.1 Provisions are recognised when Smart Books has a legal obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

3.16.2 Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

3.17 Current and Non-Current Classification

3.17.1 In determining whether an asset or liability is current or non-current, consideration is given to when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being Smart Books' operational cycle. In the case of liabilities where Smart Books does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

Responsible Officer:	CFO
Contact Officer:	Finance Manager
Relevant Legislation:	Australian Accounting Standards Taxation Legislation Superannuation Legislation
Review History:	

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Adopted – 28 January 2018	09765
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