Isla & Co
Policy & Procedures Manual

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Introduction

The Isla & Co Policy & Procedure Manual details the business's policies and procedures for managing financial transactions. It also provides guidelines for Isla & Co Pty Ltd to administer these policies and the correct procedures to follow.

Isla & Co Pty Ltd will keep all policies current and relevant. It will be necessary to modify and amend some sections of the policies and procedures or add new procedures from time to time.

These policies and procedures apply to all Isla & Co Pty Ltd employees.

Any suggestions, recommendations or feedback on the policies and procedures in this manual are welcome.

Cash & Electronic Payments Policy

Policy Number: 1001

Policy Date: 01/01/2020

Purpose of the Policy
This policy sets out the requirements for handling cash and Electronic (EFT) payments.

Scope
This policy applies to Isla & Co Pty Ltd employees who are involved in the handling of cash or electronic payments.

Responsibilities
Cash and EFT handling involve special security control measures that managers must continually monitor. An effective cash and EFT handling process involves controls around receipting, reconciling, depositing and safeguarding cash and EFT payments and reporting variances and anomalies.

Cash and EFT receipting
Cash and EFT receipting, covered in this policy, encompasses the following:

- Accounting for cash as it is received. Cash received must be entered immediately via the point-of-sale system (POS) and placed into the cash drawer.
- Cheques received in the mail are to be receipted via the POS system as soon as practical. All cheques received must be endorsed immediately (or as soon as practical) with a " not negotiable " stamp.
- Accounting for EFTPOS transactions concurrently with a corresponding entry in the POS system.

Pre-numbered receipts are to be provided for all cash and EFT sales. Such receipts should be POS or computer-generated and pre-numbered. Copies of the receipts must be retained to support the daily cash collection totals.

Adequate separation of duties (collection, depositing and reconciling)
A clear separation of duties must be maintained at all times. The practice of maintaining a clear separation of duties includes:

- Employees responsible for collecting cash should not be responsible for banking cash into Isla & Co's bank account.
- Where practical, different employees should not work simultaneously out of the same cash drawer during a single shift.
- Employees should not process/receipt their own transactions under any circumstance.

- Refunds, Voids, 'No-Sale' and Cash Overs/Shortfall Transactions. All refunds, voids, 'no-sale' and cash discrepancies (additional cash/shortfall) transactions are to be authorised by a manager - cash discrepancies occur where the physical cash holdings differ from that specified by the cash receipting system.

Safeguarding Cash Payments

The safeguarding of cash relates to the processing, storing and banking of cash and the safekeeping of keys and combinations. The following security procedures must be followed.

Processing Cash

A secure area for processing and safeguarding funds received is to be used and restricted to authorised staff only.

When cash is counted by staff, it is to be conducted out of sight of the general public.

Storing Cash

All cash and cheques must be protected using a cash register or safe until deposited. When cash has to be held in an office or store for any length of time, it must be stored in the safe.

The cash drawer must be closed immediately after completing the transaction. All cash income should be held intact.

Under no circumstances should deductions be made (i.e. to replenish petty cash floats) without the prior approval of the Finance Manager.

Banking cash

The cash drawer must be emptied by the employee in the presence of their supervisor.

The cash must be counted and recorded in the Daily Cash Log, and the employee and supervisor's signature must confirm the amount.

Each Monday, cash and cheques must be deposited into Isla & Co's bank account. If necessary, the frequency of deposits can be increased to ensure the cash held on the premises does not exceed $500.00.

Cash must be deposited through a cashier at your nearest Commonwealth Bank branch. It is preferable, where practical, for employees who deliver the cash deposit to be escorted by another employee.

A stamped and signed deposit slip must be obtained from the cashier to verify proof of lodgement.

Keys and Safe Combinations

Keys to the cash register and safe should be given to a designated person, who should keep the keys secure and ensure they are not left unsecured in the office overnight. Sensible precautions should be taken to ensure that any room in which cash is regularly stored is locked when unoccupied.

A register should also be kept that record's the allocations of keys.

Safeguarding Electronic Payments

The safeguarding of electronic payments relates to processing over the phone, online payments, and in-store transactions. The following security procedures must be followed.

Accepting online and over-the-phone payments

If you're suspicious of an order, reject it

Use Mastercard Identity Check or Visa Secure to authenticate transactions

Ensure the Card Verification Value (3 digits on the back of the card) is switched on and checked at the time of processing. It does not guarantee the cardholder is making the transaction, but it may guarantee the card is with the person making the transaction

Review sequential or recurring orders made to a single address with multiple cardholder names or card numbers

Request another form of payment, such as a bank account transfer, if there are multiple transactions charged to one card over a very short period or if a decline code appears on your screen

Do not accept or offer split payment for a single order over multiple credit cards

Avoid delivering goods to a post office box for new customers

Processing In-store transactions

Never accept a card if:
- The terminal doesn't recognise the card
- The card expiry date has passed
- The card or the signature has been visibly altered or tampered with
- The signature doesn't match that on the back of the card
- The card is damaged

Related Policy - Invoicing Policy

Bank Reconciliation Procedure

A Bank Reconciliation must be completed fortnightly within seven (7) days of receiving the bank statement. Before the reconciliation process, the bookkeeper must ensure that all transactions up to the end of your bank statement date have been recorded in the accounting system.

1. Download the bank statements from the bank.

2. Compare the deposits and withdrawals.

   To do this, match the business records' deposits with those in the bank statement. Compare the debit column in the bank statement with the bank column in the cash payments journal. Tick off items that appear in both columns. Highlight any item that appears only in one set of records.

   Compare the credit column of the bank statement with the bank column in the cash receipts journal. Tick off items that appear in both columns. Highlight any item that appears only in one set of records

3. Adjust the bank statement

   Adjust the balance on the bank statements to the corrected balance. To do this, you add deposits received and recorded by the business but are not yet recorded by the bank, deduct outstanding cheques and add/subtract bank errors.
   Bank errors are mistakes made by the bank while creating the bank statement. Errors may include entering an incorrect amount or omitting an amount from the bank statement. Compare the cash account's general ledger to the bank statement to spot the errors.

4. Adjust the cash account

   Adjust the cash balances in the business account by adding interest or deducting monthly charges and overdraft fees.

5. Compare the balances

   The adjusted amounts should be the same after adjusting the balances as per the bank statement and the cash account. If they are still not equal, investigate the discrepancy and reconcile again.

6. Once the balances are equal, prepare journal entries for the adjustments.

7. Record journal entries

Petty Cash Policy

Policy Number: 1003

Policy Date: 01/01/2020

Purpose of the Policy

The purpose of the Petty Cash Policy is to provide the parameters under which petty cash funds can be used for miscellaneous and business-related expenditures of low value, where payment through the accounts payable system is not justified or appropriate

Scope

This policy applies to Isla & Co employees.

Petty Cash Float

Joelle has approved a Petty Cash float of $400. The Petty Cash float must be kept in a secure location at all times.

Procedures

Petty cash may be used for the urgent direct acquisition of goods and services up to the maximum value of $120.00 per transaction. Reimbursement for items of a higher value should be made through accounts payable

Complete Petty Cash Vouchers

A petty cash voucher must be completed for all petty cash claims. The petty cash voucher must include the following:

- The date of the claim
- The name of the person who incurred the expense
- The expenditure amount
- Signature of the person authorising the payment of the claim,
- Tax invoice or receipt to support the expenditure. Petty cash claims without the appropriate receipts will be declined.

Petty Cash Approval

Only the Bookkeeper or Joelle can authorise petty cash reimbursements. Only Joelle can authorise reimbursement for expenditures incurred by the Bookkeeper.

Advances from Petty Cash

An advance from the petty cash float may only be issued if it is not possible for an employee to make the purchase and then claim reimbursement. To obtain an advance from the petty cash float, an employee must complete a petty cash voucher signed by Joelle.

The voucher should state that the petty cash has been requested in advance and should be signed by Joelle and the purchaser on the advancement of the funds. The purchaser must submit the original receipt to the Bookkeeper together with any surplus funds as soon as practicable after the purchase. Under no circumstances will petty cash be advanced to employees for items of a personal nature.

Reconciliation and Reimbursement of Petty Cash Floats

The Bookkeeper must monitor the petty cash float balance, and when reimbursement is required, the Bookkeeper should reconcile the petty cash vouchers with the float. The reconciliation spreadsheet in the petty cash book and the petty cash vouchers should be forwarded to Joelle to review, approve and issue a reimbursement cheque.

Audit

An audit of the petty cash float should be conducted annually at the discretion of the Finance Manager.

Accounts Payable Policy

Policy Number: 1004

Policy Date: 01/01/2021

Purpose of the Policy
This policy aims to establish the responsibilities, controls, authorisations, and procedures for the accurate and timely payment of invoices and cheque requisitions processed by Accounts Payable.

Scope
This policy applies to Isla & Co employees involved in the accounts payable process and stock ordering.

Policy
Only invoices and cheque requisitions that are properly approved will be processed for payment. Cheques are not to be issued to "Cash". Payments will be made per the payment terms established with the supplier.

Responsibilities
All employees submitting an invoice or cheque requisition for processing must promptly provide invoices and cheque requisitions to the Accounts Payable Officer to meet the payment terms and internal processing deadlines.

The Accounts Payable Officer is responsible for reviewing the invoices entered to ensure that payments are processed in accordance with these policies.

The Accounts Payable Officer is responsible for the following:
- processing payments promptly to take advantage of earned discounts
- generating cheques and processing Electronic Funds Transfers (EFT)
- controlling the blank cheque stock.

Segregation of Duties
Segregation of duties separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to payment without the involvement of others, and thereby segregation of duties reduces the risk of fraud or error to an acceptable level. For example, no one individual should be able to set up a new vendor, create a purchase order for that vendor, post and approve the invoice from that vendor, or create, approve and record the payment to that vendor. Giving a single individual the ability to perform all of the above operations increases the risk of fraud or error.

Segregation is achieved as the Accounts Payable Officer does not create purchase orders or approve invoices. Cheques are co-signed by the Accounts Payable Officer and the Accountant

Approvals Required

At the store level, each invoice is verified by the person who placed the initial order (requisitioner) before forwarding it to the Accounts Payable Officer.

If an error is identified by the Accounts Payable Officer, this should be discussed with the requisitioner, who will assist in resolving the discrepancy and approving or declining the invoice for payment. If required, to ensure accurate records are maintained, the Accounts Payable Officers must contact the supplier and request an amended invoice.

Suppliers should issue a unique invoice number for every invoice they send out. This is extremely important to avoid paying duplicate invoices. If any invoice arrives without a unique invoice number, the invoice must be returned to the supplier to be amended.

Isla & Co may decide to short-pay a supplier for a range of reasons. These may include negotiated discounts for early payment, incomplete shipments, damaged goods, prior credits, etc. Whenever an invoice is not paid in full, a detailed record must be maintained in the supplier's file, and the reason must be communicated to the supplier.

Procedures

Accounts Payable Payment

Approved invoices received by the Accounts Payable Officer shall be coded and processed for payment within five (5) business days of receiving the invoice.

Considerations when processing supplier invoices

Once an invoice is received, the Accounts Payable Officer must check the invoice's validity.

All invoices issued must:

- include the supplier's identity
- include the suppliers ABN
- include the date the invoice was issued
- include an accurate description of the items supplied, including the quantity and the price
- include the GST included for each item supplied
- identify whether the sale is fully taxable by including the words 'Total price includes GST.'
- be matched against the purchase order
- have a unique invoice number

If, for whatever reason, an invoice does not match the purchase order, payment should be stopped pending further information. The Accounts Payable Officer should seek further clarification from the person requisitioning the stock and then liaise with the supplier to request an amended invoice.

Once an invoice is approved, a cheque requisition is generated. All requisitions should be accompanied by supporting documentation, coded and approved. Missing supporting documents, coding or approvals will delay the processing of the cheque requisition.

Completion of Cheque Requisitions

The following information needs to be filled out on the cheque requisition:

- Date - current.
- Payee - complete name and address of individual/company to be paid. Note that this should match the supporting documentation.
- Details of Payment – invoice numbers being paid.
- Accounts to be charged - valid general ledger accounts and the amount to be charged to each account. If a prompt payment discount is taken up, this needs to be noted.

  e.g.   Account Payable Control Account $100.00

               Cash at Bank $100.00

- Total Amount of payment
- Requested by – the signature of the employee generating cheque requisition.
- Approved by – name and signature of authorised person - Finance Manager or Managing Director.

Cheque Requisition Authorisation

The **cheque requisition** with supporting documentation (supplier payment report, copy of invoices and credit notes) must be saved in the following folder format and an email requesting authorisation forwarded to the Finance Manager or Managing Director for approval.

<div align="center">

FIN-20-01-2022_Feb_cheque requisition authorisations

</div>

The **EFT listing** must be reviewed and signed by the Finance Manager (or Managing Director if unavailable) to indicate payment approval.

Once approved, the Accounts Payable Officer will generate cheques and process EFTs.
The Accounts Payable Officer processes cheques and EFT payments on Thursdays. These are signed/approved by authorised signatories and mailed/processed on Friday.

Cheques are printed on the printer located in the accounts office.

Safety Procedures

Isla and Co have implemented various safety procedures to secure our banking. To assist in ensuring our financial details are kept secure, employees must do the following:

- Lock your computer when walking away from your desk

- Ensure firewalls and antivirus software are kept up to date
- Back up your data regularly
- Change computer password every three months
- Never share computer or banking passwords

Internet Banking

- Always log in by typing https://www.commbank.com.au/ into your browser's address bar, not by clicking on any links that you've been sent
- Scan your computer regularly for viruses and spyware
- Be wary of text messages, phone calls or emails asking for your banking details. CommBank will never message you for this information
- **NetCode** – For an added layer of security, Isla has registered for NetCode. The bank will send you an SMS or push notification with a time-sensitive password when you need to complete certain transactions.
- **Two-Factor Authentication** - When updating your account profile details on Internet Banking, you may receive an SMS or email notification to verify a range of online banking activities.
- Two-Factor Authentication (2FA) is an extra layer of protection for CommBank online banking activities.
- **Automatic time-outs -** If you forget to log out of online banking, CommBank automatically time-out your session.

ATM Banking

- Protect your details when using an ATM by:
- Memorising your PIN, don't write it down or keep it on you.
- Cover the ATM's keypad when you're typing in your PIN.
- Be aware of anyone looking over your shoulder
- Store your cash safely in your purse or wallet before leaving the ATM
- Use Tap & PIN where possible, as it's a more secure alternative and reduces skimming opportunities.

New Customer Policy

Policy Number: 1009

Policy Date: 01/01/2021

Purpose of the Policy

All new customers to the business must be reviewed and accepted in accordance with this policy.

Scope

This policy applies to Isla & Co employees involved in onboarding new customers.

Procedures

Choosing a New Customer

New customers must support our business with good credit quality and prompt payment.

Before agreeing to services, each new customer must provide the following information.

Customer Background Information

- Business name of customer
- Location of customer
- Products or services required by the customer (Attach a list if necessary)
- Name of business owner/ sales representative
- How many years has the customer been trading?

Customer Review Checklist

For each new customer being considered, the following checklist must be completed:

- Have trade references been sourced for the new customer? (Attach copies)

- Has the customer been informed of the trade terms **30 days from the invoice date** and agreed to these terms?

- Has the new customer completed a credit application form? (Attach completed form)

- Has the Personal Property Securities Register (PPSR) been reviewed?

- Appointment of Customer

The Finance Manager will authorise the appointment of a new customer.

Each new customer will have a credit limit set. This credit limit will be set out under the Customer Credit Limits Policy.

All new customers must be given a New Customer Letter which must be signed and returned before any sales occur.

All relevant details of the new customer will be entered into the financial management system by the Finance Manager once approval is obtained.

The Finance Manager will review the information entered into the financial management system to ensure all information is correct.

All staff will be notified of the new customer approval within one week.

Customer Credit Terms

All customer payment terms must be 30 days.

Where a customer has requested longer payment terms than the policy, this should be referred to and authorised by the Finance Manager.

All customer payments are reviewed at least once a quarter to ensure that payment terms are adhered to. For payments made outside of the agreed terms, the Finance Officer will prepare a report detailing why payment terms have not been adhered to.

This report will be reviewed and authorised by the Finance Manager.

Additional Policies for Customers

Customer Credit Limits Policy

Customer Debt Management Policy

Customer Credit Limit Policy

Policy Number: 1014

Policy Date: 01/01/2021

Purpose of the policy

This policy ensures a customer doesn't get too far into debt without a payment plan being put into place or the supply of goods stopped.

Scope

This policy applies to Isla & Co employees who provide customers credit.

Procedures

Aged Receivables Summary Reports on customer credit must be run every month.

When a credit limit is breached, all relevant staff will be notified. This includes sales, distribution, and accounts receivable staff.

Any current outstanding orders should be stopped until the breach in the credit limit has been rectified. All staff working on sales or orders for the customer should not carry out further work until authorised by the Finance Manager.

Please also check that it does not contradict any other processes in the policy.

Review outstanding orders and sale history

If the customer has a large number of outstanding orders or has increased the volume of orders since the last credit review, then a credit limit review must be undertaken.

This is the responsibility of The Finance Manager.

If the credit limit needs to be increased, this must be approved by The Finance Manager. Once approved, all staff working on outstanding orders must be notified to restart the customer's orders.

The credit limit is breached due to outstanding payments

The Finance Manager must make a list of all outstanding payments.

The Finance Officer must ring the customer and explain that further orders cannot be processed until the account has been paid.

If the customer is having difficulty, make a schedule of payments to bring them back in line with their credit limit.

Get the signoff of The Finance Manager before discussing this option with the customer.

Use the following script to assist with the call:

> *"Hi John, how are you? I just thought I would give you a ring about your outstanding orders. Unfortunately, we have noticed that payments for previous sales have fallen behind on your account, and these will need to be paid for before we can process the next set of orders. Can you fix this up today so we can continue on your order?"*

If they cannot pay on the day of the phone call, then ask for an expected payment date from them and confirm that any outstanding orders cannot start until the payment is made.

Review payment terms for the customer

If the customer has increased the volume or value of orders since the last credit review, the payment terms must also be reviewed by The Finance Manager.

Where large orders are being placed, the payment terms should include deposits on orders and progressive payments for each order. This must be discussed and agreed upon with the Finance Manager.

Accounts Receivable & Invoicing Policy

Policy Number: 1018

Policy Date: 01/01/2021

Purpose of the Policy

This policy aims to set out the processes for managing Isla & Co Pty Ltd's account receivables and to ensure that all money owed to Isla & Co is collected promptly and in accordance with legislative requirements to maintain cashflows to minimise bad debts.

Scope

This policy applies to Isla & Co employees involved in the accounts receivable process.

Procedures

Invoicing customers

Considerations when invoicing customers

A customer account must be set up before an invoice can be issued for the customer. This account will be used to invoice all goods purchased by the customer.

Customer accounts must contain postal and street addresses, phone numbers and contacts name, email addresses, Australian Business Number [ABN] and credit limits.

Accurate records are to be maintained on all accounts receivable customers. Records must include the customer's complete name, address, contact details and Australian Business Number [ABN] when necessary.

Customers are responsible for keeping account contact information current.

Under the Privacy Act 1988, details kept must be accurate and not given to any person without the customer's consent.

The bookkeeper must prepare all invoices.

Generating invoices

Customer invoices must include the following:

- the words 'Tax Invoice'
- Isla & Co's business name – Isla & Co Pty Ltd
- Isla & Co's ABN – 11 111 111 138
- an invoice number issued in numerical sequence order
- the date the invoice was issued
- payment due date
- a brief description of the items sold, including the quantity and the price
- the GST amount included for each item sold

- the buyer's identity and ABN if the sale is over $1,000.00
- identify the sale as fully taxable by including the words 'Total price includes GST'.

The sale is entered into the Accounts Receivable Subsidiary Ledger for the customer, and the total sales for the month are entered into the Accounts Receivable Control Ledger. The Accounts Receivable Subsidiary Ledger is maintained for each account, showing all charges and payments. The Accounts Receivable Control Ledger is to equal the Accounts Receivable Subsidiary Ledgers for all customers. To ensure accuracy, monthly reconciliations are completed between the Accounts Receivable Subsidiary Ledgers for the customers and the Accounts Receivable Control Ledger.

Statements of Accounts

Statements of accounts are to be sent monthly to all customers with an outstanding balance due. The statement should indicate the total balance owing and identify a payment due date.

Statements of accounts for customers with an outstanding balance past the due date must include the following note.

Note to Customer

We understand that oversights happen, but we would appreciate prompt payment of this amount.

Could you please let our accounts department accounts@isla&co.com *know when we can expect payment? If payment has already been made, please disregard this email. If you believe an error has been made, don't hesitate to contact our accounts department to discuss the matter.*

Thanks in advance for your cooperation.

The procedures outlined in the Debt Management Policy and Customer Credit Limit Policy will be followed if full payment is not received.

Reporting Accounts Receivables

Monthly – The accounts department must generate an Accounts Receivable Aging Report at the month's end. A copy of the Accounts Receivable Aging Report will be submitted to the Finance Manager within five (5) working days of the month's end to review.

Payment

Our preferred payment method is bank transfer into Isla & Co's bank account.
 Bank Details: NAB Bank
 BSB: 403-024
 Account No: 01234812

Cheques will be accepted and should be made payable to:
 Isla & Co Pty Ltd

Cheques should be addressed to the following:
    PO Box 789 Geebung
    Queensland 4012
    AUSTRALIA

Remittances can be emailed to accounts@isla&co.com

Debt Management Policy

Policy Number: 1019

Policy Date: 01/01/2021

Purpose of the Policy
This policy provides guidelines for managing and collecting late payments from customers.

Definition of Terms

Terms	Definition
Provision for doubtful debts	An amount in the Financial Statements to cater for the possibility that some debtors will not meet their obligation to pay invoices.
Bad debts	The amount of a debt for which all reasonable steps to collect have been exhausted and the debt is not worth further pursuit.

Statements of Accounts

Statements of accounts are to be sent at least monthly to all customers. The statement should indicate the total balance due and identify a payment due date.

Statements of accounts for customers with an outstanding balance past the due date must include the following note.

Note to customer

We understand that oversights happen, but we would appreciate prompt payment of this amount.

Could you please let our accounts department accounts@isla&co.com know when we can expect payment? If payment has already been made, please disregard this email. If you believe an error has been made, don't hesitate to contact our accounts department to discuss the matter.

Thanks in advance for your cooperation.

Reporting Accounts Receivables
At the end of each month, the accounts department must generate an Aged Receivable Summary Report. A copy of the report will be forwarded to the Finance Manager within five (5) working days of the end of the month to review.

Based on the Aged Receivable Summary Report, the Finance Manager will:

- vary the provision for doubtful debts amount in the company accounts to 5% of amounts older than three (3) months by creating a journal entry to increase or decrease the provision for doubtful debts
- generate a Debt Summary Report in which all overdue customers and contact details are noted. The following procedures will then be undertaken to recover outstanding amounts.

Procedures

- The Finance Manager financemanager@isla&co.com and Accounts Receivable Officer accounts@isla&co.com are cc'd on all emails sent to customers regarding overdue accounts.

- **First Contact – Friendly reminder:** Email the customer once the payment is overdue for one (1) week. Remind them that payment is due and has not been received. Ask them when they will be paying, and keep a record of the conversation or email. Remember to be friendly. They may have forgotten or paid into the wrong bank account.

- **Overdue reminder:** After two (2) weeks, if they do not respond to the email, send another email with **URGENT ACTION REQUIRED** in the subject line; also, try contacting someone else in the business. Let them know who you are trying to contact. This often results in a return response from either the person you were trying to contact or someone else from the business. Make a note of all conversation details and attempts to contact the customer in the Overdue Accounts Customer Payment Record.

- **Final notice:** When a payment is overdue for four (4) weeks, a final notice is sent by email and followed up with a phone call. A record of this notice must be entered into the Overdue Accounts Customer Payment Record.

- **Direct contact:** Where there has been no response to the final notice within seven (7) days, the Finance Manager must either visit the customer or phone where the previous contact has been by email. The purpose of this step is to secure a date of payment. A record of this notice must be entered into the Overdue Accounts Customer Payment Record.

- **Formal letter of demand:** Where payment remains outstanding for six (6) weeks, and there has been an unsatisfactory response from the customer, a formal letter of demand is issued. A formal letter of demand is to be authorised and signed by the Finance Manager or the Managing Director, Joelle Diamond, in their absence. Once authorised, this letter will be sent via registered mail, and a record of this notice must be entered into the Overdue Accounts Customer Payment Record.

- **Debt collection agency:** Where the amount outstanding is more than $800.00, and the Finance Manager has approved, a debt collection agency is appointed to recover the debt. Outstanding amounts less than $800.00 are to be written off with approval from the Finance Manager.

- **Write off debt:** A debt should be "written off" when the debt is more than three months old, no payments have been received in that period, legal and other collection action has been exhausted, and in the view of the Financial Manager, there is no reasonable prospect monies owing will be collected. Without approval from The Finance Manager, no further sales are to be undertaken with that customer.

Write-off Request Procedure

The Finance Manager is to apply to the Managing Director to write off a receivable when the following criteria have been met:

- the procedures outlined in the Customer Credit Limit Policy have been followed, and it has been determined that the receivable is uncollectible
- the amount outstanding is less than $10.00 (excluding GST), and it is not viable to chase the debt.

The Write Off Request should be sent to the General Manager and include the following information:

- a statement signed by the Finance Manager stating that, in their opinion, the accounts are uncollectible and should be written off
- a list showing each debtor's name, the dollar amounts due and the basis for determining the account to be uncollectible
- the total dollar amount to be written off
- the total number of accounts to be written off.

Once approval has been given from the General Manager, the debt can be written off.

General Ledger Journal Entry Policy and Procedure

Policy Number: 1022

Policy Date: 01/01/2021

Purpose of the Policy
This document defines the policies and procedures that ensure all manual journal entries recorded in the general ledger are correctly prepared, reviewed, approved, recorded in accordance with generally accepted accounting principles (GAAP), and stored in a uniform and consistent manner for easy accessibility.

Scope
This policy applies to all employees creating, processing, approving, and recording manual journal entries.

The General Ledger records all financial transactions relating to Isla & Co. The transactions are summarised into categories and subsequently used to produce:

- internal reporting for management
- external financial reporting.

The management of the general ledger includes:

- changes to the general ledger chart of accounts
- processing journal entries
- posting Journals to the General Ledger
- general ledger account reconciliations.

Definitions
General Ledger – The General Ledger contains all Isla & Co's financial transactions.

Journal Entry – A journal entry records financial transactions in the general ledger. Isla & Co use the double-entry accounting system. There are always both debit and credit journal entry lines, and the total debits must equal the total credits.

Supporting Documentation – Supporting documentation consists of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a journal entry. All journal entries are required to have supporting documentation.

Typical supporting documents include, but are not limited to, general ledger reports, copies of source documents such as invoices, credit notes, cheque requests, purchase orders, statements, bank deposit slips and bank statements.

Procedures

Transaction input standard

Isla & Co's Input standard groups transactions using the double-entry accounting system into assets, liabilities, equity, income and expenses in the General Ledger.

Changes to the General Ledger chart of accounts are to be:

- approved by the Financial Manager
- assessed as to the impact upon processes and financial reporting
- amended by an authorised person

Processing Manual Journal Entries

It is the Bookkeeper's responsibility to prepare manual journal entries. Approval must be sought and granted by the Finance Manager before the journal entries are posted.

All manual journals must have the following characteristics before being posted:

- The sum of the debits and credits shall be equal for each transaction to be processed
- Each journal shall have supporting documentation to evidence the purpose of the transaction that would satisfy an independent auditor
- Each journal must include a summarised explanation of the transaction, which is entered into the accounting system

Each journal and its supporting documentation must be filed in date order in the account's office and retained for seven (7) years after being posted.

Approving Manual Journal Entries

All manual journals must be submitted to the Finance Manager for authorisation before posting. The Finance Manager is responsible for the following:

- reviewing the journal entry and supporting documentation to ensure the appropriateness of the transaction
- approving or rejecting the journal within three working days.

Before approving a manual journal, the Finance Manager must be satisfied that:

- the supporting documentation is appropriate and sufficient
- the date of the journal is correct
- the journal is being allocated to the correct accounts in the General Ledger
- the description is sufficient to explain the reason for the manual journal
- the debit and credit have been correctly assigned.

Posting Journals to the General Ledger

- The Cash Receipts Journal, Cash Payments Journal, Purchases Journal, Purchases Returns and Allowances Journal, Sales Journal and Sales and Allowances Journal are totalled at the end of each month and transactions are posted to the general ledger.
- The General Journal transactions are to be posted to the General Ledger on the date the transaction occurred.

All General Ledger account reconciliations will:

- be performed in a timely manner by the bookkeeper
- have corrective action performed in a timely manner and be reviewed and authorised by the Finance Manager
- have supporting documentation for all reconciling item
- be filed in the account's office.

Internal Financial Reporting

A monthly financial report will be provided to Joelle on the 6th business day following the month-end.

The financial report will include the following:

- Profit & Loss Statement
- Balance Sheet
- Bank Reconciliation Statement

Financial Documents Filing and Saving Policy

Policy Number: 1022

Policy Date: 01/01/2021

Purpose of the Policy

This policy provides guidelines for filing and naming finance documents on Isla & Co's data server.

Procedures

Filing Structure

The electronic filing system is located on Isla & Co's data server and accessed by staff via My Computer / Network Drives on their computers.

Most folders within the filing system are open to all staff. However, several folders can only be accessed and used by the agreed named staff for confidentiality reasons.

The following is a list of shared folders accessible to all staff.

Shared Folders	Abbreviated Title
Administration	ADM
Communication	COM
Finance	FIN
Policies and Procedures	PP
Professional Development	PD
Projects	PRO

Each section can be broken down into agreed sub-folders and further sub-folders as shown below:

Shared Folder	Sub-folder	Sub-folder
FIN	01- ACCOUNTS RECEIVABLE	01 – Aged Receivables 02 – Bad Debts 03 – Credit Applications

	02- ACCOUNTS PAYABLE 03-	01 – Cheque Requisition

> **M**
> └ **FIN**
>   └ **01 - ACCOUNTS RECEIVABLE**
>   ├ **01 - Aged Receivables**
>   ├ **02 - Bad Debts**
>   └ **03 - Credit Applications**
>   └ **02 - ACCOUNTS PAYABLE**
>   └ **01 - Cheque Requisitions**
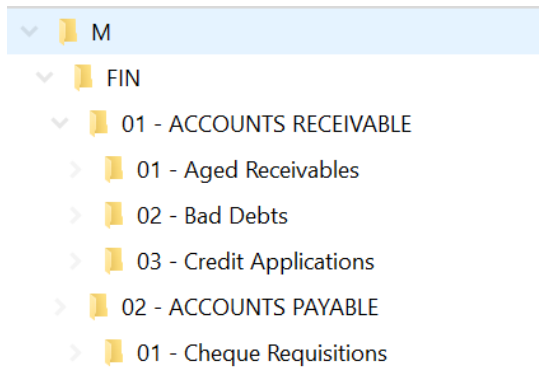
Documents are filed within folders, each with a unique reference number. For example, Using the above example:

- the reference number for filing Aged Receivables Reports would be FIN-01-01
- the reference number for filing documents relating to Cheque Requisitions would be FIN-02-01.

Naming and Saving Financial Documents

All documents should follow the agreed standardised formats and include the following:
- The file location of the document: e.g., FIN-01-01
- Date in YYYY.MM.DD format: e.g., date of the report/work document
- Document type: e.g., Aged Receivables Report,
- Description: e.g. Further information about the document to make it easy to search records.

For example, if saving the:

- aged receivables report for February the report should be saved as:
  o FIN-01-01-2021.03.03_aged receivables report_February2021.
- December overdue accounts customer payments record should be saved as:
  o FIN-01-02-2020.12.23_ overdue accounts customer payments record_December2020
- letter of demand for an outstanding account should be saved as:
  o FIN-01-02-2021.03.14_letter of demand Perfect Photography

M > FIN > 01 - ACCOUNTS RECEIVABLE > 02 - Bad Debts

Name

FIN-01-02-2020.12.23_overdue accounts customer payments records_December2020

FIN-01-02-2021.03.14_letter of demand_Perfect Photography

Storage in network drives

Network drive storage allows immediate, internal, on-site, and offline access to company files while maintaining data security. Each staff member also has access to a personal folder that contains messages, forms, files, and other personal folders. You work with a personal folder file as you would with any other file.

- Log in to your assigned company computers using your account details.
- Access the computer network drive Isla & Co [M:]. Should you experience difficulties completing this, contact the IT Service Desk for assistance.
- Open the "Isla & Co [team] files" folder.
- Create a new folder under their names using the following naming convention:
  [Last Name] [First Name]
- Create files under the file naming convention as follows:
  Isla & Co_ [Last Name] _ [First Name] _ [File Name].docx