STANDARD OPERATING PROCEDURE

Bookkeeping & Accounting process

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Overview

This Standard Operating Procedure (SOP) provides a clear and structured framework for managing bookkeeping and accounting tasks across organizations of varying sizes. By outlining standardized processes, it ensures that financial records are captured, maintained, and reported with accuracy and efficiency. The SOP is designed not only to streamline day-to-day bookkeeping workflows but also to support long-term financial integrity, regulatory compliance, and audit readiness. Following this framework reduces the risk of errors, improves transparency, and enhances decision-making by ensuring reliable financial data is always available. While robust enough for large organizations with dedicated finance teams, it is also practical and adaptable for small businesses, startups, and independent freelancers seeking a professional system. By implementing this SOP, any organization can establish consistent bookkeeping practices, strengthen internal controls, and simplify financial review processes for management and stakeholders.

Steps

1 Conduct Internal Audit

Perform an internal audit to verify the accuracy of all financial records and detect any irregularities that could affect reporting or compliance. This involves reviewing transaction histories, cross-checking supporting documents, and assessing whether entries follow established accounting policies. The Internal Auditor is responsible for carrying out these evaluations with objectivity and attention to detail, ensuring that records are free from material misstatements. As part of quality control, quarterly audits should be scheduled to provide continuous oversight, strengthen internal controls, and reinforce the organization's commitment to transparency and financial integrity.

2 Report To Management

Prepare a comprehensive financial report that summarizes the key findings, trends, and insights drawn from the financial statements and internal audits. This report should provide management with a clear overview of the organization's financial health, highlighting revenue performance, expense patterns, profitability, and liquidity. To add value, the report should go beyond the numbers—emphasize meaningful trends, identify risks, and call out potential areas for cost savings, efficiency improvements, or strategic investment opportunities. A well-prepared

financial report not only guides current decisions but also helps shape long-term business strategy.

3 Gather Financial Documents

Gather all necessary financial documents—such as invoices, receipts, bank statements, and payroll records—making sure each file is complete and easy to read. This task should be done on a weekly or daily basis to maintain accurate records. For better efficiency, use digital tools to scan and organize files, which also improves long-term record keeping and streamlines the bookkeeping workflow.

4 Record Transactions

Enter all financial transactions into your accounting software or bookkeeping ledger to keep an accurate record of balances and cash flow. This should cover every type of transaction, including sales, purchases, supplier payments, customer receipts, payroll, and any other financial activity. Each entry must be assigned to the correct account category in line with your chart of accounts, as proper categorization ensures accurate reporting and simplifies tax preparation. Paying close attention to detail at this stage helps prevent discrepancies, supports compliance, and provides reliable data for financial decision-making.

5 Reconcile Bank Statements

Reconcile bank statements against the transactions recorded in your accounting system to confirm that every entry is accurate and accounted for. This process involves carefully comparing deposits, withdrawals, and transfers with the corresponding invoices, receipts, and payment records. Ensuring that each payment aligns with the correct invoice helps maintain financial integrity and prevents errors from going unnoticed. Any discrepancies—such as missing entries, duplicate charges, or unexplained variances—should be investigated promptly and resolved to keep your records reliable and audit-ready. Consistent reconciliation also builds confidence in your financial data and supports transparent reporting during accounting process.

6 Review Accounts Payable And Receivable

Review all outstanding invoices and unpaid bills to keep track of both money owed to the business and obligations that need to be settled. Monitor accounts receivable closely, following up on overdue customer payments with reminders or formal communication to maintain healthy cash flow. At the same time, ensure that accounts payable are managed responsibly by scheduling vendor and supplier payments on time, avoiding late fees, and preserving strong business relationships. Maintaining a balanced approach to receivables and payables not only improves liquidity but also strengthens financial stability and trust with stakeholders.

7 Prepare Financial Statements

Generate comprehensive monthly financial statements, including the income statement, balance sheet, and cash flow statement, to provide a clear picture of the organization's financial performance and position. Each report should be carefully reviewed for accuracy, consistency, and completeness, ensuring that all figures reconcile with recorded transactions and supporting documentation. The Financial Analyst plays a key role in preparing and validating these reports, applying both technical knowledge and analytical insight. Compliance is critical at this stage—statements must align with applicable accounting standards and regulatory requirements, reinforcing the credibility of the financial data and supporting informed decision-making by management and stakeholders.

8 Backup Financial Data

Ensure that all financial data is securely backed up to protect against accidental loss, system failures, or security breaches. Backups should include all transaction records, financial statements, invoices, payroll files, and audit reports, stored in formats that can be easily restored if needed. A dual approach is recommended—use cloud-based solutions for accessibility and real-time synchronization, while also maintaining physical backups (such as encrypted external drives or secure servers) for redundancy. Security protocols, including encryption and access controls, should be applied to safeguard sensitive information. Regular testing of backup systems is essential to confirm that data can be fully recovered, ensuring business continuity and the integrity of financial records.

9 Update Financial Policies

Review and update financial policies and procedures on a regular basis to ensure they remain aligned with current regulations, industry standards, and the organization's evolving business operations. This process involves assessing whether existing policies adequately address compliance requirements, risk management practices, and internal controls. Updates should reflect changes such as new tax laws, accounting standards, or shifts in business models and operational priorities. Engaging key stakeholders—including finance, compliance, and operations teams—helps ensure that revisions are practical, enforceable, and clearly communicated across the organization. Documenting all updates thoroughly not only supports regulatory compliance but also promotes consistency, accountability, and transparency in financial management.