

FINANCIAL ACCOUNTING
AS A
COMPETITIVE
TOOL

COMMON ISSUES OF SMEs

- **Unreliable or delayed financial reports**
- **Noncompliance with regulatory requirements**
- **Commingling of business and personal assets and liabilities**

COMMON ISSUE OF SMEs

- **Unrecognized costs**
 - leases
 - salaries
 - advances
 - fixed assets use
- **Inaccurate inventory costing**
- **Management “overrides”**

ACCOUNTING / BOOKKEEPING

- competent accountant / finance person
- monthly, regular reporting
 - financial statements
 - balance sheet
 - income statement
 - cash flows

ACCOUNTING / BOOKKEEPING

- supporting reports
 - reconciliations
 - details of accounts
- sound understanding of debit and credit
- investment in a software fit for your business

INTERNAL CONTROL

- Segregation of incompatible duties
 - authorization
 - custodial functions
 - recordkeeping
- Close supervision

“INTERNAL AUDITING”

- **Regular reconciliations**
 - banks
 - customers
 - suppliers
- **Physical count / verification**
 - at least, annual inventory count
 - regular inspection of fixed assets

“INTERNAL AUDITING”

- Detailed accounts / breakdown
 - aging of customers accounts
 - aging of creditors accounts
 - aging of inventories
 - advances
 - assets register

REGULATORY COMPLIANCE

- **BIR**
 - **VAT**
 - **EWT**
- **SSS**
 - **SSS contributions**
- **DOLE**
 - **Minimum wage**

REGULATORY COMPLIANCE

- **SEC**
 - Reporting requirements
- **Local Government**
 - Taxes / permits

FINANCIAL MANAGEMENT

- **Budgeting**
 - variance analysis
- **Financial Planning (e.g. lease or buy, borrow money or raise capital, etc.)**
- **Tax Planning**

“MUSTS”

- **Reliable reports for management decision-making purposes**
- **Adequate internal controls in place / “internal auditing” process**
- **Compliance with regulatory requirements**