

Finance Domain Standards

a. Record-to-Report (R2R)

Chart of Accounts:

- Standardized structure for financial reporting.
- Accounts grouped by assets, liabilities, equity, revenue, and expenses.

Journal Entry Validation Rules:

- All journal entries must be balanced (debits = credits).
- Mandatory fields: date, account code, description, amount, and preparer.
- Entries must be reviewed and approved by a finance supervisor.

Monthly/Quarterly Closing Procedures:

- Cut-off entries must be recorded before closing.
- Reconcile all balance sheet accounts.
- Review and post accruals, provisions, and adjustments.
- Generate financial statements for management review.

b. Procure-to-Pay (P2P) from Finance View

Invoice Matching Rules (3-way match):

- Match Purchase Order (PO), Goods Receipt Note (GRN), and Invoice for accuracy.
- Discrepancies must be resolved before payment processing.

Payment Terms:

- Standard payment terms are Net 30 days.
- Early payment discounts (e.g., 2% 10 Net 30) may apply.

Expense Categorization Standards:

- Expenses must be categorized by department and cost center.
- Follow predefined expense codes to ensure consistency.

c. Compliance and Auditing

Internal Controls Documentation (SOX, if applicable):

- Document all control activities related to financial reporting.
- Maintain audit trails for transactions and approvals.

VAT/GST Handling Standards:

- Properly record input and output VAT/GST in the accounting system.
- Ensure timely filing of VAT/GST returns.

Revenue Recognition Policies (ASC 606, IFRS 15):

- Recognize revenue when control transfers to the customer.
- Apply performance obligation identification and allocation rules.

d. KPI Definitions

Days Sales Outstanding (DSO):

- Measure of average collection period for receivables.

- Formula: $(\text{Accounts Receivable} / \text{Total Credit Sales}) \times \text{Number of Days}$.

Days Payable Outstanding (DPO):

- Average number of days to pay suppliers.
- Formula: $(\text{Accounts Payable} / \text{Cost of Goods Sold}) \times \text{Number of Days}$.

Working Capital Formula:

- Working Capital = Current Assets - Current Liabilities.

Cost of Goods Sold (COGS) Breakdown:

- Includes direct materials, direct labor, and manufacturing overhead.
- Used for gross profit calculation and inventory valuation.