DOCUMENT CONTROL INFORMATION

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| Document Name | Global Cash Receipts Process Narrative |
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| Sub-Process Owner(s) | Martin J Hayter (Finance Manager) |
| Location | Zurich, Switzerland |

Note: Major changes to the process narrative documentation must be approved by the Global Accounting Manager.

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# **Abbreviations & Definitions**

|  |  |
| --- | --- |
| AR | Accounts Receivable |
| CFO | Chief Financial Officer |
| CR | Credit |
| DR | Debit |
| GL | General Ledger |
| P&L | Profit & Loss Statement |
| SAP | General Ledger Software |
| SE | Summit Equipment |

# **Policies, Procedures & Related Documents**

|  |  |
| --- | --- |
| **Procedures** | **Description** |
| SE-003 | **Managing Journal Entries Policy**  To provide guidance on the requirements for journal entries, including the need for appropriate documentation and support and what constitutes properly prepared, reviewed, approved and posted journal entries. |
| SE-005 | **Account Reconciliation and Analysis Policy**  To define standards and procedures for balance sheet account reconciliations and analysis. |
| SE-007 | **Banking Operations**  To provide guidelines for the management of the company’s cash & cash equivalents. |

# **Cash & Cash Equivalents Accounts & GL Coding**

| **GL Account #** | **GL Account Name** |
| --- | --- |
| 1301510 | Cash - Bank |
| 1301520 | Cash - Bank |
| 1301530 | Cash - Bank |
| 1301540 | Cash - Bank |
| 1410000 | Cash - Bank |
| 1411000 | Cash - Bank |
| 1440001 | Cash - Bank |
| 1500100 | Cash - Bank |
| 1500200 | Cash - Bank |
| 1500900 | Cash - Bank |
| 1510000 | Cash - Bank |
| 1520300 | Cash - Bank |
| 1522000 | Cash - Bank |

# **Key People**

| **Unit/Department** | **Function** |
| --- | --- |
| Accounting Department | Business Unit Financial Controller  Finance Manager  Intermediate Accountant(s)  Senior Accountant |
| Controlling | Chief Financial Officer |
| IT Department | IT Administrator |
| Operations | Operations Manager |
| Treasury Department | Senior Manager  Analyst |

# **IT Overview**

The company uses SAP as the IT system, which encompasses the cash module.

# **Cash & Cash Equivalents**

## ***Overview***

Summit Equipment holds several Swiss Franc based accounts at the Hilltop Bank and Capstone Bank. There are also several petty cash accounts.

Greater than 80% of the cash receipts are wire transfers and less than 20% are checks.

## ***Opening & Closing Accounts***

To open/close a bank account a written request is made to the Treasury Department by completing the Summit Equipment Bank Account Opening/Closing Form by a requesting business unit.

The request is reviewed by the Treasury Department to determine that a clear need exists for the requested action. Based upon their review, the Treasury Department will either approve, or deny the request for bank account set up, or closing.

The Treasury Department requests the banking institution to set up/close the requested bank account from the system via online banking software or letter of instruction.

## ***Bank Account Listing***

The Treasury Department maintains a listing of bank accounts of the company. The bank account list is reviewed by Treasury on an annual basis to determine if a business reason still exists for the continuation of an account.

## ***Online Bank Account Access***

Access to the online banking system is restricted to authorized individuals.

Users wanting access to online banking systems need to request approval from the Treasury Department. Access requests (Access Request Forms) are first reviewed and approved by the relevant Business Unit Financial Controller to ensure the user has a business need for requesting access.

The Treasury Department reviews users with access to banking systems to ensure only authorized personnel have access to the system. The Senior Manager (Treasury Department) maintains a list of approvers for all bank accounts which is compared to the list provided by the bank(s) on an annual basis.

Access additions and terminations are effected in the banking system by the Senior Manager (Treasury Department) within 5 days of hire / termination (refer to ***SE Payroll Process Narrative*** for additional information). The Treasury Department requests the banking institution to add/remove the user from the system via online banking software or letter of instruction.

# **Cash Receipts Process Narrative**

## ***Wire Transfer Process***

Intermediate Accountants have access to online banking, which is limited to read only access and the ability to print bank statements.

The Intermediate Accountant will check the online banking systems daily and will draft a journal entry to apply the receipts to the AR ledger in SAP according to the details received with the transfer. If there is any doubt about what is being paid, the Intermediate Accountant will follow up directly with the Operations Manager.

The Intermediate Accountant will draft the journal to record the receipt to the appropriate cash and AR account as follows in SAP:

DR – Cash

CR – AR Trade Receivables

The journal entry is reviewed and authorized by the Finance Manager in accordance with the entity’s Managing Journal Entries Policy (SE-004). Once approved in SAP, the journal entry is automatically posted by SAP.

## ***Check Process***

All checks are received by the Treasury Department. When checks are received, a copy of the check is made by the receptionist.

The receptionist then records the checks in the deposit book and the Treasury Analyst deposits the checks in the relevant company account.

The photocopy of the check is forwarded by the receptionist to the Intermediate Accountant along with any additional supporting information that may have been received. The deposit receipt is filed in the deposit book by the Treasury Analyst.

The Intermediate Accountant will check the online banking systems daily. When the Intermediate Accountant identifies the receipt of a deposited check, they will ensure that the amount matches the amount recorded in the deposit book and deposit receipt from the bank. The Intermediate Accountant will follow up with the receptionist (via email) if there is any discrepancy.

The Intermediate Accountant will draft the journal to record the receipt to the appropriate cash and AR account as follows in SAP:

DR – Cash

CR – AR Trade Receivables

The journal entry is reviewed and authorized by the Finance Manager in accordance with the entity’s Managing Journal Entries Policy (SE-004). Once approved in SAP, the journal entry is automatically posted by SAP.

# **Cash & Cash Equivalents Reporting**

***Monthly Reporting***

Every month, a reconciliation is prepared by the Senior Accountant for each cash account. The Senior Accountant will perform the reconciliation in a template in Microsoft Excel. The template includes information such as GL account number, preparer details, GL Amount, bank statement amount, reconciling items and review and approval details.

As part of this process, the Senior Accountant will:

1. Access the relevant online banking system and input the closing balance for the month into the template.
2. Logon to SAP and input the closing GL balance for the month into the template.

If at this stage, there are no reconciling items, the Senior Accountant will physically sign off the reconciliation as prepared and submit it for review and approval.

If there are reconciling items, the Senior Accountant is required to investigate and resolve these until the difference is less than CHF 100. To do so, the Senior Accountant will identify the variances by:

1. Downloading a report from SAP containing the transactions for the month including a listing of uncleared checks and deposits.
2. Reviewing the deposit book for checks that were deposited on or near the month end date that were not receipted in SAP.
3. Reviewing the subsequent month’s bank statement for checks that had been receipted in SAP but cleared subsequent to the month end date.
4. Looking for the following items:

* Checks/Deposits recorded in the bank records at a different amount from what was recorded by the company.
* Checks/Deposits recorded in the bank records that were not recorded by the company.

All reconciling items are included in a sub section in the template.

Each reconciliation is reviewed by the Finance Manager. As part of the review, the Finance Manager will check that the parameters of the reconciliation are correct by checking the opening and closing month end dates used, and performing a spot check between the closing balance in the bank reconciliation and SAP.

Any unreconciled differences greater than CHF 10,000 are investigated and resolved before the end of the following month.

If there are unreconciled items or items requiring further investigation, the Finance Manager will return the reconciliation to the Senior Accountant to address. Types of questions include the source of a reconciling item, business nature of the reconciling item or confirmation that the reconciling item will clear within the next 30 days. Once resolved it will be resubmitted to the Finance Manager to recommence their review.

Upon completion of their review, the Finance Manager physically signs off on the reconciliation to indicate their approval of the reconciliation.

Once reconciled and approved, the Senior Accountant will place a copy of the reconciliation in the monthly reconciliation file.

***Financial Statement Reporting***

The Business Unit Financial Controller will prepare the significant disclosures of the financial statements. Once prepared the financial statements are sent by the Business Unit Financial Controller to the CFO who performs a review.

# **Segregation of Duties**

The below describes observations as to any potential conflicting duties.

Incompatible duties may indicate other weaknesses in procedures and controls over authorization of transactions, safeguarding of assets, or asset accountability duties.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Segregation of Duties Table for PP&E** | **Who performs**  **Procedure?** | **Who records procedure?** | **Who reviews results?** | **Who approves?** |
| Receiving Checks | Receptionist | Receptionist | Intermediate Accountant | Finance Manager |
| Depositing Checks | Treasury Analyst | Treasury Analyst | Intermediate Accountant | N/A |
| Recording Check/Wire Transfer Receipts | Intermediate Accountant | Intermediate Accountant | Finance Manager | Finance Manager |
| Bank Reconciliations | Senior Accountant | Senior Accountant | Finance Manager | Finance Manager |