



## Accounting Policies and Procedures

### Accounting System

Bounce Fitness keeps its books based on an accrual accounting system, recording all debtors and creditors. Inventory is accounted for on a perpetual inventory basis, with stocktakes completed at the end of the year and adjustments made for loss or obsolete stock. Payment is made by electronic funds transfer (EFT) to credit suppliers, credit cards for cash purchases, and petty cash for small items.

### General Ledger

A chart of accounts has been drawn up in consultation with the accountant. Ledger accounts shall not be added, changed, or deleted without consultation with your supervisor. All general ledger accounts must be appropriately completed, showing a running balance in each line entry.

### General Journal Entries

General Journal tasks should be appropriately structured in accordance with standard accounting practice and should contain:

- a) Appropriate supporting documentation should be available for each journal entry
- b) The correct date of the entry
- c) The correct account number provided
- d) The correct name of the general ledger account
- e) Amounts allocated to the correct debit or credit column
- f) A brief memo that describes the transaction.

Before finalising the end of financial year statements, a meeting must be scheduled with our accountant Benny Bean counter to:

- review the accounts and any adjusting journal entries that have been processed
- identify correct or refer errors for resolution
- seek approval to post to the general balance day adjustments to the general ledger and preparing the financial reports.

### Asset Registers

The company has chosen not to take advantage of the small business income tax concessions, and the method of depreciation will be in accordance with the classes of assets shown below.

- Assets costing less than \$1,000.00, excluding tax, will be pooled into the low-value pool and depreciated at 18.75% in the first year and 37.5% after that using the diminishing value method of depreciation.
- Assets costing more than \$1,000.00 excluding tax must have an asset register card created for the item, grouped into one of the asset groups, and depreciated according to its effective life on the ATO table for the asset.

Assets will be grouped as follows:

- Office equipment will have an effective life of five (5) years, with a diminishing value depreciation rate of 40%.
- Motor vehicles will have an effective life of eight (8) years and depreciated using the straight-line method.

### **Reconciliation of Assets**

At the end of the financial year, the value of assets in the asset register must reconcile with the value of assets in the balance sheet for Bounce Fitness. Any discrepancy should be identified, and any adjustments made as necessary.

### **Provision for Doubtful Debts**

At the end of the financial year, at the discretion of the company director, any accounts owing over 90 days may be considered a doubtful debt, and a provision for that debt may be created.

### **Disposal of Assets**

When an asset is traded in or sold, quotes must be obtained from at least two dealers, and a final decision must be approved by Peta Strong. The entry for the disposal of the asset must show:

- The depreciation is to be calculated on a pro-rata basis up to the date of disposal
- The sale of the asset, including GST
- The value of any loss or gain on the disposal of the asset
- The removal of the asset and its associated accumulated depreciation from the balance sheet.

### **Financial Reports**

The following financial reports can only be produced after all tasks for the year have been entered, end of year adjustments made, bank accounts reconciled, asset registers reconciled, and debtors and creditors reconciled:

- An adjusted Trial Balance
- A Profit and Loss Statement
- A Balance Sheet.

### **Occupational Health and Safety**

The company recognises its moral and legal responsibility in relation to the WorkHealth and Safety Act 2011 to provide a safe and healthy work environment.