

9/12/2016



SPHM  
HOSPITALITY

MONTH END PROCEDURE S.O.P



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Series 2500

# Month End Procedure

Subject: Payroll Accrual

A-2501

A. Policy. It is the policy of the club that payroll expenses be charged to the reporting period in which they occurred.

B. Discussion

1. Since the club pays employees on a bi-weekly basis, payroll accruals are necessary to properly charge payroll expenses month to month.
2. All payroll cost for any partial pay periods at the beginning and/or end of the reporting period must be accrued to payroll expense for those pay periods falling wholly within the reporting period.

C. Procedures

1. The Accounting Office prints time sheets for all employees to verify the number of hours worked in any partial pay periods at the beginning or end of the reporting period.
2. Each employee's hours and rate of pay are entered into an MS-Excel® spreadsheet by department. By formula, hours are automatically multiplied times rate of pay to determine the total dollars in payroll for each employee and then totaled for all employees in each department and for the club as a whole. These amounts are then used to accrue departmental and club payroll costs.
3. The Controller then makes an entry in the General Ledger for each department's payroll accrual. The balancing account is Accrued Wages. The accrual entry is then reversed in the following month.

Subject: Month End Closing Checklist

A-2502

A. Policy. It is the policy of the club that a checklist be used to ensure that all month end closing duties be completed.

B. Discussion

1. Closing the “books” at the end of the month requires that many different steps be taken to ensure that all necessary accounting functions are finished to properly complete the monthly reporting cycle.
2. While a club may have some special closing duties, the following checklist covers the usual requirements

C. Closing Checklist

1. Physical inventory counts and totals are due on the 3<sup>rd</sup> of the month from departments with resale inventories (Golf, Tennis, Food, Beverage, and other Retail Outlets).
2. Departmental inventory transfers are due on the 3<sup>rd</sup> and are used to adjust inventory values.
3. Coded invoices are due from departments by the 5<sup>th</sup>.
4. Employee meals must be charged to the employee meal account with a counter-balancing entry against food cost.
5. Calculate the cost of goods sold for each department.
6. Receive, verify, and record the group insurance cost by the 5<sup>th</sup>.
7. Reconcile the golf gift certificate/credit book and book the value as deferred revenue.
8. Book the following:
  - a. Dues income (prepaid dues less dues billing = dues income).
  - b. Discounts on credit cards.
  - c. Any other bank charges.
  - d. Worker's compensation cost.
  - e. Property taxes.
  - f. Special events net income from recap of events.

- g. Depreciation.
9. Accrue the following:
  - a. Payroll.
  - b. Accounts payable.
  - c. Lessons/stringing income.
10. Verify the budgeted amounts for the period on the financial statement schedules.
11. Verify Service Charge as a percentage of sales.
12. Reconcile the following:
  - a. Bank statement.
  - b. Accrued Accounts Payable account.
  - c. Accrued Payroll Expense account.
  - d. Petty Cash funds, replenish as necessary.
  - e. 401K/Insurance Payable accounts.
  - f. Prepaid Expense account.
  - g. Other Balance Sheet accounts.
13. Compute and file State Sales Tax report by required date for each individual state.
14. Prepare Accounts Receivable Aging Report and Delinquency Letters by the 15<sup>th</sup>.
15. Prepare Member Suspension Letters as necessary by the 25<sup>th</sup>.

Subject: Trial Balance

A-2503

- A. Policy. It is the policy of the club that a trial balance of the club's General Ledger be run after closing the books each reporting period.
- B. Discussion
  - 1. In double entry bookkeeping, the General Ledger (G/L) should always be in balance.
  - 2. Each reporting period a large number of entries are made in the G/L. For each entry there should be a counter-balancing entry to ensure that the G/L remains in balance.
  - 3. When the books are closed each reporting period, a trial balance of the G/L is run. If the G/L is out of balance, the Controller will need to investigate and find erroneous entries and correct them.
  - 4. When all discrepancies have been investigated and corrected, the Preliminary Statements are prepared and distributed to the General Manager and Department Heads for review.

Subject: Preliminary Statements

A-2504

A. Policy. It is the policy of the club that preliminary statements be prepared by the 7<sup>th</sup> business day of the month following.

B. Discussion

1. Preliminary statements are printed and distributed to the General Manager and Department Heads along with a copy of their respective department's General Ledger detail for expense accounts, as requested.
2. Department Heads have two business days to review the preliminaries and resolve any issues with the Controller. It is up to Department Heads to initiate resolution of issues.
3. Two days after the Preliminary Statement is distributed, [Final Statements] are prepared and distributed.

Subject: Final Statements

A-2505

- A. Policy. It is the policy of the club that final statements be prepared by the 10<sup>th</sup> business day of the month following.
- B. Discussion
  - 1. Two business days after [Preliminary Statements] are distributed the final statements are printed and distributed to the Board and the General Manager.
  - 2. Final Statements consist of the following:
    - a. Balance Sheet.
    - b. Profit & Loss Statement.
    - c. Executive Metrics Report.
  - 3. Department Heads receive copies of their departmental schedules of the Profit and Loss Statement. They do not usually receive a Balance Sheet or a Benchmark Summary
  - 4. The Controller will then schedule the [Monthly Review of Operating Statements] with each Department Head and the General Manager.

Subject: Monthly Review of Operating Statements

A-2506

- A. Policy. It is the policy of the club that the General Manager will conduct monthly reviews of Operating Statements with Department Heads.
- B. Discussion
  - 1. In order to ensure that the club meets the financial objectives of its annual operating budget, it is imperative that all Department Heads monitor their monthly performance closely and be prepared to answer questions about their department's performance.
  - 2. On a monthly basis after the final statement is prepared and distributed, the Controller will set up a schedule of meetings for Department Heads to meet with the General Manager and Controller to review their department's performance.
  - 3. Department Heads must be prepared to answer detailed questions about their department's performance and give reasons for any significant variance from budgeted amounts.
  - 4. Department Heads will bring their individual copies of the [Tools to Beat Budget] binder to the meetings.
  - 5. Department Heads can prepare for these meetings by carefully reviewing their departmental schedules, obtaining a copy of their General Ledger detail of their expenses from the Accounting Office, and ensuring that their Tools to Beat Budget binder is up-to-date.
  - 6. Department Heads must also be prepared to present plans to remedy significant or ongoing shortfalls in revenue or overages in expense categories.