



zanetti &
partners

Group Accounting Manual



Suddenly you get the big picture.

Structure and content

Group Accounting Manual for Industry, Trade, and Service

One of the basic requirements for a substantive group reporting is the uniform accounting, presentation, and valuation of the individual financial statements of the companies included in the consolidated financial statements.

Among other things, this goal is achieved by the issuance of accounting, presentation, and valuation guidelines summarized in the group accounting manual.

An explicit and clearly organized group accounting manual represents also a cornerstone of the internal control system within the group financial reporting.

We offer a detailed structure for a Group Accounting Manual for Industry, Trade, and Service which aims to provide you with a solid basis for preparing a (similar) customized manual based on your needs. In this overview, the basic structure and contents are presented with short descriptions and examples.

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Descriptions and examples

A Preface from group management

- Purpose of the group financial reporting
- Integration of companies and employees
- General directives

B Introduction

- Purpose of the group accounting manual
- Information about the individual components of the manual
- Applicable guidelines (e.g., German GAAP (HGB), Swiss GAAP FER, IFRS)
- Compliance with guidelines

C Scope of consolidation

- Definition of companies to be included in the consolidation

D Generally accepted accounting principles

- Completeness of the annual financial statements
- Understandability and materiality of the financial statements
- Principle of going concern
- Principle of prudence
- Principle of consistency in presentation and valuation
- Principle of offsetting
- Valuation on an item-by-item basis
- Traceability
- Accrual basis of accounting (revenue recognition/matching principle)
- etc.

E Valuation principles

- Appropriate/unbiased valuation
- Historical cost principle
- Capitalization limits
- Useful life and depreciation methods
- General valuation principles of balance sheet items
- Optional recognition as an asset/liability

F Consolidation principles

- Companies to be consolidated and their consolidation methods
- Translation of foreign currency financial statements
- Capital consolidation
- Treatment of inter-company transactions and balances
 - Receivables and payables
 - Inter-company inventories
 - Non-current assets
 - Income and expenses
 - Elimination of income from investments
- Deferred income taxes

G Other principles

- Closing date
- Responsibility
 - Individual companies
 - Consolidation department
 - Board of directors/supervisory board

H Organization principles

- Group organization chart
- Financial authority regulations within the group
 - Individual companies
 - Group management
 - Board of directors/supervisory board of the parent company
- Board of directors/supervisory board of the parent company
 - Individual companies
 - Group management
 - Board of directors
- etc.

Chart of accounts

Balance sheet**1 Assets**

- 100 Subscribed capital unpaid
- 110 Intangible assets
- 120 Property, plant and equipment
- 130 Financial assets
- 140 Inventories
- 150 Accounts receivable and other assets
- 160 Marketable securities
- 170 Cash and cash equivalents
- 180 Prepaid expenses and deferred charges

2 Liabilities and equity

- 200 Share capital
- 210 Provisions
- 220 Liabilities
- 240 Accrued expenses and deferred income

Income statement

- 600 Operating income
- 300 Material expenses

Gross profit

- 400 Personnel expenses
- 420 Depreciation and amortization
- 440 Other operating expenses

Operating result

- 700 Financial result
- Result from ordinary activity**

- 800 Extraordinary result
- Result before taxes**

- 820 Income and other taxes
- Result for the accounting period**



Description of account	Example of an account selected from the balance sheet												
Account no.	1500/1505												
Description	Trade receivables due from third parties												
Financial statement classification	Balance sheet/assets/current assets/accounts receivable and other assets												
Contents	<ul style="list-style-type: none"> ■ Trade receivables from delivery of goods or services to third parties ■ Trade notes receivable, resulting from delivery of goods or services ■ Accounts receivable due from affiliated or associated companies should be disclosed in the relevant accounts (1510 or 1520) ■ Amounts due from related parties should be disclosed in account 1530 ■ Amounts receivable from non-recurring delivery of goods or services should be recorded in account 1550 'Other assets' ■ Products and goods sold may only be recorded as accounts receivable when the risks and rewards of ownership have passed to the purchaser ■ Credit balances within accounts receivable should be shown as 'Other liabilities' (account 2390) in the balance sheet 												
Valuation	<p>Basically at nominal value. Doubtful respectively non-collectible receivables should be shown in the balance sheet at the amount which is likely to be collected. For the amounts which have not been individually impaired, the following general provision (as a percentage of the nominal value) should be applied:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Aging</th> <th style="text-align: left;">General provision in percent</th> </tr> </thead> <tbody> <tr> <td>Not past due</td> <td style="text-align: right;">3.0</td> </tr> <tr> <td>Past due 1 – 3 months</td> <td style="text-align: right;">20.0</td> </tr> <tr> <td>Past due 4 – 6 months</td> <td style="text-align: right;">50.0</td> </tr> <tr> <td>Past due 7 – 12 months</td> <td style="text-align: right;">75.0</td> </tr> <tr> <td>Past due > 12 months</td> <td style="text-align: right;">100.0</td> </tr> </tbody> </table> <p>The increase respectively reversal of the bad debt allowance is to be shown in account 4400, 'Other operating expenses', or in account 6400, 'Other operating income' as long as these movements do not significantly exceed the normal volume over the past four years. The portion of the bad debt allowance which exceeds the normal volume must be charged to account 4300, 'Write down of current assets'.</p>	Aging	General provision in percent	Not past due	3.0	Past due 1 – 3 months	20.0	Past due 4 – 6 months	50.0	Past due 7 – 12 months	75.0	Past due > 12 months	100.0
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Past due 4 – 6 months	50.0												
Past due 7 – 12 months	75.0												
Past due > 12 months	100.0												
Related accounts	<p>4300 Write down of current assets 4400 Other operating expenses 6400 Other operating income</p>												
Information for group control department	e.g., aging of balance sheet value, change in bad debt allowance												
Applicable guidelines	Reference to applicable guidelines												
Remarks	Regulations of the group control department												

Description of account	Example of an account selected from the income statement
Account no.	6000/6100
Description	Sales third parties / affiliated companies
Financial statement classification	Income statement / gross profit / operating income
Contents	<p>Income from ordinary operating activities, less revenue or value-added tax. Sales deductions (i.e., price reductions such as rebates, discounts and sales bonuses, etc.) are to be reported in account 6150. Credit notes must be issued for returned goods. Delivery and service costs that can be recharged directly without change are to be included as sales income.</p> <p>Only those invoiced services that relate directly to the company's normal activities are included as sales income. Non-recurring transactions are not considered as sales. They are included, together with deliveries and services outside the normal operations of the business, under 'Other operating income'.</p> <p>The following sources of income are included as sales:</p> <ul style="list-style-type: none"> ■ Sales of goods including replacement parts ■ Sales of waste and scrap ■ Proceeds from repairs ■ Proceeds from subsequently recharged freight and packing ■ Proceeds from other services <p>Sales are recognized from the full or partial completion of a delivery or service. The recognition of a sale from a partial delivery or service is only possible if an accurate cutoff is possible and separate remuneration was agreed.</p> <p>Income from third parties, affiliated companies, associated companies and related parties are to be shown separately.</p> <p>Income by geographical and business area (i.e., segment information) is to be disclosed in the notes.</p>
Related accounts	1500 Trade receivables due from third parties 1510 Trade receivables due from affiliated companies
Information for group control	Forms 28 / 29 / 30
Applicable guidelines	Reference to applicable guidelines
Remarks	Reference to regulations of the group control department

