

Key tips to business owners for 2020 year-end accounting procedures and preparation need for 2021

Financial statements are essential in the business for strategic decisions making, managing business and compliance with tax laws as well as laws on accounting and audits so the business owners should focus on this process.

2021 is a special year for enterprises to prepare themselves to have ***Proper Accounting Records*** to ensure full compliance to Accounting and Auditing laws which is effective and enforceable starting from 2020 with penalty starting 2021 Refer to Sub-Decree No. 79 ANKr.Bk dated June 1, 2020 on Penalties on violations of the Law on Accounting and Auditing.

Therefore, there are two priorities for enterprises in 2021 1) To have 2020 year-end accounting procedures completed timely and effectively as well as getting ready for 2021 and year ahead.

Mr. Khun Darith, Managing Partner at K Professional Accountants had shared some key tips to business owner for 2020 year-end accounting procedures and preparation needed for 2021.

2020 Year-end accounting procedures

He has advised that the business owners should focus on the following points to ensure that 2020 End of Year Accounting procedures is done properly, timely and in compliance with Laws on Taxation as well as Accounting and Auditing Laws:

1. **Year-end accounting procedures**
2. **Financial statements**
3. **Year-end Procedures Checklist**
4. **Annual Tax on Income (TOI)**
5. **Submit financial statements for external audits**

Mr. Darith has elaborated these points with the following details.

1. **Year-end accounting procedures:**

Company needs to have the year-end accounting procedures completed and have proper year-end closing 3 months after the year ended which is 31 March 2020. The Company need to focus and review the following balances/accounts/transactions:

- a) **Make sure that all transactions are recorded** at the end of the day on December 31 and ensure that **year end cut-offs** have been properly done.
- b) Review all **accounts for adjustments** that are normally required only at year end (e.g., allowance for doubtful collections on accounts receivable, accrued wages and expenses).
- c) Review **revenue and expense accounts** to ensure that all transactions have been recorded for the full twelve months and that all necessary accounts receivable and payable have been accounted for.
- d) To make sure **The Year End Procedures Checklist** is completed and signed off as the tasks are performed.
- e) **Appoint Auditors** and Review a Schedule of Task for Year End to ensure that all tasks have been completed.

2. Financial Statements

Preparing for financial statements in compliance with CIFRS or CIFRS for SMEs are:

- Statement of Financial Position
- Statement of profit or loss and other comprehensive income
- Statement of cash flows
- Statement of Changes in Equity

3. Year-end Procedures Checklist

To ensure proper year-end closing, a checklist for year-end procedures should be completed by accounting and department at the year-end close by 31 March. Year-end procedures checklist such as transactions recorded and **proper cut off, bank and cash balances** to appropriate **reconciliations, account receivable, account payable, perform physical count of Fixed Assets, inventories and register** as at December 31.

4. Annual Tax on Income

The business owners should make sure to prepare Annual Tax on Income (TOI) and submit to GDT before 31st March 2021. The review should focus on the **revenue declared, total expenses declared, non-deductible expenses**, and profit tax to be paid. If the company has

observed any non-declared revenue or expenses please make sure to adjust it in Annual Tax on Income since Cambodia is under the Self-Declaration tax regime.

5. **Submit financial statements for external audits**

The Companies that are with the criteria of Prakas No. 563 on the obligation to submit financial statements for independent audit dated 10 July 2020 should submit financial statements for independent audit.

The Accounting and finance staff must ensure the auditing process runs smoothly. 2020 financial statements must have **financial statements prepared in accordance with CIFRS or CIFRS for SMEs, effective accounting software, accurate accounting records and properly supported by supporting documents.**

Preparation needed for 2021

Starting from 2021 and year ahead, Mr. Darith has recommended that the business owners should well prepare themselves with long term vision to ensure that their businesses have proper **Accounting Records and Reliable and timely Financial Statements.** They need to **focus and invest on the following priorities** to ensure that the Company is compliance with Laws on Taxation as well as Accounting and Auditing Laws:

1. **Invest in competent and quality accounting staff**
2. **Invest in effective software**
3. **Setup effective accounting systems and policies**

Effective Accounting System



4. **Cash Flow Projection for 2021**
5. **Having financial statements audited by independent auditors**

According to Sub-Decree No. 79 ANKr.Bk dated June 1, 2020 on Penalties on violations of the Law on Accounting and Auditing and circular on the Postponement of the Implementation of Penalties for violations of the Law on Accounting and Auditing dated 11 September 2020 **Compliance with accounting and auditing laws effective now and the penalty start from August 2021.**

So, the company has an obligation to be ready to implement the relevant laws and regulations effectively and efficiently to avoid the penalties and risks that occur in the business from 2021 onwards.

He added that the preparation will assist all business owners ensure full compliance with accounting and auditing laws, as accounting records and financial statements that comply with accounting standards (CFIRSs or CIFRS for SMEs) require more time and effort to prepare. **First-time adoption of Cambodian International Financial Reporting Standards requires the company to have two or three fiscal year financial statements to do CIFRS Conversion.**

Mr. Darith also added that **time is very important** for all business owners to prepare, if the enterprises do not use the time in 2021 for preparation, it may be too late, there may be penalties arising from non-compliance with the law on accounting and auditing.

Last but not least, Mr. Darith encouraged the business owners should start **seeking advises from expert/professional** to help them to ensure that they have **reliable and timely accounting records and financial statements** in accordance with the law on Accounting and Auditing and Tax laws.

for questions related to the above topic, please contact



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Mr. Darith also wish the business owners success in the business to build stronger foundation of CAMBODIA'S ECONOMY.