

The ABC's you should know

16 October 2023

Accurate and Complete accounting records as required by the Companies Act

According to the Companies Act of South Africa, Section 24(1) states that every company must keep accurate and complete accounting records, either in written or electronic form, in one of the official languages of the Republic of South Africa. These records must sufficiently explain the transactions and financial position of the company and enable the financial statements of the company to be prepared in accordance with the Act.

Accurate and complete accounting records, as required by Section 28 of the Companies Act No. 71 (2008), encompass comprehensive and precise documentation of a company's financial transactions, activities, and overall financial position. These records are essential for fulfilling legal obligations, financial reporting, auditing, and ensuring transparency and accountability. Here's what would generally constitute accurate and complete accounting records:

1. **Transaction Details:**

- Records of all financial transactions, including sales, purchases, expenses, revenues, and any other financial activities.

2. **Source Documents:**

- Original source documents supporting each transaction, such as invoices, receipts, contracts, and vouchers.

3. **Ledgers and Journals:**

- General ledger entries and journals summarizing transactions, accounts, and financial activity in an organized and systematic manner.

4. **Bank and Cash Records:**

- Detailed records of bank statements, cash receipts, cash disbursements, and reconciliations between book balances and actual bank statements.

5. **Accounts Receivable and Payable:**

- Records of amounts owed by customers (accounts receivable) and amounts owed to suppliers or vendors (accounts payable).

6. **Assets and Liabilities:**

- Documentation of all assets owned by the company (e.g., property, equipment) and liabilities (e.g., loans, debts).

7. Inventory Records:

- Accurate records of inventory, including quantities, values, purchases, and sales.

8. Financial Statements:

- Preparation and maintenance of financial statements, including balance sheets, income statements, and cash flow statements, in compliance with applicable laws and accounting standards.

9. Trial Balance:

- A trial balance that verifies the accuracy of the accounting records by ensuring that debits equal credits.

10. Tax Records:

- Documentation related to tax compliance, filings, and payments in accordance with tax laws.

11. Depreciation and Amortization Records:

- Records of depreciation and amortization for assets to reflect their decrease in value over time.

12. Audit Trails:

- An organized audit trail that allows for the tracing and verification of each transaction back to its source.

13. Compliance Documentation:

- Documentation demonstrating compliance with accounting principles, laws, regulations, and other relevant standards.

14. Record Retention Policy:

- A record retention policy outlining how long records will be kept and when they may be disposed of in accordance with legal and regulatory requirements.

Keeping accurate and complete accounting records is crucial for the preparation of reliable financial statements, assessment of financial performance, decision-making, auditing, and demonstrating compliance with legal and financial requirements.