

1.0 Purpose

- 1.1. The objective of this SOP is to ensure the accuracy and completeness of accounts payable (AP) balances by reconciling the subledger with the general ledger (GL). This process ensures proper recording of liabilities, compliance with accounting standards, and readiness for financial reporting.

Note: This SOP serves as a general framework. We recommend refining and adjusting it to align with your company's policies, systems, and reporting requirements. Regular updates should be made to ensure relevance.

2.0 Scope

- 2.1. These procedures apply to the finance team responsible for managing and reconciling accounts payable at the end of each accounting period.

3.0 Responsibilities

Role	Responsibility
Accounts Payable Specialist	Gathering data, performing the reconciliation, and documenting discrepancies.
Finance/Accounting Manager	Reviewing the reconciliation for accuracy and approving adjustments.
IT Team	Providing support for ERP system issues or data extraction.

4.0 Frequency

- 4.1. The accounts payable reconciliation should be performed **monthly**, at the end of the accounting period, or more frequently as required by company policies.

5.0 Procedure

- 5.1. **Preparation**

- 5.1.1. Obtain the accounts payable subledger report from the accounting system.
- 5.1.2. Retrieve the general ledger accounts for accounts payable and related accruals.
- 5.1.3. Ensure all vendor invoices and credit memos are entered into the accounting system before beginning the reconciliation.
- 5.1.4. Verify that transactions are recorded within the correct period to ensure proper cutoff.
- 5.2. **Data Comparison:**
 - 5.2.1. Match the total balance of the AP subledger to the balance in the accounts payable GL account.
 - 5.2.2. Identify any discrepancies between the two balances.
- 5.3. **Analyze Discrepancies:**
 - 5.3.1. **Unrecorded Invoices:** Check if invoices received during the period are recorded in the subledger but not yet posted to the GL.
 - 5.3.2. **Timing Differences:** Identify transactions that may have been recorded in the subledger but will post to the GL in the subsequent period (e.g., after cutoff).
 - 5.3.3. **Duplicate Entries:** Review for duplicate invoices in the subledger or GL.
 - 5.3.4. **Adjustments or Errors:** Check for journal entries that may have been incorrectly posted to the GL account.
- 5.4. **Adjustments:**
 - 5.4.1. Prepare correcting journal entries for identified discrepancies, such as unrecorded invoices, erroneous postings, or duplicate entries.
 - 5.4.2. Ensure all adjustments are documented, including justification and supporting evidence (e.g., invoices, credit memos).
 - 5.4.3. Obtain approval for adjustments from the Finance/Accounting Manager before posting entries.
 - 5.4.4. Maintain an audit trail for all adjustments, including dates and approvers' names.
- 5.5. **Documentation:**
 - 5.5.1. Maintain a reconciliation worksheet summarizing:

- 5.5.1.1. Subledger balance.
- 5.5.1.2. GL balance.
- 5.5.1.3. Adjustments made.
- 5.5.1.4. Final reconciled balance.
- 5.5.1.5. Attach supporting documentation for all adjustments.

5.6. Review and Approval:

- 5.6.1. Submit the reconciliation worksheet and supporting documents to the Finance Manager for review.
- 5.6.2. Obtain approval for all adjustments and ensure they are posted to the accounting system.
- 5.6.3. Maintain a log of approvals, including names and dates, to create a clear audit trail.

5.7. Reconciliation Finalization:

- 5.7.1. After approval, finalize the reconciliation by saving the worksheet and supporting documents in a secure location (e.g., shared drive or accounting software).
- 5.7.2. Update the reconciliation status in the period-end checklist
- 5.7.3. Schedule periodic reviews of past reconciliations to identify recurring discrepancies and implement process improvements.

6.0 Key Performance Indicators

KPI	Description	Target/Benchmark
Percentage of On-Time Reconciliations	The percentage of reconciliations completed by the due date.	≥ 95%
Number of Unreconciled Items	The total count of unreconciled items at period-end.	Zero unreconciled items
Resolution Time for Discrepancies	The average time taken to resolve identified discrepancies.	≤ 3 business days
Discrepancy Rate	The percentage of invoices requiring manual corrections during reconciliation.	≤ 2%

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KPI	Description	Target/Benchmark
Supplier Statement Reconciliation Accuracy	The percentage of supplier statements reconciled without discrepancies.	≥ 98%

7.0 Tools and Systems

Tool/System	Purpose
ERP System (e.g., SAP, Oracle, QuickBooks)	For subledger and GL data extraction.
Spreadsheet Software (e.g., Excel, Google Sheets)	For maintaining reconciliation worksheets.
Document Management System	For storing and organizing supporting documentation.

8.0 Best Practices

- 8.1. Regularly communicate with the purchasing and receiving departments to address invoice mismatches.
- 8.2. Automate data extraction and matching processes using ERP tools or reconciliation software.
- 8.3. Conduct periodic training for staff on AP reconciliation procedures to ensure consistency.
- 8.4. Perform frequent reconciliations (e.g., bi-weekly) to catch discrepancies early and reduce month-end workload.

9.0 Compliance

- 9.1. Ensure compliance with accounting standards (eg. GAAP or IFRS).
- 9.2. Retain reconciliation documentation for the audit period as per company policy.
- 9.3. Follow the company’s internal controls and approval workflows for all adjustments.

10.0 Historical Record

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Revision Date	Revision	Description of change(s)	Author
	Initial Draft	Initial draft of the SOP	

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