eBook

The Founder's Guide to Building a Clean Finance Function

Disclaimer:

This e-book shares practical guidance for Indian SMEs. Requirements vary by sector and may change over time. Kindly use this as an operating guide only and validate specifics for your business before filings and sign-offs.

Contents

1. How to Use This Guide

This e-book is built for founders, operators, and finance teams who want dependable numbers, timely compliance, and calm month-end routines.

What you can implement from this guide:

- Clear ownership across the founder, the finance team, and the consultant
- A repeatable purchase-to-pay and order-to-cash flow
- A chart of accounts that supports reporting and compliance
- A month-end close rhythm with review points
- Built-in GST and TDS discipline
- A practical reporting pack that drives decisions
- Working capital visibility
- A year-end closure pack ready for review
- A lightweight control system for everyday operations

Suggested implementation approach

- Week 1: Ownership, processes, and documentation discipline
- Week 2: Accounting hygiene and chart of accounts
- Week 3: Month-end close and reconciliations
- Week 4: Reporting pack and working capital controls

2. What a Clean Finance Function Looks Like

A clean finance function produces consistent outputs that leadership can rely on.

Core outcomes:

- Books align with bank reality on a regular rhythm
- GST and TDS data align with ledgers and supporting documents
- Receivables, payables, and inventory positions are visible
- Month-end is completed on a predictable cycle
- Year-end closure becomes smooth with a ready pack of schedules and proofs

Common signals of a cleanup opportunity:

- Unclear ownership across approvals, posting, and filing
- Vendor and customer records missing key identifiers
- Reconciliations delayed across multiple periods
- Heavy dependence on one person's memory or manual follow-ups
- Reports changing materially every month due to late entries

3. Roles, Ownership, and the Right Team Structure

Clarity on responsibilities drives speed and accuracy.

Founder responsibilities:

- Set approval rules for spends, payments, and credit terms
- Decide priorities for collections and vendor settlements
- Sign off on provisions, write-offs, and major adjustments
- Review monthly performance and working capital outcomes

Finance team responsibilities:

- Maintain complete documentation and organised storage
- Ensure correct vendor and customer master data
- Run reconciliations and month-end closing tasks
- Prepare GST and TDS working files and supporting proofs
- Produce a consistent reporting pack

Consultant or CA responsibilities:

- Review high-impact areas and technical positions
- Support filings, audits, and complex reconciliations
- Guide improvements to processes and controls

Team structure that scales with growth

- Stage 1: Bookkeeper + outsourced CA support
- Stage 2: Accountant + bookkeeper + outsourced CA support
- Stage 3: Finance manager + accountant + bookkeeper + specialised CA support
- Stage 4: Controller oversight + finance manager + team

4. Core Finance Processes

Clean finance comes from clean flows. Two flows matter most.

4.1 Purchase-to-Pay (P2P)

Goal: Every purchase has a trail from request to payment.

Standard steps

1. Purchase request raised with purpose and budget head
2. Approval captured based on authority limits
3. Vendor selection based on price, quality, and compliance readiness
4. Purchase order issued
5. Receipt confirmation recorded for goods or services
6. Vendor invoice received and matched with PO and receipt confirmation
7. Accounting entry posted with correct tax treatment
8. Payment scheduled and released with approvals
9. Proof stored with invoice, PO, and payment reference

Founder-level checks

- Authority limits for approvals
- Vendor concentration and risk exposure
- Large or unusual spends flagged early

4.2 Order-to-Cash (O2C)

Goal: Revenue and collections remain aligned with clear documentation.

Standard steps

1. Quotation or contract issued with terms
2. Customer onboarding completed, including billing and tax details
3. Invoice raised with correct tax and description
4. Delivery proof captured for goods or milestone proof for services

5. Collection follow-up rhythm maintained
6. Credit notes documented with approvals when applicable
7. Receivables ageing reviewed in a leadership rhythm

5. Accounting Hygiene and Chart of Accounts Setup

Your chart of accounts shapes reporting quality.

5.1 Chart of accounts principles

- Keep it understandable for the team raising entries
- Separate direct costs from overheads
- Separate operational expenses from one-time expenses
- Create clear buckets for taxes, payroll, banking, and finance charges
- Add tracking fields for customer, vendor, project, location, or department where relevant

5.2 Documentation standards

For every material entry, keep:

- Invoice or supporting document
- Business purpose note for high-scrutiny items
- Payment proof reference
- Approval trail where required

5.3 Master data hygiene

Vendor master and customer master should contain:

- Legal name, address, contact
- PAN, GSTIN where applicable
- Payment terms and bank details
- TDS category mapping for vendors
- Credit terms and collection owner for customers

6. Month-End Close: The 10-Day Closing System

A reliable month-end close creates reliable decisions.

6.1 The closing calendar (sample rhythm)

- Days 1–3: Capture invoices, expenses, payroll inputs
- Days 4–6: Bank reconciliation and ledger cleanups
- Days 7–8: GST and TDS working alignment checks
- Days 9–10: Review, sign-off, and reporting pack release

6.2 Core close tasks

- Bank reconciliation for each account
- Cash and petty cash review
- Sales ledger and credit note review
- Purchase ledger and expense classification review
- Accruals, provisions, and prepaids review
- Fixed asset additions and disposals update
- GST and TDS working sheets updated
- Receivables and payables ageing refreshed

6.3 Month-end review points for founders

- Revenue and margin movement
- Overhead movement and major variances
- Receivables ageing and top collection actions
- Payables schedule and key commitments
- Tax outflow visibility for the next cycle

7. GST and TDS Built into the Process

Compliance becomes smoother when built into daily flows.

7.1 GST in daily operations

- Invoice format discipline for sales and purchases
- Classification consistency across items and services
- ITC discipline through vendor behaviour and matching routines
- Regular reconciliation between books and GST working data

Operational habits that help:

- Monthly review of top ITC vendors
- Quick follow-ups on mismatches
- Clear handling of credit notes and returns

7.2 TDS in daily operations

- Vendor mapping to TDS categories
- Deduction timing discipline aligned with your process
- Deposit scheduling discipline
- Quarterly reporting readiness through monthly tracking
- Certificate issuance discipline aligned with the filing cycle

8. Management Reporting That Founders Use

Founders benefit from a small set of consistent reports.

8.1 The core reporting pack

- Profit and loss summary with key drivers
- Cash view for the next few weeks, based on commitments and expected inflows
- Receivables ageing with action owners
- Payables schedule with priority list
- Key tax outflow view aligned with business cycle
- Major variance commentary for top heads

8.2 Reporting rhythm

- Weekly: collections, cash commitments, critical vendor payments
- Monthly: performance review, ageing review, compliance readiness check

8.3 Reading reports as a founder

Focus on:

- margin movement
- overhead movement
- working capital movement
- recurring commitments
- one-time spends and their business purpose

9. Working Capital Controls

Working capital discipline keeps liquidity stable.

9.1 Receivables system

- Credit terms policy by customer category
- Clear follow-up ownership
- Dispute resolution rhythm
- Milestone billing discipline for services

9.2 Payables system

- Payment scheduling based on priority and operating needs
- Vendor communication cadence
- Approval discipline for new commitments

9.3 Inventory controls (where applicable)

- Reorder discipline based on realistic consumption
- Slow-moving review rhythm
- Valuation method consistency across periods

10. Year-End Closure and Audit Readiness

A good year-end closure is the result of clean months.

10.1 Closure outcomes

- Final trial balance ready for review
- Schedules and proofs organised
- GST and TDS reconciliations complete and filed documents stored
- Fixed asset schedule ready with supporting invoices
- Ageing reports updated with leadership decisions

10.2 The year-end closure pack

- Final trial balance and major ledger extracts
- Bank reconciliations
- GST working files, reconciliations, and filing proofs
- TDS challans, working files, and filing proofs
- Fixed asset registers and depreciation workings
- Inventory summary and valuation note, where applicable
- Provisions and prepaid schedules
- Loan schedules and interest documents
- Receivables and payables ageing with action notes

11. Controls and Risk Reduction

Controls create consistency and protect business outcomes.

11.1 Approval and authority matrix

- Purchase approvals by amount and category
- Payment approvals by amount and risk level
- Credit term approvals for customers
- Vendor onboarding approvals

11.2 Maker and checker discipline

- Entry posting by one role
- Review and lock by another role
- Monthly lock date for period discipline

11.3 Data access discipline

- Role-based access on accounting and banking platforms
- Segregation for vendor master edits and payment releases
- Periodic review of users and permissions

11.4 Documentation discipline

- Standard folder structure
- Consistent naming and storage for invoices, contracts, and proofs
- Evidence trails for approvals and business purpose notes

12. Finance Function Scorecard

Use this scorecard to benchmark maturity and set priorities.

12.1 Process score

- P2P flow completeness
- O2C flow completeness
- Documentation consistency
- Reconciliation frequency and closure discipline

12.2 People score

- Clear role ownership
- Coverage for key tasks during leave or transition
- Review rhythm with leadership
- Training on GST, TDS, and entry discipline

12.3 System score

- Chart of accounts quality
- Master data hygiene
- Reporting pack consistency
- Folder structure and evidence trail quality

12.4 Priority plan for the next cycle

Pick three improvements for the next 30 days:

- month-end close calendar adoption
- vendor and customer master cleanup
- receivables and payables rhythm
- GST and TDS working discipline
- approval matrix implementation

A clean finance function gives founders clarity, control, and calm decision-making.