Reconciliation of Accounting Fees

Accounting Fees

These fees are charged by Accountants/Tax Agents for their services, such as preparing financial statements, managing taxes, or providing financial services/advice.

Reconciling accounting fees between group entities

We need to reconcile accounting fees compulsorily when it is between group entities. Because the expenses payment of one entity maybe done by other entity. Hence the other entity will be claiming this fees also as expenses along with their original expenses. To avoid this, reconciliation of accounting fees must be done. The below are the steps needs to be followed for reconciling.

- Before starting reconciliation check how much fees has been accounted in each entity.

- Check for accounting fees invoices for the whole year and for all entity, this will be used to verify the accuracy of expenses and payments done.

- If invoices are not available raise query to the client for invoices to reconcile the fees.

- Once the invoices are available check those with the related entities.

- Verify the invoice to know the accounting fees is related to which entity.

- And check the accounting fees transactions for all the entity along with the invoices.

- Compare the records from the bank statements with the entries in the accounting system. Ensure that the dates, amounts and descriptions of the transactions match.

- During the matching process, you might find transactions that don't align. These discrepancies might come from differences in timing or errors.

- Investigate the discrepancies to determine their causes. Once you have identified the reasons for the discrepancies, make the necessary corrections or adjustments in the accounting records.

- Sometimes, you may find that certain transactions are recorded incorrectly in the accounting system or are missing entirely.

- Sometimes the payment of fees has been made by other entity which should recorded as loan in paid entity and expenses in that other entity.

- To verify the above check the fees along with the entity bank statements to know by which entity it has been paid.

- Record any adjustments needed to reconcile the total accounting fees as per the invoices.

- **For Example**: There is a Group entity of A, B & C along with two individuals.
- For this group, the total accounting fees as per invoices for all-entity should be $10,000 (each entity & individual paying $2K as accounting fess for the service provided).
- In the books of B Pty Ltd the accounting fees was Nil and in the books of A Pty Ltd $3k has been accounted under accounting fees. And in C Pty Ltd $4k has been accounted as accounting expenses.
- While verifying the books of each entity the discrepancy has been found i.e. B Pty Ltd partial fees has been paid by A Pty Ltd and that have been considered as expenses in A Pty Ltd itself which is incorrect

- Hence in A Pty Ltd that payment related to B Pty Ltd should move/reallocate to B's Loan account.
- In B Pty Ltd expenses should bring through A's loan account instead of bank or cash because this has been paid by A Pty Ltd
- So now the total accounting fees for A's entity will be reconciled with the invoice of $2k (because we have reallocated $1k to B's loan account which is related to them on the payment has been by this entity)
- But in the books of B's entity, we brought only $1K from A because only that amount has been paid as per A entity bank statement.
- Now need to verify what happened to balance of $1K in the B entity then found that it has been paid by B Pty Ltd itself as per their bank statement and found that this has been accounted as consulting fees in the books of B.

- Now this need to be fixed by reallocating $1K from Consulting fees to Accounting Fees. So, the total accounting fees of $2K for B's entity will be reconciled.
- After that in C entity the error has been found i.e. the total expenses should be $2K but in books $3K has been accounted.
- The excess fees accounted is nothing but related to one of the two Individual. Hence the excess payment of $1K should reallocated to individual loan account and that should be considered as deduction in their respective income tax return.
- Now in C entity the total accounting fees will be $2K which is reconciled and for both individual $2K each has been claimed as deduction.
- Hence the total group accounting fees has been reconciled now.