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Ministry of Foreign Affairs of the
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الخطوة

Financial Management

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المحفظة

Good financial management is critical to the success of any business. Without it, a business can be set for failure from the start. It's not a lack of customers or products that will destroy a business – it's a lack of cash. Therefore, financial decisions made at an early stage can be the most important, as well as the most difficult ones. The ability to have the right finances in place and plan financial matters effectively can help a business grow and adapt to a changing economic environment.

Some research insights about SME's financial management indicates that:

- Only 20% seek advice before applying for a loan
- Only 1 in 3 has a business plan
- 15% didn't apply for finance despite wanting it
- 4 out of 5 financial decision makers have no formal training in financial matters
- Only 25% of small businesses consider themselves strong at accessing external finance



What is Finance?

The terms finance and accounting are used interchangeably, and while the two concepts complement each other, understanding the difference between the two is very vital. Accounting deals with the day-to-day flow of money whether inside or outside a company, whereas finance is a broader term that includes the management of assets and liabilities and the planning of future growth.

Cash flow problems and mismanaged finances are major causes of business failure. Some companies fail to plan properly, while others set their targets too high or low. Some do not keep track of costs, and others fail to follow up with payments. Neglecting any of these activities, or not tracking them accurately, could put a business in serious financial trouble, ultimately resulting in business bankruptcy.

Hence, a small business can maximize its chances of success by being aware of the common pitfalls that usually land the business in trouble. Having financial knowledge will allow

a business to manage its finances carefully and keep a close eye on its cash flow. Taking sensible, practical steps in this toolkit will assist entrepreneurs in controlling spending and growing the business without taking excessive financial risks and even surviving a crisis such as COVID 19.





What is Financial Management?

Financial Management means planning, organizing, directing and controlling the financial activities such as planning, procurement, utilization and reviewing of funds of the business. It involves the application of general management principles to financial resources for the business.

So why do an SME need a good Financial Management?

- To plan a sound capital structure that maintain a balance between debt and equity capital whether short term or midterm.
- To ensure regular and adequate supply of funds or cash to the business.
- To ensure optimum funds utilization. Funds should be utilized in the maximum possible way at the lowest cost.

- To manage risks and seize opportunities to achieve an adequate rate of returns.
- To achieve business sustainability
- To meet legal and taxes requirements

Financial Terminology

Let's explore some accounting and financial terms:

Revenue is the money a business earns from a customer in exchange of delivering a service or selling a product. It is calculated based on the sum of invoices issued to customers in a certain period (day, month, quarter, year)

Examples of Revenue

For a government, revenue is the money received from taxation, fees, fines, inter-governmental grants or transfers, securities sales, mineral or resource rights, as well as any property sales made.

For non-profits, revenues are its gross receipts. Its components include donations from individuals, foundations, and companies; grants from government entities; investments; fundraising activities; and membership fees.

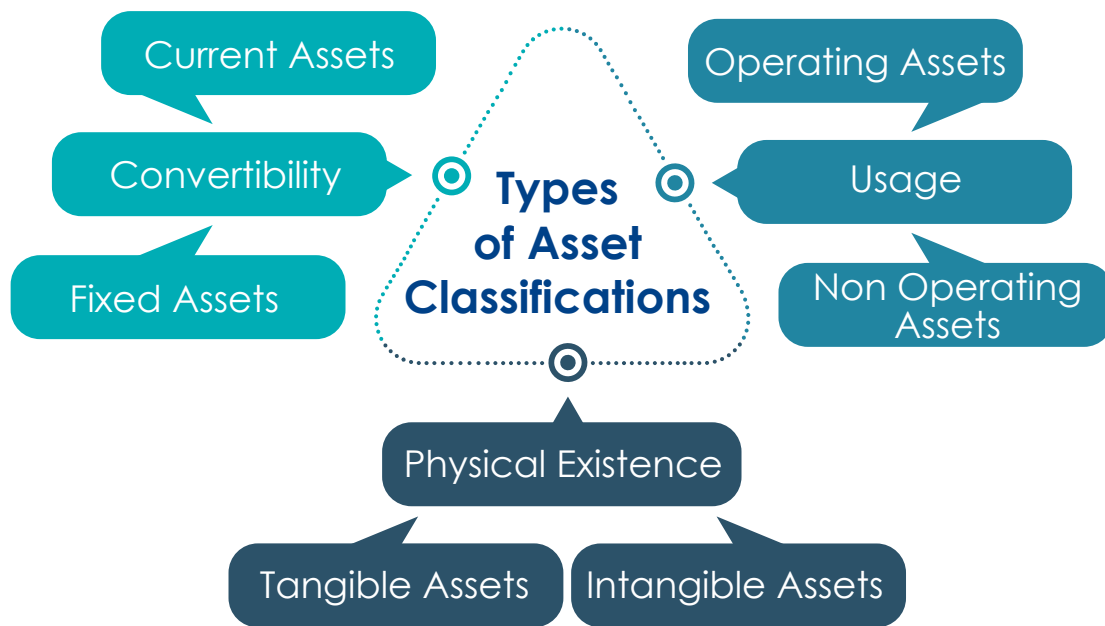
For real estate investment company, revenue refers to the income generated by a property, such as rent, parking fees, sale of property, etc.

Costs refers to any expense incurred by the company precisely to generate a revenue. For SME's, it is usually classified as direct costs and indirect costs. Direct Costs refers to any expense related directly to the production of a product such as raw materials, factory expenses, packaging, etc. On the other hand, indirect costs refers to administrative, marketing, and general expenses relevant to the overall management of the business such as salaries, advertisements, stationary, canteen, etc. All these costs are calculated based on the sum of invoices issued by suppliers and service providers to the company in a certain period (day, month, quarter, year).

Assets in finance means a resource owned or controlled by an individual, corporation, or government with the expectation that it will generate a positive economic benefit.

Examples of assets include:

- Current Assets:
 - A. Cash and cash equivalents
 - B. Accounts Receivable
 - C. Inventory
- Fixed Assets:
 - A. Investments
 - B. PPE (Property, Plant, and Equipment)
 - C. Vehicles
 - D. Furniture
- Intangible asset:
 - A. Patents
 - B. License
 - C. Copy Rights
- **Liabilities** refers to a financial obligation of a company that results in the company's future sacrifices of economic benefits to other entities or businesses. A liability can be an alternative to equity as a source of a company's financing.



On a balance sheet, liabilities are listed according to the time when the obligation is due:

- **Current Liabilities:**

- **Accounts payable:** These are the unpaid bills to the company's vendors. Generally, accounts payable are the largest current liability for most businesses.
- **Bank account overdrafts:** A type of short-term loan provided by a bank when the payment is processed with insufficient funds available in the bank account.
- **Accrued expenses:** Expenses that have

incurred but no supporting documentation (e.g., invoice) has been received or issued.

- **Short-term loans:** Loans with a maturity of one year or less.

- **Long-term Liabilities**

- **Notes payable:** The amount of promissory notes with a maturity of over one year issued by a company.
- **Long-term debt:** If a company takes out a mortgage or a long-term debt, it records the face value of the borrowed principal amount as a non-current liability on the balance sheet.

- **Equity** is defined as the value attributable to the owners of a business. The **book value** of equity is calculated as the difference between assets and liabilities on the company's balance sheet, while the **market value** of equity is based on the current share price (if public) or a value that is determined by investors or valuation professionals.

In reality, the value of equity includes the following accounts:

- Share capital
- Contributed surplus
- Retained earnings
- Net income (loss)
- Dividends

What are the Three Financial Statements?

The three financial statements are: (1) the Income Statement, (2) the Balance Sheet, and (3) the Cash Flow Statement. These three core statements are intricately

linked to each other including the aforementioned terms to give a summary for the reader about the financial status of the any company. The reader might be an investor, shareholder, financial analyst, bank, client, governmental body or even a taxation authority.

Those statements are prepared based on certain accounting principles and using double entry booking. As an entrepreneur, you don't need to understand all those details or prepare the statements yourself, you only need to have a general knowledge of the terms and be able to read and analyze the information stated in each statement to use it as a base for decision making.

- **Income Statement** is a financial statement that represents the profitability of a business at the end of a certain financial period (month, quarter, year) by providing a summary of the revenues earned and expenses incurred over the specified period of time.

A great example of an income statement is the one issued by Amazon in 2020:

Year Ends	2017 31/12	2018 31/12	2019 31/12	2020 31/12
Total Revenue	177,866	232,887	280,522	386,064
Direct Revenue	177,866	232,887	280,522	386,064
Other revenues	-	-	-	-
Total Expenses	111,934	139,156	165,536	233,307
Gross Profit	65,932	93,731	114,986	152,757
Total operating expenses	173,760	220,466	265,981	363,165
Selling / general / administrative expenses, total	38,992	52,177	64,313	87,193
Research and development	22,620	28,837	35,931	42,740
Depreciation / amortization	366	475	565	509
Interest Expenses (income) - net operating	-	-	-	-
Unusual Expenses (Income)	-	-	-	-
Other operating expenses, total	(152)	(179)	(364)	(584)
Earnings Before Interest and Taxes	4,106	12,421	14,541	22,899
Interest income (expenses), other non operating	(406)	(977)	(557)	(224)
Income (Loss) on the sale of assets	-	-	-	-
others, net	106	(183)	(8)	1,503
Net income before taxes	3,806	11,261	13,976	24,178
Income Taxes	1,558	1,354	2,374	2,863
Net income after taxes	2,248	9,907	11,602	21,315
Minority share	-	-	-	-
Shares in subsidiaries	(4)	9	(14)	16
Amendment to generally accepted accounting principles in the United States	-	-	-	-
Net income before irregular items	2,244	9,916	11,588	21,331
Total unusual items	789	157	-	-
Net income	3,033	10,073	11,588	21,331
All net income adjustments	-	-	-	-
Income available to shareholders excluding exceptional items	2,244	9,916	11,588	21,331
Mitigation	-	-	-	-
Reduce net income	3,033	10,073	11,588	21,331
Diluted Equity Weighted Average	493	500	504	510
Adjusted earnings per share excluding exceptional items	5	20	23	42
Dividends - Major Common Stock	-	-	-	-
Diluted normalization of earnings per share	5	20	23	62

Millions of USD except for per share information*

If we do a simple financial analysis on Amazon's income statement, we will realize that revenue growth is 20% in 2019 and 38% in 2020, while the explosive growth in income is 17% in 2019 and 84% in 2020, translates into an increase

in Return on Sales amounted to 6% in 2020 compared to 4% in 2019. Do not forget that the global COVID-19 crisis has positively affected Amazon sales as a result of quarantine conditions and the increase in online purchases.

	2019	2020
Growth In Revenue	20%	38%
Growth in Net Income	17%	84%
Return on Sales	4%	6%

- **Balance Sheet** displays the company's total assets and how the assets are financed, either through either debt or equity. In contrast to the income statement, it is considered as a snapshot

for the company's financial position at a certain point in time, which is usually the end of a fiscal year. The balance sheet is based on the fundamental equation:
Assets = Liabilities + Equity.

Total Liabilities

Current Liabilities
+
Non-Current liabilities

Total Shareholders Equity

Share Capital
+
Retained Earnings

Total Assets

Current Assets + Non-Current Assets

A great example of a balance sheet is the one issued by Amazon in 2020:

Year Ends	2017 31/12	2018 31/12	2019 31/12	2020 31/12
Total current assets	60,197	75,101	96,334	132,733
Cash and short term investments	30,986	41,250	55,021	84,396
Cash	-	-	-	-
Cash and cash equivalents	20,522	31,750	36,092	42,122
Short term investments	10,464	9,500	18,929	42,274
Total receivables, net	13,164	16,677	20,540	24,309
Accounts receivable - trade, net	13,164	16,677	20,540	24,309
Total Inventory	16,047	17,174	20,497	23,795
Prepaid expenses	-	-	-	-
Other current assets, total	-	-	276	233
Total assets	131,310	162,648	225,248	321,195
Real estate and equipment - net	48,866	61,797	97,846	150,667
Real Estate and Equipment - Total	68,573	95,770	144,821	211,101
Deduction of accumulated depreciation, total	(19,707)	(33,973)	(46,975)	(60,434)
Goodwill, net	13,350	14,548	14,754	15,017
Intangible assets, net	3,371	4,110	4,049	4,981
Long term investments	415	518	679	3,200
Bonds - long term	-	-	-	-
Other long-term assets, Total	5,111	6,574	11,586	14,597
Other assets, total	-	-	-	-
Total current liabilities	57,883	68,391	87,812	126,385
Accounts Payables	34,616	38,192	47,183	72,539
Dues	-	-	-	-
Short term investments	11,949	4,161	31,132	42,983
Short term debt	-	-	-	-
Capital lease contracts	6,221	9,502	1,307	1,155
Other current assets, total	5,097	6,536	8,190	9,708
Total Liabilities	103,601	119,099	163,188	227,791
Total long-term debt	37,926	39,787	40,509	49,876
Long-term debt	24,743	23,495	23,414	31,816
Capital leasing commitments	13,183	16,292	17,095	18,060
Deferred income taxes	990	1,490	-	-
Non-controlling share	-	-	-	-
Other assets, total	6,802	9,431	34,867	51,530
Total Shareholders Equity	27,709	43,549	62,060	93,404
Preferred shares redeemable, total	-	-	-	-
Preferred stock is non-redeemable, total	-	-	-	-
Common stock, total	5	5	5	5
Additional paid up capital	21,389	26,791	33,658	42,865
Retained earnings	8,636	19,625	31,220	52,551
Treasury Shares - General	(1,837)	(1,837)	(1,837)	(1,837)
ESOP - Debt Guarantee	-	-	-	-
Unrealized profit (loss)	(16)	-	-	-
Other stocks, total	(468)	(1,035)	(986)	(180)
Total Liabilities and Shareholders Equity	131,310	162,648	225,248	321,195
Total outstanding ordinary shares	484	491	498	503
Total preferred stock outstanding	-	-	-	-

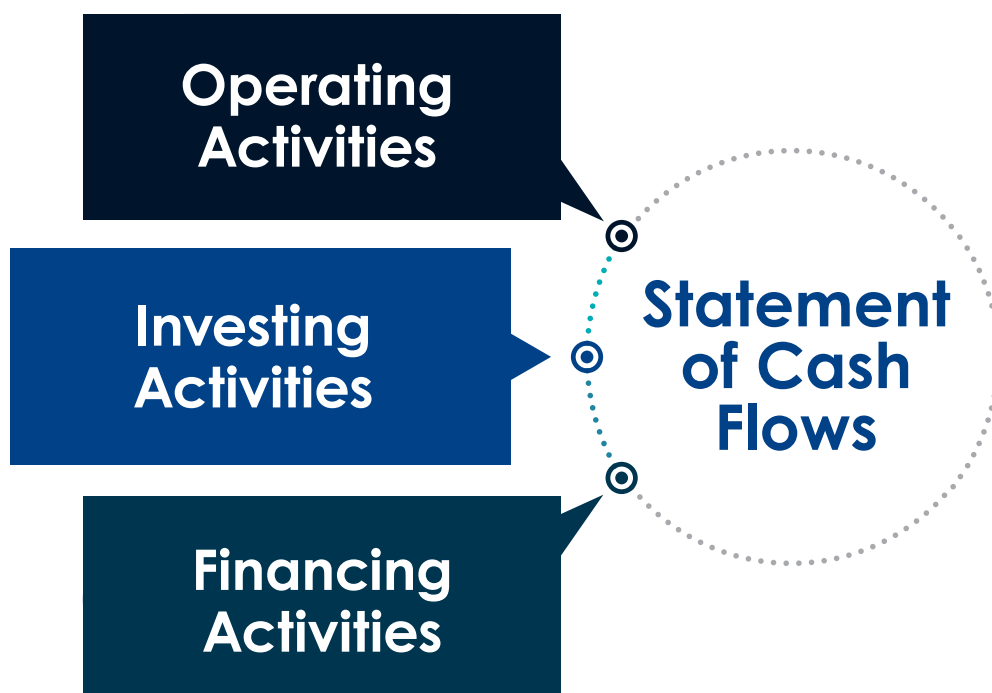
Millions of USD except for per share information*

If we perform a simple financial analysis on Amazon's annual Balance sheet, we will notice a growth of 38% for total current assets and 43% for total fixed assets, and linking this with the profit growth achieved by the company, it is clear that 2020 was a good year for Amazon and used it to continue investing in its operating assets and expand its business.

- **Cash flow statement** reports the cash generated and spent during a specific period of time (e.g., a month, quarter, or year). The statement of cash flows acts as a bridge between the income statement and balance sheet by showing how money moved

in and out of the business. It includes Three Sections:

- **Operating Activities:** The primary revenue-generating activities of an organization and other activities that are not investing or financing; any cash flows from current assets and current liabilities.
- **Investing Activities:** Any cash flows from the acquisition and disposal of long-term assets and other investments not included in cash equivalents
- **Financing Activities:** Any cash flows that result in changes in the size and composition of the contributed equity capital or borrowings of the entity (i.e., bonds, stock, dividends)



A great example of a Cash flow statement is the one issued by Amazon in 2020:

Year Ends	2017 31/12	2018 31/12	2019 31/12	2020 31/12
Net revenue / profit before tax	3,033	10,073	11,588	21,331
Cashflow from operational activities	18,365	30,723	38,514	66,064
Depreciation	11,478	15,341	21,789	25,251
Depreciation - Total	-	-	-	-
Deferred taxes	(29)	441	796	(554)
Non-monetary items	4,125	5,911	6,779	6,555
Cash receipts	-	-	-	-
Cash payments	-	-	-	-
Taxes Paid in cash	957	1,184	(881)	1,713
Interest paid in cash	328	854	875	916
Changes in working capital	(242)	(1,043)	(2,438)	13,481
Cashflow from investment activities	(27,084)	(12,369)	(24,281)	(59,611)
Capital expenditures	(11,955)	(13,427)	(16,861)	(40,140)
Other items of cash flow invested, total	(15,129)	1,058	(7,420)	(19,471)
Cashflow from financing activities	9,928	(7,686)	(10,066)	(1,104)
Financing cash flow components	-	-	-	-
Total cash dividend payments	-	-	-	-
Issuance (retirement) of shares, net	-	-	-	-
Issuance (retirement) of debt, net	9,928	(7,686)	(10,066)	(1,104)
Foreign exchange effects	713	(351)	70	618
Net cash change	1,922	10,317	4,237	5,967
Opening cash balance	18,600	21,433	31,855	-
Closing cash balance	20,522	31,750	36,092	-
free cashflow	6,410	17,296	21,653	-
Free cashflow growth	-	-	-	-
Free cashflow return	-	-	-	-

Millions of USD except for per share information*

If we perform a simple financial analysis on Amazon's cash flow statement, we will notice a slight growth in the net cash balance despite the 84% growth in operating

activities' liquidity in 2020, due to Amazon's aggressive investment strategy as capital investments increased by 138%.

Purchasing management

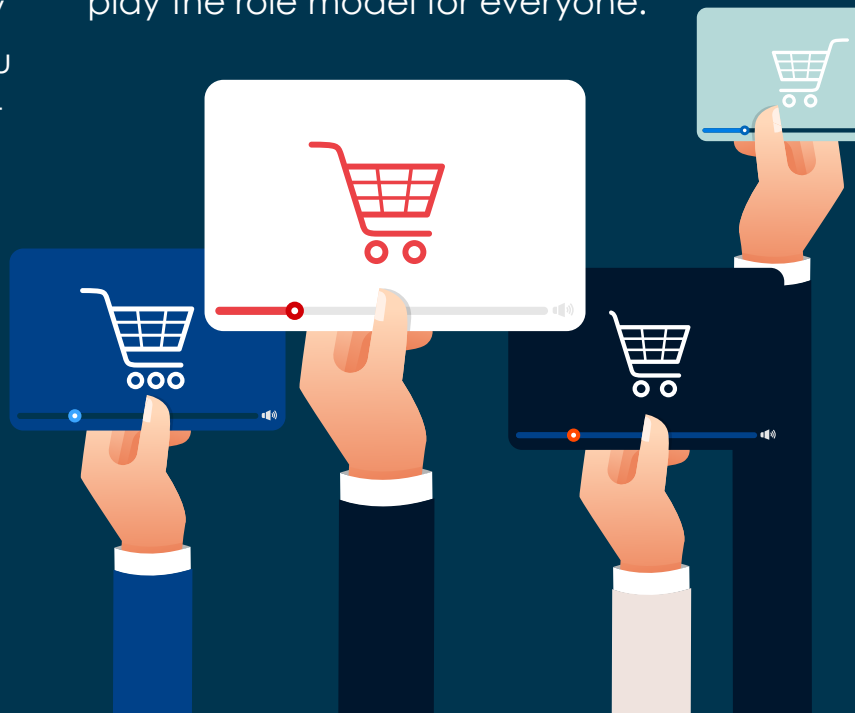
When you are a small company, purchasing activity is performed by very few employees and as an owner you are probably aware of every purchase. However, as the company grows from a few employees to a large number of employees or to multiple locations, this approach doesn't work and it will cause lots of ambiguity and even unethical behaviors.

Therefore, having a purchasing policy from the beginning allows you to set a standard set of guidelines among big number of employees or across different locations. As you scale the operations, you can update the purchasing policy to accommodate any specific requirements. Also, by setting up a purchasing policy, you are letting employees know about the role of purchasing and how to engage with purchasing.

Purchasing policy is not just for your employees but it also provides standard guidelines for your suppliers on how to engage

with your company. If there is no purchasing policy, there are no guidelines for your suppliers, hence, it is not clear for them what is acceptable and what is not.

Now in order to set a purchasing policy, please refer to Appendix I at the end of this toolkit. You could consult with your accountant to amend this template according to your company's requirements. Then share the first version of the policy with your employees who are involved in purchasing, and conduct a meeting to discuss it. Listen carefully to their input and amend the policy as suitable then share the final version with your employees to start purchasing accordingly. To have an effective purchasing process, it is very crucial that you as an owner or general manager stick to this policy and play the role model for everyone.





Budgeting

Based on the concept of limited resources, it is common for companies to create budgets to allocate their incomes or capital efficiently. It is a planning tool that helps you execute your long term strategic plan by forecasting annual revenues and expenses, which eases the planning for future expenses and the efficient allocation of resources for a certain period.

The budgeting process should be preceded by having a long term strategic plan and establishing annual SMART Goals. Then, a set of assumptions, including the economic outlook, industry trend, sales trend, relationship with

suppliers and distributors, should be reviewed. Based on these assumptions, sales budgets can be developed, which allows the company to forecast its future cash flows. Combining the information of future cash flows, historical expenses, assumptions of future trends, and business strategies, companies can budget their expenses.

If a company realizes that it will not be able to cover its expenses with future cash flows, it might need to consider borrowing and budget the interest expenses or increase its capital by having new partners.

Let's have an example of the steps that you go through to turn your strategic plan into budget and targets:

1. One of your long term goals that are stated in your strategic 5-year plan is to achieve a 10% market share.
2. This should be translated into annual SMART goal to increase your sales by 20% in the first year of executing the strategic plan.
3. The tactics that your team agreed to apply in order to achieve such goal is to execute a promotion and marketing campaign, study competitors' prices, and source new suppliers.
4. Those tactics should be communicated with Finance department to be translated into budgets as:
 - A. promotion and marketing campaign will increase your fixed cost
 - B. study competitors' prices will affect your pricing strategy and quantities, which will be reflected in sales and inventory budget
 - C. source new suppliers would affect your direct cost budget especially if you managed to get more competitive prices for raw materials.
5. You have to set from the beginning how are you going to measure the success or failure of your tactics to determine the achievement of your annual goal. So in this case, your measures could be:
 - A. % increase in sales
 - B. No. of new customers
 - C. Average spending per customer
6. Finally, along with your team you should set targets that you aim to reach by the end of a certain period. The targets should be quantifiable and time-based, such as:
 - A. 12% increase in sales
 - B. No. of new customers: XXX person
 - C. Average spending per customer: \$ YYY



Competitive Bidding

This section provides guidelines for a company to submit its own competitive offer to a government, UN agency, or International NGO's bids. The company should always understand the requirements and documents needed to be a successful candidate. First of all, the following terms should be comprehended as they are commonly used:

- Request for Quotation (RFQ)

An RFQ is an informal invitation to submit a quotation, usually associated with requirements having an estimated procurement value of under \$25,000. Prices,

technical specification, statement of commitment to certain conditions, and other commercial terms are requested and award is made to the lowest priced technically acceptable offer.

- Request for Proposal (RFP)

An RFP is a formal request to submit a proposal, usually associated with requirements for services, which cannot be clearly or concisely defined, with an estimated procurement value of over \$25,000. Price is one of several factors comprising the evaluation criteria. Award is made to the qualified bidder whose bid substantially conforms to the requirement set forth on the solicitation documents and is evaluated to be the lowest cost.

- Invitation to Bid (ITB)

An ITB is a formal invitation to submit a bid, usually associated with requirements that are clearly and concisely defined and a specific deadline for delivery is determined, when an estimated procurement value of over \$25,000. Normally price is the sole determinant in making an award. Where all technical criteria are met, award is made to the lowest bidder.

- Public Openings

The Procurement Division conducts formal openings of sealed bids and proposals, and companies having submitted offers may send representatives to attend these openings in client's offices. In public openings of BIDS, prices, terms and conditions offered are read aloud. Only proposals who meet the terms and conditions are accepted to the next round, where technical offers are studied carefully. After passing all technical checks, qualified suppliers move to the final stage where prices and deadline of delivery are compared.

Usually the following documents are required when submitting a bid or proposal:

- An updated commercial registration
- Membership certificate in a relevant chamber or syndicate
- Audited financial reports for the past three years
- Company overview
- Company Bank account information
- Organization chart and team CV's
- Previous projects or awarded tenders
- Recommendation letters by other clients
- Letter of commitment, signed and stamped
- Security Bond
- Technical offer
- Timetable
- Financial offer and terms

Therefore, the company should always have those documents updated and accessible to employees in charge. A previous registration or pre-qualification as a supplier might also be required in order to be invited to a bid. It is highly recommended that the company starts submitting RFQ's which usually have easy terms in order to accumulate an accredited

history before moving towards other types. Also, a careful review of legal and payment terms should be conducted, as in most cases a performance bond is required, and 10% of the contract value is locked for one year. Keep in mind that punctuality in deadlines and

delivery of milestones is a key factor in acquiring future bids. In addition, documentation of all correspondences and submittals whether electronic or printed will reduce a lots of hassle with the client.



The Entrepreneurship Journey

As an entrepreneur, your business would pass through four stages before becoming a corporation. In each stage, financial management has a critical role in the success and sustainability of the business to move forward towards the next stage.

Pre Startup Stage:

In this stage an entrepreneur should research the market and assess the potential demand for product or service by developing a Business Model Canvas. Each business should also produce a business plan incorporating financial forecasts and investment requirements.

Startup Stage:

During the startup phase, an entrepreneur spends time meeting people, forming the founding team, coming up with new ways to sell products or services and consistently implementing new ideas. At this point, the business won't have many processes and should be adjusting business model to understand the value proposition. Although it's an exciting time, it's where most Startups fail as employees are wearing many hats and being underpaid. If that lasts for long, they would leave for a better opportunity. Also, cash expenses are accumulating while not enough revenue is earned yet. In this stage, it is hard for the entrepreneur to hire an accountant, therefore s/he should record all

financial transactions on a simple excel sheet using cash basis methodology (Received – Paid).

Small Business:

In this stage, business hardens its position in the marketplace and turn focus internally towards team building and recruiting higher-level people to run the operations. An entrepreneur spends time on activities that help the company grow and identify what barriers could inhibit such growth. Investment in employees is crucial to push them to take more ownership of both internal processes and client relationships.

A Small Business phase will require official registration and further investment either through investors or debt. With investors, you give up equity and gain advisors. With debt, you retain all your equity but will likely have to sign personal guarantees with banks to secure funding.

In this stage, the entrepreneur must employ an accountant either full time or part time and use an accounting software that is suitable

to the operations of the company. It could be an online accounting app such as [Wave](#) or [FreshBooks](#) or it could be desktop app such as [Omega](#) and [Oracle Financials](#). Also there are apps that support Arabic speakers such as [Al Ameen](#), [Medad ERP](#), [Daftra](#), [manager.io](#), and [Qoyod](#). There are many options in the market, therefore, the entrepreneur must consult a financial expert, understand the functionality of the software, how it fits the requirements of the business, try the software for some time, and explore the possibility of adding future components such as Payroll, procurement, and inventory.

Medium Business:

Now the business has a brand recognition, solid management team, clear policies and processes,

operations are relatively smooth and people don't feel burned out anymore. Revenue is steady and predictable and the company understands its competitive advantage. Now the company is ready to expand to new markets or new products, but this should be preceded by establishing an accounting department with 3-5 personals while increasing the financial digitalization of the operations by adding procurement, Payroll and inventory management components to the already installed or used accounting software. If the software does not meet the expansion needs and digitalization requirements, this would be the best time to invest in a new accounting software and train employees to use it.

Your Checklist

Pre Startup Stage

Have you spoken to a qualified professional business advisor when developing your business and financial forecasts?



Have you developed a business plan and financial forecasts?



Do you understand the Business Model and could define the value proposition clearly?



Have you developed a marketing and product development plan?



Have you attended an Entrepreneurship support program?



Startup Stage

Have you developed an HR and management plan? (organisationnel chart, mission, vision, values, etc.)



How do you manage your day-to-day cash flow? (Paper recording, digital recording, accounting software, financial policy, etc.)



Have you reviewed your business plan and updated it?



How do you monitor performance? Have you set SMART Goals for the company and objectives for each department/product/service?



Has your value proposition changed? How?



Have you reviewed your BMC and adjusted it?



Small Business

do you have a person responsible for chasing customer payments?



Does your business plan and financial forecasts reflect the next phase of company growth?



Does your company publish annual financial statements?



Have you established a procedure for dealing with late payments from customers?



Do you compare your budget with reported performance?



Do you have a system of budgeting sales and expenses?



Is accessing finance possible for you?



Does the business have enough finance to meet its needs?



Medium Business

Does the management regularly review the risks the business faces?



Is your finance team managed by a professionally qualified accountant?



Do you have a procurement policy?



Are monthly management accounts produced in time to be useful in assessing the performance of the business?



Does the company have a positive or negative cashflow?



Does the company have enough human resources to handle the operations of the business?



Is your company capable of providing new services or developing new products?



Could you expand to other markets?



Does the business have enough finance to meet its expansion needs?





Digitalizing your Finances

One of the most challenging milestones that any small business faces is expansion towards a medium size company. This step is very critical and requires lots of business analysis and strategy formulation, which relies on information driven from the company's financial data.

Hence, the first step towards conquering such milestone is the digital recording and reporting of financial transactions. In this toolkit, we will elaborate on two cloud accounting systems designed to serve Small businesses, which is a good starting point for improving

the financial management capacity of the team. Nevertheless, we still emphasize that with growing needs of the business, it is evident to hire an accountant and a more sophisticated accounting system must be utilized.

WAVE App:  **wave**

Wave is one of the most popular free accounting software apps out there. Wave offers an impressive feature set, especially for a free accounting program, with thoughtful automations to save your business time. With Wave, you'll find strong invoicing, traditional bookkeeping features, expense tracking, and even tax support.

Small businesses will find all the features they need to perform

without an accountant for basic bookkeeping, including:

- A customizable chart of accounts
- Bank reconciliation
- Journal entries
- A profit & loss report
- A balance sheet
- A cash flow report

Wave offers both accrual and cash-basis accounting, which is a very important option for small businesses who are still operating in the shadow market. It also offers unlimited invoices and a large number of time-saving invoice automations including:

- Recurring invoices
- Invoice scheduling
- Automatic time zone calculations for invoice scheduling
- Automatic invoice reminders for late-paying customers
- Invoice status tracking
- Estimate to invoice conversion

Wave helps small business owners track their expenses, which is an important part of managing business finances. To track your

expenses in Wave, you can connect to your bank account, import bank statements, or manually add expenses. Also, a basic CRM feature is available by adding contact information, such as name, billing address, shipping address, phone number, etc.

The inventory recording in Wave is too simple and is not enough for stock management. This is why Wave is recommended for companies who sell services rather than products. Wave offers 12 different reports to help you manage your company's finances and operations. They cover everything from accounting to sales to taxes which is a critical feature that enables you to conduct a comprehensive business analysis.

LitePOS: 

LitePOS provides small businesses with all the necessary features that concern management of invoices, stock, inventory, shops, item movement and more. An array of reports, accounts management, multi-orders processing, and other features ensure that all changes are tracked and synched on one

cloud system. LitePOS integrates various payment methods to satisfy all clients. Cash, debt, vouchers, discounts, and gift cards options are available and functional.

The Point of Sale interface is unique to its users as they could customize it and create custom product categories, add items with their relevant information and images, rearrange them, and pin the most important ones to the POS dashboard for quick access.

LitePOS connects all the branches of one company into one centralized management system that effectively achieves seamless operation between the different locations and tracks changes as they happen in any shop.

LitePOS contains multiple invoice types: sales, trade, return, purchase, move, as well as input and output invoices, to ensure that all types of commercial transactions accounted for and covered in the dashboard.

LitePOS offers Custom client lists, account tracking and loyalty system levels as it focuses on building the bond between the client and business. With this feature, the user is able to categorize customers as regular or VIP. In order to build a long-term profitable relationship, the user could launch a point system, issue gift cards and special vouchers.

Behavioral Reports are becoming essential for any SME to understand and track patterns. LitePOS assists its user in doing so by collecting purchase habits and analyzing the connected shops' data. It determines the items the customers are most interested in, their favorite purchases, payment methods, account balance, rewards, debt, and all the other details that allows the Business Owner to manage their business efficiently and achieve growth and sustainability.

	Wave	LitePOS
Software Type	Cloud System	Cloud System
Language	English Only	English & Arabic
Offer	Free Features	Trial period
Type of Sales	Services	Products
Size	5-10 Employees	1-10 Employees
Cost	Free for basic features	Requires monthly subscription
CRM feature	Basic	Advanced
Reports	12 Reports	25 Reports
Suitable for	Marketing Agencies Tech Startups Consulting Firms	Supermarket Wholesale and Retail Restaurants Electronics and Appliances

Appendix I

Purchasing template for

[Company Name]

Status: Draft

Created on: {Date}

Policy Owner: {Name of the policy owner}

1.The objective of Purchasing Policy

The role of the purchasing policy is to define standard methods and procedures for the Company XXX to purchase products and services from different vendors.

This policy covers all purchases for the company including items like raw materials, maintenance, equipment, etc. Nonvendor payments are defined as exceptions in the policy and proper procedures are defined to manage these payments.

Compliance with this policy is mandatory for all employees. Noncompliance with this policy could lead to action including termination of employment. The purchasing department is responsible for maintaining and implementing the processes defined in this policy.

2.Role of Purchasing Department

The role of the purchasing department is to help the company XXX gets the best value for the product and services we purchase, reduce cost, reduce supply risk, and enabling stakeholders to reach their business goals.

The Purchasing department is responsible for running the vendor selection process by working with different stakeholders. The purchasing department would be the main point of contact for the suppliers during the vendor evaluation and selection process.

Purchasing will coordinate the activities, schedule, and scoring of the vendor responses by working with both internal and external stakeholders

3. Vendor setup and onboarding process

All new vendors should be vetted by the purchasing department to ensure that they meet various predefined criteria for vendor selection.

If required, an evaluation should be conducted by inviting multiple vendors to bid and then selecting the best value match vendor for the company.

Please note that this process is applicable to standard vendors. There are exceptions that would not be vetted by the purchasing department. Those exceptions include:

1. Taxes
2. Interest and bank payments
3. Government payments.

All vendor setup requests should be sent to the Accounting department with supporting documents such as Purchase Request, Quotation,

Technical Specifications, etc. All requests must be approved by the immediate manager and the approval should be attached to the vendor setup request.

The Purchasing and Accounting departments conduct an annual evaluation of the performance of approved suppliers according to the following criteria, and those with a low rating should be removed:

- Quality of product/service
- Prices and Payment Facilities
- Delivery time
- Reputation
- Warranty and technical support

4. Contract signing Authority

The contract signing authority is defined based on the Total Contract Value of the contract being signed. Following is the list of people who can sign the client contract and their approval authority based on the Total Contract Value.

Title	Signing Authority limit (\$)
Direct Manager	Up to \$5,000
Purchasing Director	Up to \$25,000
CFO	Up to \$50,000
CEO	Greater than \$50,000

Note: those are hypothetical numbers and could be amended according to size of operations

5. Purchasing authority levels

Purchasing authority levels specify what amount is authorized at what level of the organization before the payment can be made to the supplier. This is applicable to both purchase orders and other expenses / Invoice payments (without a purchase order).

All purchases must be approved at the appropriate level based on the total amount of the requisition. The following matrix provides authorization limits based on job titles.

6. Delegation of authority

Delegation of authority section provides guidelines on how an approver can delegate their approval authority levels to someone else.

A delegation of authority can be temporary – for example, you are going on vacation, or it could be a permanent delegation of authority, for example, an executive permanently delegates the approval authority to purchase a certain material or dealing with specific vendor to the direct manager.

Title	Approval limit (\$)	Method
Manager	Up to \$5,000	One quotation
Sr. Manager	Up to \$10,000	Three quotations
Director	Up to \$25,000	Three quotations
CFO	Up to \$50,000	Request for Proposal Or Invitation to Bid
CEO	Greater than \$50,000	Public Openings

{Define your delegation process and how your employees can submit a delegation request and to whom.}

7. Purchasing process and accepted norms

Requisition process

To purchase a product or service, an employee need to submit a requisition to senior management. A requisition can be submitted using an online purchasing system, an email, or a printed form.

Approval process

Each requisition must be approved or rejected as per the purchasing authority levels defined in Section 5 based on estimated cost and execution period.

Purchase order process

After the review, the purchasing team will send the purchase order to the vendor using the appropriate communication channel.

8. Invoicing process and guidelines

This section outlines the process which the vendors need to follow to submit the invoices. The same is applicable to internal users too, in case they need to submit a request for payments or other invoices where a purchase order is not applicable.

In general, there are three approaches to submit invoices:

1. Send it to an email box. Having a simple email makes it easy for everyone to remember the email address. When your employees are communicating with your vendors, they can ask them to send the invoices to this email address.
2. If you have an e-invoicing solution, then you want to encourage your vendors to use the e-invoicing solution to submit the invoices. There are many benefits

of e-invoicing, some of which we have covered in different procure to pay use cases.

3. The vendor might prefer to deliver it as printed copy. If you have a digital accounting system, then scan the invoice before archiving it properly.

The invoice templet should include the following information:

- Supplier Name
- Client Name
- Date
- Description of goods or services
- Quantity
- Price per unit
- Total Amount
- Signature
- Stamp