

# Accounting Material Guide

Welcome to Accounting Agency Mesiperä!

This guide is meant for both new and old clients, and it explains the basics of financial administration and cooperation with your accountant. The focus is on accounting materials, showing what you need to provide to your accountant. At the beginning of the document, we will also quickly go through what services an accounting agency offers.

An accounting agency is a professional partner for your business that can provide you with much more than just bookkeeping or accounting – taxation, payroll, management accounting and practical advice on running a business are all services we offer. Even though each business is ultimately responsible for its own finances, you can always be in touch with us if you have questions or would like a professional opinion.

This guide tries to take into account both legal requirements as well as practicalities. It is impossible to show all special cases here, and in unclear situations it is always a good idea to contact your accountant. The language used here is for laymen, and not always terminologically exact. The guide has been written with the use of the Fennoa software in mind but can be applied to other software too.

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## Accounting services – what are they?

The main service of an accounting agency is producing **accounts** according to legal standards. All businesses and associations are required to keep accounts, and this task is often outsourced to accounting agencies due to the specialist skills that are needed.

Accounts are prepared for a **fiscal year**. A fiscal year is normally a period of 12 months, for which a **profit and loss statement** is prepared, as well as a **balance sheet** for the final day of the fiscal year. A **financial statement** combining these two documents as well as notes is prepared after the end of the fiscal year.

A financial statement finalises the accounts of the fiscal year; the next fiscal year picks up from the previous financial statement to a penny. A financial statement is the most important financial document a company prepares, and in the case of limited liability companies, it is also public.

Based on accounts, **tax returns** are made. The most common types are **value-added tax- or VAT-returns** as well as yearly **(business) income** tax returns.

VAT is usually reported monthly, but small businesses (revenue under 100 000€ per year) can report it quarterly, and very small businesses (revenue under 30 000€ per year) once a year. VAT needs to be filed and paid by the 12<sup>th</sup> of the second month after the end of each reporting period.

For example, VAT for May by the 12<sup>th</sup> of July, and VAT for December by the 12<sup>th</sup> of February, or VAT for January–March by the 12<sup>th</sup> of May. For yearly reporting, the deadline is by the 28<sup>th</sup> of February.

The VAT cycle sets a minimum for how often accounts must be made. Small businesses can do with quarterly accounting, though this is not always in their best interest.

**Payroll** forms a part of the accounts. Finland has a rather complicated system of calculating and registering salaries, which have major effect on the taxation of recipients. All salaries are registered to the national Incomes Register, usually within 5 days of payment.

**Corporate services** is a broad category encompassing legal advice on corporate issues or the filing of different forms. These can often be specialist services, and for more complicated cases, it is better to use an expert from a law firm. A large portion of needs are however quite simple, and an accounting agency is well equipped to deal with these. Examples of such cases are changes in the corporate type of a business, founding a business or preparing the documentation for a sale of business.

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**Management accounting** or **controller services** are for example cash flow projections, investment calculations, budgeting, or profitability calculations. These are meant for internal company use to help with decision making, and often also for use of investors or creditors.

**General advice and consulting** can be a part and parcel of other work, but an accounting agency can also act as an outside expert when acquiring an ERP- or PSA-system, or when you want to know in advance the tax effects of a new business line or product.

As always, it is easier and cheaper to ask and research in advance, than to fix things afterwards.

## Accounting and vouchers

### What is a voucher?

Accounting is about entering and compiling business transactions according to a standard, and all these transactions require a **voucher** that supports them. A voucher is often understood to be the same thing as a **receipt** or **invoice**, but the concept is wider, and includes inventory reports, account statements, depreciation calculations and more.

A voucher can be on paper, as a PDF-, image- or other file, it can be composed of one or several parts, and it can originate from an outside part or be made by the business keeping books. The crux is for the voucher to have all legally mandated information, as well as everything needed to ascertain the correct accounting and tax treatment.

### What requires a voucher?

Your accountant needs a voucher for all business transactions to produce accounts. If unsure, it is better to err on the safe side and to provide too much material at the start. Your accountant will tell you if something can then be left out.

A voucher doesn't always mean that money moves around. For example, a business mortgage instrument is needed for the financial statement.

A voucher always describes a real-life event. A voucher that does not match facts cannot be used for accounting.

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### When to provide vouchers?

Accounting can be done on an accrual, invoice, or cash basis. These are often all used to some extent, but **accrual basis** is always allowed and proper regarding accounting and tax legislation. It also gives the best profitability data.

Accrual basis means that a sale or purchase is entered into accounts when the item or service sold is delivered to the client. An invoice that came in February, for which a lawyer invoices for work done and delivered in January, but that is paid in March, will be entered for January on an accrual basis.

This means that it is **never too early** to provide accounting material.

### How to send materials to the accountant?

In **digital accounting** most of the material is already accessible to the accountant. Purchase invoices arrive as e-invoices into the financial administration software, or they pass through a scanning service. Sales invoices are prepared in the sales modules, and bank statements arrive through a bank feed.

Some vouchers, such as sales reports from web stores, are delivered to the Inbox of the accounting software. Cash- or card receipts can be scanned and sent to the same folder, directly added as "Receipt" objects, or delivered through use of the Fennoa app.

In **paper accounting** materials are delivered by post and archived in a binder. As a rule, we do not offer paper accounting.

### General guidelines on accounting materials:

- PDF- or image files at a good quality, pictures correctly rotated and multi-page items as one file.
- You may need assistance from your accountant to set up web commerce sales settings.
- Receipts coming by email can pose some issues. If the receipt is already as a PDF, try to have the receipt email sent to the Fennoa document delivery email address. If the service doesn't accept a separate invoicing email address, forward those emails manually, or set up an automatic forwarding rule in your email client.

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- If the receipt is in the body of the email itself, take a PDF-print (choose “Print” and as printer “PDF-printer” or equivalent), and send the printout as a voucher.
- Generally, vouchers do not require additional explanations or classifications.
- However, if the connection to business activities is not obvious or there is room for ambiguity, an explanation can be added as a comment in Fennoa, or by writing by hand onto the receipt before taking a picture. This is important if the purchase is similar to private consumer purchases (meeting expenses, items used in households etc.)

**It is important to agree on a delivery plan for accounting material and to stick to that plan.**

Business activities also create materials and data that should be kept but do not need to be forwarded to your accountant. This can be e.g. detailed point of sale data, when the accounts are done by monthly reports, or this can be work time records. These often have their own archival requirements, please check appropriate legislation.

## Different voucher types and their requirements

### Sales vouchers

#### Sales invoices

The simplest sales voucher is an **invoice**. Your company has performed a service or sold an item, and for the client to pay you the right amount, an invoice is sent.

VAT legislation in particular places requirements on sales invoices. For invoice under 400€ and which are not international sales, the requirements are slightly lighter.

Below are some requirements and what they mean:

- **Invoice date**  
When the invoice has been sent to the client. This is the actual day when the invoice is sent out, and it does not depend on when goods were sold, or services performed. The due date is calculated from this.

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- **Identifier**

An invoice needs an identifier that can be used to single that specific invoice out. Usually this is a number series (“Invoice 548435”), but it can also contain letters. The identifier doesn’t need to be an exact series without lacuna. There can be several different identifier series in use (deposit invoice, client number + invoice number), or a new series can be begun each year with the four digits of the current year.

- **Seller’s VAT ID**

Not required in domestic sales, but your business ID needs to be on invoices.

- **Purchaser’s VAT ID, when there is reverse charge VAT or intra-community supply of goods.**

When selling to clients in other EU states at 0% VAT this is a requisite for the 0% rate.

- **Name and address of seller and purchaser**

Seller information should come automatically, and purchaser data from the client register. **Social security numbers of consumers should not be on invoices unless there is an express need.**

- **Amount and type of goods or services**

Just “consulting” or “item” is not enough; by looking at the invoice, an outside party should roughly understand what was sold. For example, “Accounting services 03/2021” or “Washer, Kärcher, 10 pcs.”.

- **Delivery date, supply date or date of advance payment**

This can be on an item row (client session on 4.3) or on a separate field.

- **Basis of VAT per rate, price without VAT as well as discounts or credits, if they are not included in the unit price.**

For more detail please see the tax administration [guide](#).

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## Sales reports

If sales are not conducted through individual invoice, instead being done by a cash register or through a web store, a sales report is needed for each period, usually a month.

It is a great idea to check up in advance with your accountant that the system collects all necessary data and produces usable reports.

This is especially important if you are selling internationally. You need to be able to discern sales of goods and services to businesses and consumers, and often the country where the client is located.

Sales reports need to contain information on the VAT treatment of different sales, as well as what kind of receivables there are (cash, credit card receivables, other).

Along with the sales report there is also usually a **payout report** from the transaction processor, e.g. Stripe. The payout report will show how much money has moved, what fees have been deducted, and what money has been sent to your business.

**Example:** From the sales report of a restaurant, we can see that there have been sales of 10 000€ + 1400€ VAT. Of this, 2000€ has been cash, 7900€ credit card and the remaining 1500€ lunch voucher sales. Your cash book should show 2000€ of cash deposits, the payout report 7900€ of incoming money, with provision e.g. 340€, and that 7560€ has been sent your way, which will show on you bank account. The lunch voucher payout report or bank account will then show the monies from the vouchers.

## Permanent invoices

Permanent invoices are typically rental agreements, where the client will pay a set monthly fee based on the contract.

Another typical permanent invoice is an upkeep invoice from a housing company, where a separate invoice is not sent for each month.

A permanent invoice is only needed for the first period or payment, and a new one doesn't need to be delivered each month. If the contents change however, an updated copy is needed.

An interest-bearing loan agreement is also a permanent invoice in a sense – accrued interest income can be entered based on it, even if they haven't yet been paid.

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### Tips for sales invoices:

- Ask your accountant and find out the correct VAT treatment for your products or services. Most sales are at VAT 24%. Food and drink are at 14%, and some (mostly transportation and culture) services are at 10%.
- Intra-community supply of goods, international sales of services and exports are at so-called VAT0%. Purchase VAT can be deducted for these, as opposed to non-VAT sales falling outside the scope of VAT law.

When goods are transported from Finland to other EU-countries or outside the EU, it is good practice to attach proof of transportation to accounts.

- Non-VAT sales are for example lease and sale of real estate, interest and payment reminders, as well as medical or social services.
- If you work in construction or with used goods, their VAT will involve some special rules.
- It is always good to consider whether it is worth it to take marginal payments methods or sales channels into use. Each channel or portal increases your administrative burden.
- If you work with commission or brokerage services, make sure you understand how your business works with VAT.

### Purchase invoices and receipts

#### Purchase invoices

One business' sales invoice is another's purchase invoice. The rules are thus very much the same as with sales invoices. The invoice needs to show who was selling, what was bought, when was it bought and what the price was.

The formal requirements for purchase invoices are lighter than for sales invoices. Missing general info does not usually make the invoice unusable.

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It pays to be careful with purchase invoices when it comes to **VAT**. Purchase VAT is not deductible, if the purchase invoice does not explicitly state how much VAT it contains. Often payment reminders do not have this information, so the VAT in the original invoice becomes an expense. Sometimes brokerage services or financing companies send out invoices lacking these details.

#### Permanent purchase invoices

Rental agreements, housing upkeep invoices or other such purchase invoices, where the same sum is paid each month according to a contract. The first invoice is enough, and a new one if the details change. This does not apply to services billed monthly, where there is no actual yearly contract. Please send separate receipts for e.g. SaaS purchases.

#### Receipts

When buying with cash, debit card, credit card or by e-payment, you get a receipt. A receipt needs to state what was bought, and sometimes an email needs to be printed out as a PDF.

#### Credit card invoices

A credit card invoice from a bank or a finance company is needed as accounting material for interest and handling fees, but in addition all individual credit card purchase receipts are needed.

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**Tip for purchase invoices:**

- Instead of a proper receipt, you will often be offered the following payment receipt in cafés:



Image 1: Card payment receipt

**This is not the receipt needed for accounting;** it doesn't state what was bought, nor does it have VAT information (so it becomes an expense).



Image 2: Proper accounting receipt

**This is the receipt for accounting;** it states what was bought and the VAT contained. Sometimes you will only get one receipt, which contains both a card payment receipt and a proper receipt.

- **When buying goods or services from abroad**, always mention, that you act as a business, and within the EU enter your VAT ID. The supplier should not invoice with VAT. Any foreign VAT is not deductible. This does not apply to services or goods bought while within a foreign country, such as accommodation, transportation, or food and drink; these will contain local VAT.
- If a purchase has been paid from the private funds of the entrepreneur or employees, it is either marked directly onto the receipt, added as a comment in the software, or an expense claim invoice is made with the receipt attached. **We recommend getting a payment card connected to the corporate account.** This mitigates the risk of forgetting to claim expenses, since the outgoing payment is visible on the bank statement.
- If the original receipt or invoice is lost, the preferred remedy is to ask the seller for a copy. If this is not possible and the sum is small, a memo voucher is made; a short, written description of what was bought, from whom, when and for what sum. In its simplest form this can be a short email message.

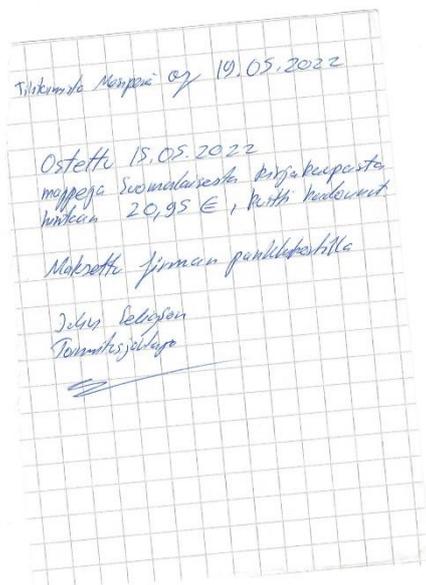


Image 3: Memo voucher [Translation: Tiltoimisto Mesiperä Oy, 19.05.2022 – Bought binders from Suomalainen Kirjakauppa on 15.05.2022 for 20,95€, receipt missing. Paid with company debit card. – Julius Seligson, CEO, <signature>]

**A self-prepared purchase memo is not a convenient substitute for the original document!**

- Purchases are not entered into accounts based on a self-prepared excel list. The aim of a purchase voucher is not to prove to the accountant how money has been spent, but to vouch for the business expense according to accounting and tax laws.
- If purchases are to be allocated to a project (e.g. ELY-centre development project), a note is added to the purchase.
- Try to use e-invoices and consolidated invoices. This is the easiest way to get lower accounting fees!

Representation expenses and other expenses which need notes

Most business purchases are deductible in income- and VAT-taxation.

The most common exceptions are **representation expenses**, sedan cars and real estate in use of personnel.

Representation expenses are (tax administration guide, in Finnish [ohje](#)):

*” Representation expenses are expenses of a hospitable or courteous nature, and which are for aimed for outside parties, such as clients or business acquaintances, and which are related to acquiring or retaining income that is taxed according to the Business Tax Act. Representation aims to further the conduct of business, for example by creating new business relationships or by bettering and maintaining existing relationships.”*

Representation expenses are always aimed to outside parties, they have a business purpose, and they have a “feel-good” nature. A representation expense can be for example a gift, a representation dinner, or an outing to a cultural event.

Representation expenses are not deductible for VAT, and only 50% deductible for income taxation.

Representation expenses should not be confused with normal marketing expenses, recreations expenses or meeting expenses.

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**Meeting expenses** are commonly for events within a business, and they are aimed to the personnel or close partners (auditors, acting officials etc.). Meeting expenses can also be small scale catering to clients, such as coffee with biscuits. These are wholly deductible, but there is a requirement for moderation.

**Recreation expenses** aim to better the well-being of the personnel. These are also subject to the requirement of moderation and being considered usual, as well as being fair and equal to all employees. The acceptability of recreation expenses is greatly affected by the size of the company. An entrepreneur couple taking a recreation trip to the Caribbean is best considered a private expense, meaning salary or private withdrawal.

Invoices and receipts, which contain entertainment, food, or drink, are best annotated with the following information, or a separate attachment can be added to the invoice:

- Participants.
- Nature and aim of the event.
- Place and time of the event.

The more expensive the event, the better the documentation. A coffee and bun for a client does not require an essay.

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Image 4: Meeting receipt [Translation: TTM Oy, Julius S. – Asiakas Oy Santeri Salolainen – Sale of business consultation]

## Account statements and cash books

### Bank or other account statements

When business funds are in a bank account or an account of a payment service provider (e.g. Holvi, Wise, PayPal), a periodical account statement is needed.

The statement will show an itemised list of incoming and outgoing transfers, as well as the balance at the beginning and end of the period, as well as the balance after each transfer.

Nowadays many financial administration suites can grab account statement directly from Finnish banks (Web Service), which means that no account statements need to be separately provided.

If a bank feed is not used, an account statement needs to be downloaded from the web bank and provided as a PDF- or HTML-file, or you need to scan paper account statements.

### Tips for account statements:

- If you provide statements manually and not via bank feed, make sure that you have chosen to have reference payments show up individually and not bundled up!

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- An account event list, where the balance after each event and the archival number of each event is not visible, is not as valid as a proper statement.
- Never use your personal bank account as your business bank account. It makes accounting harder, it's harmful to your privacy, and it cannot be considered good accounting practice.
- Usually, one bank account is enough for a business, unless 24/7 availability is critical. Exceptions: if you handle **client funds** in e.g. commission sales, or you conduct **fundraising**, always use separate accounts.
- Income or expenses are not usually entered directly from a bank statement, banking fees or interest fees notwithstanding.

### Cash book

If your business handles cash, a daily **cash book** must be kept. In summary, accounts need to contain data on what the cash balance was on each day.

#### Tips for cash books:

- It is good practice to deposit cash into a bank account as soon as possible, due to both security and tax risks.
- If your business does not use cash for its purchases, cash withdrawals from the bank are practically always considered salaries. It is not possible to keep a "phantom cash fund". The same principle applies, if you get cash from sales; it is best to deposit it or use for purchases. An unusually large and growing cash pile can be considered funds taken out from the company.

This obviously does not apply, if you are a private trader, since all funds on the business account are already yours, and you are free to take them out as cash. If you do want that cash is followed in accounting, this may require a certificate for the last day of the accounting period (cash is considered a business asset for private traders, unlike funds on a bank account).

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## Other vouchers

### Tax vouchers

Your accountant can get tax documents directly from MyTax, so you will not need to provide them on your own. If you do have tax activities outside of Finland, please however provide those documents.

### Customs vouchers

When goods are brought from outside the EU customs and fiscal territory (e.g. Norway, China, Åland Islands), it is called **importation**. Imported goods pass through customs, and they can be subject to tariffs. **Customs clearance decisions and other customs documents** are always needed for accounting, even if no tariffs are levied. The documents are used to calculate the self-assessed VAT for importation.

It is the responsibility of the importer (=your business) to acquire importation documents. **Demand** them from the freight forwarder.

### Corporate governance vouchers

It is good practice to provide copies of board meeting and general meeting minutes to your accountant, as well as other similar documents. All changes in shareholders, member of the board or other organs, as well as any changes in the activities or registrations of your business should be made known to your accountant.

### Financing vouchers

Provide loan agreements, guarantee agreements, collateral documentation, appraisal of property and other such documents to your accountant. Also provide all subsidy agreement documents, such as those provided by ELY-centres or Business Finland. They should be provided already at the start of any project.

### Inventory vouchers

You will need to account for your inventory at least for the last day of your fiscal year. It is a good idea to use digital software to keep track of your inventory, and then take out a report and reconcile it with physical stock. If more detailed profit information is wanted, inventory accounts can be made at the end of each month.

Along with the inventory of physical goods, investment reports or such are also needed.

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### Capitalisation and expense calculations

If your business produces goods, or wants to capitalise e.g. development expenses, calculations that show the acquisition cost are needed. If your business produces for examples clothes, it needs to have in place cost calculations procedures to figure out how much raw material costs and variable costs are allocated to each finished product. Cost accounting is a critical part of the operations of manufacturing companies.

### Salary vouchers

If you take care of payroll in a different software than the one where accounts are kept, you will need to provide a salary list and an accounting voucher.

### Travel invoices

Travel invoices are best made in the financial administration software or with specialised software. Travel expense claims have a lot of specific rules, but there are two main categories of travel expenses:

- Travel expenses paid against receipts. If an employee uses his or her personal funds to pay for representation meals and provides a receipt, this can be reimbursed with no tax effect and without any declaration. These expenses can be train- or flight tickets, taxi tickets or normal corporate purchases.
- Flat rate travel allowances, such as kilometre and per diem allowances. Even though these are tax free to the recipient, they are declared to the Incomes Register.

It is good practice to create travel invoices as you accumulate travels, and not all at once after time has passed. A travel invoice can be used to claim both flat rate allowances as well as direct reimbursements.

A private trader cannot pay proper kilometre or per diem allowances to him- or herself, but there is a similar system for travel tax credit. For it, you will need to keep a drive/travel log, which can be used to deduct flat rate travel fees in your business taxation.

If your business has vehicles, it is good practice to keep drive logs, to show that vehicles have been in business use. A private trader should also keep a drive log if a car is used for business purposes.

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## Payroll

### Starting payroll

If your business plans on hiring its first employee, it is a good idea to give your accountant notice. He or she will be able to help you get the proper insurances. While they are easy to get, the work accident insurance needs to be in force from the moment work starts.

Employment contracts are provided to your accountant, so that payroll systems can be built correctly from the start. If you use outside work time recording systems, make sure that you can get all the needed data out.

For normal employees, the following information is needed along with the employment contract:

- A tax card for salaries.
- Bank account and postal address of the employee.
- How the payslip will be delivered if it differs per employee.
- The TOL2008 employment classification, which affects the rate of the accident insurance fee.

### Vacation payroll

Inform your accountant of held vacations when you provide work time records, so that vacation calculations and -salaries can be held up to date. Your accountant will be happy to help you with vacation salary questions.

### Payroll in general

Salaries can be calculated on a regular basis. For example, salaries for the previous month paid by the 10<sup>th</sup> of the following month. In such a case, it's enough that your accountant has the general information on salaries, as well as salary period specific information, with period specific information meaning sick leaves, other leaves, and vacations.

Salaries can also be calculated on an ad-hoc basis, where you need to provide all needed information for each such case.

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### Entrepreneur salary

If salaries are paid to the entrepreneur, your accountant needs to know whether he or she is YEL-insured, and you need to provide a tax card as well as bank account and postal address information. No deductions besides the withholding are made from an entrepreneur salary.