Definition of proper Accounting

Proper accounting is defined in the Swiss Code of Obligations. It includes preparing an inventory, a full balance sheet and an income statement.

In Switzerland, the following companies and organisations are required to keep records and prepare accounts in accordance with the Swiss Code of Obligations (CO, Article 957 et seq.):

- **Entities with legal personality** (stock companies (AGs), limited liability companies (GmbHs), limited partnerships, cooperatives, associations and foundations)
- **Sole proprietorships and partnerships** (general and limited partnerships) that generated revenue of CHF 500,000 or more in the last financial year
- **Sole proprietorships and partnerships** with revenue of less than CHF 500,000 must as a minimum prepare simplified accounts, covering income, expenditure and assets only

The duty to keep records includes in particular a requirement to maintain an inventory (Article 958c para. 2 CO), a full balance sheet and an income statement complete with all receipts.

To understand exactly what is meant by this, we start by drawing a distinction between a general ledger and subledgers.
General Ledger

The general ledger is the set of accounts used to book business transactions on both the debit and credit side. Generally, this is the main book used for financial accounting.

Individual movements/transactions are always balanced through mirrored credit and debit entries. All transactions recorded in the general journal are posted to the individual accounts (also known as account sheets) named in the booking records.

The opening balances in the balance sheet at the start of each financial year are brought forward from the closing balances of the previous year (e.g. bank balance). At the end of the financial year, the profit and loss accounts are closed (or set to zero with a balancing entry), and the profit or loss is booked to the respective account. Individual business transactions are therefore duly accounted for by means of records booked to the general ledger.

Elements of the general ledger:
- Balance sheet
- Income statement
- Accounts (also individual accounts)
- Account sheets
- Journal

Subledgers

Subledgers are used to provide more detail on certain general ledger accounts. Commonly used subledgers:
- Accounts receivable subledger
- Accounts payable subledger
- Payroll accounting
- Inventory accounting
- Asset accounting

We need to look into the hotel company’s stock inventory. The client operates separate inventory accounting in the form of a subledger.