

A CPAs & Controllers Checklist for Closing Your Books at Year-End

Part One: Closing the Books at Year-End

If you ordinarily perform month-end closing activities you may have already completed the following tasks. Otherwise, please review this list before moving on to Part Two of "Closing Your Books at Year-End."

Adjustments

- Automatic payments (bank drafts and adjustments)
- Transactions not yet entered: invoices, bills, sales commissions and royalties
- Transactions entered or coded incorrectly: invoices, bills, sales, payroll
- Infrequent transactions: returns, voided, corrected or reissued paychecks, tax payments, vendor refunds
- Inventory adjustments
- Job adjustments or allocations
- Payroll adjustments
- Adjustments for taxes: sales tax, payroll taxes, franchise taxes, etc.
- Fixed assets: depreciation entries
- Loan payments: allocating interest and principle
- Aged accounts receivable: any to be written off as uncollectible
- Accruals
- Any questions the client might bring up that would lead to a journal entry

Integration

- Revenue and cost of goods sold/inventory entry
- Job costing
- Payroll (here, you may have several weekly entries to post)
- Suggest change to Intuit systems where applicable

Reconcile

- Bank statement additions and corrections to cash accounts (PayPal?)
- Petty cash
- Accounts receivable
- Credit card statements
- Equity accounts
- Loans
- Accounts payable
- Inventory
- Fixed assets
- Any other asset or liability accounts

Review

- General ledger coding consistency: is the transaction coded completely and to the right account?
- If class is used, is it complete for all transactions?
- If job is used, is it complete for all transactions?
- Is the backup documentation in order?
- Are authorizations complete?
- Do the transactions look reasonable?

Payroll

- Is documentation for new hires complete?
- Is the hourly rate or salary amount correct?
- Are hours accurate for hourly employees?
- Is overtime paid at the agreed-upon rate?
- Are deductions taken?
- Are taxes figured correctly?
- Are payroll deposits made on time?

- Are there any court orders that need to be followed?
- Is tax taken out of bonus checks?
- Are there any checks that are paid directly to employees?
- Are employee loans accounted for and collected?
- Are expense reports in order and coded properly?
- Are payroll reports filed timely (quarterly)?
- Are state unemployment payments and reports handled accurately?
- Are there any cash payroll transactions (illegal in many states)?
- Are all transactions booked correctly?
- If payroll is charged to classes or jobs, are classes/jobs charged appropriately?

Reports

- Monthly profit and loss
- Sales reports
- Balance sheet as of month end
- Aged accounts receivable
- Reports by job or class
- Budget vs. actual reports if applicable
- Any memorized report that is routine for the client
- Generate task list from report analysis
- General ledger
- Missing checks report
- Voided/deleted transactions
- Audit trail
- Payroll reports
- Vendor reports
- Ledgers from any accounts that need special review

Backup

- Make backups
- New backup system needed?

Part Two: Closing Your Client's Books at Year-End

Year-End Checklist

Here are twenty Critical Areas for Review at Year End:

1. ___ *Accrue* any year-end costs associated with payroll and post to payroll expense and payroll liabilities.
 - a. Review your fringe benefits to ensure they are accurately reported for the year.
 - b. Ensure all your employee information is correct for year-end reporting (**W-2, W-3, 940, 941**).
2. ___ *Ensure* all your vendor bills are posted by the year-end close date.
3. ___ *Invoice* your clients to finalize any outstanding unbillable revenue to date.
 - a. Adjust outstanding receivables that are deemed to be uncollectible against bad debt expense.
 - b. Review if any should be sent to an outside collection agency for assistance.
4. ___ *Review* your **1099** vendor information to make sure it is complete. (Check for Name, Address, Tax Id, Accurate coding of expenses as to whether they are eligible for 1099 tracking, etc.)
5. ___ *Reconcile*
 - a. Your bank accounts.
 - b. Your credit card accounts.
 - c. Your loan accounts.
6. ___ *Conduct* a physical inventory count and record adjustments within QuickBooks inventory.
7. ___ *Adjust* any prepaid items, such as insurance, that need to be expensed.

8. ___ *Journalize* any other accruals for year end that won't be paid until the following year.
9. ___ *Calculate and record* amortization, depreciation, and any other necessary year-end adjusting journal entries.
10. ___ *Review* your asset and expense balances to ensure that all fixed assets have been accurately recorded for any purchases or selling of assets.
11. ___ *Update* any changes in employee or sales tax rates for the New Year.
12. ___ *Ensure* any prepaid deposits received from clients throughout the year are adjusted to earned revenue.
13. ___ *Review and update* the business plan to include changes anticipated for the upcoming year as needed.
14. ___ *Prepare* the budget for the New Year if not done so previously.
15. ___ *Prepare* year-end reports, W-2, W-3, 940, 941, 1096, 1099 and any other applicable forms and remit to appropriate parties.
16. ___ *Check* to see if any local licensing or permits need to be filed with year-end data.
17. ___ *Review* memorized transactions to ensure they are still applicable for the New Year.
18. ___ *Print* your year-end reports, which should include
 - a. Profit & Loss Statement
 - b. Balance Sheet
 - c. Accounts Receivable Aging
 - d. Accounts Payable Aging
 - e. Budgeted vs. Actual
19. ___ *Schedule* a time to review the information with your client to see if the information seems reasonable to them. While we can prepare various data, it is always wise for us to review the information with them and discuss any variances we find.
20. ___ *Ensure* you have a regular backup process that includes verifying the data to help minimize any data loss. Consolidate and condense if needed for performance.

