

Year-End Closing Process

At the end of the fiscal year, there are a number of special tasks that need to be done to close out the books and prepare them for your tax accountant. QuickBooks, which is used by many small businesses, does not require a formal close process like most other accounting programs, but even QuickBooks users need to do closing tasks to ensure the accuracy and completeness of their accounting records.

If you ordinarily perform month-end closing activities, you may have already completed many of these tasks.

Posting

Now is the time to complete any outstanding postings (vendor bills, customer invoices, automatic payments, details from your payroll service, sales commissions, etc.) and update prepaid accounts.

Reconciliation

Reconcile all bank, credit card, loan, and cash (petty cash, PayPal) accounts. Take inventory, review and reconcile your accounts receivable and payable, update your fixed asset list, and reconcile any other appropriate asset and liability accounts.

Review

Check your transactions for consistency, accuracy, completeness and reasonability. Collect any missing 1099 vendor information. Consider whether to send uncollectible accounts to collection.

Reports

Prepare year-end reports (W-2, 941, 1099, etc.) and remit to appropriate parties; check for updated local licensing permit requirements; print your year-end financial statements and reports (balance sheet, profit & loss, A/R aging, A/P aging, budget vs. actual, etc.). Consider preparing any new reports that may be helpful.

Adjustments

Correct transactions coded incorrectly, adjust inventory balances to the physical count, allocations, payroll adjustments, prepaid adjustments, fixed asset changes.

Your accountant will also prepare some year-end adjusting journal entries for you to post, such as amortization and depreciation, and any other necessary adjustments.

Close the Year

If you use QuickBooks, close and password protect the year just completed. This is not an automatic process, and leaving the year open invites problems later.

System Backup

Make system backups; consider implementing a new backup system as technology and threats change.

Prepare for the New Fiscal Year

Update employee information, such as W-4 withholding information, new sales tax rates; review business plan; prepare new budget.

Conclusion

Properly closing the books will ensure the accuracy of your accounting information, helping you make better informed decisions and saving your accountant time in preparing your taxes—which saves you money.

For a complete listing of the year-end closing process or for help understanding or performing any of these tasks, please contact our [Small Business Group](#).

About the Author

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