Year End Closing Process – Small Businesses

For bookkeepers to prepare for taxes

1. Reconcile all Balance Sheet Accounts
    a. Reconcile your bank accounts
    b. Tie out loan balances and record correct loan interest
    c. Enter any new asset purchases, and delete any sold assets
    d. Make sure your A/R aging is accurate, and write off any bad debts
    e. Make sure your Accounts Receivable report is accurate
    f. Record Accrued Sales tax payments that will be made in January, tying out to a correct Sales Tax payable balance
    g. Total Payroll taxes should equal those taxes that will be due in January
    h. Make sure all “owner” expenses are characterized as Shareholder Draws
    i. Close out any accounts, like old bank accounts, if they are no longer active.
    j. Do a physical Inventory Count if you carry inventory, as 12/31, and adjust inventory in QB to this figure, and provide to tax preparer.
2. Confirm that total sales on P&L is equal to sales reported to Dept of Revenue
    a. If there are discrepancies, are these justified as not being subject to tax?
3. If there is anything in Misc Exp, try to classify it to the most appropriate expense instead.
4. There should not be an expense call a “Credit Card Payment”. If you are paying a credit card, classify all expenses in that credit card to the appropriate expense, using the “Enter Credit Card Charges” process in QB.
5. If using Home as an Office, make sure to document paying Rent expense for this as instructed
6. If the business is contributing to a 401K or Simple plan, make sure to document this expense.
7. Make sure officer has taken a reasonable salary as an officer as instructed.
8. If there is a change in ownership of the business during the year, provide details and dates of occurance

Reports to provide to your Tax Preparer

1. Profit and Loss Statement – usually on a Cash basis unless otherwise instructed
2. Balance Sheet – Accrual Basis
    a. Provide a detail report of the Fixed Assets if there are any additions or deletions
    b. Cash balances should usually be positive on the Balance Sheet unless you actually have checks outstanding at year end that will make balance negative
3. Payroll Summary Report for the year
4. Your assertion that the gross revenue matches that reported to DOR or an explanation as to why they are different
5. Mileage for each vehicle that takes mileage each year.