

10-POINT YEAR-END QUICKBOOKS CHECKLIST



It's that time of year when business owners get anxious and accountants get busy. We're all preparing for April's tax season!

If you've been keeping good records throughout the year, tying up your books for the year should just take a few hours. Then you can pass the file off to your CPA with confidence.

If you haven't been keeping good records....well, we'll talk about that in a little bit.

Here are ten steps you can take to finish off your QuickBooks bookkeeping and be prepared for the new year. I demonstrate each of these steps in detail during my full-length video course at <http://royl.ws/QBOYearEnd>



by Alicia Katz Pollock

1 CONFIRM YOUR A/R AND A/P

It's important to start with making sure your A/R and A/P are current.

Run an Accounts Receivable Summary report and an Accounts Payable Summary report.

Are all the open customer invoices actually open? Did you make deposits that should have been invoice payments? What are you doing to collect on the overdue invoices? Do you need to write off any bad debt? If you're accrual-based, you will write off old uncollectible invoices to Bad Debt in the current period. If you're cash-based, you can Void them.

For open Vendor Bills, did you pay some of them using a check instead of applying a bill payment? To fix this, open each check and add the corresponding bill.



2 MAKE SURE THERE IS NOTHING OLD IN UNDEPOSITED FUNDS

Every time you take a customer payment, deposit it to Undeposited Funds. When you see a deposit in the Banking Feed, make sure it MATCHES these already-existing transactions by using +New > Bank Deposit.

If you have old transactions in +New > Bank Deposit, that means you probably ADDED deposits in the Banking Feed, instead of MATCHING them. Your Income on your P&L is too high and you'll pay too much in taxes!

To fix this, look in your Checking account register for Deposits that say your Income account ("Sales of Product Income," "Sales," "Construction Income", etc.). Click on the actual Payments and Sales Receipts on the list above so that the dollar amount is the same as the amount on the bottom. Trashcan the manual entry at the bottom. When you save the Deposit, your income will be fixed.





Reconciling should happen at the end of every single month, but you can't close out the year without completing the December reconciliation.

Reconciling a bank account means comparing the transactions you have to the ones the bank has. Reconcile all your accounts: checking, savings, petty cash, credit cards, PayPal/Square, and loans. This allows you to locate transactions that never cleared the bank, and find entries that are missing.



As an aside, while I believe in "going green" in most areas of my life, I still have the bank send me statements at month's end. That way I have a reminder to take this action. And, since I need the paper anyway for this process, it's faster and easier than logging into my bank's website and printing them out. Plus, I don't have to pay for paper and ink!

When you receive your bank statement in the mail, go to ACCOUNTING > RECONCILE. Enter in the closing date of the statement (which may not be the last day of the month), and the ending balance. Check off each matching transaction both on screen and on paper. When you're done, you should have a \$0 difference.

What's important is to not just match the transactions that ARE on the statement...you then need to manage the transactions in your register that are NOT on the statement. Why are they there? You need to research them. Whatever they were, they didn't hit the bank!

- Are they transactions that didn't clear until the following month, or checks the vendor didn't cash yet? Those are fine.
- Are they duplicate transactions? Those need to be deleted!
- Are they a data entry error of some type?

By the time you're done, all your transactions will be present and accounted for!

My on-demand 'Reconciling in QBO' video course, available exclusively at <http://royl.ws/Reconciling-In-QBO>, includes a practical demonstration of a reconciliation, including how to troubleshoot extra transactions!



MAKE SURE YOUR TRANSACTIONS ARE CATEGORIZED PROPERLY

Just because your balance matches the bank, it doesn't mean all the transactions were put in the right places.

Note that bookkeepers and accountants have a Reclassify tool that business owners don't have, allowing us to batch edit many transactions at once instead of manually changing one at a time.

If you have to edit manually, run a Profit and Loss report for Last Year. Click on each of the Income, Expense, and Cost of Goods amounts. Scan the list. Is each transaction supposed to be where it is? If not, click on the entry to open it, and change the category to the correct one.



Here are some traps to look out for:

- **Personal money moved in and out of the business:** Classify these using Equity accounts for Owner Distribution and Owner Contribution (LLCs use "Member" or "Partner" instead of "Owner." Corporations use "Shareholder").
- **Meals and Entertainment:** Your morning Starbucks and your lunch do NOT count as Meals! The first thing to know is that there actually is no Entertainment deduction anymore. The next is that Meals is reserved for business meetings, not for keeping yourself from getting hypoglycemic. If you are talking business with a colleague or client, that's fine - be sure to make notes on your receipt about who you were with and what you discussed. If you're using QBO, you can take a picture of your receipt and create the transaction on the spot to save data entry time back in the office!
- **Fuel & Auto Expenses:** Your daily commute to work is not a business expense, unless you're driving a company vehicle to job sites. Instead, fill up your gas tank and pay for your repairs with personal money, and keep a daily log of how many miles you drive every day for what purpose—QBO has a built-in Mileage tool that the Primary Admin can use, and MileIQ is a fantastic app! Then talk to your CPA about taking a standard mileage deduction, which is currently \$.56 per mile. This deduction is designed to reimburse you for your gas and car maintenance.



5 TAKE INVENTORY

If you sell products, this is a perfect time to adjust your inventory.

The total price you paid for the current inventory goes into your Inventory Asset category, and the cost of what you sold is moved to your Cost of Goods Sold.

QuickBooks has inventory reports you can print out to see what you're supposed to have in stock. Take a physical count and compare the quantities.

Depending on the version of QuickBooks you're using, there may be an **ADJUST INVENTORY** tool to update your quantities.



6 DEPRECIATE YOUR ASSETS

Instead of taking large purchases over \$2,500 as an expense all in one year, maintain them in your books as Fixed Assets. This allows you to track the value of equipment, machinery, furniture, computers, and vehicles over time.

Depreciation spreads those costs out evenly over time so that you don't take big expense hits some years, distorting your profitability.

Every year your accountant will make adjustments to your QuickBooks file to depreciate your Fixed Assets, and you'll get to take tax deductions over several years.



7 ZERO OUT YOUR OWNER/SHAREHOLDER EQUITY

After your accountant has done all their work, zero out your Owner's Contribution and Distribution accounts. Create a Journal Entry dated January 1 of the following year to transfer the 12/31 balance to Retained Earnings.

That way, your Balance Sheet for the year will only show that year's Contributions and Distributions, instead of accumulating throughout the life of the company.



8 CLOSE THE BOOKS

After your taxes have been submitted, use the Close the Books feature. Closing the books makes sure that your file matches what you submitted to the IRS. It prevents anyone from changing historical data without knowing what they're doing.

In QBO's Account and Settings > Advanced, set the date to 12/31, and put in a password. Now, when you try to change an entry before the current fiscal year, it will ask for a password first. That gives you a moment to make sure it's a good idea before you do any damage!

...just don't forget that password!





Even if you have a solid backup strategy, make a specific backup of your file as a year-end final copy. Label it with that fiscal year and put it in a special folder for collecting this archive. Maybe save a copy to a flash drive and put it in safe deposit box.

If you're using QBO, there are 3rd party apps like Rewind and Exportmybooks that perform this function. Once you have this file, it can be restored to a desktop copy of QuickBooks, or uploaded into a new QBO company for reference.

At a minimum, print your P&L and Balance Sheet, and maybe even your General Ledger.



QBO has somewhere between 20 and 100 reports available to you, depending on what version you're using. Plus, they're all customizable!

A general business guideline is the 80/20 rule, a proportion that runs through all your endeavors. 20% of your customers are responsible for 80% of your profit. 20% of your products or services make 80% of your revenue. 20% of your time makes 80% of your income. 20% of your staff does 80% of the work. You get the idea.

Start with your Profit and Loss statement and your Balance Sheet. These are the two fundamental reports that show your Income/Expenses, and the state of your assets, liabilities, and equity. I like to view them for All Dates, with columns by Year. That way I can look for trends over time.

Once you've perused these two reports, now go through ALL the reports available and look at your business in whole new ways. You'll be surprised at what you'll learn.

Once you know what type of customer is your best customer, find more like them next year. Once you know which of your services have the best profit margin, promote those services more. Use this analysis to make solid business decisions that will grow your company next year.



CATCHING UP

This is all well and good if you've been diligent about entering your sales receipts, invoices, and payments through the year, and recording all your expenses. But what if you haven't been keeping up?

The short answer is that you have a lot of work to do. The good news is that most banks will allow you to download your entire list of transactions for the year, and import them into QBO so that you can categorize each one. QBO's Banking Rules allow you to automate this in bulk!

The longer answer is that just pulling in your bank feeds, especially for your income, doesn't give you any detail for analyzing your business. You won't be able to see what you sold to whom. You won't be able to do any year-over-year comparisons until the following year. If possible, at least recreate your sales history through Sales Receipts so that you have some level of detail moving forward.



CONCLUSION

If any of these 10 steps were greek to you, that's a sign that a bookkeeper or CPA would be a great help to you and your company. We can walk through this process with you to prepare you to submit your taxes.

On the other hand, you may decide that it's time to start over fresh for next year. I would be happy to help you customize a new QBO file for your specific business and workflow.

