

Mastering Your Year-end Processes

Another year behind us and...and the details are important...

Here we are again at the end of another year. The prospects of new opportunities in the coming year are pending and as we look back over the current year on what we accomplished in our businesses, it's time to review our year-end processes so we can assure that we will close out strong.

If you are on a calendar fiscal year, your business must close out the books to prepare for tax return preparation and other tax planning year-end events. While some businesses choose to keep up-to-date with these systems on a monthly or quarterly basis, for those who choose to only do so annually, this means it's time to start preparing and finalizing your year-end processes.

It is vital when closing the books on another year in business that we make sure all key elements have been addressed because once the books are closed, it can be extremely challenging to go back and change the information...especially with our "oh-so-beloved" taxing agencies.

Here are a few important points to help ensure that you haven't left anything out and can close out your business year in confidence:

- **Reconcile bank accounts** – Go through each of your bank accounts and make sure that the numbers you have in your accounting program match the balances of the statements. If they don't match up, there may be errors, double entries or uncleared checks that have to be reviewed or corrected.
- **Complete your invoicing** – Review that you have sent out invoices for any products sold, tasks completed or services you have rendered in the current year.
- **Record supplier invoices** – Double-check that you have entered all of the invoices from of your suppliers or vendors and operating expenses. There may be some sitting in your inbox, or you may have missed payments. Some of them can wait until January it will depend on you due dates and strategy of moving expenses to one or the other year.
- **Write off bad debts** - Unfortunately, in today's economy, not all of your customers are able (or willing) to pay their bills. If you do happen to have some customers who will most likely never be able to pay, you might want to consider writing those off as bad debts.
- **Run reports to compare this year to previous years** – To confirm that you haven't missed anything, compare the preliminary reports for this year with the reports for last year. The best way to see this year's discrepancies is to run the report by month and review for consistency. Of course, things change over the years, just be sure there is a logical explanation. If you find a discrepancy, you can look deeper to find out what might have been overlooked.
- **Record depreciation** - You must account for depreciation if your business has fixed assets. You can consult your accountant to make sure that this is done properly if this

applies to you.

- **Address prepaid expenses** - Some businesses choose to prepay for certain services such as insurance. When the prepayment is made, it is recorded as an 'asset'. It will need to be reclassified as an expense. Take a look at any prepaid expenses and adjust your records accordingly.
- **Close out owner's draw** - Any money withdrawn from the company for personal use must be accounted for in an equity account.
- **Begin the 1099 process** - Subcontractors must receive their 1099 forms by January 31. Start gathering together the information now to save extra time and headaches as that deadline approaches.
- **Recording mileage** - If you have used your personal vehicle to do running for your business, don't forget to record the mileage. There are deductions you can claim for those expenses.

It may seem like a lot of technical information but getting everything in order now will help you to make sure that you aren't caught scrambling as you get down to the wire and that you neither over or underpay the IRS or state tax agencies when tax day rolls around. The task of closing the books is typically performed by a [company controller](#) - but as a business owner you may want to be aware of the process and available for questions.