Prepare Your Books For Your CPA and Save Money!

We do a lot of work with QuickBooks, and there are a number of tips and QuickBooks-specific techniques that we apply to help our clients close out their books for the year in order to prepare their taxes. These steps will help reduce the amount of work required by the accounting team and the CPA to make changes and financial adjustments before filing the year's taxes. Starting with clean books and financial statements will not only streamline tax filing but also lower tax preparation costs, and give senior management a clearer understanding of the company's tax position.

1. Check transaction dates. Go through the accounts and review transaction dates near the end of the year (i.e. from December 15 through January 15) to make sure the correct transaction dates are assigned so income and expenses are reported in the correct tax year.

2. Use the right method of accounting. Make sure that reports are in the correct accounting method, either cash or accrual. Check with your advisor to find out what reporting method is best for you, but remember changing back and forth from cash to accrual accounting is prohibited for each five-year period.

3. Verify accounts receivables. Review all open invoices in the accounts receivable report (A/R Aging Summary) are actual invoices reflecting product delivered or work performed and all invoices are truly collectable. If there is an overstatement, it will be reported as income that was not collected.

4. Verify accounts payables. Make sure all open bills (A/P Aging Summary) are actually for money owed. Be wary of bills and checks that repeat in a QuickBooks files, which often happens, since this can double the cost of some expenses.

5. Watch for negative accounts. There should be no negative balances in the expense accounts on the P&L Report (unless there is a return). It is not uncommon to see accounts in the balance sheet such as "Accumulated Depreciation," or "Bad Debt," which will reflect a negative balance, but verify that they are correct.

6. Verify that all your bank/credit card/credit line/loan accounts are reconciled and show the proper balance per your statements.

7. Review all un-cleared checks and deposits. Verify against the bank statement that any outstanding deposits or checks truly are outstanding. Reconcile the bank statements first, and then delete double entries or data errors. An un-cleared deposit is a big red flag – did the bank make an error?

8. Use the report comparison function. A report comparing last year to the current year will highlight

any inconsistencies or unusual changes.

9. Track fixed assets. Create a sub account for each major fixed asset to make it easy to identify and build depreciation schedules. Your CPA will typically provide the depreciation adjustments.

10. Use the memos field consistently. Provide as much detail as you can in memos to make it easier to review – e.g. “January Rent” – and review to make sure you have 12 months of rent payments.

Whether your company is using QuickBooks or not, these protocols will be extremely valuable in maintaining and preparing your books in a fashion that will make it easier for your tax preparer to file your company’s taxes and save you money. If you need help, consider hiring a bookkeeping expert or a firm well-versed in QuickBooks procedures to lend a hand.