

12 Important Accounting Tasks for Year-End Book Closing

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As a business owner, one of the yearly things to do is to “close the books.” It is essential to understand what is involved in doing so. Clario Consulting is here to help you. Here is an essential checklist for closing your company’s accounting books, which will help you with your tax preparation and provide an accurate financial condition for your business.

Why Close the Books?

“Closing the books” means that all financial transactions for the fiscal year are wrapped up, consolidated, and reported. This will show the income and expenses and the profits or losses. Delineating these figures one year from the other ensures that the previous year’s figures aren’t carried over, potentially skewing an accurate accounting picture.

Checklist for Closing Your Accounting Books for Year-End

As a small business owner, you can use this time and information to review the health of your business and get a good financial understanding of the past year. It sets you up for the next business year and provides you with the necessary information to file taxes for the year.

1. Make sure all projects and orders are invoiced and collected.

Before you close your books, you must close out the financial year by ensuring everything is invoiced and all income is recorded. For those who haven’t yet paid invoices, send reminders to get payments in as soon as possible. This gives you time to determine if the payment will not be forthcoming so you can write it off.

2. Evaluate Accounts Receivable and Payable.

Before closing out year-end books, ensure you have paid all unpaid vendors, contractors, employees, and other financial obligations. Be sure that you have sent out your year-end invoices. It’s easy for an invoice or two to go unnoticed, so ensure you thoroughly evaluate your invoice records, or you could be faced with an understated or overstated account at the end of the year. Also, ensure that all your revenues are recorded in the proper period.

3. Categorize and record all business expenses.

Ensure that all previous year's expenses are recorded and categorized adequately to locate those allowable for tax deductions quickly. It is also critical to keep all personal and business expenses separate.



4. Reconcile Your Bank Accounts

All your book balances need to be equal to your year-end statements. Especially if you have been entering all your numbers by hand, you must ensure that all your bank statements, credit cards, and money accounts are appropriately reconciled. Even if you have accounting software, double-check all the numbers.

5. Prepare Final Financial Reports

Your profit and loss statements must be thoroughly reviewed to ensure everything is correctly categorized. Suppose categorization is troubling you, or unsure about your payroll taxes. In that case, hiring a professional from Clario Consulting to review your numbers and help you close out the books is best.

Your profit and loss statement and balance sheet will give you a good overview of your business's financial position at the end of the year. You are ready for next year once your general ledger balances are correct. And these will help make your taxes less of a burden. You can now set your lock date and close your books.

6. Verify employee and independent contractor information.

Ensure you have all the correct forms for employees and independent contractors, including W-4s and W-9s. You must have the correct information for your employees or contractors to ensure that their W-2 and 1099 forms go to the proper place, especially those who no longer work for the company. You may wish to email all current and former employees to ensure that your information is updated and correct.

7. Check your payroll taxes.

Before closing your books, you must ensure that your monthly and year-end payroll expenses match. This should be done as part of reconciling your expenses and before you file your income taxes for the year. If you have questions about payroll taxes, speak with a tax professional.

Make sure that your monthly and year-end payroll expenses match up. You must confirm this by filling out the annual IRS Form 940 and reconciling your yearly expenses.

8. Fill Out W-2s and 1099s.

If you had any employees or subcontractors in the last year, you must complete the proper forms to report how much you paid them correctly. W-2s go to full-time employees, and 1099s go to subcontractors. These forms are supposed to be sent to individuals by the end of January. If you're concerned because you're behind on this, contact Clario Consulting immediately so we can help you get back on track.

9. Analyze Fixed Assets and Depreciation Expenses

If you made any large, fixed asset purchases this past year, they should be recorded as such on your balance sheet. Confirm your current inventory of fixed assets and record sales, disposal, or depreciation details as appropriate. Utilizing a depreciation schedule can be overwhelming and complicated, so get an expert to handle this task.

10. Run Taxable Sales Report

If you pay sales tax, you must run a year-end taxable sales report and ensure you have paid what you owe—record correct amounts to help with projections for the future year.

11. Close Out Equity Accounts

Certain equity accounts need to be closed out from the prior year to ensure a proper statement of your financials. Your temporary accounts, such as profit & loss and dividend accounts, should be close to your Retained Earnings or permanent equity account. This differs depending on your company filing status, so it's best to have an expert take care of this for you.

12. Review Year-End Financial Reports

Once you have gone through the essential checklist to close out your year-end accounting books, take the time to review your year-end financial reports carefully. This will be used to file your taxes and make projections for the new year, so you must ensure that it is correct and precise.

If even a single bit of this checklist overwhelms or confuses you, or if you're stressed about being behind on closing your books at year-end, you must contact the experts to help. We can help you review your finances, close your year-end books, and help prepare your company for the new year.

Of course, there are many other things that you must do, but these are the most essential things to do to have a profitable business. Please let us know if you need help developing a business plan. We are here to help you.

Our focus is your passion!