YEAR END CHECKLIST

FINANCIAL REPORTING

○ **Update books and reconcile to 12/31**

Why is it important to have my books reconciled? Reconciliation is the easiest way to ensure that ALL transactions have been captured. It's also a way to ensure that income or expenses have NOT been duplicated.

Here are some accounts that should be reconciled to ensure accuracy:

- Checking Accounts
- Savings Accounts
- Credit Cards
- Loan/Notes Payable

○ **Do you need physical receipts?**

Physical receipts are not mandatory. With the advancement of technology, storing receipts digitally has become a practical solution.

The following are acceptable documents for expenses:

1. Canceled checks or other documents reflecting proof of payment/electronic funds transferred
2. Cash register tape receipts
3. Credit card receipts and statements
4. Invoices

The IRS provides the following guidelines for digital storage:

1. Ensure the name and address of the vendor, along with amount paid and date of transaction are visible
2. Make notes documenting the business purpose. For example, the rules for meals require you to document the names of the people the meal was bought for and the business purpose.
3. Any expense over $75 where the nature of the expense is not clear on the face of the electronic receipt, make sure you make notes as to the business purpose

The biggest take away is to be consistent in how you document and capture your receipts.

○ **Capture anything paid with cash**

Sometimes it's necessary to purchase items for the business with cash. Because there is no physical check, debit card or credit card transaction on a bank/credit card statement when we pay cash, these expenses can be easily forgotten.

Try to create a system to capture these cash expenses. One idea is to create a spreadsheet (or notebook) listing the amount, date, vendor and business purpose. You can either enter these transactions via journal entry at the end of the year or give them to your accountant or bookkeeper to make the adjustment for you.

PROFIT ACADEMY PLUS

Statements for Loans

Loans are one area that tend to be consistently incorrectly stated. Most people book the entire monthly payment towards a loan (reducing the liability owed) instead of breaking out the amount of the payment between principal and interest.

Pulling the year-end statements for all loans will help you ensure that you are correctly stating the amount of liability left on the loan and appropriately capturing the interest expense related to the loan.

Any large purchases for assets, equipment, furniture, fixtures, etc.

What is an asset? It is something that is purchased that has current or future economic value to a business. For example, machinery, vehicles, computer equipment, etc.

If you made such purchases throughout the year, your tax accountant needs to be made aware of them. One easy way to ensure they get correctly reported is to keep a folder with all the purchase documents for these assets.

Accounts Receivable

One area businesses sometimes have issues with is their accounts receivable. Accounts Receivable to the amount customers owe to them for product or services.

Get in the habit of reviewing your accounts receivable at minimum once a year. When reviewing consider the following:

1. Are these invoices still collectible?
2. Do I want to continue to try and collect? Or should we write off the invoice as uncollectible?

It's hard to stay in business if we aren't consistently paid for our products or services. By reviewing your accounts receivable, you can potentially spot trends or proactively reach out to a customer how isn't paying or is severely behind.

Inventory Adjustment

If you sell any sort of product in your company, you are likely to have inventory on hand. It's important to count your inventory and do a year-end adjustment to make sure your balance sheet correctly reflects the amount of inventory you have on hand available to sell.

When you do an inventory, you are able to account for theft, brokens products, loss or other errors. This year end adjustment will ensure your balance sheet and income statement are up to date and reflect the cost of business.