

Year End Accounting Checklist

Prepared by 802 Books and Taxes
We help small businesses run better



Balance Sheet Items:

Run Balance Sheet Report	Review balance sheet dated 12/31/xx - set the report to the appropriate accounting method (cash or accrual)
Confirm the balance sheet matches prior year tax return	Ensure all prior year adjusting journal entries have been inputted.
Reconcile each bank account(s)	Determine what items remain outstanding
Verify that the undeposited funds account is zero	
Verify Inventory asset value (if inventory is tracked)	Verify your inventory asset value on your balance sheet agrees with your physical count. If you intend to perform a manual count of your inventory, complete a Physical Inventory Worksheet. This report reflects every item, the current quantity on hand and provides a workspace to record the physical count results for each item. You will then need to enter manual inventory adjustments to update
Review fixed assets	Are all current year asset purchases recorded on the balance sheet? Review expense records shown on the Profit and Loss statement and make sure major purchases, major repairs or major improvements are capitalized and not expensed. Each company sets its limits to determine the capitalization amount. The company limit should be discussed and set with the advice of your tax
Run an Accounts Receivables report	Review for obvious errors such as payments and credits not applied to invoices.
Run Accounts Payable report (Unpaid Bills Report in QBO)	Review for obvious errors such as payments and credit not applied to vendor bills.
Reconcile credit card(s)	Verify balance on credit card statement matches 12/31/xx balance sheet amount
Sales tax liabilities	Review the balance sheet to ensure that all sales tax liabilities have been correctly expensed and the remaining liability balances are for future periods. Reconcile against sales tax filings.
Reconcile payroll liabilities	Reconcile against payroll filings. Verify that balance due is scheduled to be paid in a future period.
Reconcile lines of credit, loans, or any other liability accounts	Confirm principal balance on the loan statement(s) dated 12/31/xx are the same amount reflected on the balance sheet. Also, confirm that loan interest has been expensed on the profit and loss.
Equity	Verify equity section contains appropriate transactions based on the company's entity type. Hint: Transactions such as owner draws and shareholder distributions should be seen here, not on the profit and loss. Check in with your tax professional if you need clarification.

Profit and Loss Items:

Review the profit and loss for the year - set to the appropriate accounting method (cash or accrual)	Look for reasonableness within each category Drill down into each category to ensure that transactions have been categorized properly. Recategorize as If you're using cash basis, make sure all necessary adjustments from accrual postings to cash have been made Reclassify uncategorized expenses Follow up on "Ask My Accountant" questions
E-commerce Sales	For company's that use Shopify, PayPal, Square or any other e-commerce platforms, ensure your sales are listed as gross and not net of fees.
Expense Categories	Review all categories for reasonableness Drill down into each category to ensure that transactions have been categorized properly. Recategorize as needed.
Verify Sales and Use/Meals and Room Tax	Using the actual tax sales tax filing forms verify total paid against the profit and loss expensed amount. Hint: If you find that the expenses are not correctly reflected, you might want to review the balance sheet sales tax liability accounts.
Payroll	Verify all sections of the W3 match the profit and loss
Special Notes (what not to include on the profit and loss)	Ensure the profit and loss does NOT expense owner's draws or shareholder distributions. Also, do not expense any items purchased by the company for personal use. Please see your tax professional for further

Other year end Items:

1099 NEC Filing	After all bank accounts are reconciled, you can run a vendor summary report for the year of review to determine which vendors need to sent a 1099 NEC Determine 1099 NEC eligibility - anyone who provided a service, rent or attorney fees and is not incorporated, needs to receive a 1099 NEC. This description is not an all inclusive definition. For more information go to IRS.gov. Also, when in doubt, send it out. Obtain W9 from all 1099 NEC eligible vendors. Verify your accounting system reflects the W9 - company name, individual name, address and tax ID. File 1099 NEC's by filing deadline (IRS.gov) - typically January 31, xx **make sure to verify this date!
Payroll items	Ensure all active and nonactive employee addresses are correct.