

Year End Bookkeeping Checklist

December is here and some of you have not updated your bookkeeping since last year. For those of you who have stayed on top of your bookkeeping, there are still some year-end items you should take care of.

The new year is right around the corner and you need to be ready to close your bookkeeping files and prepare your Federal Income Tax. The more organized and complete you are with your bookkeeping, the less time it will take. If you pass this information to your CPA, the more organized you are the less time it takes to prepare the return, and that saves you money.

If you have been on top of things and have your bookkeeping files up to date through at least October, I suggest you check in with your CPA and have them take a quick review. Your CPA can give you an estimate of what your tax obligations will be so you can include your payment in your upcoming cash flow needs.

Here's a list of tasks to make sure you're organized and are not missing anything:

1. Reconcile all bank statements. The process of reconciling your statements helps to ensure that you are recording all expenses and have received all payments from your customers. Banks can also make mistakes or charge fees that they shouldn't. By reconciling bank statements on a monthly basis you can make corrections in a timely manner and when they are fresh in your mind.
2. Record all transactions that are not paid for with your checking account. All charges from a credit card should be recorded and credit card statements reconciled. Again, by making sure your credit card statements are reconciled, you are making sure you have recorded all of your expenses and that there are no invalid charges included. Enter any business expenses you have paid for with personal funds. If you don't record all of your expenses, your financial reports will show a higher profit and you will end up paying more taxes.
3. Make sure you have invoiced your customers for all goods and services you have provided to them. This is crucial when it comes to running a successful business. There are many businesses that don't make it because they are not organized with their invoicing system.
4. If you have Accounts Receivables, review the unpaid balances and contact those that haven't paid. You should not be taken advantage of by customers that pay later than the terms you offer. Your Accounts Receivable balance must correctly reflect the outstanding balances owed to you. If there is a balance on the Accounts Receivable report but the customer has paid their bill, then the payment was recorded incorrectly in your bookkeeping system.
5. Review the expenses you have categorized. For example, it's important to make sure you have all your Office Supplies listed in the Office Supplies Expense account and not in Auto Expense. One reason is that when you review your expenses you want to be able to compare what your costs are from month to month and year to year. Another reason is when your CPA prepares your tax return, that person will need to categorize your expenses. Some expenses are not deductible, and it's easier and faster for your CPA to prepare your tax return when you categorize those expenses correctly.
6. Mileage is an expense that is easy to forget. The IRS allows \$.50 per mile in 2010 to be expensed when you use your car to travel for business purposes. Keep a record of all your trips. Your commute to and from the office is not allowed but I'm sure you have many other trips that have been taken for business purposes and this can add up over the course of a year.
7. If you have employees, make sure their paycheck information is accurate. Ask the employees to check their last paycheck stub to make sure their name and addresses are correct. You will be using this information in January when you prepare their W2 forms.
8. Have you paid any contractors for services? If so, now is the time to make sure you have collected the IRS W9 forms from them. In January you may be required to file a 1099 form for these contractors and you will need accurate taxpayer information.
9. Prepare a budget for next year. To stay organized and be successful, a budget is a very helpful tool. The easiest way to start a budget is to take your Profit and Loss statement for this year and enter this information into the 2011 budget. Then take a look at the sales and expenses for each month and make any changes you see fit. This is not a tool that you prepare and then forget about during the year. It's important to keep reviewing your budget against the actual income and expenses throughout the year.

If you follow this list you will be in great shape by December 31st and be ready to start the new year.

Professional Small Business Management can help you with your year end bookkeeping. If you would like more information, contact Kirsten Clark at kclark@psbm.net or 425.283.1540 x3.