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By Bhairavi Parikh, CPA.

As we march toward the end of another challenging year, the question remains if we are prepared for a glitch-free wrap of the business year. Along with tax and accounting, there are some tax, compliance, legal, information technology (IT), and

HR-related tasks that are necessary to be completed for a smooth transition into the

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package with standard and customized reports, along with workpapers for tax preparation.

- Review tax package needs with your clients to identify deductible and nondeductible expenses.
- Retirement plans, charitable contributions, capital gains, and distributions, are some of the other items to be considered for tax preparation.

Prepare for reporting 1099s

- Collecting W-9s and W-4s for vendor and employee setup is an activity that needs to be performed continuously throughout the year. Most tax pros and accountants start data scrubbing activities by mid Q4 to ensure smooth reporting of 1099s. Review each vendor setup for any missing information required for determining eligible payments for reporting purposes.

Collect supporting documents/receipts

Review and collect any missing supporting documents by year end to verify the accuracy of accounting treatments and prepare the books for any audits.

Compliance:

Review license renewal requirements

- Business licenses, such as sales tax, city licenses, and any other industry-specific specialty licenses or permits require annual renewal. Review any such requirements with your clients to confirm compliance.
- Educate your clients about patents, copyrights, and trademarks to help them create and protect intellectual properties.

File articles of amendment

- Based on business structure, there may be annual requirements to file articles of

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File for entity conversion

- The past couple of years have been economically challenging for most business owners and required them to change their entity structure. Any changes in business structure requires careful consideration. Every state has specific documentation and filing requirements from the compliance perspective.

Accounting:

Confirm and record adjusting journal entries

- Remind your clients to conduct a year-end physical inventory count to record necessary adjustments based on variances.
- Review and confirm large purchases for necessary capitalization. Remind clients of fixed asset count, and record necessary adjustments based on variances.
- Review aged accounts receivable balances for possible write-offs or collection steps.
- Review aged accounts payable balances for possible adjustments.
- Review other current liabilities, including payroll and sales tax, to reconcile and or make timely adjustments.
- Confirm loan balances to record the necessary split of principal and interest.
- Review personal vs. business nature of transactions to confirm proper classification.
- Research and ensure proper accounting treatment of funds received under the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#).

Reconcile accounts

- Reconciling all the balance sheet accounts is at top of the year-end closing checklist.

- Reconcile bank and credit cards accounts to ensure that accounting transactions

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clients measure growth.

- Prepare trending and comparative Income statements to review with clients. This will not only ensure proper classification of business income and expenses, but also confirm any gaps in recurring transactions or any abnormal expenses.

Analyze cash flow statements

- Prepare annual cash flow statements to confirm net changes in cash. Current changes in the economy driven by **COVID-19** enforce a need to put close control over cash liquidity.
- Review cash outflows and inflows with your clients to identify and confirm the trends. This will help identify outliers, if any.

Compare budget Vs actuals

- Prepare comparative reports to review variances between actual and budgeted numbers. This helps business owners measure targets and adjust the budget for next year.
- Comparing budget and actuals also helps to analyze individual department or cost center performance to prepare proper allocations.

Lock the period

- Once all the accounting adjustments are recorded based on the review of the records with your client, it is very important to lock the accounting period to avoid any back-dated changes to accounting records. The financial statements will be used for tax preparation.

HR and benefits:

Review PTO policies and adjust balances

- If your client has employees that are eligible for vacation and sick time, it is

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policies.

- Year end is also a good time to review and make changes to policies based on employee performance. The compensation plan should be reviewed and adjusted on an annual basis.

Evaluate employee recognition and appreciation programs

- Employee recognition is an effective way to communicate that efforts and hard work contribute to the success of the company. It helps your team understand company values and culture. Most companies arrange annual meetings to give employee awards.
- Several other ways to show employee appreciation is to send personalized holiday gifts, sponsoring family dinners and getaways, and offering extended time off.

Review resource requirements

- The end of the year is ideal to analyze employee turnovers and resource requirements that need to be adjusted based on the revised budget and adjusted business plan.

Information technology:

Generate necessary backup files

- It is essential to keep backups of all important data. Download all the important work papers, contacts, files, and reports to secure loss of data in case of any disasters or data breaches.

Clean up and archive redundant files

- While we are too focused on ensuring accurate bookkeeping and data

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available for your businesses.

Closing a business year is always a stressful period for us and our clients. By creating a customized workflow and following a checklist, you can avoid year-end burnout. Good luck!

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Bhairavi Parikh, CPA, is a fractional CFO and consulting controller for Analytix Solutions. With more than 15 years of experience in public and private accounting, Bhairavi is well versed in managerial accounting and CFO services for small- to mid-size organizations. After earning her CPA designation in 2004, she spent four years leading a team that was responsible for the internal audit, and internal and external financial reporting for a company with annual revenues in excess of \$3 billion. Find Bhairavi on Twitter @Bhairavi_CPA.

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