

Year-End Check List

Oneir Solutions Inc provides all the tools required to make your business more streamline and competitive. This includes your Year-End Closing and Corporate Tax Returns preparation. Of equal importance is that the preparation of your returns provides an opportunity to review the performance of the business during the past year.

Depending on your reporting requirements, there are three levels of engagement that you can have with your auditor (CPA). The three general levels of financial statement service are audit, review and completion. You and your auditor need to discuss the level of service required prior to commencement of the audit.

In their Publication entitled “*Audit, Review and Compilation: How CPA Reports Differ*”, Gelman, Rosenberg & Freeman, Certified Public Accountants, discuss the various audit options. This article can be found at

<http://www.grfcpa.com/resources/publications/audit-review-and-compilation/>

Keeping up to date with your postings is easy with Oneir Solutions ERP software. As sales are made, cash payments are received, expenses and payables are recorded, disbursements and payroll are charged, the postings go directly to your financial records...even your miscellaneous postings are recorded here with a fully detailed audit trail.

The checklist outlined below presents areas for review at Year-End. Note that it is highly recommended to carry out many of these reviews during your Month-End and some, such as credit card and bank account review more routinely.

Here is the checklist of the most common accounting to-dos for the year-end. Whether you work with a CPA, bookkeeper, or just DIY, this checklist should help get your financials ready. And remember no matter what level of service you require from your auditor, the more you can prepare, the easier the process will be when your CPA's is on-site.

Checklist of the Most Common Accounting To-Dos for the Year-End

- Print Financial Statements including the Profit & Loss (Income Statement), Balance Sheet and Trial Balance Review
- Compare the Auditor's Trial Balance with Your Trial Balance Backdated to Your Last Yearend
- Automated Auditor Work Sheet Preparation
- Gather and Organize Your Receipts
- Review of Outstanding Lines-of-Credit, Loans and Mortgages
- Fixed Asset Review (Including Acquisition and Sale of Assets)
- Collect W-09s (US Requirement only)
- Value Added Tax Review (HST/GST in Canada and VAT in Britain & Ireland Requirement only)
- Reconcile your bank accounts and credit cards
- Check Payroll
- Accounts Receivables and Customer Invoices
- Accounts Payables and Vendor Invoices
- Accrued Accounts Payable Reporting
- Take Physical Inventory
- Update Your Foreign Exchange (FX) General Ledger Accounts
- Prevent Posting to the General Ledger Accounts after the Financial Details are Provided to your Auditor
- Requirement for Closing Entries
- Carry Out Year-End Closing Entries in Oneir

Other considerations for review at year-end include tax planning, budget preparation, business strategic planning, amongst others.

Financial Statements including the Profit & Loss (Income Statement), Balance Sheet and Trial Balance Review

The first thing you should do before and after this checklist is review your financial statements. Print your Trial Balance from Oneir Solutions. Note that the Trial Balance can be downloaded as a .csv file for your usage and your CPA's purposes. Make a column on the spreadsheet for recording notes and comments while preparing the files for your auditors.

These reports provide a good reminder how you are spending your money but ensure you correctly categorized your expenses. Oneir Solutions allows you to have a default general ledger account for each vendor so this should reduce the chances of having any issues here. Also if the Oneir Solutions Purchase Order application is part of your purchasing process, the inventory is updated with each purchase, including "landing costs" with the inventory general ledger account being recorded on receipt.

Compare the Auditor's Trial Balance with Your Trial Balance Backdated to Your Last Yearend

Compare the Trial Balance provided after your audit last year with the Trial Balance on Oneir Solutions after backdating to last year. Verify that the amounts in each account are the same on both reports. If there are differences, a Reversing Entry needs to be made using last year's closing date. This will bring your Trial Balance in sync so that you, your auditor and the government tax filings all have the same starting position for the current year.

Automated Auditor Work Sheet Preparation

Oneir Solutions Trial Balance, Financial Statements, General Ledger Account Detail and Audit Trail can be downloaded as a .csv file for your CPA's reviews. Using spreadsheets and automated audit working paper tools, your

auditors will have more time, ways and means to analyze the financial statements.

Gather and Organize Your Receipts

As we mentioned in our prior checklist item, as sales are made and bills are recorded and paid, the postings of your paper work is simultaneously carried out within Oneir Solutions software.

However, you need to file copies of the vendor invoices and receiving documents so they can be easily retrieved during your audit. An alphabetic file by vendor is ideal for this. Of note, more and more companies are simply saving copies of these documents in cyber storage as searchable files. In a similar fashion, your sales documents can be stored for later retrieval or simply re-printed on demand. Storage of physical documents, that will eventually be destroyed, is expensive and is not considered environmentally prudent.

Review of Outstanding Lines-of-Credit, Loans and Mortgages

Collect all documents related to year-end balances for all your outstanding lines-of-credit, loans and mortgages. Make any adjusting entries to the relevant liability accounts so that these accounts reflect the value reported by the financial institution holding the liabilities. Generally, the offsetting entry is made to your interest expense account.

Fix Asset Review (Including Acquisition and Sale of Assets)

Document any acquisitions or sale of fixed assets. These transactions need to be documented and reported to your auditor. The auditor will recommend how the adjustment to the fixed asset accounts should be posted. If you have already recorded the purchase or the sale of the fixed asset, provide

documentation on the transaction. In this case, printing the respective audit trail in Oneir Solutions software will provide the detail the auditor requires.

The auditor will verify that the acquisition was posted to the correct Asset Tax Class for depreciation purposes and show any adjustments in their Year-End Adjustments Report, including Depreciation and Amortization.

Collect W-9s (US Requirement only)

Did you use vendors this year? If so, you'll have to collect W-9 forms for some of them. The W-9 form can be used as a paper trail for the IRS to track your expenses. It's also a way for the government to keep track of vendors and their income.

For every vendor you've spent \$600 or more for services, you're required by law to issue and complete a 1099 form. The 1099 must be filled out by January 31 and sent to the IRS by February 28 (or March 31 if you file electronically). Fortunately, your accounting software solution will have a line item for all 1099 vendors and contractors. Provide document for the W-9 filing.

Value Added Tax Review (HST/GST in Canada, PST in QC and VAT in Britain & Ireland Requirement only)

The difference between the sales tax charged to your customers less the input tax credit you pay to your vendors during the filing period, is to be remitted to the appropriate government department on a regular time table. Your auditor will most likely verify that these taxes are being correctly filed. Have this information available for your auditor as well as the value added tax filing reports.

Reconcile your bank accounts and credit cards

For the year-end, it's important to make sure what your Trial Balance is reporting matches up with your bank and credit card accounts. Oneir Solutions has an application to aid with the bank account reconciliation as well

as your business credit card reconciliation. Make a copy of the account reconciliation to show that it matches to the bank account statement as well as the credit card statement for the particular year-end.

As we stated earlier, this activity should be carried out monthly as well to ensure your critical cash assets are being controlled.

Check Payroll

Payroll withholdings are to be remitted to the appropriate government department on a regular time table. Your auditor will most likely verify that these taxes are being correctly filed. Have this information available for your auditor as well as the payroll withholding tax filing reports.

A few common areas to watch out for if you're worried about your end of year accounting are withholding taxes for fringe benefits, deferred compensation, contract versus salaried employees, end of year bonuses, amongst others.

Accounts Receivables and Customer Invoices

Oneir Solutions provides multi channel sales methods through which you can sell to and service your customers. Many of these customer sales have payment terms and are posted to the Accounts Receivable Ledger, as well as the General Ledger Accounts Receivable Control Account.

As part of your year-end procedures, print the Aged Accounts Receivable after first setting the exchange rate for foreign currency sales to 1. The G/L Accounts Receivables Control Account shown on the Trial Balance should have the same value as the A/R Sub Ledger total. If there are differences that you cannot reconcile, please contact the Oneir Solutions Support team for assistance. If there are foreign currency sales, refer to the "[Dealing With Foreign Exchange \(FX\) Transactions](#)" as well as "Review Your Foreign Exchange (FX) General Ledger Accounts" in this document.

Refer to the Oneir Solutions series of article "[Automating Your Accounts Receivable – Parts I to IV](#)" to learn more about invoice collection and managing your Days Sales Outstanding for tips on how to keep your Accounts Receivables current.

Accounts Payables and Vendor Invoices

Oneir Solutions provides several methods to record vendor invoices; including through Purchase Orders and direct posting through the A/P applications. Record Invoices for those invoices that didn't have a Purchase Order set up. If the payments were made without first recording the invoice, they can be processed and paid in one-step. As a result, they will bypass the Accounts Payable posting to the General Ledger. Many of these payables have payment terms and are posted to the Accounts Payable Ledger, as well as the General Ledger Accounts Payable Control Account.

As a part of your year-end processing, print the Aged Accounts Payable after first setting the exchange rate for foreign purchases to 1. The G/L Accounts Payables Control Account shown on the Trial Balance should have the same value as the A/P Sub Ledger total. If there are differences that you cannot reconcile, please contact the Oneir Solutions Support team for assistance. If there are foreign currency purchases, refer to the "Review Your Foreign Exchange (FX) Accounts" in this document.

Refer to the Oneir Solutions article "[EFT for Vendor Payments and Payroll](#)" to learn more about Electronic Funds Transfer (EFT) payment methods for streamlining your payment process.

Accrued Accounts Payable Reporting

If the company received goods or services in the current year but has not received the related invoice, the company will be obliged to pay for these expenses or purchases at a later date. This liability is normally recorded on the balance as an Accrued Accounts Payable. Document these obligations and report them to your auditor.

If you are using the Oneir Solutions Purchase Order application, there is reporting of all purchases that have been received but where the vendor invoices have not been provided. This Accrued Accounts Payable report should satisfy your auditor for this purpose.

Take Physical Inventory

Oneir Solutions uses the First In/First Out (FIFO) Perpetual Inventory Control method. However, for those companies with products that track “lots” or “bins”, the inventory is tracked by the respective lot or bin.

For some of you, there is no need to take physical inventory. For most, getting an accurate account of your inventory is important to securing and controlling one of your major assets...your inventory.

Take a physical count of your stock on the last business day of the year or, if this is not convenient...as close as possible to the year-end. Oneir Solutions provides a procedure in its software for carrying out stocktaking. You can optionally carry out a complete count for the full inventory or just for individual Product Lines (Product Categories). To aid with the count, you can use portable data collectors or other data collection devices such as smart phones, tablets and laptops to record the physical counts and download the counts into the company inventory database at a later time.

Oneir Solutions provides reporting of the “computer” count versus the actual physical count. To avoid printing the complete report, you can optionally print for variances that are greater than a selected value. Review these variances and recount if necessary.

Once complete, save the report as a .pdf for later review and finally update your inventory by posting the variances. You may wish to consult your auditor prior to the variances being posted.

Print the inventory Valuation Report and compare it to the value on the Trial Balance for the Inventory Control Account. Your auditor will have recommendations regarding how variances should be accounted for.

It is helpful to take random samples of your main “product lines” (product classes) or simply do “cycle counts” for an area of the warehouse during the year for security purposes.

Refer to the Oneir Solutions manual to learn more about Oneir Solutions stocktaking advantages and how to streamline the stocktaking.

Update Your Foreign Exchange (FX) General Ledger Accounts

Oneir Solutions software records General Ledger postings in your local domestic currency. However, there are a few exceptions, including the Accounts Receivable Ledger where foreign currency sales were made and Accounts Payable where foreign currency purchases were made. Also any foreign currency bank accounts are shown with their actual balances. These general accounts have to be adjusted by showing their Foreign Exchange adjustment to reflect the actual value in your domestic currency. Oneir Solutions allows you to show each account individually as well as its related FX account, and then as a net total for combined accounts. Refer to the Oneir Solutions article “Dealing With Foreign Exchange (FX) Transactions” to learn more about handling foreign exchange transactions.

Prevent Posting to the General Ledger Accounts after the Financial Details are Provided to your Auditor

After you have completed the preparation of your fiscal year-end statements, in particular the Trial Balance, you want to ensure no posting are made to your prior records while your auditor is reviewing the numbers and preparing their Adjusting Entry Report.

In the Oneir Solutions General Ledger, there is a facility to “Close Fiscal Periods”. You will be asked for a date which locks out any posting prior to that date. This can be used when you “close a month” and make your reports to management as well as for year-end reporting to your auditors.

Of course, if you wish to make entries prior to the “closing date”, you can simply adjust the date, make the entries and then re-establish the closing date. Refer to the Oneir Solutions Manual for additional detail.

Requirement for Closing Entries

Note that Oneir Solutions software is set up with month-end and year-end fiscal periods. As such, entries are posted to the correct period based on their date and there is no need to either close a period or delay processing transactions for the next fiscal year.

In addition, based on the Year-End date, Oneir Solutions software calculated the profit/loss for the year and applies this to the “Current Year Retained Earnings” General Ledger Account. There is no need to provide End of Year Closing Entries for the Income Statement Accounts.

Carry Out Year-End Closing Entries in Oneir

Oneir Solutions General Ledger allows for three years of accounting details. At or before the end of the third year you are required to proceed to the General Ledger application and “7. Close fiscal period”. See ?????? for full details on how to carry out this routine. This will open a new year so that you can continue operating without missing a beat. This procedure can be carried out any time but we suggest doing this during the last month of your year.

The checklist of items is not all encompassing but discusses the ones that your CPA will require for year-end closing and tax preparation. This document is provided as an editable document that you and your auditors can modify to your particular needs and serve to remind you of your audit requirements for future year-ends. The more of this you can do will lower your tax return preparation costs. Note that there are other items that your CPA might add to this list. Make note to prepare these as well. As always, refer to your tax specialist and auditor for counsel.

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