Year-End Top Ten Checklist

1. **Company Bank and Credit Cards** - Correctly reconcile all bank and credit card accounts. If they do not match up or if there's a reconciliation discrepancy account created because they didn't match up during the year, verify the amount and match it up against your gross income. There is no hard and fast rule about what is acceptable, if any amount, however it's important to see if you need to go back and re-reconcile the account(s) because it could be a potential expense/income entry that can make a very big difference in your final Profit and Loss statement.

2. **Fixed Assets** – You should already have a list of your fixed assets on your Balance Sheet, showing accumulated depreciation. First you need to check to see if any of these items are still in the possession of the company. If you sold any item, rendered it obsolete and disposed of it, or donated it, then you need to make the notation to your tax preparer so they can make the necessary adjustments. Everything you put on that tax form as a fixed asset is expected to be in your possession at the time of reporting. Secondly, if you purchased any new equipment, inform your tax preparer of the total cost including freight, sales tax, set-up charges, and other fees associated with the purchase and installation.

3. **Accounts Receivable** – Review your delinquent accounts receivable accounts. If they are over 90 days old, it will be difficult to collect on them outside of potentially going to small claims court, through mediation such as the Better Business Bureau, or seeking out a lien against them. If you are on a cash basis for your tax filing (verify this with your tax preparer), then you cannot write them off as bad debt expense. If you are on an accrual basis for your tax filing, then you can write them off as bad debt. Part of the process for being able to write off bad debt is that you performed due diligence in contacting them, sending certified letters, etc. to try to collect the payment. If the debt is over $600.00, you must also file a Form 1099-C from the IRS, which is a cancellation of debt form. A copy goes to the IRS and to the customer for which you're writing off the bad debt, so therefore it becomes taxable income for the customer and an deductible expense for you.

4. **Payroll** – Perform a review of your payroll expenses from the amounts you paid and filed on your 941 forms and what was paid to your employees and to the United States Treasury. Your books and the forms should match equally. If they don't, then you need to research what the discrepancy is. Also, if you have had employees who have left your company and send them a letter verifying that the current address you have on file is correct to send out their W2 form. If a W2 does come back without a forwarding address, you must hold onto it for 3 years from the time that you sent it out.

5. **Inventory** – If you have inventory for your company, make a physical inventory count and match it up against what's in your system. Due to shrinkage throughout the year, if you don't monitor it on a regular basis, it's important that you don't pay taxes on what you don't have. You will need to have an adjustment made into that inventory account and expense off the difference.

6. **Loans and Lines of Credit** – Always do a year-end review to make sure that the interest payments you record match the interest payments received by your lender, i.e. car payments, loan payments, vendor payments, etc. If there is a discrepancy, ask for an amortization schedule to determine the difference.

7. **Credit Card Customers** – If you receive credit card payments from customers, understand that you will be receiving a Form 1099K from your merchant processor, in January 2012. The purpose of the form is to alert you and the IRS how much you received, and how much was paid in fees. This may be a wake-up call for some owners and give them the opportunity to reconsider searching out other processors, but this should match your books and your tax form, because this will be compared when you submit your paperwork to the IRS.

8. **Vendors 1099 Information** – You are required to issue a Form 1099 for every vendor who is considered a sole proprietor. This could be an individual or a company who is listed as an LLC who files as a sole proprietor. To determine this, a Form W-9 from the IRS must be completed, and the vendor will let you know what tax status they are. The Taxpayer Identification Number, address, and amount paid to the vendor must be correct in order to prevent penalties to the business owner

9. **Closing the Books** – Once everything has been completed and you've prepared your tax return after the adjusting entries from your tax preparer have been received, close your books and password protect them from anyone who has access. As IRS auditors continue to increasingly legally request electronic copies of a business owner's financial records, if they don't match with the tax return, there could be serious repercussions.

10. **Back-Up Data and Closing the Books** – With the increasing use of technology, it's imperative to back-up your information on a continuous basis. Considering the amount of work hours and money used to create these financial reports, it's nearly impossible to calculate how much it would cost a business having to reconstruct their financial records from scratch should their file become corrupted or lost altogether.

This checklist is for informational purposes only. If you should have further questions, please feel free to contact myself or your tax advisor.

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