

## Preparing For Year-End Processing

### It Is Time To Start Preparing For Closing 2010

It's that time again—the end of the year, when accounting books must be closed in preparation for the new calendar year. There are a number of year-end closing steps that need to be performed in Sage BusinessWorks Accounting—all are well documented in the online Help and the procedures can be found in the Knowledgebase. In this article, we provide a checklist of items that should be reviewed before beginning any year-end module closings. Where appropriate, we have included an explanation of how to access information or perform tasks in Sage BusinessWorks. Payroll is the most time-sensitive module when it comes to year end, and we cover it first.

**Important Note:** Before you close any Sage BusinessWorks modules, it is essential that you perform a complete backup of your company data. You should retain this backup indefinitely, as it provides critical data for audit purposes.

#### 2010 Payroll Year-End Activities

You must complete many end-of-year Payroll activities before or during the last payroll.

**Verify W-2 figures**—Although Sage BusinessWorks retains five years of payroll history, it does not retain the totals needed for printing Form W-2 after closing the year. For this reason, it is critical that you verify W-2 figures before closing December.

We recommend you back up your data **just before** processing your last batch



of checks or any handwritten checks. Then if you encounter a problem, you can restore the backup, correct the problem, and reprocess the checks.

**Compare Tax Liability**—Before closing Payroll, it is important to make sure the amounts in your G/L Liability accounts for payroll taxes due to the government match the amounts on your Quarterly Reports in the Payroll module.

Print the Payroll Register Report from the Payroll/Reports Menu. Run the report for the current quarter, all employees. The last page of the register displays Total Wages, Deductions, Other Pays, and Federal Tax Liabilities. Compare the

Federal Tax Liability amounts to the corresponding G/L accounts. If they are out of balance, check to see if any journal entries have been made directly to the tax deposit account in the General Ledger. These changes will not be reflected on the Tax Deposit register in Payroll. To correct any errors you find, you can make journal entries to reverse the manual entries to the tax deposit account in General Ledger, then re-enter the amounts through the Tax Deposit screen in the Payroll module.

**2011 Tax Table Update**—The early Tax Table Update (TTU) for 2011 is available for download from Sage Software Online in mid-December. Because the

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update includes tax tables for 2011, install it only after you have printed and verified W-2 forms and closed Payroll for December. Another service pack is scheduled for early February to accommodate any late-breaking changes.

This year in particular, it is important to ensure that you have the latest service pack installed. There are changes to Form W-2 and reporting related to the HIRE Act. Its primary effect on year-end processing relates to the provision for relief from paying the Employer's share of Social Security Tax when hiring new employees who have been out of work for over 60 days.

Note: Processing a 2011 payroll before installing the 2011 TTU is not ideal, but because Sage BusinessWorks automatically recalculates FICA, FUTA, SUI, and SDI when you run a payroll after installing the update, adjustments can be made on the next payroll run. Although the other, table-driven, taxes do not self-adjust, the difference is a few cents in most cases.

**Yearly Close Checklist**—Sage BusinessWorks includes an End of Year Checklist for Payroll. After you have completed the last Payroll, click Checklist on the Main Sage BusinessWorks menu, and then click Payroll – End of Year Checklist. You can click each option to start it. After you have completed an activity, select the check box next to it to mark it off the list. Call us if you have questions about any of the steps.

### Reconcile Your Cash Balances

For every bank account you have, there is a corresponding General Ledger (G/L) account. At year end you should make sure each G/L account equals the amount your bank says you have in that account. You can use the built-in cash account reconciliation in Cash Management/Transactions/Reconcile

Checking Account to resolve any discrepancies. Here is a list of suggested activities:

- Compare the Bank Transactions Report to your final bank statement of the year to see if there are any charges, credits, withdrawals, or deposits that appear on the statement but are not recorded in the system. If you find any, use Enter Bank Transactions to record them.
- Print the General Ledger Account Detail Report for the month and cash account that you are reconciling.
- Use Reconcile Checking Account to note each transaction that has cleared the bank and appears on the bank statement.
- Using the bank statement, enter the beginning and ending cash balances and the statement and reconciliation dates.
- The G/L cash account balance and accounts payable transactions included in the reconciliation are based on the reconciliation date. The statement date is used as the cleared date for transactions. Be sure to select the proper dates to avoid problems.
- Select the check box for the checks, electronic funds transfers (EFTs), deposits, charges, credits, and withdrawals that appear on your statement. Make any necessary corrections. If you void and re-enter a transaction, be sure to use the same date as the original transaction. If all the information is entered correctly, the system and your bank statement will be in balance and your checking account will be reconciled.
- Print the Reconciliation Report using the same beginning and ending cash balances and the statement and reconciliation dates that you entered in Reconcile Checking Account.

### Balance Subsidiary Modules To The General Ledger

Your total outstanding amounts in the Accounts Receivable (A/R) module should match the G/L Accounts Receivable account(s). The G/L Accounts Payable account should match the total open (unpaid) invoices in the Accounts Payable (A/P) module. Run the Payable and Receivable Open Invoice Reports as of December 31. Compare the report total to the balance in the corresponding G/L account as of December 31. The numbers should match with the exception of any finance charges accrued and outstanding as of December 31.

If there are discrepancies in either module, look for the following:

- Transactions posted to the G/L Accounts Receivable account that did not originate in the Accounts Receivable module, and transactions posted to the G/L Accounts Payable account that did not originate in the Accounts Payable module.
- Voided transactions with a different date from the date of the original transaction.

### Record All Payables

Gather up any remaining invoices from your vendors and make sure they are recorded through the Accounts Payable module so that liabilities and 1099 information are correct.

**Important:** You must print 1099 forms before closing. When you close the calendar year, all 1099 information for 2010 is removed.

### Reconcile Inventory

The value of inventory stated in the G/L Inventory account(s) should balance with your Inventory Control (I/C) module reports. Print the appropriate I/C report and compare it to the Account

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Detail Report for the Inventory Account in General Ledger. If you use Standard or Average costing, use the Stock Status Report for reconciliation. If you use LIFO or FIFO, the On Hand Detail Report is the one to use.

Because inventory reports are snapshots taken at the time the report is printed, be sure to generate all necessary reports at the same time. If you find discrepancies, here are some tips for locating the problems:

- Review the Account Detail Report for transactions originating from modules other than A/R and I/C.
- Print Transaction Registers to obtain more detailed information about any questionable postings.
- Look for Non-Inventory Product Line transactions posted to the G/L inventory account. Non-inventory items are not included on the Stock Status or On Hand Detail Report because on-hand quantities are not tracked. To avoid reconciliation discrepancies, use different G/L inventory accounts for non-inventory items.

### Accounts Receivable Write Offs

If there are amounts on the books that you know will never be collected for one reason or another, year end is a good time to write them off. First, verify that an account for Bad Debt has been correctly defined in A/R/Utilities/Maintain Posting Accounts. Then you can write off the bad debts either through posting a credit memo or creating a receipt to reduce the invoice balance to zero.

The method used determines in which section it will appear on the Flash Report and Sales Analysis Report. When the

Create A Receipt option is used, the amount is reflected in the Write Off line of both reports. When a Credit Memo is used, the amount is included in the Adjustments line of the Sales Analysis Report. On the Flash Report, the Credit Total line includes the amount of the bad debts written off. In General Ledger, the transaction will post a debit to the Bad Debt account and a credit to Accounts Receivable.

### Review Fixed Asset Disposition

Whether you use fixed asset software or track your fixed assets manually, review the list and make sure the company still owns all of the fixed assets listed. For those fixed assets you have, make sure depreciation is correctly recorded through G/L journal entries. If you own Sage FAS, it will generate the entries for you. Please call us to learn more about managing your fixed assets using Sage FAS.

### Adjust Prepaid Items

You may have amounts in your prepaid accounts, such as prepaid insurance. These amounts often are entered as estimates. Compare the balance with what is actually still prepaid and make any necessary adjustments.

### Review Notes Payable

If you have business loans, obtain current balances from your bank and make sure they agree with the G/L Notes Payable account.

### Check Outstanding Debts

Are there bank loans or other debts that have not been posted to Sage BusinessWorks? Make appropriate

entries through Accounts Payable or G/L journal entry as needed. If there are debts you will never have to pay due to forgiveness or oversight, clear them off the books at year end.

### Comparative Review

Compare last year's expenses to this year's expenses, and compare actual expenses to the budget. If there are any large discrepancies, research to make sure you can explain them.

Additional information can be found on the Support Web site. To locate it, log on to the Customer Portal and access the main Support Web page. Scroll down the left-hand column until you find the Documentation section. Click to access this section, and scroll down past the Tutorials. There you will see the link to Year-End Tips. Of course, we are here to help; please call us with any questions regarding year-end procedures. ✨

## CONTACT INFORMATION

### ESC Software

1620 W. Fountainhead Parkway  
Suite 507  
Tempe, AZ 85282  
(480) 784-1622  
(866) 248-3241 toll free  
(480) 784-1623 fax  
info@escsoftware.com  
www.escsoftware.com

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