



Year End Closing

Presented by:
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About BBP & Top Shelf

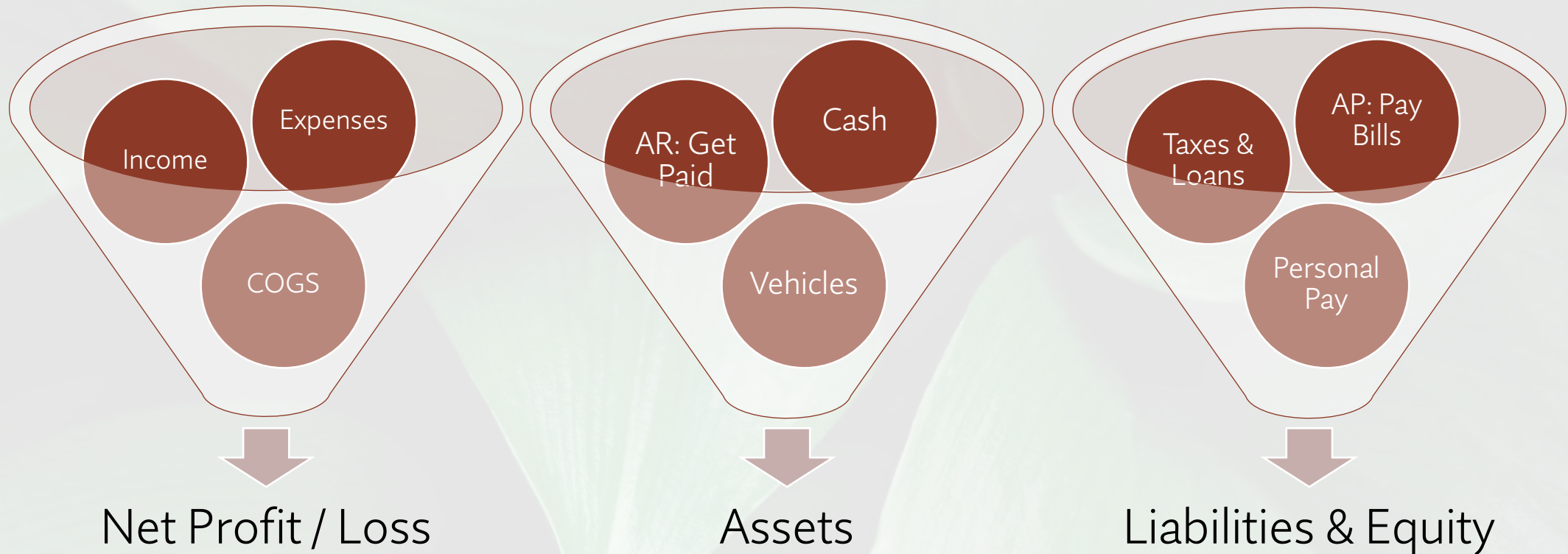
Both BBP and Top Shelf provide bookkeeping and payroll services.

BBP serves various industries, but our specialty is in job costing and complex reporting. Our primary industry is construction.

Top Shelf serves all verticals in the cannabis industry.



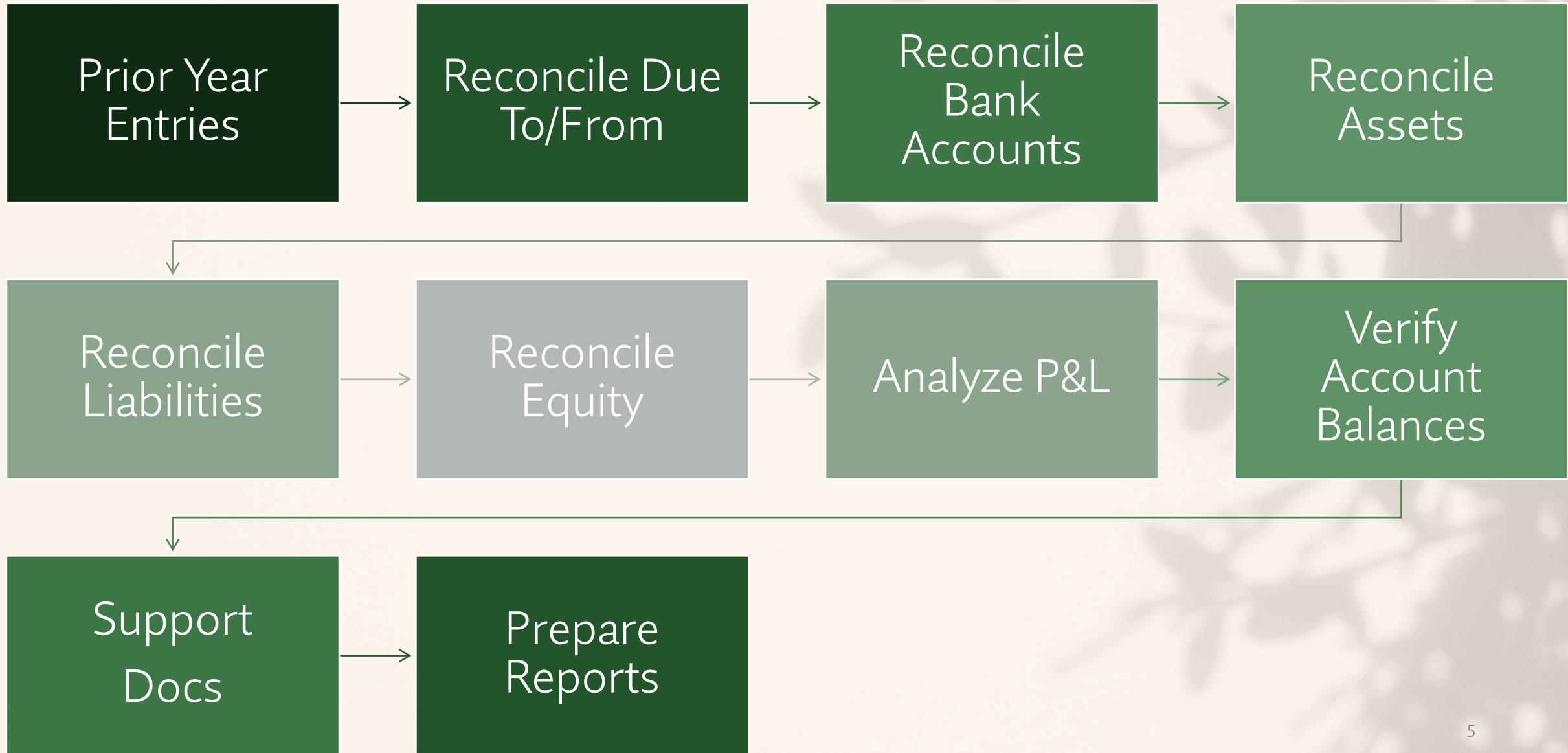
So what is 'Year End Closing'?



Reality



The Process



Prior year entries

Provided by your tax preparer

- Record depreciation
- Record loan adjustments
- Close Equity Accounts
 - Contributions
 - Draws/Distributions

Purpose:

Tie your book balances to the tax return

Sample Company Adjusted Trial Balance As of December 31, 20xx

	Unadjusted Balance		Adjustments		Adjusted Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash	2,594.95				2,594.95	
Checking	1,348,966.21				1,348,966.21	
Accounts Receivable	366,000.00				366,000.00	
Salary Advance	4,758.69				4,758.69	
Accumulated Depreciation		1,094,300.00				1,094,300.00
Buildings	81,974.40				81,974.40	
Furniture and Equipment	220,038.83			8,719.33	211,319.50	
Vehicles	1,337,041.39		8,719.33		1,345,760.72	

Reconcile Due To/From

Match your In's to your Out's

COMPANY A		COMPANY B		COMPANY C	
Equity		Equity		Equity	
Opening Balance Equity	0.00	Partner Contributions	0.00	Owner's Contribution	0.00
Owner's Contribution	45,800.00	Company C Contribution	100.00	Company A Contribution	25,000.00
Owner's Draw	-22,800.00	Company A Contribution	460,000.00	Total Owner's Contribution	\$ 25,000.00
Health Insurance	-3,400.00	Total Partner Contributions	\$ 460,100.00	Owner's Draw	-90.00
Company B Draw	-460,000.00	Partner Distributions	-4,400.00	Company C Draw	-100.00
Company C Draw	-25,000.00	Prior Year Adjustment	0.00	Personal	-1,200.00
Medical Expenses	-300.00			Total Owner's Draw	-\$ 1,390.00
Retirement	-25,000.00				
Taxes - Personal Paid	-10,000.00				
Total Owners Draw	-\$546,500.00				

Reconcile Bank Accounts

ALL Bank Accounts & Cash Accounts

- Checking
- Savings
- Money Markets
- Cash Clearing: PayPal, Square, Venmo
- Petty Cash

Review Uncleared Transactions

DATE	CLEARED DATE ▲	TYPE	REF NO.	ACCOUNT	PAYEE	MEMO	PAYMENT (USD)	DEPOSIT (USD)	
09/01/2022		Check	2224	Travel	[REDACTED]	[REDACTED]	1,280.00		<input type="radio"/>
08/31/2022		Tax Payment		Payroll Liabilities...	[REDACTED]	Tax Payment for Period: [REDACTED]		0.00	<input type="radio"/>
08/04/2022		Tax Payment		Payroll Liabilities...	[REDACTED]	Tax Payment for Period: [REDACTED]	2,053.46		<input type="radio"/>
08/04/2022		Tax Payment		Payroll Liabilities...	[REDACTED]	Tax Payment for Period: [REDACTED]	825.30		<input type="radio"/>
08/01/2022		Tax Payment		Payroll Liabilities...	[REDACTED]	Tax Payment for Period: [REDACTED]		0.00	<input type="radio"/>
08/01/2022		Journal	1R	- Split -		To adjust uncleared transactions at month ...	13,882.43		<input type="radio"/>
07/31/2022		Journal	1	- Split -		To adjust uncleared transactions at month ...		13,882.43	<input type="radio"/>
02/25/2022		Sales Tax Payment		- Split -				0.00	<input type="radio"/>
09/01/2022	09/01/2022	Receive Payment		Accounts Receiv...	[REDACTED]			5,982.50	<input checked="" type="radio"/>

Annotations:
- Box: "Uncleared checks" points to the 09/01/2022 Check transaction.
- Box: "Tax Payments" points to the 08/31/2022, 08/04/2022, 08/04/2022, and 08/01/2022 Tax Payment transactions.
- Box: "End a month with a negative balance" points to the 08/01/2022 Journal entry (1R) and the 07/31/2022 Journal entry (1).

TIP: Did you add an expense instead of Matching to a payment?

Reconcile Assets

Key qualifications of a fixed asset are:

- The item must have a useful life of one year or more
- Must be productive in business operations
- Investments such as vacant land or buildings would not be considered fixed assets because they are not currently used in conducting business

Record all asset changes

- Vehicles
- Equipment
- Furniture

Did you Sell, Buy or Take a Loss?

Vehicles			
07/15/2020	Expense	Record sale of 2005 Ford F250 VIN89102	40,140.25
09/29/2020	Journal Entry 71	2012 Ford F450 VIN45678 - SOLD	-18,500.00
12/31/2020	Journal Entry 97	Record sale of 2001 Ford F150 VIN123456	18,500.00
12/31/2020	Journal Entry 97	Record sale of 2001 Ford F150 VIN23456	-62,053.00
12/26/2021	Journal Entry 104	2019 Ford F250 VIN34567, removed for personal use	-44,675.33
12/26/2021	Journal Entry 104	2017 Chevy VIN67890, removed for personal use	-53,101.44
12/26/2021	Journal Entry 104	2019 Ford F350 VIN78901, removed for personal use	-80,551.87
Total for Vehicles			-\$200,241.39

Discuss with your tax preparer whether to capitalize an asset or not.

- This is a critical business issue because it could influence the profits or losses of a business.
- A P&L change can affect the business's net worth, its tax liability and potentially debt covenants – the financial ratios required by a lender.

Reconcile Liabilities

Current Liabilities

Credit Cards

Capital One Credit Card	2,744.16
Total Credit Cards	\$ 2,744.16

Credit cards: Reconcile

Other Current Liabilities

Direct Deposit Payable	0.00
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Payroll Liabilities

Federal Taxes (941/944)	919.18
Federal Unemployment (940)	325.53
NM Income Tax	21.19
NM Unemployment Tax	57.45
NM Worker's Compensation Fee	47.30

Total Payroll Liabilities

Total Payroll Liabilities	\$ 1,499.22
Sales Tax Paid	1,622.81
NM Tax & Revenue Payable	-0.02
Total Sales Tax Paid	\$ 1,622.79

Total Other Current Liabilities

Total Other Current Liabilities	\$ 3,122.01
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Tax Liabilities

What goes in
Must come out

01/29/2021	Check	Federal Taxes (941/944)	5.52	632.10
02/12/2021	Check	Federal Taxes (941/944)	30.52	662.62
02/12/2021	Check	Federal Taxes (941/944)	25.36	687.98
02/12/2021	Check	Federal Taxes (941/944)	32.24	720.22
02/12/2021	Check	Federal Taxes (941/944)	30.46	750.68
02/12/2021	Check	Federal Taxes (941/944)	71.24	821.92
02/12/2021	Check	Federal Taxes (941/944)	16.50	838.42
02/12/2021	Check	Federal Taxes (941/944)	14.28	852.70
02/12/2021	Check	Federal Taxes (941/944)	41.04	893.74
02/12/2021	Check	Federal Taxes (941/944)	13.22	906.96
02/12/2021	Check	Federal Taxes (941/944)	22.04	929.00
02/12/2021	Check	Federal Taxes (941/944)	247.12	1,176.12
02/16/2021	Expense	AC-IRS -USATAXPYMTXX	632.10	544.02

NP - Vehicle Loans:GM Truck Loans:GM Loan 1234 (816.39)	41,473.13
NP - Vehicle Loans:GM Truck Loans:GM Loan 2345 (630.51)	11,442.04
NP - Vehicle Loans:GM Truck Loans:GMC Loan 5678 (746.91)	17,309.36
NP - Vehicle Loans:GM Truck Loans:GMC Loan 3456 (1353.21)	73,415.47
NP - Vehicle Loans:GM Truck Loans:GMC Loan 4567 (768.06)	14,541.12
NP - Vehicle Loans:GM Truck Loans:GMC Loan 7890 (877.81)	20,331.07
NP - Vehicle Loans:GM Truck Loans:GMC Loan 9123 (630.51)	21,285.43

Reconcile ALL LOANS to your 12/31 statement balances

Reconcile Equity

- Review your Contributions for business income
- Review your Draws/Distributions for business expenses
- Verify your InterCo balances still match

COMPANY A

Equity

Opening Balance Equity	0.00
Owner's Contribution	45,800.00
Owner's Draw	-22,800.00
Health Insurance	-3,400.00
Company B Draw	-460,000.00
Company C Draw	-25,000.00
Medical Expenses	-300.00
Retirement	-25,000.00
Taxes - Personal Paid	-10,000.00
Total Owners Draw	-\$546,500.00

COMPANY B

Equity

Partner Contributions	0.00
Company C Contribution	100.00
Company A Contribution	460,000.00
Total Partner Contributions	\$ 460,100.00
Partner Distributions	-4,400.00
Prior Year Adjustment	0.00

COMPANY C

Equity

Owner's Contribution	0.00
Company A Contribution	25,000.00
Total Owner's Contribution	\$ 25,000.00
Owner's Draw	-90.00
Company C Draw	-100.00
Personal	-1,200.00
Total Owner's Draw	-\$ 1,390.00

Time to Play Spot the Difference



Look for inconsistencies

Look for negatives
in the wrong place

Categorize everything!

- No Uncategorized
- No Miscellaneous
- No Ask My Accountant

Analyze P&L

Income	
Income	0.06
Services Revenue	375,000.00
Sales of Product Income	0.01
Total Income	\$375,000.07
Cost of Goods Sold	
Cost of Goods Sold	-273.00
Contract Labor	1,090.00
Fuel	52,725.00
Repairs and Maintenance	33,600.00
Travel Expenses	1,157.00
Total Cost of Goods Sold	\$ 88,299.00
Professional Fees	
Professional Fees	10,000.00
Purchases	-90.00
Reimbursements	7,900.00
Telephone Expense	
Telephone Expense	5,000.00
Uncategorized Expense	3,500.00
Utilities	6,900.00

Verify Account Balances

Account Normal Balances

Type	Balance	Number	Account
Assets	Debit Credit	10##	Contra Asset (Depreciation)
Liabilities	Credit	200#	
Equity	Credit Debit	3###	Draw/Distributions
Revenue	Credit	4###	
Costs of Goods Sold	Debit	5###	
Expenses	Debit	6###	
Other Income	Credit	7###	
Other Expenses	Debit	8###	

Refer to Chart of Accounts for specific account numbers and more account names

Verify Account Balances (cont.)

BALANCE SHEET

Assets

- Depreciation

Total Assets

(What the company can liquidate)

Liabilities

(What the company owes)

Equity

- Draws/Distributions

+/- Net Income

Total Equity

(What the company is worth)

Assets = Liabilities + Equity

PROFIT & LOSS

Income

-Discounts/Refunds

Total Income

-Costs of Goods Sold

Gross Profit

+ Income

-Expenses


Net Operating Income


+Other Income


-Other Expenses


Net Income


Support Docs


 1099


 Assets


 Loan Statements


 W2s


 2021 Fed Extension.pdf


 2021 NM CIT Pmt 2021.pdf


 2021 TX Franchise Ext Instructions.pdf


 2021 TX Franchise Ext Pmt.pdf


 2021 W-2 Preview.pdf


 Payroll Details 2021.xlsx


 PPP Forgiveness 2021.pdf


 Sales Tax Report 2021.xlsx


 2021 F150 Purchase.pdf


 Loan 1234 Amortization.pdf

 Unit 345 Purchase Docs.pdf

 Unit 456 Purchase Docs.pdf

 Unit 678 Purchase Docs.pdf

 Unit 765 Purchase Docs.pdf

 Unit 987 Purchase Doc.pdf

Get A Head Start

1099s

- Pull a Vendor Summary Report
- Did you buy a SERVICE? YES
- Did you pay them \$600+? YES
- Are they NOT a corporation? YES

YES to all → **Get a W9 form!**

Pre-Reconcile the Year

- Reconcile Monthly and Quarterly
- Reconcile in December through November
- In December, update your loans

W2s

- Pull an Employee Details report
- Are the SSN correct?
- Did you have employees move?
- Do you have corrected addresses?

Support Documents

- Did you buy/sell an asset?
- Did you get a loan?
- Did you have an insurance claim?

Thank you

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