

Account Closure Checklist

Finalization of Profit and Loss Account and Balance Sheet

Section 1: Balance Sheet Finalization

Step	Task Description	Status
1	Opening Balances: Reconcile and record opening balances of assets and liabilities from the audited financial statements of the previous year.	
2	Suspense Account Clearance: Clear all transactions in the suspense account before proceeding.	
3	Capital Account Reconciliation: Reconcile capital account balances with the capital table and the Ministry of Corporate Affairs (MCA) records.	
4	Loan Balances: Request loan schedules from the client and confirm closing balances.	
5	GST Reconciliation: Reconcile balances in the electronic credit ledger and electronic cash ledger on the GST portal after filing GSTR-3B for March. or GST payable with the books for all GST registrations. Download the Comparison of GSTR-3B with GSTR-1 and GSTR-2A from computax and insert tally data manually and prepare reconciliation in Format-A.	
6	TDS Reconciliation: Reconcile payable balances of TDS internal calculations. Verify that the payable matches with the payments made in the subsequent period. Prepare the Tax deduction details in Format-B.	
7	PF and ESI Reconciliation: Make a reconciliation of the PF/ESI payable balances. Verify that the payable matches with the payments made in the subsequent period. Prepare the details of Payment of PF and ESI in Format-C	
8	Recognition of ESOP provision: Ensure that the appropriate provision for Vested options is created as per the policy of company.	
9	Vendor Balances: Obtain ledgers from vendors and reconcile creditor balances. Focus on resolving debit balances, which might indicate unrecorded expenses or purchases.	
10	Provision for Taxation: For profitable entities, create a provision for taxation under current liabilities.	
11	Fixed Asset Reconciliation: Reconcile closing balances of fixed assets after recording depreciation with the fixed asset register.	
12	Investment Reconciliation: Obtain statements for FD and other investments. Reconcile balances, ensuring investments are recorded at cost and adjusting for any decline in value that is other than temporary.	
13	Closing Stock Verification: Confirm closing stock is recorded at the lower of cost and NRV. Reconcile stock with physical inventory records.	
14	Debtor Balances: Obtain customer ledgers and reconcile debtor balances. Ensure customers who deducted TDS have filed their returns and credit reflects in Form 26AS. Record TDS receivable appropriately in individual customer ledgers.	
15	Accrued Interest Income: Record accrued interest income under current assets to match interest income with Form 26AS.	
16	Imprest/Reimbursement Accounts: Book expenses for debit balances appearing in imprest/reimbursement accounts.	
17	Cash Balance Compliance: Ensure cash balance is not negative on any date during the financial year.	

18	Bank Reconciliation: Reconcile closing balances of bank accounts with bank statements.	
19	Prepaid Expenses: Transfer previous year's prepaid expenses to the Profit and Loss account.	
20	TDS Receivable Reconciliation: Reconcile TDS receivable balances with Form 26AS.	
21	Deferred Tax Calculation: Calculate and record deferred tax assets/liabilities for timing differences such as depreciation, carried forward losses, accrued bonus, and interest.	
22	Related Party Transactions: Prepare a list of all related party transactions in the Format-D of format Tabs.	

Section 2: Profit and Loss Account Finalization

Step	Task Description	Status
1	Reconciliation of Sales: Match sales booked in Tally with GSTR-1 filed to ensure accuracy and completeness.	
2	Reconciliation of Purchases and Expenses: Reconcile purchases and expenses from registered vendors with GSTR-2A/2B. For purchases amounting to ₹50 lakh or more from a vendor, ensure TDS is deducted under Section 194Q.	
3	Recording Other Income: Verify and record other income such as (i) Interest from FD: Match with the bank's interest certificate, Form 26AS, and AIS/TIS. (ii) Sale of Scrap: Ensure GST is charged and furnished in GSTR-1, as it qualifies as a taxable supply.	
4	Closing Stock Valuation: For trading and manufacturing entities, ensure closing stock is recorded at the lower of cost and net realizable value (NRV).	
5	Goods in Transit: In case of imports, confirm that goods in transit are included as part of the closing inventory.	
6	Reconciliation of Salary Expense: Reconcile salary expenses with Salary sheets and Form 16A issued to employees.	
7	Depreciation and Amortization: Ensure depreciation is booked as per the Companies Act, 2013.	
8	Reverse Charge Mechanism (RCM) Compliance: Verify that RCM is paid on expenses subject to RCM (e.g., GTA services, legal fees).	
9	Blocked Credit Expenses: Ensure tax amounts on expenses with blocked credit are expensed in the Profit and Loss account instead of being recorded under duties and taxes.	
10	TDS Compliance: Confirm TDS is deducted for all expenses exceeding the threshold limit.	
11	Audit Fees and Provisions: Record audit fees and create a provision in the Balance Sheet. Ensure TDS is deducted if the audit fees exceed the threshold during the year of provision creation.	
12	Interest Expense: Record interest expenses on loans as per loan schedules.	

Net Profit upto the period of Finalisation	
Tax Rate	
Tax Liability	
(-) TDS Receivable	
(-) Advance Tax	
Tax Liability/(Refund) upto the period of Finalisation	

Final Review

1. Conduct a thorough review of the Profit and Loss account and Balance Sheet to ensure compliance with applicable accounting standards and regulations.
2. Cross-verify all reconciliations and supporting documents.
3. Ensure all entries are accurate, complete, and supported by adequate documentation