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High Five for Year-End!

Meeting with your accountant at year-end isn't the only thing on your to-do list. Here are **five** more steps that are equally important. They are the **New Year High Five**.

✓ **Action Item: Back Up ALL Your Data**

Year-end is a critical time for backing up all information, software, spreadsheets, etc. Specifically, keep a separate backup of **all financial statements**. You need a record of Balance Sheet and Income Statement (sometimes called a Profit and Loss or P&L) **on 12/31**. It is vital to see what your Financial Statements looked like **before** accountant entries and other changes. Backups don't take long, much less time than trying to recreate the "before" picture of your bank reconciliation or accounts payable ledger.

Helpful: *As part of your New Year's Resolutions, get in the habit of regular backup procedures that happen every day, week, and month. You'll thank yourself the next time you click yes to "Exit without Saving?"*

✓ **Action Item: Revise Your Budget**

Take the time to update your budget for the new year. Even a budget on the back of a napkin is better than no financial plan at all. Include estimates for revenues, cost of sales, fixed and variable expenses. An accurate budget projects net income (profit or loss) and helps you make good business decisions for the year.

✓ **Action Item: Reconcile Your GL**

Reconciling the General Ledger (GL) sounds just plain awful (it's the middle finger of the High Five for a reason!) but it is *critically* important. Without it, the financial statements can be **seriously flawed**. Imagine if you made a decision to purchase an expensive new piece of equipment, thinking that you had lots of cash, when in reality, you're dead broke!

Reconciling isn't usually hard, especially if you do it monthly or quarterly. It's how you catch mistakes and gives you much better control of your company. At a *minimum*, do it at year-end.

What's involved?

1. Start with the Balance Sheet (or Trial Balance) and compare each item to the total on the detail report.

Example: Run and save the Accounts Receivable (AR) aging as of year-end. Does the total on the aging match the same entry on the Balance Sheet? It should, and when it does, you're done with AR. If they don't match, track down why they're different (start by running for earlier periods to try and find the discrepancy).

2. Always reconcile the most important accounts, such as Cash, AR, AP, Inventory, Loans, etc. Then reconcile for all other Balance Sheet accounts, a.k.a. modules.

✓ **Action Item: Take Inventory**

Your Inventory detail total needs to match the Inventory amount on the Balance Sheet. **Your counts must also be accurate**. The hard truth: If you're not performing periodic *Cycle Counts* on inventory, then you need to do a full physical inventory at year-end.

There are some very specific steps you must follow for inventory. In an orderly fashion, you need to count each and every inventory item.

1. Don't cheat and try to confirm what your system tells you is in stock, but do an independent count.
2. Count each section (rack/shelf/bin), and don't hop around the warehouse or store looking for the rest of an item. (You can sum up multiple locations of the same part later.)
3. Don't forget work in progress (WIP) or inventory that you own but isn't on hand right now (out at a customer location), etc.
4. Have defined cut-offs so you don't double count or skip items that aren't invoiced or received.

After performing the physical inventory, research all variances, and make adjustments as necessary to the Inventory Module, keeping the detail total in balance with the GL.

Helpful: *Don't want to do this all at once? Perform periodic cycle counts, counting higher value or faster moving items more often (such as quarterly), but make sure you count each item* ***at least*** *once per year.*

✓ **Action Item: Update Your Plans**

It's time to update both your Business Plan and your Strategic Plan. They are dynamic documents that should change with the ebb and flow of your business.

1. Your Business Plan
   - Lays out the ***details*** of your business
   - Has sections for marketing research, financial analysis, management, etc.
2. Your Strategic Plan
   - Lays out your company's overall goals
   - Includes implementation steps to achieve those goals

Helpful: *Remember who, what, where, when, why and how? Your Business Plan = who, what, where and why. The Strategic Plan = when and how.*

Cheers to the New Year,
Dan