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## YEAR-END CLOSURE PROCEDURES FOR ACCOUNTANTS

January is one of the busiest months for accountants as Companies aim to close out the previous financial period. There are various year end procedures necessary to be carried out before preparing the Financial Statements. The goal of this is to ensure that all items have been recorded in the books of accounts completely and accurately. It also provides comfort that the ledger balances that have been transferred to the subsequent period are accurate and no cut-off issues are noted.

For most accountants, year-end procedures can be an uphill task due to the nature of the whole process. In order to ensure that the objective is met, we summarize below the essential steps to follow when performing year-end procedures:

### 1. Prepare a closing schedule

The first step in the closing process is to plan and develop a schedule of necessary tasks, people involved and deadlines that must be met such as: report deadlines & data processing deadlines. Ensuring that these deadlines are booked in your respective calendars as well as of those who are involved in the reporting and review process will streamline the time taken to perform such procedures.

### 2. Reconcile all accounts and pass necessary year-end adjustment /entries

A reconciliation of all balances should be done to identify any necessary year-end adjustment /entries as follows:

- Reconcile bank and cash balances to the statements and make necessary entries to the cash book;
- Physical inventory count should be reconciled to the ledger balance and obsolete items should be written off;
- Prepaid expenditures should be reviewed and analysed to ensure necessary prepayment adjustments have been effected;
- Reconcile fixed assets register by ensuring additions, disposals, depreciation, impairment and profit or loss on sale/disposal of non-current assets adjustment entries have been passed;

- Review repairs and maintenance accounts and identify any capitalization of expenditure to be allocated to the non-current assets;
- Review long outstanding debtors and investigate any items that may be irrecoverable and pass impairment entries;
- Review the aged creditors list and reconcile outstanding balances with supplier statements and pass any necessary accruals and provisions; and
- Reconcile payroll summary to the ledger balances and provide for directors' remuneration especially if based on financial performance.



### 3. Sense check the profit and loss account

In order to ensure that profit/loss of the current financial period is in line with your expectations given the performance of the company, an analytical review can be performed. This may involve comparing the prior and current year profit and loss account items with an aim to identify significant variances. Common anomalies can be elements of expenses/income reported in the prior year which may have been omitted in the current year and this may be an indication of transactions that have not been accrued correctly.

### 4. Calculate and reconcile your tax accounts

It is important to revisit your tax liabilities and settle these in time to avoid incurring penalties and interest. The following procedures can be performed as a minimum:

- Obtain your tax ledger statements from the Revenue Authority and reconcile these to your ledger.
- Calculate your outstanding tax liabilities based on your profitability. Consider any brought forward tax losses or credits available for utilization.
- Identify cash flows to settle the outstanding liabilities if any.



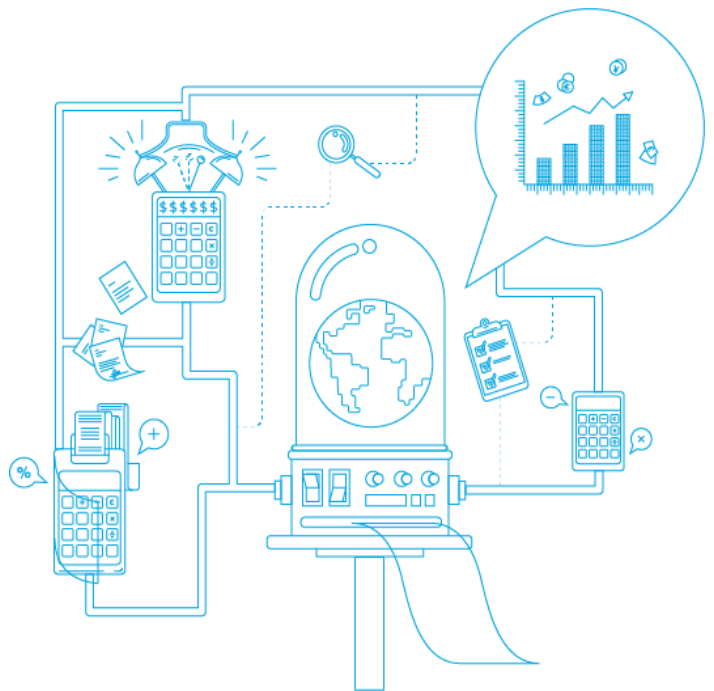
### 5. Lock the period and backup your data

One of the common errors in the subsequent financial period is to type in the wrong date when posting January transactions. Ensure you lock the previous financial period before rolling over the balances. This will ensure that erroneous entries cannot be passed after the review process has been completed. Furthermore, ensure the ledgers are backed up in multiple locations to avoid loss of data.

### Conclusion:

The goal of the year-end closing procedures are to ensure that the financial statements are accurate and ready for an external audit. If you require any assistance, reach out to our team of accounting experts to help you make sense of your accounting and year-end closure requirements.

At RSM we have a robust Business Processing and Outsourcing department that can assist you in preparation of your books of accounts accurately and timely. We use a collaborative approach in performing our services in order to avoid any last minute surprises.



#### Caveat

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