

YEAR-END BOOK CLOSING CHECKLIST

Perform a year-end close out of your books to ensure the numbers are accurate. (*Note: Finance workflows our team has designed and books on which we perform "Accounting Checkups™" are more likely to be accurate.*)

- ☐ Save all account statements – Be sure all monthly bank, credit card, loan, and similar statements are uploaded to Hubdoc (or your business file system). They're the only thing that enables reconciliation and it's critical to have easy access to these later (since accounts are often closed or moved).
- ☐ Agree Dec 31 bank & credit card balances – Use Xero's Reconciliation Report to agree the "Statement Balance" at Dec 31 to that on financial institution's own statements. (This confirms no transactions were accidentally missed or duplicated over the year.)
- ☐ Agree business loan balances – Agree the loan balance on the Balance Sheet at Dec 31 to that per the lender statement. (This also helps ensure Interest Expense is being properly reflected in the books.)
- ☐ Ensure all payments near year-end properly dated – Be sure checks written, credit/ debit payments, or other transaction that took place before Dec 31 (but may clear afterwards) are properly dated in order to be counted in the right year.
- ☐ Ensure all owner transactions properly categorized – Be sure owner loans, contributed capital, distributions/ draws, reimbursements, etc. are captured and categorized properly to prevent inaccurate profit & tax calculations.
- ☐ Scan transactions categorization for accuracy – Run Xero's Account Transaction report and scroll through looking for anything out of place. (Let us know if you'd like to use our custom-designed Classification Review report.)
- ☐ Review open customer invoices & vendor bills for accuracy – Run Xero's Accounts Receivable Aging and Accounts Payable Aging reports as of Dec 31 and confirm all the open balances are accurate.
- ☐ Confirm larger equipment purchases or disposals properly categorized – Be sure new equipment purchases, sales/ trade-ins of old, and any assets you've gotten rid of are accounted for in your books.
- ☐ COVID relief funds received? – Be sure PPP forgiveness, EIDL Advances, ERC refunds, state and local COVID grants, etc. are properly categorized so you aren't taxed on those you shouldn't be.
- ☐ Company retirement and/or health plan? – Be sure company contributions attributed to the owner(s) and employees are each itemized to their own lines for special tax reporting.
- ☐ Personal expenses or mixed expenses? – Ensure personal transactions are not being counted as

business deductions and that any mixed business/ personal costs are properly prorated.

☐ Significant repair costs? – Consider whether the amount is for a normal ongoing repair or is really an improvement that should be categorized differently. (You can reach out to our Financial Design Team for help making this judgement.)

☐ Capital leases? – Evaluate that any capital lease (a lease that's effectively a financed equipment purchase) is properly reflect in your financials.

☐ Evaluate two-year financials for unexpected amounts – Run a two-year comparative Profit Report and Balance Sheet in Xero and ensure each line makes sense – Drill into any line where something's worth double-checking.

Congratulations! You've closed out your books! :)

If you'd like to see the types of finance activities we recommend you perform at the end of each month too, see our [Insights Blog post on checkups](#) for additional tips.