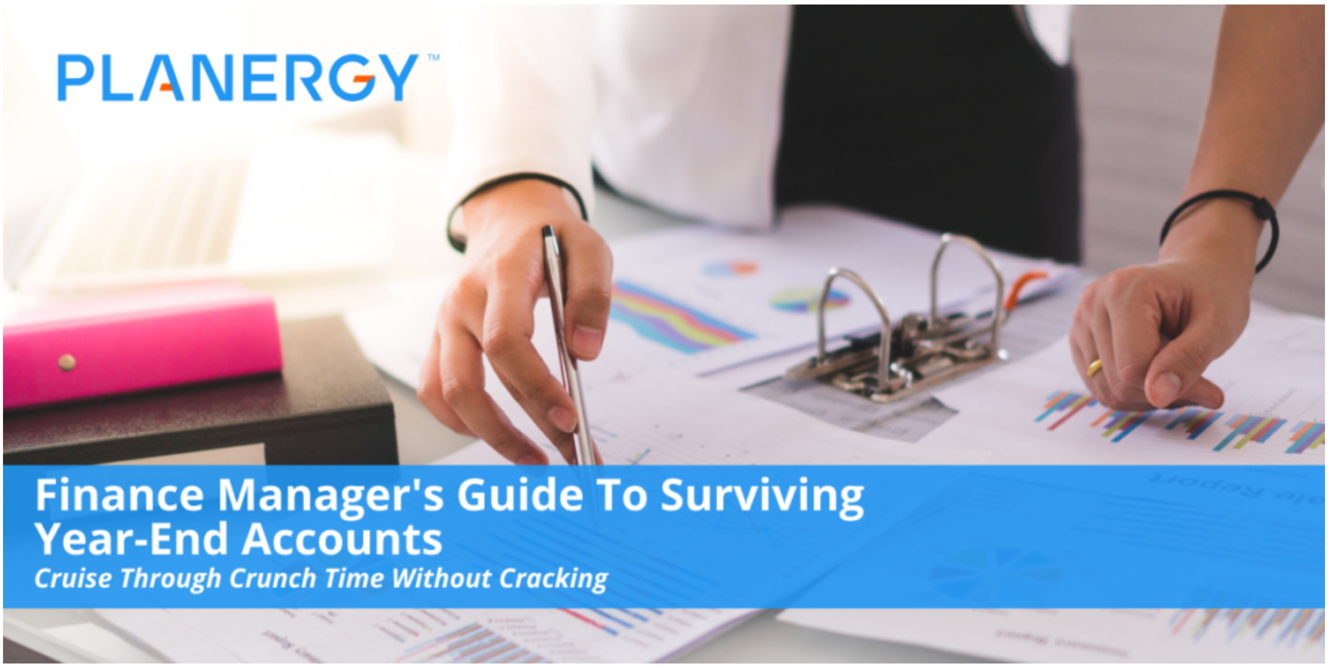
Finance Manager's Guide to Surviving Year-End Accounts



For busy finance managers, business owners, and accounting professionals around the world, dealing with year-end accounts is a period of urgency and stress. But it doesn't have to be as painful as it often is.

With a little planning, investment in the right tools, and some strategic self-care, you can successfully meet your year-end accounting obligations without entering the New Year feeling like you've been through the wringer.

Why Year-End Accounts Matter

Generally speaking, year-end is the date on which your company's annual accounting period ends.

Once a company has been incorporated and had its first accounting year-end within 18 months of that time, all future year-ends fall at regular 12-month intervals.

In the United States, companies can choose to be calendar-year taxpayers, or fiscal-year taxpayers; the former follow the standard calendar, while the latter use their company's fiscal year, a specific 12-month period set to correspond with their business performance, plans, and workflows.

During year-end, you'll prepare your accounts and financial records for review. These include, but are not limited to:

- Balance Sheet
- Profit/Loss Statement
- Director's Report
- Auditor's Report (if required)

For limited companies (also known as LTDs or LTD companies) in the UK, the last day of a company's fiscal year is also the date (known as a *year-end date*) that begins the required filing period for essential documents with Her Majesty's Revenue and Customs (HMRC) and Companies House.

Year-end accounting is critical to the enduring health and success of your business, because it:

- Determines when you file your tax returns and the due date to pay any tax liability to the Internal Revenue Service (IRS) or other appropriate tax authorities, such as the HMRC.
- Provides appropriate information necessary for internal and external audits, financial reports and planning, and tax filings.
- Provides investors with updated performance information (for public companies)
- Provides the information used in data analysis to transform data from a

wide range of sources—procurement, accounting, production, sales, vendor performance, etc.—into useful insights and further process improvements for the coming months and years.

With so much riding on year-end accounting, playing things fast and loose just isn't in the cards if you want to come out the other side under your own steam. Preparation, planning, and useful tools can help you tame the beast with minimal pain and maximum efficiency.

Essential Tips for Tackling Year-End Accounts

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1. Invest in the Right Software Solution

As with so many other business processes, year-end accounting can be tedious and time-consuming if you're still working with manual workflows using pen and paper.

In fact, using antiquated accounting procedures can end up costing you plenty in the form of late tax filings (fees can quickly tot up to hundreds or even thousands of dollars), inaccurate cash flow, or waste and additional expense due to human error.

The ideal solution is to invest in an accounting software package that gives you greater visibility into all of your financial information while simultaneously leveraging advanced tools such as artificial intelligence and process automation to improve the accuracy and completeness of that information.

Choosing a cloud-based, next-gen solution like Planergy takes much of the pain out of year-end accounting by:

- Providing a centralized, cloud-based data management solution that allows you to collect, organize, store, and access your information on demand. You can access your data from both desktop and mobile devices, using customizable dashboards that make it easy to organize your data for reports and analysis.
- Capturing all your spend data, eliminating rogue spend and fraud while improving the accuracy of all your financial documents and reports. Full visibility means no nasty surprises when calculating cash flow or tax liability, and more useful strategic insights for smarter decision-making.
- Adding process automation to ensure all your data is automatically collected and sorted to create accurate and complete financial statements, including balance sheets, profit/loss statements, Value-Added Tax (VAT), business expense account totals, and much more.
- Integration with your procurement, sales, and other software packages to create a single software environment that shares not just information, but process improvements. Integration also supports improved collaboration and communication, making every step of year end (and all your other business processes) clearer, faster, and more efficient.

In short, by investing in automated, cloud-based software, you're investing in a value-driven, cost-saving solution that's faster, more accurate, and much, much less frustrating than traditional accounting systems, both at the end of the year and throughout the fiscal year.

2. Develop and Deploy Best Practices for Year-End Accounting

Your year-end accounting procedures will vary based on the type of business you operate and whether you operate on a cash or accrual accounting basis. Regardless, preparation, planning, and investment in reliable, cloud-based, fully integrated software solution—along with a trusty year-end checklist—can make all the difference.

After all, you don't want to put yourself in a precarious financial position (or generate needless tax liability) with substandard workflows, or damage your cash flow and competitive advantage or the accuracy of your financial records with inaccurate bookkeeping.

A sample year-end checklist might look something like this:

- Generate and Review Profit and Loss Statement (also called an Income Statement)
- Collect and Review W-9s (as appropriate; small businesses may not have systems in place to organize and monitor vendor information, so automation and data management are especially helpful here)
- Collect and Review Receipts
- Review Costs Related to Fixed Assets
- Review Business Expenses
- Reconcile Bank Accounts and Credit Cards
- Review Payroll
- Review Accounts Receivable and Invoices
- Perform a Physical Inventory
- Generate and Review Your Trial Balance (Debits and Credits should balance to zero)

For VAT-registered companies, you'll also want to review your VAT totals for accuracy and completeness.

Companies that aren't VAT registered can also use the end of their company's fiscal year as an opportunity to assess their VAT turnover to see if they've reached the required thresholds of either €37,500 (for services) or €75,000 (for the sale of goods).

Limited companies in the UK will need to prepare and file their tax returns, annual accounts (i.e., their Income Statement, Statement of Financial Position, and any relevant supplementary Footnotes) to the HMRC.

If they use the financial reporting standard for micro-entities (FRS 105), they must also submit their Statement of Financial Position and Footnotes to the Companies House for review and publication.

Directors must also prepare and submit a Confirmation Statement (i.e., an annual return) to Companies House.

It's worth repeating that all of the steps on the checklist above can be streamlined and optimized with help from the right accounting software.

Automatic three-way matching and full spend data tracking eliminate common year-end headaches like invisible spend and invoice fraud while freeing your staff from low-value, repetitive tasks so they can use their skills to ensure all your financial documents are in tip-top shape for your senior management, auditors, tax authorities, your investors, etc.

In addition, shared data automatically populates across applications, slashing time spent on verifications, chasing invoices, or making corrections.

3. Don't Overlook the Importance of Self Care

While planning and process improvements can take some of the sting out of year-end, it's important to remember the health and happiness of the living, breathing human beings responsible for organizing and presenting all of the financial data from the previous year.

A "Sanity Checklist" works well in complement with its more formal, document-based sibling.

- Plan ahead—and stick to the plan whenever it's reasonable and feasible to do so.
- Hope for the best. Plan for the worst.
- Get plenty of sleep, exercise, water, and good food.
- Remember to take breaks, both scheduled and unscheduled.
- Share the load and focus on collaborative and mutual success.
- Take note of what works, what doesn't, and use what you learn to make next year's year-end even smoother.

The Year's End is Only the Beginning

Whether they're using the calendar or their own fiscal year, companies, like people, can get a little introspective when the end of the year rolls around. And with good reason; fiscal year-end is absolutely critical to the continued success and growth of your business.

But if you're willing to invest in the technology, accounting procedures, and planning required, year-end also offers you an outstanding opportunity to dig deep into your company's performance and make smart, strategic decisions that will help you achieve a stronger financial position, take advantage of uncovered insights, and make the coming year your best one yet.

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