

Closing the Year

QuickBooks (QB) does not perform End-of-Year Closing in accordance with general accounting principles. You can continue using the same data file to store multi-year transactions. However, at the completion of the fiscal year, the Closing Date will be set by the Administrator to prevent adjustments or deletions to prior year transactions. Prior Year financial reports as well as comparative year reports can be generated. See [End-of-Year Checklist](#) for Quickbooks for details.



Review the section “Before Setting the closing Date” and the two options below carefully.

Before Setting the Closing Date

All of the following criteria must be met before the Administrator will set the Closing Date:

- **Record all Transactions** for the current fiscal year in QB, including interest and bank service charges.
- **December Bank Reconciliation** must be verified and signed by either the CES or Council Officer. Bank statement(s) must reconcile with your QB checking and savings registers.
 - ➔ You do not need to wait for all outstanding checks and deposits from the prior year to clear the bank for the closing date to be set !

December Ending Bank Statement balance	
Minus	Total Outstanding Checks
Plus	Total Outstanding Deposits
Equals QB Check Register Balance (and your Check Book, if you are manually writing checks)	

- All employee W2 forms, and employer W3 and 941 Forms have been printed. W3 signed by CES or Council Officer.
- All **necessary Financial Reports** have been printed either from QB and source documents are organized in a Binder and ready for review by Auditors.
 - See [Financial Report Distribution chart](#).
 - See [Reports](#) web page for explanation on configuring Reports.
- See procedure [End of Year Checklist](#) procedure for detailed instructions.
 - ➔ It is recommended that you review the End of Year checklist with your CES

Year-End Adjustments made by QuickBooks

When your accounting data file is closed, QuickBooks makes certain year-end adjustments to your income and expense accounts to start your new fiscal year with a zero net income. This does not affect transactions. The Net Income (or Net Loss) is posted to the Retained Earnings account and will increase or decrease the Council’s Equity (net worth) on the Balance Sheet.

The End-of-Year Total Equity for the prior year will become the beginning Retained Earnings amount for the new fiscal year. See Balance Sheet Report.

Are you Ready to close the Current fiscal Year?

- Have you performed all the activities listed in the **End of Year Checklist for QuickBooks?**
- Have you reviewed the above section "**Before Setting the Closing Date?**"

Please review the two options below to determine if you will continue using the same data file for next fiscal year's transactions.

Option 1 – Retain the Current QB Data file

This option is recommended if...

- Your number of transaction records is less than 10,000.
(Open your QB data file, Press **CTRL 1** to determine number of transactions)
- Your QB Checking and Savings register balances are reconciled with the bank statement balances.
- It takes less than 30 seconds to open and display reports.

This option is beneficial because...

- Prior Year detailed and summary reports can be printed.
- You can review a specific type of transaction in the prior year to help you remember how that transaction was created.
- You can enter the new year's transactions before the closing date is set.
- County Engagement Specialists can print and review comparative reports for prior and current year accounting data.
- It's easy. It's simple. It's painless.

What to do Before You Call the QB Administrator...

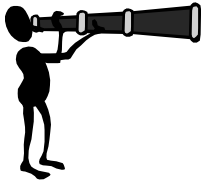
- Open your **QuickBooks** file.
- **Perform a QB Backup** of your QB Data file to a separate storage device, label it, and store it in a safe place. This file will end with **.QBB** and will be a condensed file. Do not overwrite this Data! **Save this Backup file for Audit or CPA review.** This backup file has the closing date set. It is recommended that you copy this backup file to another source or to a special folder on your computer. You should have 2 copies of the backup File.
- When the council's financial data is ready for review, **send a teams message** to the QuickBooks Reviewer, Kevin Hansen.
- Kevin will review your Funds Balance Report, bank Registers, and Unclassified Transaction report to determine if your financial records are "in balance."
- The Closing Date will be set only when your financial records have met all criteria as outlined in the "End of Year checklist."

For Your information.....

- Once the Closing Date (December 31, current year) is set, you will be able to generate prior-year detailed and summary reports. **You will not be able to change transactions.**
- QuickBooks does not store Class balances as transaction records.

- Depending on the number of transactions created each year, you can maintain multiple years of transactions within the same data file. Frequent QB **backups** are highly recommended! Retain 3 consecutive backup sources during the year, rotating and overwriting them.
- The Audit trail file remains.

Option 2 - Start a New Accounting Data File



This option is recommended if...

- Your QB data file becomes too large - more than 10,000 transactions.
- It takes more than 30 seconds to open or refresh a report.
- You are establishing a QB Data file for the first time.

This option is beneficial because...

- Your reports will process faster if your data file is smaller.

Disadvantage...

- Beginning balances for bank accounts, accounts receivables, accounts payables need to be entered. Outstanding prior year Invoices and Bills will need to be re-created.

What to do Before you Call the QB Administrator...

- **Verify** the Extension Council's end-of-year Class **Balances** for the checking account and the Saving account with your **CES**. Print the following QB reports for the data: See Reports web page for configuring specific reports.
 - **Funds (Class) Balance** located under Memorized Reports. (click the Expand button at top of screen to see subclass balances).
 - **Balance Sheet** (select Reports from menu bar, Company and Financial, Balance Sheet Standard).
 - **Income and Expense Summary for all Classes – Annual or YTD** located under memorized reports.
 - **Annual Income & Expense summary** – all classes combined. located under Reports, Company and Financial, Profit and Loss Standard.
- Open **QuickBooks..**
- **Perform a QB Backup** of your QB Data file to an external source. This file will end with **.QBB** and will be a condensed file. Do not overwrite this Data! **Save this Backup file for Audit or CPA review.** This backup file has the closing date set. It is recommended that you copy this backup file to a second data storage device or to a special folder on your computer. **You should have 2 copies of the backup file.**
- Send a teams message to the QuickBooks Administrator, Kevin Hansen, or **call 660-646-1335.**
- The following items must be performed by the Administrator:
 - **Set the Closing Date.**
 - **Archive and Clear Transactions.** The existing database will be retained. All transactions will be deleted. Chart of accounts, customer, vendor, and employee lists, and memorized reports will be retained.

- The Start of Year Class (and Subclass) Balances for Checking and the Saving account balances should be the same as the prior year ending balances. Please carefully read **Enter Opening Balances in New QuickBooks Data File** procedure for details on establishing bank and asset balances, outstanding checks and deposits, receivables and payables.
- Remember to use **December 31 of the prior year as your opening balance date**. Do NOT use January 01 !!!
- Print a copy of the **Funds (Class) Balance Report** and **Balance Sheet** report as of January 1 of the new year and compare balances to the same two reports printed as of December 31 of the prior year. All Asset and Liability balances should be the same!
- Staple the above-mentioned prior year and new year reports together and verify these balances with your CES. **Your CES should sign and date all 4 reports. File the reports in your accounting file for future Audit or CPA review.**
- All Reports that calculate Class balances will need to be configured to capture all transactions in the data file, including the oldest transaction date.
- Depending on the number of transactions created each year, you can maintain multiple years of transactions within the same data file. Frequent QB **backups** are highly recommended! Retain 3 consecutive backup external data source drives during the year, rotating and overwriting them.