

QuickBooks Year End Financial Statement Review Checklist

GENERAL PREPARATION:	
1. Reconcile all bank and credit card accounts using QuickBooks (QB) reconciliation. Any items (income or expenses) not cleared as of 12/31 should be verified as legitimate and outstanding due to timing. Any duplicate or phantom charges occurring in the tax year should be voided. If there are any un-cleared checks from a previous year, please let us know.	<input type="checkbox"/>
2. The balance in the un-deposited funds account should be zero unless payments were received near the end of the current tax year and deposited in the next tax year.	<input type="checkbox"/>
3. Make year-end accrual adjustments (if necessary) for pre-paid items (such as pre-paid insurance).	<input type="checkbox"/>
4. Run a comparative Profit & Loss (P&L) Statement and a comparative Balance Sheet (BS) for the current and prior year with \$ change. Review all account balances for the current year for negative balances. With a few exceptions the balances should be positive (Returns, Distributions or Draws, Accumulated Depreciation are the most common accounts that should have negative balance).	<input type="checkbox"/>
5. Change from Cash Basis to Accrual Basis reporting (or vice versa) and rerun reports and review all balances again. Cash Basis BS should have no (zero) Accounts Receivable and Accounts Payable. If not please investigate and clear.	<input type="checkbox"/>
6. Separate accounts exist for Meals (travel/clients/prospects), Entertainment (non-deductible) and Other (office parties/meals offered to the public).	<input type="checkbox"/>
PAYROLL:	
7. Payroll should match year end reports: Total wages paid should match year end W3 report (box 5). Wages for each Officer should be recorded separately. Employer (ER) payroll tax expenses include ER portion of SSI and Medicare (6.2% and 1.45% respectively but subject to change), FUTA, SUTA and ETT taxes. Payroll tax expense should not include the employee withholding portion.	<input type="checkbox"/>
8. Please send the following annual payroll reports unless QBO is used to process payroll <ul style="list-style-type: none"> • W3 Wage Reconciliation • W2's for all Employees • 940 FUTA Reconciliation • 941 Quarterly Reconciliations (all 4 quarters) • State Reconciliations (Quarterly DE9 for CA) 	<input type="checkbox"/>
9. With few exceptions, payroll liability accounts should have a zero balance at year end. If there is a credit balance in the account, please make sure this clears in January of the following year.	<input type="checkbox"/>
OFFICE EXPENSES AND SUPPLIES:	
10. Using the comparative P&L with \$ change review General Ledger (GL) accounts such as supplies, office expenses, small tools, etc. If the taxpayer has or will elect the De minimis safe harbor election, they can deduct (expense) amounts up to \$2,500 per item or invoice. Any item or invoice with an acquisition cost of \$2,501 or more (including tax, shipping and installation) must be depreciated and not expensed.	<input type="checkbox"/>

FIXED ASSETS:	
11. Review all fixed assets to ensure they are posted correctly and include appropriate description. If leased, ensure only capital leases are recorded as fixed assets. Operating leases should be expensed as rent or lease expense.	<input type="checkbox"/>
HEALTH INSURANCE:	
12. Health Insurance premiums paid on behalf of any owner (shareholder, partner, or member) and/or their spouse, or any person that has a financial interest in the business, should be separated from employees that do not have a financial interest in the business.	<input type="checkbox"/>
13. S corporation shareholders (and related spouses) who own more than 2% of the company need the company paid premiums included on their W-2 in boxes 1 and 14.	<input type="checkbox"/>
14. Employee health insurance premiums should be reported on a separate worksheet (to be provided) showing the Employer/Employee split of premiums and number of weeks or hours worked in the year.	<input type="checkbox"/>
LIFE INSURANCE:	
15. Life Insurance premiums paid on behalf of any owner (shareholder, partner, or member) and their spouse, or any person that has a financial interest in the business, should be separated from employees that do not have a financial interest in the business.	<input type="checkbox"/>
16. Only key-man life insurance should be expensed by the company. In general Key-man life insurance payments are deducted by the company but then any proceeds will be taxed as income. If the business owner does not want the insurance proceeds to be taxable, the premiums should be paid for by the owner directly or included as an owner draw/distribution and not included as life insurance expense.	<input type="checkbox"/>
1099 REPORTING:	
17. Please run the 1099 Summary Report from QB for the year and confirm that 1099's were prepared and provided to the recipient. <ul style="list-style-type: none"> To run the 1099 summary report in the QB desktop select Vendors>Print/E-file 1099's>1099 Summary. In QBO click on the "Prepare 1099's" button at the top of the Vendors page to start the interview process. In step 4 print the 1099 Information Sheet. 	<input type="checkbox"/>
<i>*Please note fines and penalties have increased significantly for failure to file timely and complete 1099's.</i>	
RECONCILE LOANS:	
18. Adjust loan balances to match year end statements and make sure interest expense is properly recorded. Please send copies of the year end statements with other docs requested for tax preparation.	<input type="checkbox"/>

340 Palladio Pkwy, Suite 501 • Folsom, CA 95630
Toll-free: (866) 426-1555 • Call: (916) 426-1555 • Fax: (916) 426-1556
AllworthTaxSolutions.com