

# **Closing the Year in QuickBooks®**

**Making Journal Entries and  
Setting the Closing Date**

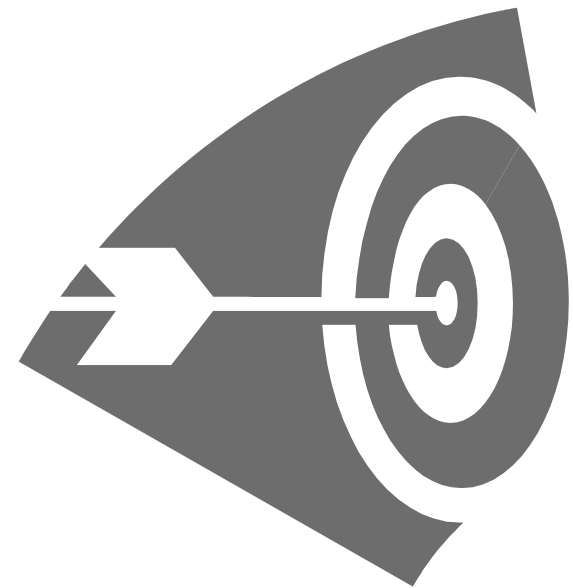
# Closing the Year

**Historical financial  
data should be  
preserved for:**

**nAudit**

**nAnalysis**

**nAccounting Fee  
Savings**



# Closing the Year

**Correct final numbers are available from your accountant or tax preparer.**

**3 main forms or sources for the data**

- n Trial Balance (Best)**

- n Financial Statements**

- n Your tax return**

# Closing the Year

To be sure your balances agree with the final numbers

from your accountant:

- Compare to the reports

- Verify if Cash or Accrual Basis

- If they match you can move on to setting the closing date.



# The Trial Balance

- n Balance shown for each account.
- n Most detailed report
- n Least translation of terminology  
(no accountantese)
- n All accounts show on the same  
report

# The Trial Balance

Report Finder

Memorized Reports

Process Multiple Reports

Company & Financial

Customers & Receivables

Sales

Jobs, Time & Mileage

Vendors & Payables

Purchases

Inventory

Employees & Payroll

Banking

Accountant & Taxes

Budgets & Forecasts

List

Industry Specific

This may not be a familiar report to you, but your accountant uses it to review all your account balances.

They most likely have already compiled one in order to prepare your company's taxes or financial statements.

Adjusted Trial Balance

Trial Balance

General Ledger

Transaction Detail by Account

# The Trial Balance

**Trial Balance** Ask a help question **Ask** **How Do I?**

Modify Report... Memorize... Print... E-mail Export... Hide Header Collapse Refresh

Dates Last Fiscal Year As of 12/31/2006 Sort By Default

8:51 PM  
 12/15/07  
 Accrual Basis

**Rock Castle Construction**  
**Trial Balance**  
 As of December 31, 2006

	Dec 31, 06	
	Debit	Credit
Checking	12,454.77	
Savings	29,500.00	
Accounts Receivable	1,924.40	
Tools & Equipment	5,000.00	
Inventory Asset		468.90
Undeposited Funds	18,252.08	
Land	90,000.00	
Buildings	325,000.00	
Trucks	33,852.91	
Trucks:Depreciation	0.00	
Computers	4,001.00	
Furniture	5,225.00	
Accumulated Depreciation		107,066.20
Pre-paid Insurance	4,050.00	
Accounts Payable		4,050.00
CalOil Card		65.88
Sales Tax Payable		935.85
Bank of Anycity Loan		20,801.07
Note Payable		20,500.00
Truck Loan		11,451.43


# **Financial Statements: Compare to The Balance Sheet and Profit & Loss**

- n Often accounts are combined for summarized presentation.**
  - n Totals of Assets/Liabilities/Equity will all match. Net Income will match.**
  - n Some translations may be necessary from your accountant, but generally will follow your QuickBooks totals.**
  - n Use with a Profit & Loss to verify all the balances for the year end.**

# The Balance Sheet

Report Finder	
Memorized Reports	▶
Process Multiple Reports	
<hr/>	
Company & Financial	▶
Customers & Receivables	▶
Sales	▶
Jobs, Time & Mileage	▶
Vendors & Payables	▶
Purchases	▶
Inventory	▶
Employees & Payroll	▶
Banking	▶
Accountant & Taxes	▶
Budgets & Forecasts	▶
List	▶
Industry Specific	▶
<hr/>	
Custom Summary Report	

Profit & Loss Standard	
Profit & Loss Detail	
Profit & Loss YTD Comparison	
Profit & Loss Prev Year Comparison	
Profit & Loss by Job	
Profit & Loss by Class	
Profit & Loss Unclassified	
Income by Customer Summary	
Income by Customer Detail	
Expenses by Vendor Summary	
Expenses by Vendor Detail	
Income & Expense Graph	
<hr/>	
Balance Sheet Standard	
Balance Sheet Detail	



# The Balance Sheet

10:55 PM  
12/15/07  
Accrual Basis

Rock Castle Construction  
**Balance Sheet**  
As of December 31, 2006

◇ Dec 31, 06 ◇

ASSETS	
Current Assets	
Checking/Savings	
Checking	12,454.77
Savings	<u>29,500.00</u>
Total Checking/Savings	41,954.77
Accounts Receivable	
Accounts Receivable	<u>1,924.40</u>
Total Accounts Receivable	1,924.40
Other Current Assets	
Tools & Equipment	5,000.00
Inventory Asset	-468.90
Undeposited Funds	<u>18,252.08</u>
Total Other Current Assets	<u>22,783.18</u>
Total Current Assets	66,662.35

Some balances may be combined, but totals will match

# **The Tax Return: Compare to your Balance Sheet and Profit & Loss**

## **n Most Summarized Balances**

**Details often revealed on sub schedules.**

## **n Various pages contain the data.**

**n 1065, 1120, 1120S – page 4 = Balance Sheet**

**n Schedule C or E business, no balance sheet is presented –  
many times not even prepared.**

**n Harder to put together unless you  
understand the return itself.**

**n Better than starting from scratch.  
Especially with qualified help.**

# If they don't match...

- n We have the opportunity to learn from the tax preparer's experience.
- n Each adjustment is a lesson in correct accounting.
- n Also the entries are clues to what the information the accountant will need next year.



# Making Journal Entries

- n Journal Entries are accountant's method to reclassify errors, correct totals and add missing data. They will NOT:
    - n Affect individual customer/vendor account balances
    - n Affect item based reporting
    - n Affect inventory quantities
    - n Affect payroll liabilities or tax calculations.
- Correcting your original transactions may prove more accurate for your own reporting.

# Make Journal Entries

Journal Ask a help question **Ask** **How Do I?**

Dates: Last Fiscal Year From 01/01/2006 To 12/31/2006
Sort By Default

**11:09 PM** **Rock Castle Construction**  
**12/15/07** **Journal Entries**  
**January through December 2006**

Date	Num	Account	Debit	Credit	Memo	Name
10/15/2006	122	Checking		694.00	ROCK-0921	Middlefield Dryw...
		Accounts Payable	694.00		ROCK-0921	Middlefield Dryw...
			694.00	694.00		
12/18/2006		Checking	3,516.05		Deposit	
		Undeposited Funds		2,000.00	Deposit	Ruff, Bryan:Su...
		Undeposited Funds		1,516.05	Deposit	Ruff, Bryan:Su...
			3,516.05	3,516.05		
12/05/2006		Checking	5,079.48		Deposit	
		Undeposited Funds		5,079.48	money order	Bolinski, Rafal:2...
			5,079.48	5,079.48		
12/16/2006		Accounts Payable		4,050.00	Semi-Annual Premium	Sergeant Insur...
		Pre-paid Insurance	4,050.00		Semi-Annual Premium	Sergeant Insur...
			4,050.00	4,050.00		
▶ 12/31/2006		Depreciation		4,200.00	Depreciation on Truc...	Annual Deprec...
		Depreciation Expense	4,200.00		Depreciation on Truc...	Annual Deprec...
			4,200.00	4,200.00		

# Make Journal Entries

nt Edition 2004

Banking Reports Window Help

Banking Navigator

Write Checks Ctrl+W

Order Checks

Use Register Ctrl+R

Make Deposits

Transfer Funds

Record Credit Card Charges ▶

Loan Manager

Reconcile

Make General Journal Entries...

Set Up Online Financial Services ▶

# Make Journal Entries

The screenshot shows a software window titled "Make General Journal Entries". The window has a title bar with "Ask a help question Ask" and "How Do I?". Below the title bar is a menu bar with icons for "Previous", "Next", "Print...", "Find", "History", "Reverse", and "Reports".

The main area contains a form with the following fields:

- Date: 12/31/2006
- Entry No.: [ ]
- Adjusting Entry

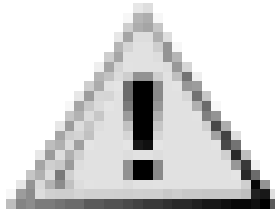
Below the form is a table with the following columns: Account, Debit, Credit, Memo, and Name. The table contains two rows:

Account	Debit	Credit	Memo	Name
Trucks:Depreciation		4,200.00	Depreciation on T...	Annual Depreciation
Depreciation Expense	4,200.00			

A callout box with the text "You don't have to know debits & credits, just follow the report!" is positioned over the table, with arrows pointing to the Debit and Credit columns.

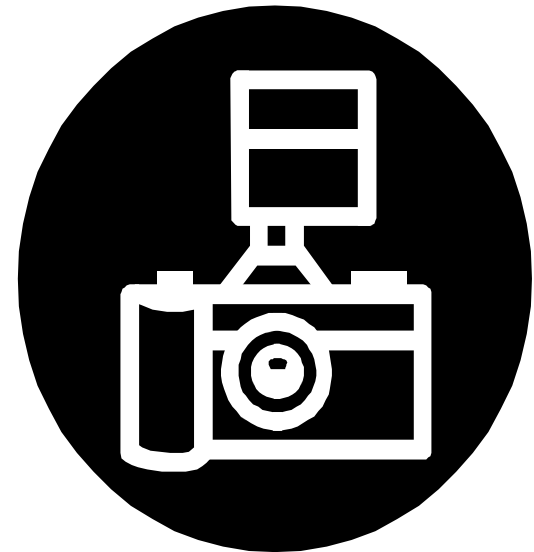
# **Make Journal Entries**

- n Once you have correct the transactions or made journal entries, compare to your accountant's reports for the fiscal year end.**
- n If changes were made to the prior year data since you provided it to your tax preparer, that may account for the difference.**
- n If you have trouble, consult your advisor.**



# Setting the Closing Date

- n Preserve your records.
- n This is as important as backing up your data.
- n This is the only way to protect yourself from unauthorized changes
  - n What are authorized changes?
    - n Amended tax return
    - n Reissued financial statements



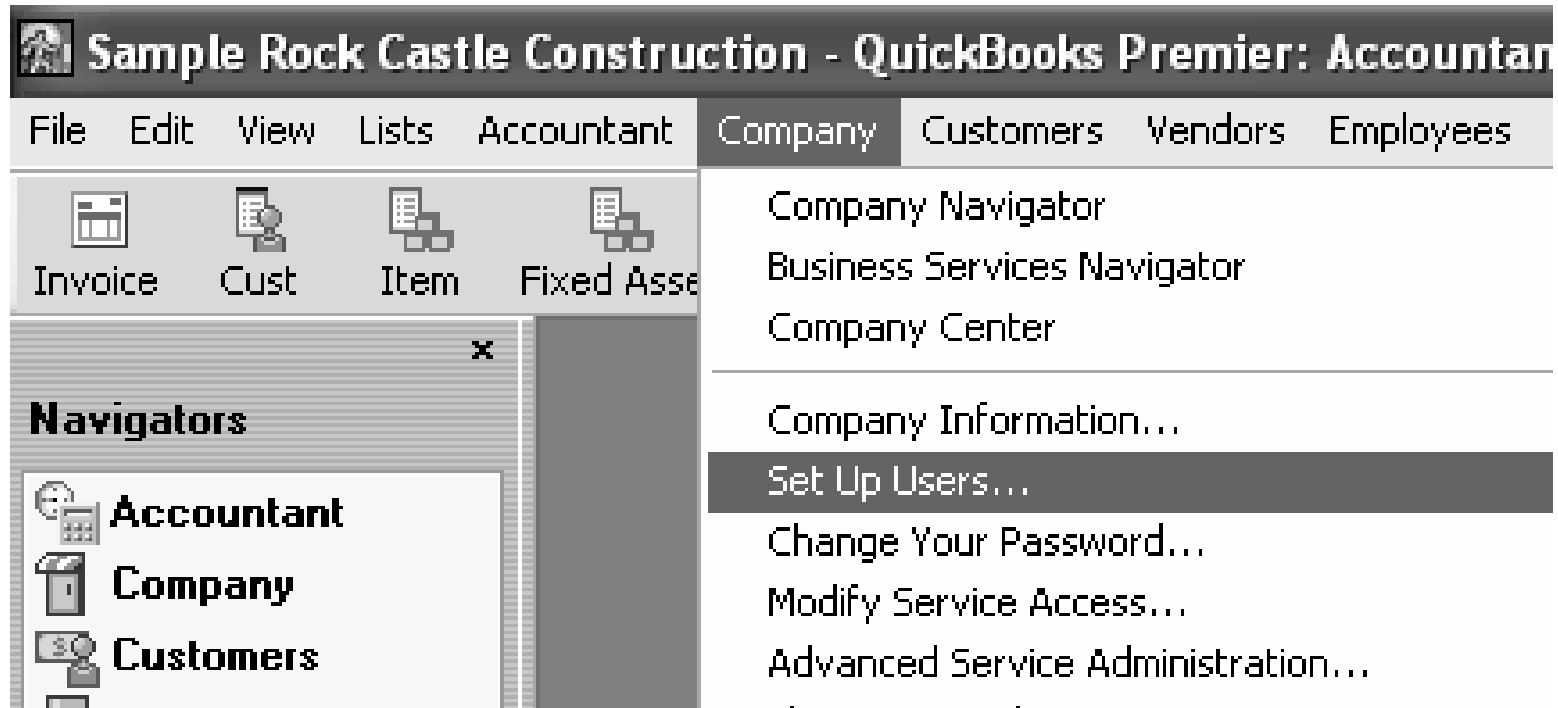
# Setting the Closing Date

Don't pay your  
accountant to do  
last year's books  
again next year!



# Setting the Closing Date

n First, Re-open your company file and  
Login as the Administrator



# Setting the Closing Date

## Review all user settings

**User List**

Admin (logged on)  
Anna

Add User ...  
Edit User ...  
Delete User  
View User

**View user access**

Set the closing date:

**Access for user: Anna**

This user has the following access rights. Click the Leave button to return.

Area	Create	Print	Reports
Sales and Accounts Receivable	Y	Y	Y
Purchases and Accounts Payable	Y	Y	Y
Checking and Credit Cards	Y	Y	n/a
Inventory	Y	Y	Y
Time Tracking	Y	Y	Y
Payroll and Employees	Y	Y	Y
Sensitive Accounting Activities	Y	Y	Y
Sensitive Financial Reports	Y	Y	n/a
Changing or Deleting Transactions	Y	n/a	n/a
Changing Closed Transactions	Y	n/a	n/a

Leave

NO user should have this permission, but anyone you have selected "All areas" will have this permission.

# Setting the Closing Date

## Correct user settings

The screenshot shows the 'User List' window with a table containing the following entries:

User Name	Access
Admin (logged on)	
Anna	

Buttons for 'Add User...' and 'Edit User...' are visible. The 'Edit User...' button is circled in red.

The 'Change user password and access' dialog is open for user 'Anna'. It asks 'What do you want this user to have access to?' and provides two radio button options:

- Selected areas of QuickBooks (This option is circled in red)
- All areas of QuickBooks

Below the options, it states: '(You will make the selections in the screens that follow)'. On the left side of the dialog, there is a graphic of a keyboard with labels for 'BANKING', 'TRACKING', 'REPORTS', and 'PASSWORD \*\*\*'.


At the bottom left of the main window, the text 'Set the closing date:' is visible.

# Setting the Closing Date

## Correct user settings

Change user password and access: Anna ✕

**Changing or Deleting Transactions** Page 9 of 10



Do you want this user to have the ability to change or delete transactions in the areas they have access to?

Yes

No

Should this user also have the ability to change or delete transactions that were recorded before the closing date?

Yes

No

**Choose accesses as appropriate, but every user should have "No" chosen here.**

# Setting the Closing Date from the User List or Preferences

The image shows two overlapping windows from a software application. The 'User List' window on the left displays a list of users, with 'Admin (logged on)' and 'Anna' visible. Below the list, there is a label 'Set the closing date:' followed by a button labeled 'Closing Date...'. The 'Preferences' window on the right is titled 'Preferences' and has tabs for 'My Preferences' and 'Company Preferences'. The 'Company Preferences' tab is active, showing various settings. Under the 'Closing Date' section, the 'Date through which books are closed' is set to '12/31/2006'. Below this, there is a field for 'Password to edit transaction on or before date above.' and a button labeled 'Set Password...'. A callout box with a white background and black border points to the 'Set Password...' button, containing the text: 'You can even set a password to keep the Administrator from accidentally making changes.'

# Setting the Closing Date

Now users are not just warned,  
they are prohibited from changing past data.

## Warning



You cannot perform this action because this transaction's date is before the closing date. You need permission to modify transactions before the closing date to do this.

Ask your QuickBooks Administrator to grant you this permission.

OK

# Setting the Closing Date

- n You will have records that support your reported balances for the period in case of audit.
- n You will have the most accurate records for comparative analysis.
- n Your accountant may even give you a gold star when you bring in your data file next year!



# **Making Journal Entries and Setting the Closing Date**

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