

## Periodic Closing Checklist<sup>1</sup>

This Sample Periodic Closing Checklist has been prepared to provide a business with a general guideline for performing month-end, quarter-end and year-end closing procedures for its books and records as part of the preparation of periodic financial statements for the business. Procedures herein are identified that would typically be prepared by an Assistant Controller or Controller and, separately, by a Chief Financial Officer or other officer of the business, and as such, provides for “sign offs” by a preparer and a reviewer, which is the ideal situation that ensures a minimal system of internal controls over the financial reporting process.

MONTH-END/PERIODIC CLOSING PROCEDURES MONTH: _____ YEAR _____	Preparer Initials & Date	Reviewer Initials & Date
<b>CASH</b>		
Reconcile all financial institution statement balances at month-end to the general ledger balances, accounting for all checks written and deposits made, including those checks that were written prior to month-end but not clearing the financial institution (outstanding checks), deposits made prior to month-end but not clearing the financial institution (deposits in transit), and any charges not recorded in the general ledger.		
Review outstanding checks for old checks that may need to be voided and reissued.		
Identify any unusual reconciling items and ensure that they clear in timely fashion in the following month.		
<b>UNDEPOSITED FUNDS</b>		
Balance in the general ledger account should be reconciled to specific deposits clearing in the next month.		
Verify all undeposited funds from prior month have cleared in current month.		
<b>INVESTMENTS</b>		
Reconcile investment statements to the Company’s subsidiary detail and record investment income, including any accrued investment income, into the general ledger.		
Ensure that investment disbursements and receipts are properly recorded in the investment subsidiary ledger.		
<b>ACCOUNTS RECEIVABLE</b>		
Reconcile the accounts receivable subsidiary detail to the general ledger.		
Determine that accounts the receivable aging detail report total agrees with the balance reflected on accounts receivables trial balance.		
Identify significant account balances past due, document collection status and follow-up.		
Determine whether any past due balances are uncollectible and need to be written off.		
Review accounts receivable aging for any unapplied credits.		
Review credit memos issued during the month, determine proper authorization.		

MONTH-END/PERIODIC CLOSING PROCEDURES MONTH: \_\_\_\_\_ YEAR \_\_\_\_\_

Preparer  
Initials &  
Date

Reviewer  
Initials &  
Date

### CUSTOMER DOWN PAYMENTS

Verify that this account balance reconciles to customer listing.

Verify that sales related to deposits recorded in prior months, actually occur in the future, and if not why not, or if a refund is due to the customer.

### INVENTORY

Reconcile the perpetual inventory detail reports to any inventory test counts and to the general ledger. Identify / explain variances.

Review perpetual inventory listing for reasonableness (high quantities/dollars, etc).

Determine if any obsolete inventory exists that needs to be written off.

### FIXED ASSETS

Identify fixed asset additions and disposals during the period and document the following:

- Acquisition / disposal date
- Asset description
- Proceeds received on sale / disposal

Reconcile balance sheet account balances to depreciation schedule cost and accumulated depreciation totals.

Ensure that depreciation expense has been properly recorded.

### CASH SURRENDER VALUE (CSV) OF OFFICER LIFE INSURANCE

Adjust the general ledger balance for CSV to insurance company life insurance policy statements.

### PREPAID EXPENSES

Prepare a prepaid expenses schedule, ensuring that balances can be reconciled to payments made for expense items purchased/paid for in advance.

Determine the period over which each prepaid expense covers and ensure that the appropriate monthly amount has been amortized and recognized in monthly expenses.

### NOTES RECEIVABLE

Verify that ending account balance agrees with the related loan amortization schedule and scheduled receipts.

Ensure that monthly interest income has been properly recorded.

### ACCOUNTS PAYABLE

Reconcile the accounts payable subsidiary detail to the general ledger.

Determine that the accounts payable aging total agrees with balance reflected on the accounts payable trial balance.

Review accounts payable aging for any unapplied debits; ensure that vendors are timely paid.

MONTH-END/PERIODIC CLOSING PROCEDURES MONTH: \_\_\_\_\_ YEAR \_\_\_\_\_

Preparer  
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### INVENTORY RECEIVED NOT BILLED

Balance in the account should be agreed to supporting reports indicating which specific inventory items have been received, but for which there is no vendor invoice.

Review balance in the account for reasonableness and timely processing of billings.

### PAYROLL, ACCRUED PAYROLL AND VACATION/SICK TIME

Reconcile the payroll register to compensation expense and reconcile payroll tax and other withholdings to general ledger account postings.

Ensure that payroll tax and other withholdings are properly computed.

Prepare a schedule supporting accrued payroll and accrued vacation/sick time for month-end. Determine that the correct amount of days are in the payroll and vacation/sick pay accruals.

### ACCRUED PROPERTY TAX

Real estate taxes are typically one year in arrears. Compare accrued real estate taxes with property tax bills and verify that the monthly accrual is equal to 1/12 of prior year expense. At mid-year and year-end, adjust accrual to current year assessment.

### ACCRUED SALES TAX

Agree to respective sales tax reports filed the following month.

### ACCRUED PAYROLL TAXES

Review payroll tax returns and periodic deposits for Forms 940 and 941 and agree to the payroll withholding records.

Ensure that payroll tax returns are timely filed with the IRS and taxing districts, and periodic tax deposits are made electronically or to the business financial institution timely.

### OTHER ACCRUED EXPENSES

Agree balances in this general ledger account to specific expense items incurred and unpaid.

### NOTES PAYABLE/OWNER

Verify that the month-end account balance in the general ledger agrees with the related loan amortization schedule and scheduled payments.

Ensure that monthly interest expense has been properly recorded.

### NOTES PAYABLE/FINANCIAL INSTITUTION (FI)

Reconcile the FI statement balance to the general ledger balance in the notes payable account.

Ensure that monthly interest expense has been properly recorded.

### OWNER'S EQUITY/CAPITAL ACCOUNTS

Close out revenue accounts (credits) and expense accounts (debits) against owner's equity (retained earnings). Ensure that balance sheet is in balance (Assets = Liabilities + Owners Equity)

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**FINANCIAL STATEMENTS, BUDGET REVIEW, FEDERAL INCOME TAXES AND OTHER TAX MATTERS**

After all month-end/periodic adjusting journal entries are completed and entered into the general ledger, prepare a general ledger trial balance and a balance sheet and income statement from the trial balance (comparative with the same period in the prior year, if possible).

Prepare an income statement that compares actual results by revenue and expense line items against the annual/periodic budget and analyze variances between actual and budget, particularly those variances greater than 10% versus the budget, and determine appropriate follow-up steps.

At least quarterly, ensure that any estimated tax deposits have been properly made.

Annually, prepare tax work papers for presentation to the outside accountant; such work papers should include estimated tax payment amounts and dates deposited during the year, summary of fixed asset purchases and disposals, depreciation records, and year-end documentation supporting various accounts subject to review in this checklist throughout the year.

After the end of the year, prepare/review Forms W-2 to employees, reconciling aggregate W-2 totals and individual W-2 totals to payroll registers. Prepare/review/sign transmittal forms of W-2 information to the Department of Labor. Mail W-2s to employees by January 31st.

After the end of the year, prepare/review Form 1099s to vendors (ensure that Forms W-9 are on file for all vendors); reconcile aggregate 1099 totals and individual 1099 totals to general ledger expense or other accounts and to year-to-date activity in the accounts payable subsidiary detail. Prepare/review/sign transmittal forms of 1099 information (Form 1096) to the IRS. Mail 1099s to vendors by January 31<sup>st</sup> and Form 1096 to the IRS by February 28th.

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