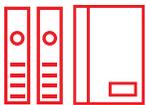




LexisNexis®

CLOSING THE BOOKS, FROM MONTH- TO YEAR-END



When all data entry activity is complete for the previous year, it's time to close the books for the year. This process occurs in two stages, closing the individual months, and closing the year itself.

The end-of-month process should occur throughout the fiscal year. This process freezes data entry for any activity involving cash, along with the general ledger for the closed month.

When the last month of the fiscal year is closed, end-of-year can be run, zeroing out income and expense accounts while also updating the capital/equity accounts for the new year.

End-of-year is not performed immediately when the calendar year ends. Often year-end adjusting entries prescribed by the firm's accountant are required. Upon receiving these entries, you'll need to back-date the adjustments to the last day of the fiscal year.

Before closing a year, the following conditions must be met:

- All bank accounts have been reconciled
- The accountant's adjusting entries have been received and entered
- Financial statements have been printed and compared
- The last month of the fiscal year has been closed.



BEST PRACTICE

If a discrepancy exists between the general ledger bank balance and the bank journal, find the date when the two reports last balanced, then isolate the day the reports no longer reconcile. Run both reports for a period, compare the totals, then re-run the reports for half of the period. Repeat this process for the period half in which the totals do not match. Continue until you narrow down the discrepancy to a single day. An adjustment must be made on that date.



TRUST ALERT

A check or receipt cannot be posted to a trust account without a matter number. Many bar associations do not allow a miscellaneous matter to be set up to accommodate adjusting entries. You may wish to advise your banking institution to post any trust debit or credit memos that are not associated with a matter to your general operating account. Consult your local bar association for the proper rules and procedures in your area.



TRUST ALERT

If an outstanding bank error results in an overage in the trust account, consult with your regional bar association for the appropriate course of action.



BEST PRACTICE

Storage media for data back-ups should always be kept in a secure climate-controlled location away from your law firm. If something ever happens to your present office, your data will be safe, allowing you to get up and running much faster after a difficult situation.

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by Deborah J. Schaefer, CPA