

# PBQ Newsletter

VOLUME II, ISSUE II

MAY - 2011

## SPECIAL POINTS OF INTEREST:

- Year-end Closing Procedures
- Avoiding additional, unnecessary work for prior years
- How long to retain your records

## INSIDE THIS ISSUE:

Sage Peachtree	2
Sage Business Works	2
QuickBooks	3
Record Retention (continued)	4
About Us	4

## Peachtree, Business Works, QuickBooks Software

PBQ Newsletter is an instructional newsletter developed by Gordon J. Maier & Company, LLP, to support users of **P**eachtree, **B**usiness Works and **Q**uickBooks Software. In this quarterly newsletter, we will take you beyond the basics of data entry, and focus on a specific area of these programs. We will provide details on how to perform certain transactions, as well as making you aware of how to avoid common errors.

The focus of this issue is proper year-end procedures to perform to prevent unnecessary complications once the year is complete. We will include:

- Steps to take to perform a proper close
- Common errors or problems resulting from not following these steps
- How long to retain records after year-end

Ultimately, we want you to have the tools you need to effectively manage your cash position, gauge your profits and losses, and plan for your income taxes. Each of the software programs included in this newsletter has the capability of allowing you to keep accurate and current financial records when used properly. If you do not feel that you are getting full value from your program, we should talk.

If there are topics that you would like to see in future newsletters or if you have questions about the items discussed in this newsletter, please contact us at (262) 634-7108 or:

Rick Kutch, CPA  
 Manager of Small Business/  
 Computer Consultant  
 rick@gjmlp.com

Mike Slye, CPA  
 QuickBooks Proadvisor  
 mike@gjmlp.com

## How Long to Retain Your Records After the Year-End

A common issue after the end of the year is where to put all of the files that have accumulated over the years. You may be surprised to hear that you cannot just throw everything older than 7 years in the trash. There is varying lengths of time to properly keep your business records depending on the type of record.

We have compiled a list of the length of time to retain business records by document. We are including common documents in this article to

highlight the items that should be retained permanently.

Many items are to be kept for seven years, and these include:

- Invoices to customers
- Invoices from Vendors
- Payroll Records
- Cancelled Checks
- Expired Contracts and leases
- Income Tax Returns

There are several items that should be kept **permanently**, and these include:

- Financial Statements-Year-end
- Property Records
- Minutes and Legal Documents
- General Ledgers

*(continued on Page 4)*



**Sage Peachtree  
Complete  
Accounting 2011**



**Sage Business  
Works 2010**

## Sage Peachtree - Year-End Closing Procedures.

Now that you have your adjusting entries from your accountant and you have entered them in to your accounting program it is time to do a year-end close to prevent making adjustments to that year after the tax return has been filed.

Before you take the following steps to close the year-end please make sure you backup your company data and store the backup in a safe place.

The following are the steps to follow to close the year-end:

**Step 1:** Click on Task.

**Step 2:** Click on System.

**Step 3:** Year-End Wizard.

**Step 4:** Click on Fiscal Year. If you haven't closed payroll for the year you can do both Fiscal and payroll tax years.

**Step 5:** Click Next and follow the instructions on the next pages. You don't have to run the reports or internal accounting review.

**Step 6:** After the reports screens the next screen requires you to backup your data.

**Step 7:** New Open Fiscal Year Screen just click the next button.

**Step 8:** Confirm Year-End Close. Click the next button then in the next screen click on begin close button after it has finished closing click the finish button.

You are now able to work in the new year.

If you have any problems, feel free to contact us.

## Sage Business Works - Year-End Closing Procedures.

Like Peachtree you want to make sure you make a backup of your data and store it in a safe place. You will backup the data in the steps for year-end close.

The following are the steps you need to follow in order to close the year-end:

**Step 1:** Click on Utilities pull down menu then you would choose company close.

**Step 2:** Click Backup.

**Step 3:** After you backup

the data you will need to revert back to step one, but this time you would skip the backup.

**Step 4:** Click on the modules that you need to close. Click OK.

**Step 5:** Type in the Month you are closing in this case it would be December if you are on a calendar year-end.

**Step 6:** Click OK your close is complete.

**Step 7:** Once you have

closed the month you want to make sure that in your system preferences in the allow prior month postings that you have the current fiscal year only checked.

Now you are ready to work in the new fiscal year. If you have any questions please feel free to contact us.

# QuickBooks by Intuit - Year-End Closing Procedures

QuickBooks does not require year-end closing procedures as most other programs do. However, we strongly encourage you to follow two basic rules when transitioning to a new year. Doing so, will prevent unnecessary changes and time spent fixing previous years financial records.

## 1. Keep us Informed—

Upon making a backup file for your accountant, do not make any changes to that year unless you have consulted with us first. This is important, because we rely on your QuickBooks records to complete your tax returns and financial reports. If you have made changes without our knowledge, those changes you made will not be reflected on your financial reports and tax returns leading to additional adjustments or potentially amended tax returns. To ensure that your records match the tax returns and financial reports, we need to be notified of any changes you make.

## 2. Set a “Closing Date”—

Once your tax returns and financial reports are complete, you will need to update your program with the year-end adjustments necessary to make your QuickBooks file complete. Upon completion of these adjustments, you should set a “closing date.” The closing date will lock your previous years to prevent inadvertent changes to your financial records for the closed period. A common issue at the end of the year is that the prior year numbers in the QuickBooks file do not match the prior numbers used in the tax returns or financial reports.

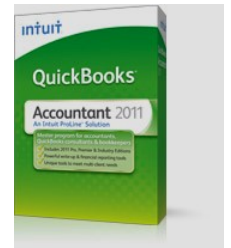
**Finding and adjusting these differences can be time consuming and can be avoided by setting a closing date.**

Common issues that could unintentionally cause you to change a prior year include

- voiding checks
- removing or changing posted bills
- adding or changing invoices
- Deleting a transaction

These activities are controlled by the date on the transaction, regardless of the date you make the changes. Therefore, if you void a check now, that was written in 2010, QuickBooks reports will pick up this change in 2010. Likewise, any changes

made to bills and invoices with prior year dates will be reflected in prior year. QuickBooks offers a way to make all of these adjustments in the current year. If you come across the need to change checks, bills or invoices from prior years, after that year is closed, please call us and we can teach you the proper way to record these changes.



**Intuit QuickBooks  
Accountant Edition  
2011**

## Steps to Set a Closing Date in QuickBooks:

1. With the company file open, select the “Company” menu at the top of the screen.
2. Select “Set Closing Date...”
3. Select the “Set Date and Password” button at the bottom of the dialog box.
4. Enter the closing date—This should be the last date of the previous fiscal year. If it is a calendar year, then use 12/31/XX for the year you are closing.
5. You should also enter a password to prevent others that may use your program from posting transactions in or make changes to a prior year. Without a password the closing date is not an effective measure of protection against these changes.

The newest version of QuickBooks allows you to select a box to continue to allow you to make changes to sales orders, estimates, and purchase orders. These three transactions are not posting transactions, so changing them for prior years will not change your financial records; however, we recommend that you not check this box.

*“A common issue at the end of the year is that the prior year numbers in the QuickBooks file do not match the prior numbers used in the tax returns or financial reports.”*





## Gordon J. Maier & Company, LLP

845 Wisconsin Avenue  
Racine, WI 53403

Phone: (262) 634-7108

Fax: (262) 634-5069

Email: [CPA@GJMLLP.COM](mailto:CPA@GJMLLP.COM)

Web: [GJMLLP.COM](http://GJMLLP.COM)



Founded in 1935, we are celebrating over 75 years in Racine. Please see our website ([gjmlp.com](http://gjmlp.com)) for a listing of our services.

### Our Mission

The mission of Gordon J. Maier & Company, LLP is to provide closely-held companies, associations, governmental bodies and individuals, a comprehensive array of accounting and consulting services which are authoritative, effective and specifically tailored to meet each client's specific requirements.

## How long to retain your records after the Year-End

*(Continued from Page 1)*

The list of records that we have included in this newsletter is certainly not all inclusive. If you have any questions about how long to maintain any of your records, please call our office.

### **How long can the IRS look back at your returns:**

Generally the IRS can look back at three years of information. If they discover an error that is substantial (defined as an error of more than 25% of your gross income) then they can look at six years of information. If fraud is discovered or the tax return is not filed, then they can look back indefinitely. The dates

of the look-back period begin with the later of the due date of the tax return or the date the return was actually filed.

You want to keep your records long enough to defend yourself should an audit occur. For this reason many of the financial records are required to be kept for seven years. Items that you would need to keep for a longer period of time would be related to purchases of property or investments, where you need to keep track of your basis in order to prepare current and future returns.