

YEAR-END REVIEW OF FINANCIAL STATEMENTS
Partnerships, S Corporations, C Corporations

COMPANY _____ ENTITY TYPE _____

BOOKKEEPER _____ DATE _____

QUICKBOOKS VERSION: _____ USERNAME: _____ PASSWORD: _____

AUTO EXPENSES:

Yes No

___ ___ Is there a log showing the total number of miles driven and the miles driven for business purposes?
IF NO, THE IRS WILL NOT ALLOW AN AUTO EXPENSE DEDUCTION.
IRS Reg. §1.274-5T(2)(ii) Use additional sheets for more than one vehicle.

Description of Vehicle _____

Date Placed in Service _____

Beginning Odometer Reading _____

Ending Odometer Reading _____

Business Miles _____

Who owns the vehicle ___ Company ___ Shareholder

___ ___ Are all auto expenses recorded on the P&L?
Or are some of the expenses paid from personal bank accounts or cash?

___ ___ Is there a WRITTEN Accountable Plan to reimburse the shareholder for expenses paid with personal funds?

****Corporate expenses paid by partners, shareholders or members MUST be reimbursed by the entity to the partner, shareholder or member to be deductible. Use the employee reimbursement form to record the expenses, submit the form to the entity and have the entity write a reimbursement check dated before 12/31.**

OTHER EXPENSES:

Bad Debts: NOT APPLICABLE FOR CASH BASIS BUSINESS

Charitable Contributions: Print the QuickBooks account detail report.

Credit Card Expenses: This is NOT a legitimate expense account. All expenses paid by credit card must be allocated to the appropriate expense account.

Health Insurance: (S Corporation)

___ ___ Were Health Insurance Premiums for partners or shareholders paid from the Corporate bank account? If so, the amount of the premiums must be added to the shareholders wages and reported on Form W-2 (box 1). The shareholder will deduct the premiums as an adjustment to gross income on his/her personal tax return.

Outside Services:

___ ___ Have 1099's been issued to everyone that has been paid more than \$600 for the year? Form 1099-MISC is required to be filed for anyone who provides a service to the company, who is paid \$600 or more during the year and is not a corporation (excluding attorneys)

Salaries & Wages:

___ ___ Does the amount in this account agree with the payroll tax returns and/or W-2's? Provide all the year-end reports (Federal Form 940, Form W-2's, Form W-3 and CA Form DE-7).

___ ___ Corporations: Was the shareholder paid a salary or wages? This is a MAJOR IRS audit issue. Any undocumented shareholder "loans" should be converted to payroll, reported on Form 941, DE-6 and W-2, if not repaid by 12/31.

Sales Taxes:

___ ___ Do the sales equal the total sales reported to State Board of Equalization. Provide all quarterly/annual sales tax returns.

Taxes: Print detail account report.

BALANCE SHEET: If using QuickBooks, print this statement with the additional columns – last year, \$ change

___ ___ Does the prior year balance sheet agree to prior year tax return (generally page 4).

___ ___ If no, please explain the discrepancies. (The bookkeeper has the responsibility for requesting the year end journal entries)

Bank Accounts:

___ ___ Are all bank accounts reconciled? Provide a copy of the year end bank reconciliation – in QuickBooks, the detailed and summary bank reconciliation reports.

Accounts Receivable (Cash Basis): If there is a negative (credit) balance, there are incorrect entries to the account and it will require a further review of the QuickBooks file.

Inventory: Please provide the following:

___ ___ Was a physical count of inventory completed as close to 12/31 as possible? Provide a detailed report valued at cost (not retail).

Beginning Inventory (valued at cost) \$ _____

Ending Inventory (valued at cost) \$ _____

****AUDIT TRAP: Beginning and Ending Inventory should never be the same.**

Loan to Shareholder:

___ ___ Are the loans to shareholder actually disguised wages?

___ ___ If the loans are legitimate, is there a signed promissory note?

___ ___ Has interest been paid by shareholder?

Fixed Assets: Print detail account report for all items purchased in 2007.

___ ___ Do the Fixed Assets agree with the depreciation schedule on the tax return?

Accumulated Depreciation:

___ ___ Does the Depreciation account agree with the depreciation schedule on the tax return?

Accounts Payable (Cash Basis): If there is a negative (debit) balance, there are incorrect entries to the account and it will require a further review of the QuickBooks file.

Credit Cards:

___ ___ Are all credit card accounts reconciled?

___ ___ Are all credit cards reflected even if there is a zero-balance at year end?

___ ___ Do the balances reported on the balance sheet accurately reflect the actual balance on the credit card statements?

___ ___ Are personal credit cards being used for business expenses?

If yes, provide us with ALL credit card statements with business expenses highlighted.

Loans/Lines of Credit:

___ ___ Are all the loan accounts balanced to the year end statements? Provide copy of year end statement for all loans on the balance sheet.

Payroll Tax Liabilities:

___ ___ Do the balances in these accounts accurately reflect the amounts due to the applicable government agencies?

Sales Tax Liability:

___ ___ Does the balance in this account accurately reflect the amount due to State Board of Equalization?

Capital Stock (Corporations):

___ ___ Is there a capital stock account? If not, the corporation has no shareholders/owners.

Out of State Purchases:

There is a new filing requirement for ALL business with GROSS income in excess of \$100,000. You must register with the State Board of Equalization, report all purchases that you have not paid CA sales tax on. These purchases would include internet purchases, items purchased on e-bay, and out of state purchases.

QUICKBOOKS YEAR END CLOSE: The QuickBooks file should be closed at the end of the year with a password.

___ ___ Did you use the password –slacktax? If not, what password did you use? _____

BOOKKEEPER NOTES: