End of Financial Year Guide 2016

How to use your software to guide your business through the end of financial year period

MYOB®

End of Financial Year Guide 2016

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At the end of the financial year there are a number of important tasks you need to perform to check the accuracy and completeness of your business data.

This guide takes you through these tasks to simplify your end of financial year process. Here are some bits and pieces you should know before you start.

> You don't need to complete all of the tasks by 30 June. If you've got stock, you need to do a physical stocktake by then. But most other tasks can come later.

> By your next pay run, you need to have updated your tax tables.

> By 14 July, you need to have given your staff their payment summaries.

> Before you reconcile your bank accounts, you need to have recorded all transactions to 30 June 2016.

> This guide is for AccountRight and AccountEdge users, but if you're using different software (say, MYOB Essentials), you'll still find it useful to identify the tasks you need to do at the end of financial year.

Contents

Using payroll?

If your MYOB software includes payroll, see the End of Payroll Year Guide 2016 for tasks you need to complete to close your payroll year. Then come back to this guide to close your financial year.

Step 1 Enter all transactions for the financial year

You need to ensure all transactions are recorded for the current financial year. This includes sales, purchases, payments, receipts and employee pays.

If you're in a network environment or your company file is online with AccountRight Live, make sure all users have entered their transactions for the financial year. If you use AccountRight Live bank feeds, make sure you've received the latest bank feeds from your bank.

Step 2 Do a stocktake

If you have inventory, you need to do a stocktake. This requires you to count your on-hand stock. If you find any discrepancies with your records, adjust the item quantities in your software.

You need to do this on 30 June.

If you use your software to track inventory levels, you should only do a stocktake after recording all sales and purchases for the year. Otherwise, your stock levels won't accurately show what you should have on hand.

To perform a stocktake

1. Go to the Inventory command centre and click Count Inventory. The Count Inventory window appears.

2. Click Print to print the Inventory Count Sheet.

3. Manually count your inventory and record the quantities on the Inventory Count Sheet.

4. In the Count Inventory window, type the actual quantities of the inventory items in the Counted column. Any discrepancy between the counted quantity and the on-hand quantity appears in the Difference column.

5. Click Adjust Inventory. If there are differences between on-hand and counted values, the Adjustment Information window appears.

   If you want, you can select a default adjustment account for tracking the adjustments you entered in the Count Inventory window. This saves you having to enter an account on every line of the inventory adjustment. This account is normally an expense account such as Shrinkage/Spoilage. It shouldn't be your inventory asset account.

   If you need to use different accounts to track the adjustments you made in step 4, don't enter a default account.
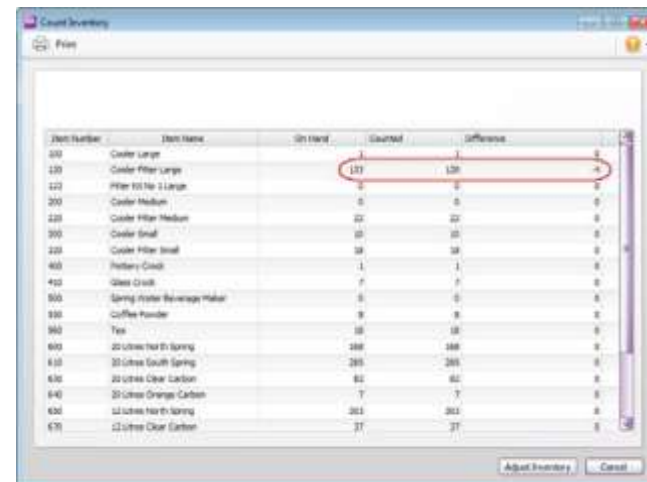
6. Click Continue. The Adjust Inventory window appears, displaying a line item for each adjustment you entered in the Count Inventory window in step 4.

   If you entered a default adjustment account at step 5, that account appears in the Account column for each line item.

   If you didn't enter a default adjustment account, enter an account against each item listed.

7. [Optional] Enter a reason for the adjustment in the Memo column (for example, End of year stocktake 2016).

8. Click Record to update your inventory.

Step 3 Run the Company Data Auditor

MYOB AccountRight and AccountEdge include the Company Data Auditor which performs a high level check of the data in your company file. The Company Data Auditor will help you complete many of your end of financial year tasks.

To begin, go to the Accounts command centre and click Company Data Auditor.

The auditor has four numbered stages, accessible using the tabs on the left. We'll take you through each stage over the next few pages, but here's a summary:

1. Company File Overview: Review key details about your company file. This window also allows you to Back Up your company file as described in the following task.

2. Account Reconciliation: Quickly see which bank accounts need reconciling and access them easily.

3. Transaction Review: Check the transactions entered in your company file for errors.

4. Tax Exemption Review: Check transactions for incorrect tax information.

TIP

> If you need more information on how to use the Company Data Auditor simply click the help (?) icon or the Help for this Window link on any of the Company Data Auditor windows.
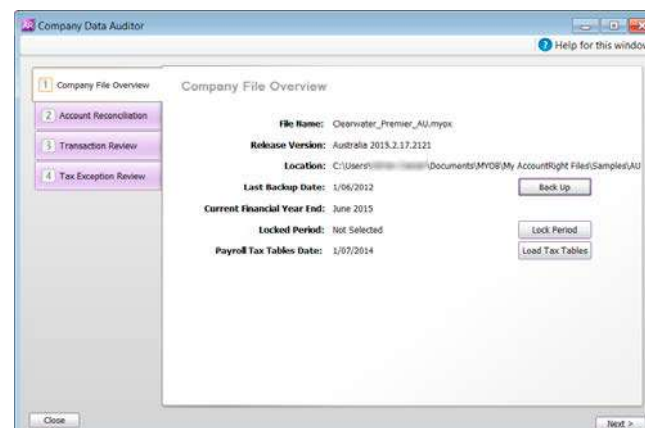
Step 4 Back up your company file

In the Company File Overview window of the Company Data Auditor, you can review key details of your company file – and it's also the easiest place to perform a backup of your company file.

TIPS

> You can back up your company file anytime by going to the File menu and choosing Back Up.

> Click Back Up and follow the prompts to make a backup of your company file. You can repeat this multiple times to make more backups, or you can create one backup and copy it as required.

> We recommend making two backups of your company file after entering all transactions up to 30 June 2016.

> Name and label your backups carefully and note down the last cheque and invoice numbers (this will help you identify those tricky June-July transactions later). For example, name the backup file "Company_Name_10A" and label the disk "Company Name, 30/6/15, Chq 100, Inv 10001, Backup A".

> Store one backup in your business premises and the other in a secure location away from your business.

> After making your backups, click Next in the Company Data Auditor.

Step 5 Reconcile your bank accounts

When you receive your bank statements for the period ending 30 June, you need to reconcile these with your software's bank and credit card accounts. This will ensure that your records match your bank's records as at 30 June.

The Account Reconciliation Review window in the Company Data Auditor lists the bank and credit card accounts in your software which may need reconciling at this time.

You can either work from your paper-based statements to complete this process, or download the bank statement from your bank's online banking website (supported file types include OFX, QFX, QIF and OFC).

TIPS

> You can reconcile your accounts at any time via the Banking command centre by clicking Reconcile Accounts.

> If you use the ATO's Business Portal to lodge your BAS, you may need to reconcile any tax accounts that you have with the ATO, such as the Income Tax Account and the Integrated Client Account. Reconciling the accounts with the transactions listed in the Business Portal will ensure that your company file shows the correct amount owing to the ATO, including any General Interest Charges.

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Do you receive bank feeds?

Before you reconcile a bank account that's associated with a bank feed, check that you've received all bank feed transactions up to June 30, and they have been matched and approved. To learn about bank feeds, attend a training session or online learning

To reconcile a bank account

1. In the Account Reconciliation Review window of the Company Data Auditor, select the account to be reconciled then click Reconcile Accounts.

2. Enter the closing balance of the bank account you're reconciling in the Closing Statement Balance field (the New Statement Balance field in some versions).

3. Enter 30/06/2016 as the closing date of the reconciliation period in the Bank Statement Date field.

4. Reconcile the account.

If you're reconciling using a paper-based statement from your bank

a. Click the transaction lines that also appear on your bank statement.
b. Proceed to step 5.

TIPS

> If your bank or credit card statement's closing date is after 30 June, simply rule a line after the last June transaction, calculate the closing balance on the statement as of the last June transaction, and reconcile with a statement date of 30 June 2016 in your software.

> If interest or service fees are on your bank statement, but don't appear in the Reconcile Accounts window, click Bank Entry (via the Actions button in AccountRight v19) and enter those fee amounts in the Bank and Deposit Adjustments window that appears. They'll automatically be selected as "Cleared".

If you're reconciling using a downloaded bank statement

a. Click Get Statement and use the Open window to locate and open the statement file that you have already downloaded from the internet.

b. The Get Statement Log appears. This alert tells you the number of transactions in the statement file, the number of transactions read by your software, and if any transactions have been skipped. Click OK.

c. The Unmatched Statement Transactions window appears.

- If no transactions appear in the list, click Done to return to the Reconcile Accounts window.
- If a transaction appears in the list, manually match the transaction or record a new transaction – press F1 to open the Help window for information about reconciling accounts. When all of the transactions have been matched, click Done to return to the Reconcile Accounts window.

5. If the "Out of Balance" amount is:

    •   zero, you've successfully reconciled the bank account. Click Reconcile
        and choose to print the Reconciliation report. After printing the report,
        click Reconcile again and then click the Reconcile option.

    •   a non-zero amount, refer to support note *Out of balance bank
        reconciliations*, which can be found at myob.com.au/supportnotes.

After reconciling your accounts, click Next in the Company Data Auditor.
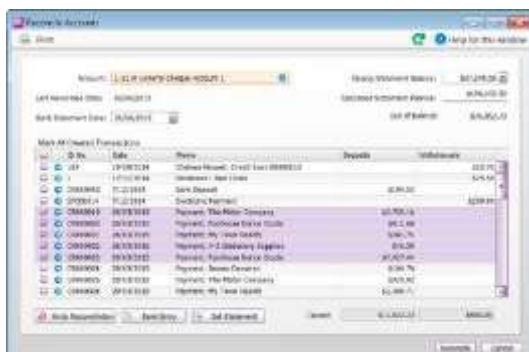
Step 6 Review the transactions

The Transaction Review window in the Company Data Auditor allows you to
review the transactions in your company file. The transactions to be reviewed
are listed, and this list will depend on the functions available in your software.
For example, not all versions support inventory or multi-currency.

1. Enter 01/07/2015 and 30/06/2016 in the Start Date and End Date fields.

2. Click Run Review. If any issues are identified, a red question mark will appear
    for the transaction type, along with a Display button.

3. Click Display to generate the applicable report to help identify transactions
    which may be causing the issue.

    For help, refer to the following support notes which can be found
    at myob.com.au/supportnotes:

    •   *Receivables reconciliation out of balance*
    •   *Payables reconciliation out of balance*
    •   *Inventory value reconciliation*

4. Make any required adjustments to rectify the issue. You can click Run Review
    again in the Company Data Auditor to re-run the review.

After reviewing your transactions, click Next in the Company Data Auditor.
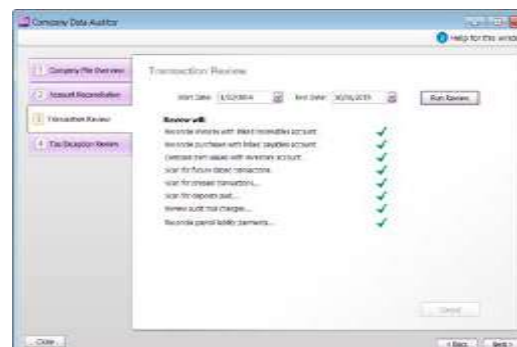
Step 7 Review your tax allocations

When you record a transaction that has a tax component, the tax amount is allocated to the tax code's linked account, or control account – for example, GST Collected or GST Paid.

The Tax Exception Review window in the Company Data Auditor will help you check for:

> Variances in the amount of tax recorded for sales and purchases
> Incorrect use of a tax code
> Amounts posted directly to a tax code's linked account

NOTE

This is only applicable if you pay and collect GST on the accrual basis. If you are accounting for GST on a cash basis, the GST control accounts (accounted for on an accrual basis) and the figures at G9 and G20 on your BAS (accounted for on a cash basis) won't match because of timing differences.

TIP

> If you're unsure about what the tax exception review identifies, seek advice from your accounting advisor.

To review your tax allocations

1. Enter 01/07/2015 and 30/06/2016 in the Start Date and End Date fields.

2. Click Run Review.

3. If any potential issues are identified, a red question mark will appear for that review, along with a Display button.

4. Click Display to generate the applicable report to help identify what the issue might be.

Tax amount variances

If the tax amount for a transaction has been changed, this will show on the Tax Amount Variance report. If required, you can click into the transaction from the report and modify it as needed. Note that if you change the calculated tax amount in a transaction and you use BASlink to complete your BAS, your GST figures won't balance.

Tax code exceptions

If a tax code has been used in a transaction which is different to the default tax code setup for an account, these will display on the Tax Code Exceptions report. Check the transactions listed on the report, and if required click into the transaction from the report and modify it as needed.

Reconcile tax code details

If an amount has been posted directly to the linked account for a tax code, the linked account will be out of balance. The Tax Code Reconciliation Exceptions report will help you identify transactions that may be causing this. If required, click into the transaction from the report and modify it as needed.

5. After making any required adjustments to rectify the issue, you can click Run Review again in the Company Data Auditor to re-run the review.

At the end of the Company Data Auditor, click Finish. You then have the option to print a summary of the Company Data Auditor results. This report will help you (or your accounting advisor) to follow up any irregularities or imbalances that were found.

Step 8 Review key reports

There are some key reports you can review to identify potential issues in your business data. Review the Accounts List, Trial Balance, Balance Sheet and Profit and Loss reports as a minimum and look for any amounts that seem incorrect or unexpected.

To investigate amounts on the report, you can simply click the on-screen amounts, and use the Find Transactions window or the Edit Accounts window that appear to see what makes up the values shown in the report.

Reporting taxable contractor payments

Businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year. These payments need to be reported to the ATO by August 28 on the Taxable Payments Annual report, or electronically. For more information on tracking and reporting taxable contractor payments in AccountRight or AccountEdge, refer to the following help topics which can be found at help.myob.com

> *Reporting taxable payments in the new AccountRight*

> *Reporting taxable payments in AccountRight v19 and AccountEdge*

Step 9 Provide information to your accountant

There are a number of ways you can provide information to your accountant. Talk to your accountant to discuss their preferred method.

Work with your accountant online

For more information about online access, see the Online Help or watch the MYOB Working with Others video.

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Make a backup of your company file and send it to your accountant

Many accountants use MYOB or compatible software in their practice and are happy to accept your company file for review, and then provide you with any changes required in your company file.

If you can't invite your accountant to work on your online AccountRight company file, you can send them a backup copy of your company file. To create a backup, go to the File menu and choose Back Up.

Export information for your accountant

Your accountant may prefer you to just send the information they need in a special text file that can be imported into their practice management software. Speak to your accountant to determine which accounting practice management software they're using.

If your accountant uses MYOB Accountants Office:
Thousands of accounting practices are using MYOB Accountants Office software in their practice. If your accountant uses this system, you can quickly export and send just the information they need to review your accounts.

Simply go to the Accounts command centre and click Send to Accountant. You can then send an email containing the necessary information or provide the accountant with a special export file.

If your accountant uses MYOB AE Accounts:
In the new AccountRight, you can create an export file in CeeData format which your accountant can import into their MYOB AE Accounts software. Just go to the File menu and choose AccountantLink, then choose MYOB AE Accounts. You can then specify the type of journals to export and the applicable date range.

Provide reports to your accountant

Some accountants simply require you to print out the key financial reports for the year. Use the following list as a guide to reports that you may be required to send.

> Profit and Loss Statement for the financial year
> Bank Reconciliation as at 30/06/16
> Balance Sheet as at 30/06/16
> Trial Balance as at 30/06/16
> General Ledger (Detail) for the financial year. This can be a lengthy report, so consider emailing it to your accountant (display the report, go to the File menu and click Send, and then choose the format of the report to be emailed. In AccountRight v19 and AccountEdge, click Send To and choose Email)
> Receivables Reconciliation (Summary) as at 30/06/16 (if you use your software for invoicing)
> Payables Reconciliation (Summary) as at 30/06/16 (if you use your software for purchasing)
> Inventory Value Reconciliation as at 30/06/16 (if you use your software to track inventory)
> GST Summary reports for June or for the quarter.

TIP

Once you've provided your accountant with the information they need, **lock** the last financial year so that no entries are made or changed for the old year.

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To lock the financial year

1. Go to the Setup menu and choose Preferences.

2. Click the Security tab and select the Lock Period option and set the lock date to 01/07/2016.

NOTE
You will need to unlock the period to enter adjustments your accountant provides, once the year's accounts have been finalized.

TIP
Your accountant may request copies of external statements, such as bank and credit card statements, loan statements and ATO statement.

Step 10 Enter any end of year adjustments

In finalising your accounts for the financial year, your accountant is likely to want to make a number of adjustments to your company file. If these are provided to you electronically, you can import these directly into your software; otherwise you may have to enter them manually.

If you have an AccountRight subscription and your company file is online, your accountant can be invited to access and work directly on your company file.

To import adjustments into the new AccountRight

1. Go to the File menu and choose Import/Export Assistant.

2. Select Import data then click Next.

3. At the Import field, select General Journal Entries.

4. Click Browse then locate and open the import file. Click Next.

5. Select the appropriate import file format. Your accountant should provide you with details of the file's format. Click Next.

6. Match the import file fields with your software's fields. Click Next.

7. Click Back up to take a backup prior to importing the data.

8. Click Import to complete the process. If you need assistance with importing, click the help (?) button on the Import Data window.

To import adjustments into AccountRight v19 or AccountEdge

1. Go to the File menu, choose Import Data and then choose General Journal Entries.

2. Select the appropriate import file format. Your accountant should provide you with details of the file's format.

3. Click Continue and then locate and open the import file. The Import Data window appears.

4. Match the import file fields with your software's fields.

5. Click Import to complete the process. If you need assistance with importing, click the help (?) button on the Import Data window.

To manually enter adjustments

1. Go to the Accounts command centre and click Record Journal Entry. The Record Journal Entry window appears.

2. [New AccountRight only] Select the Year-End Adjustment option.

3. Enter the adjustments as directed by your accountant and click Record.

For further information on recording general journal entries, refer to support note *General journal entries,* which can be found at myob.com.au/supportnotes. IMPORTANT: After entering these adjustments, make two backups of your company file (go to the File menu and choose Back Up). These backups should be saved to removable media, such as a portable memory device, CD or DVD.

Step 11 Close the financial year

You should now be ready to Close a Financial Year [new AccountRight only] or Start a New Financial Year (AccountRight v19 and AccountEdge). When you do this, your software performs the following:

> The previous financial year's monthly totals for all accounts are changed to "last year" figures – if "last year" amounts already existed, those amounts will be replaced.

> The balance of your Current Year Earnings account (Equity-type account) is transferred to your Retained Earnings account (Equity- type account).

> The balances of your income, cost of sales, expense, other income and other expense accounts are reset to zero, as of 30 June or end of your financial period.

> [AccountRight v19 and AccountEdge only] All closed sales and closed purchases are purged. Any transactions that are dated in the new financial year won't be affected by this process.

NOTE
This process may take some time if you have a large number of transactions or records.

To close the financial year in the new AccountRight

1. Go to the File menu and choose Close a Financial Year. The Close a Financial Year assistant appears.

2. Once you've read and understood the introduction, click Next.

3. Specify the last month of the next financial year, then click Next.

4. [Optional] Select Remove audit trail entries. This may reduce the size of your company file. Then click Next.

5. If you haven't already backed up your company file, click Back up and follow the prompts to create a backup of your company file.

6. Click Close the Financial Year. The financial year will be closed and details of the new (current) financial year will be displayed.

7. Click Close to exit the Close a Financial Year assistant.
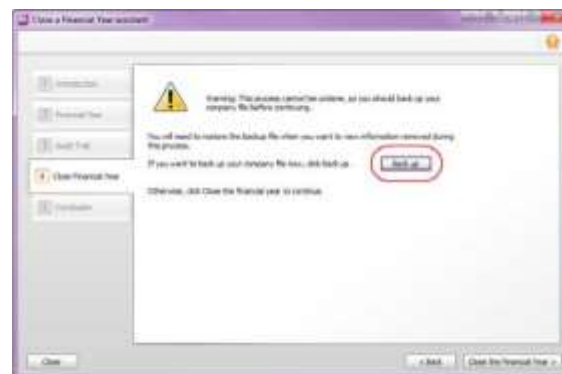
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To start a new financial year in AccountRight v19 and AccountEdge

1. Go to the File menu, choose Start a New Year and then choose Start a New Financial Year. The Start a New Financial Year window appears.

2. If you haven't already backed up your company file, click Back Up and follow the prompts to create a backup of your company file.

3. Click Continue. You'll be presented with a list of all the changes that will occur during the Start a New Financial Year process. Read this carefully and then click Continue.

4. Specify the new financial year and the last month of the new financial year. In most cases you can accept the default details showing in this window. If you're closing the financial year ended 30 June 2016 you would select 2017 as the new financial year (as it covers the 2016/2017 years), and June as the last month.

5. Choose the number of periods to use in the new financial year. If you're not sure whether you need twelve or thirteen periods, choose Thirteen.

6. Click Continue. Indicate whether you want to prevent certain transactions from being erased.

   > If you track undeposited funds, select the Keep Receipts Grouped with Undeposited Funds option.

   > If you make electronic payments, select the Keep Disbursements Grouped with Electronic Payments option.

   > If you use the MYOB M-Powered® Superannuation service, select the Keep Unpaid Superannuation Accruals option, or consider using PaySuper in the latest version.

7. Indicate whether you want to erase certain transactions:

   > Purge Audit Trial Entries
   > Purge Item Movements Entries.

8. Click Continue. Indicate whether you'd like to keep pays from prior financial years. Choose the date accordingly.

9. Click Continue. Indicate which accounts you normally reconcile. Any transactions that are yet to be reconciled in these accounts won't be erased.

10. Click Continue. If you've backed up your company file, and are satisfied with the selections you've made in the Start a New Financial Year windows, click Start a New Financial Year.

Once this process is complete, you're done!