

END OF YEAR

There are certain tasks that need to be done at the end of the calendar year and another set of tasks that need to be done at the end of the accounting year.

If your fiscal calendar coincides with the calendar year (your fiscal year begins in January), then you will need to do both steps at the end of the calendar year.

If your fiscal year begins at some other time of year, you will still need to do the calendar year-end tasks at the end of December and then the accounting year-end tasks at the end of your fiscal year.

Checklists for both types of year-end procedures are available on our website. Go to the Support tab and click on the Archives link. There are links for both checklists.

A few of these task may need some additional explanation.

Accounts Receivable

Year-end A/R aging and detail reports

Anytime you want a “clean” Accounts Receivable report (Aging and/or Detail) that has only data as it was at the end of the period you are closing out, you will need to

- ◆ **ENTER** all your receipts and customer invoices for the period you are closing out.
- ◆ **HOLD** all the receipts and invoices in the new period.
- ◆ **PRINT** your aging and/or detail reports
- ◆ **THEN**, you can start entering data from the new period

Once you enter receipts or invoices for the new period, there is no way to separate the new data from the data that was on file at the end of the old period. Therefore you will have to control the data to get a clean cutoff and an accurate end-of-period report. You may want to do this kind of cutoff procedure each month. But you will definitely want to do it at the end of the fiscal year.

Version 12 only If you need to start invoicing in the new year but you still have some invoices to do in the old year, you can control which invoices are posted to A/R. On the “Close invoicing” screen, there is a link labeled **Update list of invoices to be closed**. When you click on this link, you will see a list of all the invoices generated since the last full close. Any that have already been closed are noted. For the remaining ones, you can indicate whether you want to close them at this time or to hold them. Mark the ones for the old year to be posted and the ones for the new year to be put on hold. Once you have finished all your old invoices and printed your year-end A/R reports, you can then close all the invoices for the new year.

A/R Accrual-to-Cash report

At the end of your fiscal year, you will also want to print the “A/R Accrual-to-Cash” report if you use the cash basis for your accounting. Lakeshore keeps its accounting information on an

accrual basis (by book period). The accrual report will give your accountant the information needed to make the journal entries required to convert your accounting data to a cash basis.

Close A/R year

At the end of the calendar year, you also need to do the "Close A/R year" transaction. Lakeshore maintains 2 years of payment history for calculating average payment days. This function will clear last year's totals, move "this year" to "last year", then initialize the "this year" slot for your new data. If you forget or get the timing wrong, there is a "redo" we can run. You will also want to be sure and print this report before entering data for the new fiscal year.

Accounts Payable

Year-end reports

It is a little harder to get a clean cutoff for Accounts Payable because the A/P invoices tend to trickle in for a few weeks. But if you want to be able to print an A/P aging and/or Open Invoice report that does not contain data from the new period, you will need to do a similar hold on A/P data.

Because each A/P invoice is assigned a book period, it is easier to separate the data from one period to another. Therefore, another alternative is to print the A/P Accrual to Cash report once you get all the A/P entries for the old period entered. This report is listed under the "Year end" section of the menu.

Add/Delete year of vendor history

Another task you need to do for A/P is to do the "Add/Delete year of vendor history". Lakeshore keeps 5 years of total payments for each vendor. At the beginning of a new year, you need to initialize that new year. If you have been on the system for longer than 5 years, there is no space to start a new year. You will have to delete the oldest year to make room for the new year. The "Add/Delete year" function (under the Year End area of the menu) gives you the chance to do that. You can also set up the new year here. However, if you forget and there is space for a new year, the system will do that for you automatically. You will only need to intervene when there are already 5 years of data in place.

Set up new year of rebate history

If you use the Vendor Rebate system, there is a year-to-date accumulator there also but there are only 2 years of data for this information. The "Set up new year for rebates" will clear last year's totals, move "this year" to "last year", then initialize the "this year" slot for your new data. If you don't use the Vendor Rebate system, you can skip this step.

Inventory

If you run an inventory program, you will normally do a physical inventory count at the end of your fiscal year. It is very important to follow the correct cutoff procedures to get an accurate count.

There are five steps to a successful inventory count:

Organize the warehouse
Proper cut off
Controlling the count
Entering the count properly
Reviewing the results

Each of these steps are discussed in more detail below.

Organizing the warehouse

This step is probably the most neglected part of the inventory process.

Some suggestions on organization:

1. Merchandise should be in one location as much as possible and arranged in an orderly manner.
2. Floor and work areas should be cleared.
3. Orders in process should be completed and shipped or at least organized in a definite area of the dock.
4. Merchandise of partially pulled orders should be returned to the shelves.

Proper cut off

Proper cut off of all warehousing activity prior to the count is often neglected or misunderstood. However, it is **crucial** that the cut off be done properly in order that an accurate count is recorded.

Here are some guidelines:

1. All shipped orders must be invoiced through the system. Then, do not close any invoices for shipments made **AFTER** the count until the physical count has been recorded and posted.
2. All merchandise receipts must be put up on the shelves and received into the system.
3. Any material that has been pulled but not yet shipped should be returned to its ordinary spot **OR** you need to make sure it is included in the total count.

Controlling the Count

It is important to count everything in the warehouse. Also, if the system shows that there is quantity on hand for an item but no items are found, a zero quantity should be entered for that item. It is therefore important to have an accurate counting strategy.

You need to enter a count for every active item in your inventory file, either zero or nonzero.

However, if you have a lot of items that have a zero on-hand quantity, you may want to use the **initialization** routine. This must be done **BEFORE you start entering a count**.

This function will start the count for ALL items in the range you specify at zero. You will only have to enter a quantity for items that you actually find in the warehouse. If you have many items with zero on hand, using the initialization routine is a time saver. If you have few of these or wish to control the zero entries more tightly, you may omit this step. It is available as a convenience if you would like to use it.

If you want to use this function, go to

- Inventory
 - Miscellaneous adjustments
 - Initialize physical inventory count data

You may initialize all items or only certain groups.

There are many ideas on how to do the actual count. Below are a couple of ideas you can use to get an accurate tally of all items in the warehouse.

Both ideas start by printing count tags or worksheets. Go to:

- Inventory System
 - Print Inventory Reports
 - Documents
 - Physical inventory count tags/worksheet

The **count tag** function lets you print tags from card stock or on plain paper that you can cut apart into tags. As you count the merchandise, note the count on the tag and place it under the edge of the box or in the bin in plain sight. When the count is complete, review the warehouse for boxes that do not have a tag to avoid missing some items. This tag procedure also helps prevent counting the same merchandise twice.

Gather all tags for items in which no merchandise was found on the shelf into a "No merchandise found" batch. Do NOT discard the tag unless you used the "initialize to zero" routine to start the count on all items at zero.

Use blank tags or slips of paper to record merchandise in overflow areas or for items that did not have a tag printed.

When all items have been counted, collect all the tags and enter the count in the system. This process is especially well suited for situations where you have a lot of items in overflow areas.

The **worksheet format** is a form printed on plain white paper. You can put the forms on a clipboard and enter the count onto the forms. This procedure is well suited to a small warehouse or situations where you have no overflow areas.

Entering the count

To actually enter the count, go to

- Inventory
 - Miscellaneous adjustments
 - Enter physical inventory count

If you used the initialization routine to start the count at zero for all items, enter quantities for all items where you found merchandise, i.e. all items with nonzero quantities.

If you did **NOT** use the initialization routine, enter quantities for ALL items on your list, even those with a nonzero count. If you use tags and have two or more tags for an item, when you enter the second tag, the system will let you indicate whether the new count being entered is an addition or a correction.

Version 12 only You can also use the new “table” format to enter your count. To use this format, go to

Inventory
Miscellaneous adjustments
Enter physical inventory count through table

You may specify a range of items to be included in the table or a specific inventory type. All the items are listed and you can enter the count for each one listed where your count is different from the quantity listed.

You can also specify an exception percentage. As you enter the quantities, the quantity box will turn green if the count is within an acceptable range or red if the count is off. It will be plain white if you haven't entered a count. This makes it easy to review what items have had counts entered and which ones possibly have a bad count or a entry error.

Counts entered through this table are posted to the same file as the ones through the original “Enter physical inventory count” transaction. You may use them interchangeably. For example, you can enter the bulk of the count through the table version and then enter corrections through the “one at a time” function.

Reviewing the count

When you have finished entering the count, go to

Inventory
Miscellaneous adjustments
Print Physical Inventory Journal

First, ask for the **AUDIT ONLY** version of the journal. This will list all your adjustments and show you the difference between the quantity in the system and the quantity you counted. The value of the cost difference will also be calculated.

Review this report closely.

Recount items with major differences and make any necessary corrections.

UNTIL THIS POINT, NO DATA HAS BEEN POSTED.

Once you feel that the counts are accurately recorded, ask for the journal again for the full close. At this point, the item quantities will be updated to reflect your count. The difference in cost will be recorded as a journal entry.