RESOLVE | WORKS

BOOKKEEPING · CONTROLLERSHIP · FRACTIONAL CFO

The Month-End Close Checklist

Ten steps to close your books in QuickBooks Online. Written for founders and operators, not just accountants. Work top to bottom and check off each item as you go.

> Reconciled isn't right. That's the gap between books that balance and books you can actually make decisions on.
>
> A close isn't done when the numbers agree. It's done when they're true.

Before you start

Closes stall because something is missing, not because the work is hard. Get these in hand first:

- ☐ Bank and credit card statements for every account, including the ones you barely use
- ☐ Payroll reports for the period
- ☐ Any vendor bills or expense reports for work done this month
- ☐ New or cancelled customer contracts
- ☐ Loan statements, if you have debt

☐ 01 Clear the bank feed and code every transaction

Go to Transactions and work the For Review tab until it's empty. Every transaction needs the right account, and the right customer, class or project if you use them.

- ☐ For Review tab is at zero for every connected bank and card
- ☐ Nothing left in Uncategorized Expense, Uncategorized Income, or Ask My Accountant
- ☐ Undeposited Funds reviewed; old items there usually mean a deposit was recorded twice
- ☐ Coding matches last month. If a vendor moved to a different expense account, that will skew your trends in Step 7.

> Accepting what QuickBooks suggests is not the same as coding it. The suggestions are based on what you did last time, including the times you got it wrong.

☐ 02 Reconcile every bank account

Use the Reconcile tool and match to the actual statement, not the bank feed. The feed can miss transactions. The statement can't.

- ☐ Every bank account reconciled with a $0 difference
- ☐ Ending balance in QuickBooks matches the statement
- ☐ Outstanding checks older than 90 days investigated
- ☐ No reconciliation discrepancy was forced to make it balance

> If you clicked "finish now" on a difference, QuickBooks booked the gap to an adjustment account. The account is reconciled. Your books are not.

☐ 03 Reconcile every credit card

Same process, but credit cards are where the messy stuff hides.

- ☐ Every card reconciled to the statement with a $0 difference
- ☐ Payments to the card reduce the card balance, and are not also coded as an expense
- ☐ Personal charges pulled out and coded to owner's draw, not to operating expense
- ☐ Receipts attached for anything that would need explaining later

☐ 04 Review what customers owe you and what you owe vendors

Run the A/R Aging Summary and the A/P Aging Summary. QuickBooks keeps these in sync with the balance sheet automatically, so the point isn't to make them tie. The point is to catch what's sitting in them that shouldn't be.

- ☐ Invoices over 90 days reviewed. If you're never getting paid, the revenue on your P&L isn't real.
- ☐ No negative customer balances. Those usually mean a payment landed on the wrong invoice.
- ☐ No negative vendor balances, and no bills that were paid twice
- ☐ Open bills for work that was actually done this month are entered

☐ 05 Post your adjusting entries

This is the step that turns a record of your bank account into actual financial statements. The idea behind all of it is the same: income and expenses belong in the month they happened, not the month the money moved.

- ☐ Prepaid expenses released for the month
- ☐ Deferred revenue released for the month
- ☐ Expenses accrued for work done but not yet billed to you
- ☐ Last month's accruals reversed so nothing gets counted twice
- ☐ Depreciation posted
- ☐ Payroll accrued if your pay period crosses the end of the month

Prepaid expenses — you paid for something up front

You pay $12,000 in February for a twelve-month insurance policy. That's not a February expense. It's twelve months of expense you happened to pay for in February.

```
When you pay:   DR  Prepaid Insurance        12,000
                CR  Cash                           12,000

Every month:    DR  Insurance Expense         1,000
                CR  Prepaid Insurance              1,000
```

Deferred revenue — a customer paid you up front

A customer prepays $24,000 for a year of service. You have the cash, but you haven't earned it yet. Counting it all now inflates this month and leaves you with a dead month later.

```
When invoiced:  DR  Accounts Receivable      24,000
                CR  Deferred Revenue               24,000

Every month:    DR  Deferred Revenue          2,000
                CR  Revenue                        2,000
```

Accrued expenses — you owe for work already done

A consultant does $5,000 of work in March and invoices you April 12. It's a March expense. Book it in March, then reverse it in April so the real invoice doesn't double it up.

```
March 31:       DR  Consulting Expense        5,000
                CR  Accrued Liabilities            5,000

April 1:        Reverse it. The vendor bill posts as normal.
```

Depreciation — you bought something that lasts

$36,000 of equipment with a three-year life is $1,000 of expense a month, not a $36,000 hit in one month.

```
Every month:    DR  Depreciation Expense      1,000
                CR  Accumulated Depreciation       1,000
```

> Setup and implementation fees follow the same logic as deferred revenue. If you bill a $15,000 setup fee on an eighteen-month contract, you generally earn it across the contract, not on the day you send the invoice. This one gets complicated fast and is worth a second opinion.

☐ 06 Reconcile the balance sheet

This is the step almost everyone skips, and it's the one that protects your P&L.

Here's why it matters. Your profit and loss only shows what someone decided to put there. Everything else lands on the balance sheet, where it sits quietly and looks fine. If a prepaid stops amortizing, your expenses are too low and your profit looks better than it is. If deferred revenue never gets released, your revenue is too low. If an accrual never reverses, you paid for the same thing twice. Your bank reconciliation can be perfect while your P&L is materially wrong.

So go down the balance sheet, one account at a time, and prove each balance is right. Keep a workpaper for each one that shows what makes up the number.

- ☐ Cash matches the reconciliation
- ☐ A/R matches the aging report
- ☐ Prepaids match a schedule showing what's left to amortize
- ☐ Fixed assets match a list of what you own
- ☐ Credit cards and loans match the statements
- ☐ Deferred revenue matches a list of contracts and what's left to earn
- ☐ Payroll liabilities match your payroll reports
- ☐ Every other account has something behind it explaining the balance

What a workpaper looks like: prepaid expenses at 4/30

Vendor	Coverage period	Per month	Starting balance	This month	Ending balance
The Hartford	2/1 – 1/31 insurance	1,000	10,000	(1,000)	9,000
HubSpot	3/1 – 2/28 software	1,500	16,500	(1,500)	15,000
Rippling	1/1 – 12/31 software	500	4,500	(500)	4,000
Total			**31,000**	**(3,000)**	**28,000**

> Prepaid Expenses on the balance sheet at 4/30: **28,000** · Total per this schedule: **28,000** · Difference: **0**
> Prepared by ________ Date ________ Reviewed by ________ Date ________

A spreadsheet is fine. The format doesn't matter. What matters is that someone can look at the number and see where it came from. If an account has nothing behind it, it hasn't been reconciled. It's been assumed.

☐ 07 Look for anything that doesn’t make sense

Run your P&L and balance sheet by month for the last twelve months and read across the rows. Decide up front what counts as big enough to chase, so you’re not moving the goalposts once you see the numbers. Anything over 10%, or over a set dollar amount, is a reasonable place to start.

- ☐ Expense lines that spiked, dropped to zero, or showed up for the first time
- ☐ Revenue moving in a direction the business didn’t
- ☐ Gross margin swinging with no real explanation
- ☐ Negative balances where there shouldn’t be any
- ☐ Balance sheet accounts that *didn’t* move. A prepaid frozen for three months means a recurring entry quietly stopped.
- ☐ Every unusual item has an explanation you could say out loud

☐ 08 Compare to your budget

Step 7 catches things that changed. This catches things that never showed up at all. Both are worth doing.

For each variance worth chasing, it’s one of three things:

- ☐ **Timing.** Real, just landed in a different month. Note it and move on.
- ☐ **A real variance.** The business did something different than planned. This is the conversation worth having.
- ☐ **A mistake.** Something is coded wrong or missing entirely. Fix it now, before the statements go out.

> That third one is why this belongs in the close and not in your reporting. Budget comparison is unusually good at catching expenses that never got recorded.

☐ 09 Issue the financial statements

Same package, same format, same date every month. Consistency is what makes the numbers comparable, and comparable is what makes them useful.

- ☐ P&L with last month and last year alongside it
- ☐ Balance sheet with comparisons
- ☐ Statement of cash flows
- ☐ Budget vs. actual with your explanations
- ☐ Cash on hand and how many months of runway it buys
- ☐ Two or three sentences on what happened and what needs a decision

☐ 10 Close the books

In QuickBooks, go to Settings, then Account and Settings, then Advanced, and set a closing date with a password. If you skip this, the statements you sent on the 10th may not match what someone pulls on the 25th, and you'll never know why.

- ☐ Closing date set to the last day of the month
- ☐ Closing date password turned on, and not shared with everyone
- ☐ Workpapers and the statements you issued saved together
- ☐ Any correction found later goes in the current month, not by reopening a closed one

Where this usually goes sideways

- **Nobody owns Step 6.** Bank accounts get reconciled every month and the rest of the balance sheet gets looked at once a year, at tax time, by someone who wasn't there.
- **Adjusting entries stop running.** One person built the schedules, that person left, and nothing broke loudly enough for anyone to notice.
- **Nobody reviews the reviewer.** Whoever does the close also signs off on it, so errors survive until an investor, lender or auditor finds them.
- **The close has no deadline.** Day 10 is a reasonable target for most growing companies. Without a date, the close expands until the next one starts.

Want help with your close?

If your close takes three weeks, if nobody is looking at the balance sheet, or if you're not confident the numbers you're handing your board are right, that's the work we do. Resolve Works provides bookkeeping, controllership and CFO support as a team, so you get full coverage without the cost or the key-person risk of a single hire.

Send us a note and we'll walk through your close process with you. No charge for the conversation.

GET IN TOUCH

(612) 293-9368 · info@resolve-works.com · resolve-works.com