**Blog 2:**

# The month end close checklist for the account team

The primary responsibility of the accounting team at the conclusion of each month, quarter, and year is book closing. The financial data entry, reconciliation, and generation of financial reports for the company over the fiscal period are typically part of the book-closing process.

There needs to be a preplanned strategy that can help you carry out the month-end close process successfully because it is a recurring process. In order to avoid the last-minute rush, a thorough checklist is essential.



## What is a month-end close checklist?

The month-end close checklist is the accounting team's standard format for the financial and operational analysis of business performance. The items on the checklist can vary between businesses.

A month-end close checklist is a crucial tool that enables you to gather the financial information needed to comprehend the business's performance over the previous month. You can complete the month-end close process quickly if you have a comprehensive month-end close checklist to refer to. Additionally, it ensures that you are managing your financial data appropriately and maintaining error-free books.

## What is the importance of a month-end close checklist?

What is the significance of the month-end close checklist? The month-end close checklist reflects your objectives and progress. It is significant for several reasons.

- It ensures that all necessary tasks are completed and all accounts are reconciled.
- The month-end close checklist ensures the financial data are accurate.
- The checklist helps your team to stay on track and meet the deadlines.
- The month-end close checklist enforces you to follow the standardized process and improve the team's efficiency.
- The month-end close checklist helps ensure compliance with internal policies which can help you prevent potential penalties.
- It helps you keep track of the critical balance, such as inventory and cash, month to month.
- The month-end close checklist measures the important things across the month to check how the business performs. Eventually, that is where your long-term and short-term goals come in.
- It provides you with the data that can be used to plan your goals for effective results.
- It helps you identify the errors that may have occurred in your books across the month.

Overall, the month-end close checklist is an essential tool for ensuring financial data accuracy and compliance during the financial reporting process.

## Month-end close checklist in 10 steps

Follow these checklist steps to streamline your month-end close process.

1. **Create a closing schedule**:

Making a closing schedule is the first step in executing the month-end close successfully. Because you have so much going on each month, there's a likely chance that your month-end close will be unorganized. Mark your calendar and create a schedule for the month-end close procedure to prevent this. Reminders can help you stay on track and meet deadlines.

2. **Record sales:**
   Record all incoming revenue from the different sources. Check bank statements and invoices for any errors or discrepancies. Send the customers reminders of the amount due if you discover missing payments from them.

3. **Record petty cash**
   Not all companies keep petty cash reserves. However, the company that holds petty cash must record it. All petty cash receipts, the petty cash logbook, and any accompanying documents must be taken into account for. Check to see if the balance of the petty cash corresponds to the cash on hand. Coordinate with the respective team and investigate if there is any inconsistency.

4. **Reconcile vendor statements**
   Verify that the transactions listed in the vendors' statements match those in your record book by comparing them. It assists you in tracking down the account's errors that need to be fixed. Once the discrepancies have been resolved, record any necessary adjustments to your records to reflect the correct transactions.

5. **Record all customer invoices**
   In your accounting software, confirm that you have entered each and every customer invoice for the month. Make any necessary adjustments to your books when you discover any missing or duplicate invoices.

6. **Record all customer payments**

Make sure all customer payments have been recorded in your accounting books. You can use this to determine which client to contact in order to get paid. Find out if any of your customers are regularly missing their payment deadlines. Take necessary action in coordination with your collection team.

7. **Reconcile bank statements**
   It is time to reconcile your bank accounts, including your credit card, savings accounts, and checking accounts, once you have completed all of the aforementioned steps. Verify that the amount you entered in your accounting books corresponds to the data in your records. Determine the cause of any discrepancy and then reconcile the bank statements.

8. **Reconcile inventory**
   Compare and correct the actual physical inventory level of the products sold by your business with the inventory level that is recorded in your accounting records. This may not be applicable to all businesses. Understanding the quantity and value of its inventory is the aim of inventory reconciliation.

9. **Other reconciliations**
   The other reconciliation entails comparing assets and liabilities from sources outside your accounting software. It may include deferred rent, accrual expenses, prepaid expenses, and more. If you are not keeping an organized track of them, this could become a little complicated.

10. **Prepare a financial report**
    When every step has been completed, it's time to create a report and close the books. The main components of financial reporting are general ledger(GL) and financial statements like profit and loss(P&L) statements and balance sheets. Make sure your reports are error-free so you can use them to make short- and long-term business decisions. Accurate reports are the foundations for your

accounting firm. If you want to prevent unexpected business crashes, make sure the foundation is solid.

## Why should you use a month-end close checklist?

Working in an organized manner is always better than working haphazardly, especially when it comes to financial tasks. When it comes to month-end close, even the most organized person is susceptible to missing crucial steps or making mistakes.

A checklist will be very helpful in this situation. You can make sure that everything is done correctly by using a detailed checklist to make sure nothing is missed. This not only assists in preventing errors and omissions but also increases team productivity by giving each member a clear path to follow. Even though we might not possess superhuman abilities like X-ray vision, we can succeed by staying organized using checklists.

## Errors that should be resolved as a part of the closing process

- Duplicate entries
- Uncategorized entries
- Entries without class, location
- Unapplied vendor, customer payments
- Entries without name
- Accounts with unusable balance
- Entries posted to parent GL
- Abnormal unreconciled entries
- Missing entries
- Duplicate names
- Amounts inconsistencies
- Vendors, customers with negative balance

## How Xenett can help you

Now, you have fully comprehended that the month-end close process can be streamlined by following a comprehensive checklist. The reconciliation procedure, reclassifications, finding and fixing bookkeeping errors, and many other tasks will still require a significant amount of manual work.

This is where Xenett steps in to address all of these pressing issues. Xenett can speed up the book closing process by 80%, allowing you to efficiently finish your month-end close in no time. Additionally, the software uses 50+ AI-based checks to automatically detect errors in your accounting book, removing the need for manual labor in the process of error-finding.

In a nutshell, you enlist the assistance of an intelligent fellow to complete the standard book closing procedure. You're welcome to connect with us for a free demo call if you're ready to learn more.

## Key takeaways

Many accounting firms underestimate the month-end close checklist, which eventually might impact the growth of their business. By following a standard month-end close checklist, you can simplify the financial activities and have a better understanding of how the business is performing.

Your accounting firm can improve its financial-based business decisions with the help of the month-end close checklist. It can also provide you with advice on how to set long-term goals. Furthermore, accounting software like Xenett can improve the month-end close procedure.

## Frequently asked questions(FAQ):

**Q: What is included in the month-end closing?**
Month-end closing is a set of accounting processes completed at the end of each month to finalize a company's financial statements. Account

reconciliation, adjusting journal entries, reviewing financial statements, and preparing reports for management are examples of such tasks.

**Q: What is a month close checklist?**
A month-close checklist is a detailed list of tasks and activities that must be completed during the month end closing process to ensure accurate financial reporting.

**Q: How do I create a month-end close checklist?**
Create a month-end close checklist by identifying all of the tasks that must be completed during the closing process, organizing them in a logical order, assigning responsibilities, and setting deadlines.

**Q: What is a period close checklist?**
A period close checklist is a collection of tasks and activities completed at the end of an accounting period, such as a month, quarter, or year, to ensure that financial statements are accurate and complete.

**Q: Why is the month-end checklist essential?**
The month-end checklist is essential because it ensures that all necessary tasks are completed correctly and on time, resulting in accurate financial statements. It is critical for making sound business decisions and adhering to regulatory requirements.

**Q: Do other corporate accountants use a month-end checklist to ensure all the necessary tasks are done for month-end closing?**
Yes, many corporate accountants use a month-end checklist to ensure that all required tasks are completed correctly and on time during the month-end closing process. It is common to practice in the accounting profession.

**Q: What is the first thing I can do when in a company whose accounting department hasn't closed the book for at least 2 years?**
In a company where the accounting department has not closed the books for at least two years, the first step is to assess the situation and

determine the scope of work required to bring the books up to date. It could entail conducting a thorough review of financial records, reconciling accounts, and establishing a month-end close process in the future.