

General Ledger Software Year-End Overview

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The information in this article applies to:

- Tabs3 General Ledger Software (GLS) Version 15, 14, 12 & 11.2

SUMMARY

Closing the year occurs when you advance beyond the twelfth month of your fiscal year. This article includes the following:

Year-End Procedures
Frequently Asked Questions
 Advancing the Year
 Reconciliation
 Reports
 Backup Routine
Archiving Clients

YEAR-END PROCEDURES

Perform the following procedures after the twelfth month in your reporting year. The references "*Refer to:*" link to additional details discussed later in the article or other Knowledge Base articles.

- Post recurring entries.
- Post payroll entries if integrated (Great Plains, PenSoft/PC-Payroll, ASCII Data).
- Post Tabs3/TAS accrual journal entries if required.
- Reconcile your bank statement(s) to the cash account(s). (This can be done at any time if you maintain journal entries for the prior year. However, if you close out the year before reconciling the last month of the year and you do not keep journal entries for the prior year, the calculated account balance in the reconciliation may not be accurate due to missing journal entries.)
- Print *monthly* Journals and the General Ledger Report.
- Make appropriate journal entry changes if necessary.
- Make adjusting year-end journal entries if applicable. (Adjusting year-end entries can be made after the year has been closed out.) *Refer to:* Trial Balance Incorrect After Close in the Frequently Asked Questions under Reports
- Print the Trial Balance, Balance Sheet and Income Statement.
- Print selected GLS Report Writer reports as desired (optional). *Refer to:* KB Article R10395 - "Tabs3 General Ledger Custom Report Writer Product Information".
- Print a General Ledger Report for the *entire year*, including all accounts and departments.
- Print a Journal Report for the *entire year*, including all accounts, departments, and journals (optional).
- Print Journal Entry Verification Lists and delete them.
- Run the Data File Integrity Check. Proceed only if there are no errors.
- Back up your data files. You may want to maintain this backup for a period of time in case you need to print reports as of this date. *Refer to:* Is your backup routine adequate?
- Make sure there are no outstanding journal entries for the prior fiscal year by printing a Journal Report for *outstanding journal entries for the prior fiscal year*. The Year-End Close-Out program automatically deletes all prior fiscal year journal entries. *Refer to:* Journal Report.
- Archive the current client by creating a new client and copying the existing chart of accounts, account balances, journal entries and recurring entries from the current client. This allows you to maintain the budget figures for the second prior year and print year-end reports with budget figures after the year

has been closed. Archiving is optional. *(Note: Do not change your default GLS client when archiving at year-end. Instead we recommend keeping your current GLS client as the default client and using the newly created client as the archive client.) Refer to: Archiving Clients*

- Run the Advance Current Posting Month program to open the new year. We recommend saving the journal entries for the year being closed out.

Version 14.1 and Prior: Run the Month/Year End Close-Out program to close the year.

- Make journal entries for the following month(s) as desired.
- Make adjusting year-end journal entries when available (if they haven't already been made). If you archived the client before closing out the year, make adjusting year-end journal entries to both the "archived" client and the current client. *(Note: Make sure you use the correct date for the adjusting year-end journal entries.)*
- Reprint financial statements for the year-end and any other months in the new year that have already been closed.
- Edit budget figures for the new year (optional).

FREQUENTLY ASKED QUESTIONS

Advancing the Year

What happens to the chart of account balances when I advance the year?

When you advance the month or year, the current month's ending balance will be carried over into the next month's beginning balance for the Asset and Liability accounts. The Income and Expense accounts maintain the figures for the current month only and will start out with a zero balance for the next month.

When advancing from the twelfth month of the fiscal year, do I advance the month and then advance the year?

No. You run the Advance Current Posting Month program only once when advancing from the twelfth month of the year. The software keeps track of which month in the fiscal year from which you are advancing and automatically advances the year along with the month.

Version 14.1 and Prior: The month/year end advancement program is called Month/Year End Close-Out.

What is the difference between advancing the month and advancing the year?

The two procedures are essentially the same except that you are asked a few extra questions when you advance the year. If the month from which you are advancing is the last month of the current fiscal year, the message "Advance month to MM/YYYY" will still be displayed. If you are advancing the year, you will be asked if you want to save all journal entries for the two prior fiscal years, save only unreconciled journal entries, or delete all journal entries.

Version 14.1 and Prior: The message when closing out the month is "Closing out month and year MM/YYYY." If closing out the year, you will be asked if you want to save the journal entries for the year. If you elect not to save the journal entries, you will be asked if you want to save the outstanding check journal entries.

What journal entries should we make at the end of the year?

No extra journal entries are required prior to performing a year-end close-out. Because of the way the software works, you do not have to close out the income and expense accounts to the Profit/Loss account, nor do you have to close out the Profit/Loss account (income summary) like you would when using a manual accounting system. However, at the end of the year, you may want to close out the Retained Earnings account so that it starts with a zero balance for the new year. This is accomplished by making manual journal entries. For example, if you have a liability account called Previous Year's Retained Earnings and the Retained Earnings account is set up as your Current Year's Retained Earnings account, you would debit Current Year's Retained Earnings and credit Previous Year's Retained Earnings (assuming there is a profit for the year). *(Note: The year-end adjusting entries will vary depending on many circumstances [e.g., if the firm is a sole proprietorship, a partnership or a corporation, how the chart of accounts is set up, tax considerations, etc.]. Consult your accountant for the proper adjusting year-end journal entries for your firm.)*

Why would I want to save the prior year's journal entries? Will I lose my account balances if I do not save the journal entries?

If you want the ability to print the prior year's Journals, General Ledger or Trial Balance, you will want to keep

your prior year's journal entries. You will not lose your account balances if you do not save the entries; however, you will only be able to print Income Statements and Balance Sheets for the prior year. *(Note: You may want to consider "Archiving" the client instead of saving the previous year's journal entries.)*

Why would I want to save the current year's outstanding check journal entries when advancing the year?

If you elect not to save the current year's outstanding check journal entries when you advance the year, you will not be able to successfully reconcile your checks when using the Check Reconciliation program (assuming any outstanding checks exist).

My accountant will not have the figures for our year-end adjustments ready until March. Do I have to wait until then to advance the year?

No. You have two options:

1. You can advance the year and save the current year's journal entries. When you are ready, make your year-end adjustments, simply date your entries as of the last day of your prior fiscal year. After making your adjustments, print the year-end reports. Keep in mind that you will be able to print all reports for the prior fiscal year except reports written using the GLS Report Writer.
2. Option 2 is particularly useful if you do not want to retain last year's journal entries or if hard disk space is limited. You can "archive" the current year's information before advancing. "Archiving" is accomplished by saving the previous fiscal year's financial data for the current client by creating a new client number and transferring the balances, journal entries and recurring entries *before* advancing the year. *(Note: Make sure you specify a different data path for the new client number.)* When you are ready to make your year-end adjustments, make them to *both* the archived client and the current client. Print your year-end reports as desired from the archived client. The archived client can be backed up and deleted from the hard disk if space is a problem.

At the end of each year, I make adjusting journal entries to bring the Type "R" (Retained Earnings) account to a zero balance. What date should these entries be assigned—the last day of the year I am closing out or the first day of the new year?

Dating them the last day of your prior fiscal year will bring the Type "R" account to a zero balance at the end of the closing year. Dating the entries with the first day of the new fiscal year allows you to compare last year's Retained Earnings balance to the current year's Retained Earnings balance on the Balance Sheet. You may want to consult your accountant.

I printed out a Journal Entry Verification List, then advanced the year. Now I need to change one of the journal entries that is dated for last year. I cannot find it using the Record # on the verification list. I know that I saved the journal entries when I closed for the year, so where is the journal entry?

When advancing the current reporting year, one of the options that the system asks is if you want to save the journal entries for the year being closed. Even if that question is answered "Yes," the system will still remove all journal entries for the third prior fiscal year. When that is done, it renumbers the existing journal entries to different record numbers since they still exist for the prior, and second prior, year. The entry is still there, but under a different record # than the verification list reflects. To find the entry, run a Journal Report for the day of the journal entry. Then use the new record # to access the record that needs to be changed.

Version 14.1 and Prior: Only the journal records for the current and prior fiscal years are maintained. Therefore, when closing the current reporting year the journal entries of the prior fiscal year will be removed.

How can I edit budget figures for the new year?

Besides editing each individual monthly budget figure, the software has four different methods for editing all 12 monthly budget figures: 1) You can set all monthly budget figures to the same amount; 2) You can enter a yearly amount and let the software compute the monthly amounts automatically; 3) You can adjust all 12 monthly budget figures by a specified amount; or 4) You can adjust all 12 monthly budget figures by a specified percentage. Budget figures are entered on the Budget tab in the Chart of Accounts data entry program.

What happens to the budget figures from last year if I change them for the new year?

The GLS software maintains up to three year's worth of budget figures in the current client's Chart of Accounts. When you advance the year, last year's budget figures will be copied to this year's figures.

Therefore, once you advance the year, you can edit your current year's budget figures without affecting last year's figures.

How many years of balances and journal entries are maintained in GLS?

Advancing the year deletes the second prior year's journal entries and optionally deletes the journal entries for the prior year and the year being closed. For example, if you are on a calendar year and closing 2008, you will be given the option of retaining journal entries for 2008. If you had chosen to retain 2007 entries when you advanced into 2008, they will continue to be held until you have closed 2009. The 2006 journal entries (if present) will be deleted regardless of how you answer the question.

Version 14.1 and Prior: Closing out the year deletes the previous year's journal entries and optionally deletes the journal entries for the year being closed out. For example, if you are on a calendar year and are closing out 2008, you will be given the option of retaining the journal entries for 2008. The 2007 journal entries (if present) will be deleted regardless of how you answer the question.

Advancing the year also deletes the second prior fiscal year's balances. For example, if you are on a calendar year and are closing 2008, depending on how long you have been using the software, you may have balances present for each month of 2008, 2007, and 2006. Closing out 2008 will delete 2006 balances thus allowing room for 2009 balances (the balances for 2008 and 2007 will still be present).

We need to maintain detail journal entries for at least 5 years. How can this be done in GLS?

This can be accomplished with multiple sets of data stored under different client numbers and data paths. Before advancing the year for the current client, add a new client and transfer the current client's chart of accounts, balances and journal entries to the new client. *(Note: You can maintain up to 3 years of journal entries for each client. In Version 14.1 and prior up to 2 years can be maintained. However, doing so takes up extra disk space and really isn't necessary since the balances for the prior year and second prior year are maintained thus allowing comparison figures to print on the financial statements.)*

When printing my year-end reports I discovered that the fiscal year is set incorrectly. How can I correct this?

There are many variables involved when changing the fiscal year in the software. To address your particular situation, please contact Technical Support.

What is the difference between a calendar year and fiscal year?

A calendar year is always January through December. A fiscal year is a 12 month period that may begin with a month other than January.

I tried to delete an account in the Chart of Accounts file and received the message: "Account has existing journal entries. All journal entries for the account must be deleted before the account can be deleted". How can I delete these existing journal entries and what will happen if I do?

You may want to consider waiting until the end of the year before deleting the account. If one or more journal entries exist with amounts greater than zero, then all of the amounts of the journal entries for the account would have to be changed to zero. A list of the journal entries for the account can be printed by running a Journal Report. When printing the report, use a beginning date of January 1st of the second prior year. Before deleting an account, keep in mind that the account balance should be zero. The software does not check for this. Deleting an account with a balance not equal to zero will affect the type "R" Retained Earnings account. Recurring entries for the account will also need to be deleted. In addition, it is important to make sure that the account number is changed or deleted in other software that posts information to this account.

Reconciliation

I advanced the year and saved all journal entries. Now, in the Reconciliation program, outstanding journal entries from three years ago are not being recognized. Why? How do I correct this so that the GLS Account Balance shown on the report is correct?

GLS saves journal entries for up to three fiscal years. When advancing the year, only the current and prior fiscal year's journal entries are saved (provided you elected to retain them). Therefore, journal entries for the second prior year, outstanding or not, are automatically deleted at year end. KB Article R10904, "GLS Reconciliation Troubleshooting", includes details regarding how to resolve this issue.

Version 14.1 and Prior: Journal entries can only be maintained for the current and prior fiscal year; entries for the second prior fiscal year are automatically deleted.

Are unreconciled journal entries saved when the year is advanced?

Yes, provided you select either the "Save all journal entries" option or the "Save only unreconciled journal entries" option when advancing the year. If you choose to save only outstanding journal entries, GLS will save all unreconciled journal entries for accounts that are designated as bank accounts, thus retaining the journal entries required for reconciliation.

I am trying to print a Journal Report for outstanding checks before I advance the year, but the options under Checks are unavailable. How can I select these options?

In order for the options under Checks to become available, the **Beginning Check #** on the **Journal** tab must be greater than "0", the **Entry Order** check box must be cleared, and a primary or secondary order of "Check" must be specified on the **Options** tab. The **Outstanding** option under Checks will then be available.

Reports

What reports should I print before advancing the year?

Run the same reports that you normally run, but be sure to run the reports for year-to-date information as opposed to just month-to-date information. Some firms will run their regular month-end reports and then re-run the reports for year-end. Consider running the Trial Balance, Income Statement, Balance Sheet, General Ledger and Journal reports, as well as any reports written using GLS Report Writer. Keep in mind that **certain information will not be available** once you have advanced the last month of the year. If you save all journal entries when you advance the year, you can print all reports for the prior fiscal year except reports written using GLS Report Writer. Choosing not to save journal entries when closing out the year will result in not being able to get an accurate General Ledger, Journal or Trial Balance report. In order to get this information, you must refer to a report that was run at year-end (assuming no additional journal entries were made since the report was run), print the report from a client that was archived before the year was closed, or restore from a backup that was made at year-end.

I have several account numbers in my Chart of Accounts that my accountant says we should not be using. We cannot delete the accounts because there are still journal entries that we need for our records for at least another year. These account numbers have a description "DO NOT USE" but they still show up on the financial reports. How can I prevent these account numbers from printing on my current financial statements?

If the accounts are header, total, or comment accounts, go into the Chart of Accounts, pull up the account numbers one at a time and clear the **Print Option** check box on the **Accounts** tab.

If the accounts are detail accounts, you do not have the option to disable the **Print Option** for the accounts. If the detail account has a zero balance, clear the **Print Zero Balance Accounts** check box on the **Options** tab of the report. However, this will also prevent any other zero balance accounts from being included.

Alternatively, you could use departments to exclude the accounts. If you are not using departments, you would need to make sure all detail accounts have a department of "1" and all other accounts have a department of "0". Assign the accounts you want excluded to a department of "2". Then you can run financial statements for department 1 through 1, thereby excluding the accounts assigned to department 2. Similarly, if you are already using departments, you can assign the accounts you want excluded to an unused department (such as 30) and run your financial statements for departments 1 through 29.

I ran a Trial Balance, Balance Sheet and Income Statement at the end of the year. What information can be compared on these reports to verify that they are in balance?

The following information can be compared:

- The Ending Balance on the Trial Balance should match Current Balance on the Balance Sheet for each detail Asset and Liability account.
- The difference in the debit and credit amounts in the Activity column on the Trial Balance run for a specified month should match the MTD Actual on the Income Statement for each detail Income and Expense account.

- The Ending Balance on the Trial Balance should match the YTD Actual on the Income Statement for each detail account.
- You can also compare the month-to-date Profit & Loss on the Income Statement to the "Gain (Loss) Posted..." on the Trial Balance.
- If you make journal entries to the Type "R" (Retained Earnings) account to bring the balance down to zero at the end of each year, the Type "R" account balance should match the YTD Net Profit & Loss on the Income Statement.

After printing the Balance Sheet and Trial Balance, I noticed that the Retained Earnings figure is different. How is the Retained earnings Figure calculated for these two reports, and what would cause them to be different?

In order to calculate the Retained Earnings figure (Account Type "R"), the software subtracts all of the Liability accounts (Account Type "L") from the Asset accounts (Account Type "A"). Any Owner Equity accounts, will be included with the other Liability accounts because they are set up with an Account Type of "L". The Trial Balance retrieves the Ending Balance for the Retained Earnings account directly from the Chart of Accounts. The retained Earnings figures for the Trial Balance and Balance Sheet should be the same.

If a one-sided journal entry, or an unbalanced journal entry was made (for example, a \$50 debit and a \$60 credit), then the Retained Earnings figure on the Trial Balance and Balance Sheet will not match. Discrepancies in the Retained Earnings account can also be caused when incorrect initial balances are entered or when a Balance Sheet account is edited incorrectly. Furthermore, changing the Balance Type, Account Type or Account Balance for an account may cause discrepancies on reports.

When the Data File Integrity Check program is run , an error 76 will be reported if the balance for the Retained Earnings account (type "R" account) does not match the calculated retained earnings amount for a specified month. This comparison of the Retained Earnings account and the calculated retained earnings amount is performed for every month up through the current month. If the figures do not match, an error 76 is reported. The error 76 will be reported for each month's balance that is incorrect, and the balances will be corrected automatically. For more information, please refer to KB Article R10980, "DFIC Error 76 - Retained Earnings Mismatch".

When I ran my Trial Balance, a message printed on the report indicating that my "Debits and Credits Do Not Balance." I included all accounts on the report. Is there a report that I can run to find why they don't balance?

Yes. You can print a Journal Report that includes all entries for all accounts for the month. When running the report, select to sort in Entry Order. This report will show entries for the date range selected in the order that they were entered. Compare debits and credits on this report to locate one-sided journal entries or other errors made when posting entries.

If the balances mentioned above are not matching, what is the best way to correct them?
Contact our Technical Support for assistance.

We still have not received our year-end adjustments from our accountant. Currently our Retained Earnings Account has a beginning balance for January 2009 that will be removed when we make our closing entries for 2008. We normally compare our Retained Earnings Account balance with the Year-to-Date Profit/Loss figure on our Income Statement. Is there a different number we can compare until we make our closing entries to verify that our reports balance?

One way you can compare is to subtract the January 2009 beginning balance for the Retained Earnings Account from the ending balance in the Retained Earnings Account for the months you are comparing. Compare this figure with the Year-to-Date Profit/Loss figure on your Income Statement. Another option would be to compare the Gain/Loss posted to Retained Earnings on the bottom of your Trial Balance or General Ledger Report to the Month-to Date Profit/Loss figure on your Income Statement.

I advanced the fiscal year last week. This morning I received the adjusting entries from our accountant and entered them into the software. When I ran my Trial Balance and Balance Sheet and compared them, the balances were incorrect. The balances on the Balance Sheet match what my accountant said they should be after making the entries. What happened to my Trial Balance?
It appears that when you advanced the year, you chose not to save journal entries for the prior years. The Trial Balance calculates balances by taking the beginning balance from the Chart of Accounts (which is the

ending balance from the prior month) and adding or subtracting journal entries for the time frame specified. Since these journal entries are no longer there, the Trial Balance is not accurate for this period.

If you archived the client, you can use the Select GLS Client program to switch to the archived client and post your adjusting entries. As long as all entries made to the current client are also made to the archived client, the Trial Balance can be run in the archived client. It can then be compared to the Balance Sheet of the current client.

If you saved the journal entries from the prior year and the balances are still incorrect, contact Technical Support for further assistance.

Backup Routine

Is your backup routine adequate?

Even if your firm is making regular backups, we recommend that you occasionally restore the data from one of your backups to a directory other than the program directory to check the integrity of the data. (*Note: The data for each client is maintained in a separate directory. Your backup routine should include the paths for ALL clients.*) Also make sure that you rotate your backup media so that you always have more than one backup. It is important that the Data File Integrity Check program be run before making backups and particularly important that it be run before making a year-end backup. The purpose of running the Data File Integrity Check program is to verify that there are no errors in the data files before making a backup. Make sure that the year-end backup is performed before advancing the year. Many firms save their year-end backup as a permanent historical record. See KB Article R10456, "Testing Your Backup System" for more information.

ARCHIVING CLIENTS

- Archiving consists of saving the previous fiscal year's financial data for a client by creating a new client and copying the information from your current client to the new client. This technique can be used as a means of retaining previous year's journal entries, balances and budget figures in a separate GLS client for future reference. Archived data is easy to access, particularly after using the software for several years. *Archiving must be done before advancing the year.*
- To archive the data, the Edit GLS Client program is used to create a new client number. You must specify a different data path for the new client. When saving the new client, you *must* select **Yes** when the question "Copy an Existing Client's Chart of Accounts?" is displayed. When the Copy Client Data Files dialog box is displayed, you must select the **Copy Old Client's Account Balances** check box. Copying journal entries and recurring entries is optional. However, if you want the ability to print Trial Balances, Journals and General Ledgers, you must copy the old client's journal entries. Of course, you can always print Income Statements and Balance Sheets for any period that has account balances.
- Once the new client has been created and the data has been archived, we recommend that you edit the name of the new client to reflect the year being archived, using the Edit GLS Client program.
- GLS Report Writer Note: The General Ledger Report Writer can only access data for the currently selected client.
- If you are archiving, when you post the adjusting year-end journal entries, you must post the entries to your current client as well as the "archived" client. (*This only applies if you advance the year before posting the year-end adjusting journal entries.*)

REFERENCES

- KB Article R11146 - Tabs3 Year-End Overview
 - KB Article R10430 - Tabs3 Year-End Overview - Version 12, 11 & 10
 - KB Article R10432 - Accounts Payable Software Year-End Overview
 - KB Article R10433 - Trust Accounting Software Year-End Overview
 - KB Article R11105 - Tabs3 General Ledger (GLS) Frequently Asked Questions
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