

# Year-End Processing for December

The following pages give you an overview of the year-end processes in the SouthWare Excellence Series™.

## General Tips:

- Make sure you run the end-of-period processing for the last period of the year in each module before running the year-end process.
- Make a complete BACKUP of all data files.
- Do the year-end processing for all other modules before doing year-end processing for General Ledger.
- Remember that you will be able to make a prior-year adjustment in G/L if you close G/L and then later need to enter additional adjustments (see Prior Year notes in G/L section). Many companies typically wait to close the year in G/L until their accountant makes year-end adjustments. If this will take several weeks or months you can go ahead and close G/L so you can work in the new-year, then later make the prior-year adjustments when you have them. After you make a prior-year entry you can reprint any of your reports from the prior year.
- **SouthWare software must be current to be able to print 1099-MISC and Payroll W-2s .**

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## Accounts Payable

### Fiscal Year-End

You do not need to run any special process at your fiscal year-end if you use the Excellence Series. The Excellence Period History file keeps a continual period history so you don't need to clear any YTD numbers.

Year-end is usually a good time to consider purging any detail history that you don't need (AP-05-05), but you don't have to purge at year-end.

### Calendar Year-End

At the end of the calendar year you must report any 1099-MISC information required by the U.S. Government. At your calendar year-end you must build the 1099-MISC work file, list and edit the work file if necessary, and then clear "YTD payments" in the vendor file. These steps are done under menu reference AP-05-06.

The work file is independent of the Vendor file and **MUST BE BUILT AFTER** the **LAST** check is printed for the year, but **BEFORE** the first check is printed for the new year. Once the file is built you must clear the vendor file.

SouthWare Accounts Payable will process and prepare information that you need to report to the Federal Government for 1099-MISC vendors. At calendar year-end you must build the work file, check the work file with the 1099-MISC edit listing, and clear the 1099-MISC Information (AP-05-06-03) before you do any A/P payments in the new-year.

SouthWare can produce two formats for the 1099-MISC forms:

1. Printed Forms
2. E-Send File (Magnetic Media)

You must specify a minimum 1099-MISC amount (vendors who were paid less than this amount will not receive a 1099-MISC form). If you select the magnetic media option you must also enter the payment year.

Next, a question will ask if this is a correction run. If you have already submitted 1099-MISC information and are preparing corrected information, enter "Y" and the system will mark the Corrected Return box on the forms. The amount box used on each form is controlled by the field number specified in the vendor record (Field 21 in AP-06-01):

- 1 = Rents
- 2 = Royalties
- 7 = Non-employee compensation

Once the 1099 work file is built you can move these amounts to any of the required boxes using the "Other boxes" field in the work file.

If you are producing 1099-MISC information in an E-Send file, the file name will be located in your company subdirectory and the file name will be IRSTAX. See the current IRS publication on 1099-MISC reporting for more information.

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## Accounts Receivable

NOTE: Make sure you have a separate backup of your A/R files before proceeding.

When you have run "End of Period Processing" and posted the interface report for period 12, you are ready for year-end processing:

- Print any reports you would like to keep for archive purposes such as full customer listing and sales analysis reports.
  - Run option AR-06-06. This will clear YTD totals in the appropriate A/R files.
  - You are now ready to process in the new-year in A/R, but remember not to post your interface file (AR-06-01-02) for the new-year until the previous year has been closed out in G/L.
  - You may want to consider purging your A/R history (AR-06-07).
  - Check Sales Tax for your state to see if there need to be any changes for the new year
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## **Inventory/Sales and Service Management**

You do not need to run any special process at your fiscal year-end.

The Excellence Period History file keeps a continual period history so you don't need to clear any YTD numbers.

NOTE: If you are running Point of Sale without A/R you do need to clear the A/R Salesperson and Tax files. Run the IS-06-10 program to clear these files.

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## **Payroll**

NOTE: Make sure you have a separate backup of your Payroll files before proceeding.

You are ready for year-end processing in Payroll when:

- You have done the processing for the fourth quarter (printed 941, SUI and City tax reports and reset QTD totals)
- You have printed the last payroll check

## **Calendar Year-End**

Here are the year-end steps in Payroll:

- Build the W-2 work file. See Payroll Documentation for more information. Please review the documentation before proceeding with creating and printing W2's.
- To ensure the accuracy of your W2 forms and magnetic media please test your totals and files before printing and submitting your W2's by following the steps below:

Build the W2 work file using the instructions from the PR W2 documentation.

Print a full-employee listing (PR040901) to include YTD Federal and State Accumulations. Include Recurring Deductions/Earnings on the report.

Print the W2 Edit Listing (PR060202) for all employees

Compare the federal and state taxable totals along with the tax amounts.

Print the Cumulative Deducts/Earnings Report (PR0405) to verify the deduction/earnings totals on the W2 edit listing match the YTD totals from the Recurring Deduction/Earnings file.

**Magnetic Reporting Overview:** (SouthWare must be current to produce valid W-2s)

If you are submitting W2's to the SSA, download the EFW2 (MMREF) test software (ACCUWAGE) from <http://www.ssa.gov/employer/software.htm> and install the software.

Test the magnetic file created from SouthWare (W2REPORT.TXT) using the SSA software. The magnetic media file will be created in your SouthWare data subdirectory.

Using the AccuWage software - verify the totals record (RT record) with the totals from the W2 Edit Listing.

## **Change the Tax Table**

Reset the YTD tax table. This should be done before a payroll is run for the new-year.

You will be asked to reset YTD information used for tax reporting (Calendar Year). Fiscal Year-End Note: You are also asked about clearing YTD fiscal information. If your company is not on a calendar year, you should not reset fiscal information until the end of your fiscal year.

If you answer Y to the YTD question, the program will ask if you want to clear sick leave due, vacation due, and holiday due fields in the employee file.

You also have the option to clear labor distribution YTD. Notes on Recurring Deductions / Earnings: The calendar or fiscal accumulations will be cleared according to the answers to the clear questions. In addition, during the calendar year end, records which were set to inactive status by the system because the YTD limit was reached will be re-activated automatically. Any remaining inactive records should be deleted using the Maintain Recurring Deductions/Earnings. If you have any recurring records in which you set the "Reset YTD?" flag to N, these will not be cleared during the calendar year reset. They will also not be reactivated. You must manually reset these records if needed.

The appropriate YTD reset date in the control record will be incremented at the end of this process.

- Purge Check History PR-06-04 by check date.
- Purge Terminated Employees PR-06-05. Only employees who have a termination date in the employee record and all QTD and YTD totals are zero will be purged.
- Purge Tip History (if kept) PR-06-06.

**Change the Tax Table with information from the 'Circular E' IRS form:**

In PR-08-02 you need to change the following fields:

- Field 20 with max FICA wage
- Field 23 with new Fed Exemption

In PR-07-06 you need to change the single and marital tax table. Use the Annual table.

**Do not rebuild your W-2 work file once you have cleared YTD information.** The work file can't be built properly without the YTD data. If you accidentally rebuild the work file you will either have to:

- Restore from a backup prior to when Year-End Clear was done and rebuild the workfile.
- or
- Restore your W-2 work files (PW2F3.FIL and PW2F5.FIL) from backup (this is a great reason to make backups!).

**To print laser W-2's:**

**Make sure the printer you select has the laser flag set to "Y"es in XX-05-05-01 in field # 7.**

Make sure your SouthWare Printer record indicates that you are printing on a laser printer.

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## General Ledger

NOTE: Make sure you have a separate backup of your G/L files before proceeding.

After you have closed out the last period of your fiscal year and have run your year-end financial statements, year-end processing does the following:

- Transfers net profit or loss to the retained earnings account or accounts if you are departmentalizing retained earnings. All Income Statement accounts are zeroed out.

NOTE: Prior to running year-end, you must have already set up at least one capital account for retained earnings. You must set up an account per profit center if you choose to distribute the profit. You must not abort the year-end process once it has started. If you have failed to enter the needed capital accounts, the year-end program will tell you so and you must then create the account numbers in Account Maintenance (GL-07-01) before you may run the year-end program.

- Carries all Summary File records forward as comparatives, moves the ending balance for all balance sheet accounts forward as beginning balances and clears out the current year fields.
- Increments the periods in the Accounting Period File by one year and the next transaction number is reset to 1.
- Optionally zeroes out or updates the original and current budgets for the new-year (see the G/L manual for Budget Update).

### **Prior-Year General Ledger Transactions:**

When you enter a "PY" type transaction (in GL-01-01) the date you enter must be in the prior fiscal year. Posting this type of transaction will update prior-year balances (in the account file) through the end of the year and the beginning balances for the current year. If the adjusted account is a Balance Sheet account, the transaction will affect the beginning balance of the current fiscal year. If the adjusted account is an Income Statement account, the transaction will affect the beginning balance of the Retained Earnings account defined in the control record (GL-08-01). In either case the adjustment of balances will be reflected in any closed periods in the current fiscal year. If you make a prior-year adjustment, you should re-run financial statements for any affected periods.

**Example of a PY entry:** Forgot to post cash sales of \$100.00 from November and you are now in February (and you use a calendar fiscal year).

Cash Account 1010-000  
 Sales Account 4010-000  
 Retained Earnings 3040-000

In GL-01-01, enter a "PY" type transaction using a date of 11-30-2010. (If you don't enter a transaction type of "PY", the entry program will not allow a date outside the current fiscal year).

Debit 1010-000 for \$100.00 and Credit 4010-000 for \$100.00.

When you post this transaction (GL-01-03), the balance for the cash account will be increased by \$100.00 for periods 11 and 12 of the prior year and also for periods 1 and 2 of the current year.

The Sales Account will be increased by \$100.00 for periods 11 and 12 of the prior year only and the retained earnings account balance (3040-000) will be increased by \$100.00.