End of year accounting process

Retail Man is designed to eliminate all un-necessary work by the user, but there are few steps that are needed to properly close the accounting year. The following is a list (with examples) of the needed steps to properly close the accounting year, noting that these steps can be done any time after the end of the accounting year, but post dated to the required date.

One of the nice features of Retail Man is its ability to calculate the Profit or Loss of the business on daily bases, and also its ability to automatically roll the relevant balances of accounts to the next accounting year without any user intervention, however, in most countries, businesses that have made either a profit or loss (which is the majority of businesses) are required to handle these figures at the end of the accounting year, such as to distribute the profits or losses to the share holders. So the user should create accounting entries to do just that, otherwise, if these steps are not done, the system will simply roll the **6020 - Profit & Loss** account to the next accounting year and will appear in the Trial Balance and Balance Sheet reports.

Before handling the end of year profit and loss, most businesses need to handle the Depreciation of its assets, such as furniture, cars, equipment and so on. To do that, you will need to find out how much depreciation each of these assets incur (each country has its own rules), so you may need to consult your accountant.

One example of how to handle depreciation is as follows:

Let's assume the business bought a car on 15/01/2007 with a yearly depreciation of 20%, the car was bought in the current accounting year (01 January 2007 – 31 December 2007) for the amount of $25,000, So lets enter the transaction in the current accounting year:

The Asset will be in Debit while the paying account will be in Credit.

Entry Voucher

Entry Number: 41

Entry Date: 15/01/2007

Account Name	Details	Debit $	Credit $
Motor Vehicle - at Cost	Direct Bank Transfer Number 125846	25000.00	0.00
Citi Bank	Direct Bank Transfer Number 125846	0.00	25000.00
		0.00	0.00
	Total$	25000.00	25000.00

Save (F2) Print (F3) Delete (F4) Close (Esc)

The above transaction will record the asset as it was acquired. So assuming at the end of the year, the purchased car loses 20% ($5,000) of its value in depreciation, we reflect the transaction by crediting the Non Current Assets (*2041 - Motor Vehicle – Accumulated Depreciation* account) and debit the Expense Account (*9115 - Depreciation – Motor Vehicles*).

Entry Voucher

Entry Number: 157

Entry Date: 31/12/2007

Account Name	Details	Debit $	Credit $
Motor Vehicle - Accum Dep'n	End of year depreciation for the Car	0.00	5000.00
Depreciation - Motor Vehicles	End of year depreciation for the Car	5000.00	0.00
		0.00	0.00
	Total$	5000.00	5000.00

Save (F2) Print (F3) Delete (F4) Close (Esc)

The above transaction will impact the business expense by increasing it which will reduce the business profits (if there was any) or increase the business loss if is there was no profits for that accounting year. Now, once all the depreciations are entered, we can now proceed to handle the *6020- Profit and Loss* account for that year. To do that, we will need to find out what we need to do with the profit or loss for that year.

To find out what is the profit & loss amount for the accounting year, just run the Profit & Loss report from the accounting reports, the note down the NET PROFIT / (LOSS) figure. This is the figure we will use for the end of year profit / loss.

One of the ways to handle business profits (or losses) is to distribute it to the shareholders of the company, so if we assume there are two shareholders with equal shares, and there was a net profit of $12,000, each shareholder gets $6000 and is recorded as follows:

If this is done right, there will not be any profit and loss amount carried forward to the next accounting year.