Sage Accounting

Year End Guide

Reconciliation and Year End Processing

This guide will assist you with the running of your Year End in Sage Accounting.

It is quite a simple process to run the year end by following the below steps:

1. Perform the final Bank Reconciliation
2. Stock (Item) Adjustments
3. Recording Inventory on Hand on your Balance Sheet
4. Print the final reports
5. Process the Year End

Reconciling your Company

Payments and receipts can be processed via one or more bank accounts. These bank accounts can be reconciled against the bank statement if you wish to.

The reconciliation process does not affect any values on Sage Accounting, and its use is optional. Match each payment and receipt that was entered into Sage Accounting against a physical bank statement. This helps to ensure that the amounts are correct.

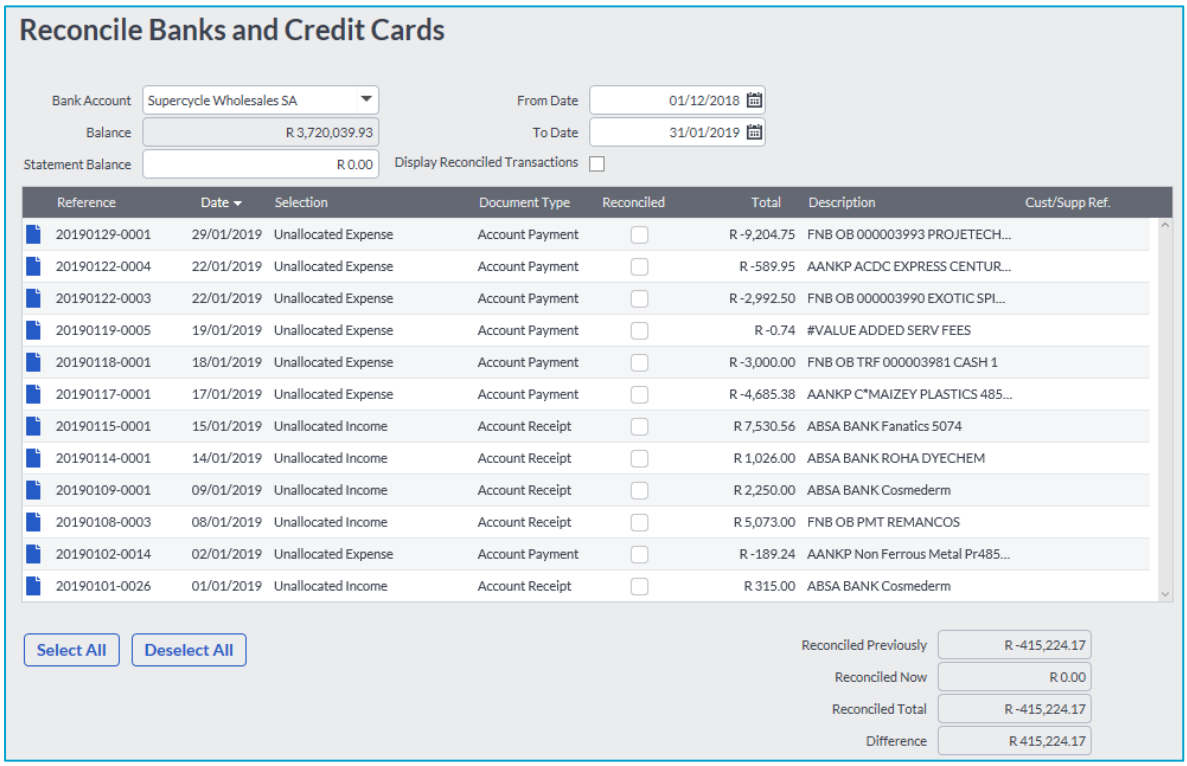
The reconciliation process helps you to know the values of the cheques that are not yet in the bank statement, so that the cash flow can be planned.

Important Information

The bank reconciliation takes into account all payments, receipts and other transfers that were entered. This includes customer receipts, supplier payments and other account transactions.

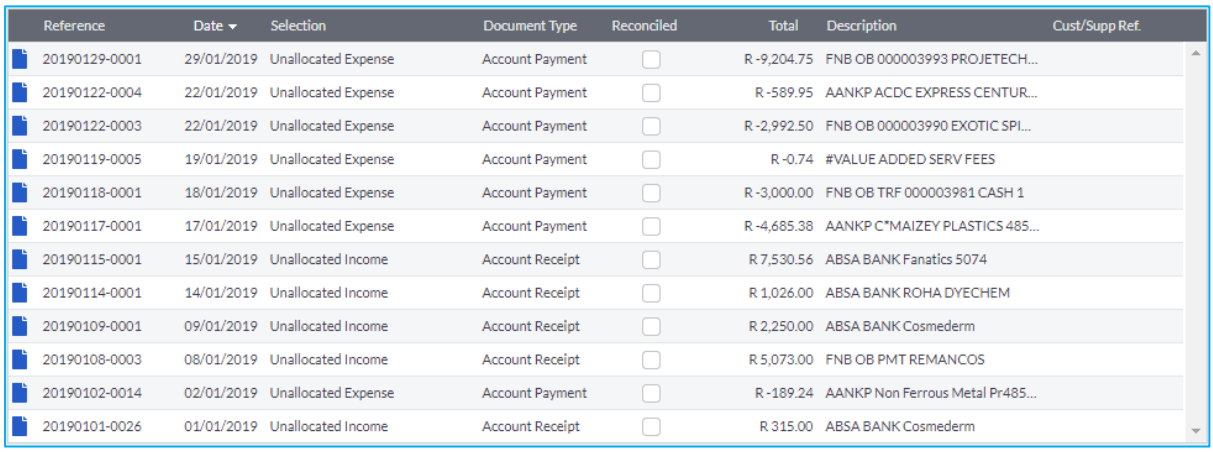
Follow these steps to reconcile the banks and credit cards in Sage Accounting

1. Click on the **Banking... Transactions... Reconcile Banks and Credit Cards** menu.
2. The following screen will be displayed:



Reconciling your Company

3. From the **Bank Account** drop down menu, select the bank account you wish to reconcile.
4. Select the dates you wish to reconcile in the From Date and To Date calendar look up fields.
5. A list of all the unreconciled transactions will display in the transaction fields.



Reference	Date	Selection	Document Type	Reconciled	Total	Description	Cust/Supp Ref.
20190129-0001	29/01/2019	Unallocated Expense	Account Payment	☐	R -9,204.75	FNB OB 000003993 PROJETECH...	
20190122-0004	22/01/2019	Unallocated Expense	Account Payment	☐	R -589.95	AANKP ACDC EXPRESS CENTUR...	
20190122-0003	22/01/2019	Unallocated Expense	Account Payment	☐	R -2,992.50	FNB OB 000003990 EXOTIC SPI...	
20190119-0005	19/01/2019	Unallocated Expense	Account Payment	☐	R -0.74	#VALUE ADDED SERV FEES	
20190118-0001	18/01/2019	Unallocated Expense	Account Payment	☐	R -3,000.00	FNB OB TRF 000003981 CASH 1	
20190117-0001	17/01/2019	Unallocated Expense	Account Payment	☐	R -4,685.38	AANKP C*MAIZEY PLASTICS 485...	
20190115-0001	15/01/2019	Unallocated Income	Account Receipt	☐	R 7,530.56	ABSA BANK Fanatics 5074	
20190114-0001	14/01/2019	Unallocated Income	Account Receipt	☐	R 1,026.00	ABSA BANK ROHA DYECHEM	
20190109-0001	09/01/2019	Unallocated Income	Account Receipt	☐	R 2,250.00	ABSA BANK Cosmederm	
20190108-0003	08/01/2019	Unallocated Income	Account Receipt	☐	R 5,073.00	FNB OB PMT REMANCOS	
20190102-0014	02/01/2019	Unallocated Expense	Account Payment	☐	R -189.24	AANKP Non Ferrous Metal Pr485...	
20190101-0026	01/01/2019	Unallocated Income	Account Receipt	☐	R 315.00	ABSA BANK Cosmederm	

6. If you want to reconcile a transaction, tick the **Reconciled** tick box.
7. Once all the transactions are reconciled, click on the **Save** button.

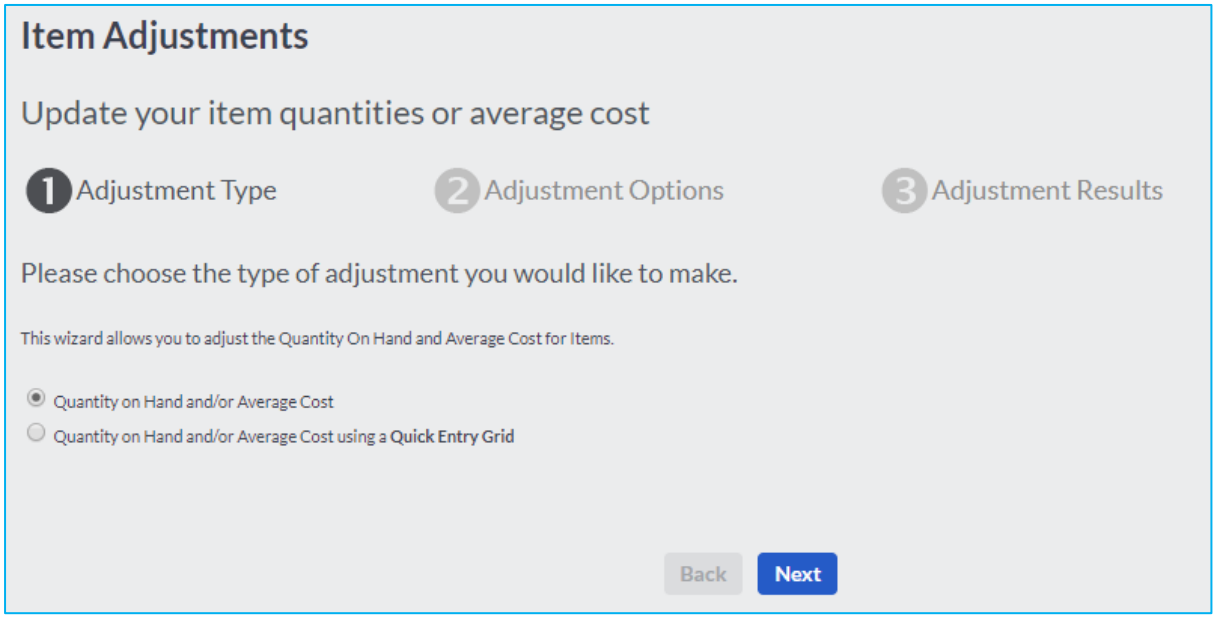
Item Adjustments

The next step in the year end procedure is to process stock adjustments. If the Item Valuation report does not correspond or balance to the actual quantities of stock that is available on hand or on the shelves, then a stock or item adjustment must be performed.

You should also use this as an opportunity to confirm that your average costs are reasonable for each of your items. You can do this by comparing your average cost on your Item Valuation Report to the unit price that appears on the Purchase by Item Report.

When you process the item adjustments, this will be based on the Item Valuation report and you will have to go through each and every item that you do not agree with and perform the adjustments accordingly. Once you perform the year end and go into the new financial year, you will then have the correct quantities.

1. Click on **Items... transactions... Item Adjustments** menu.
2. The following screen will be displayed:

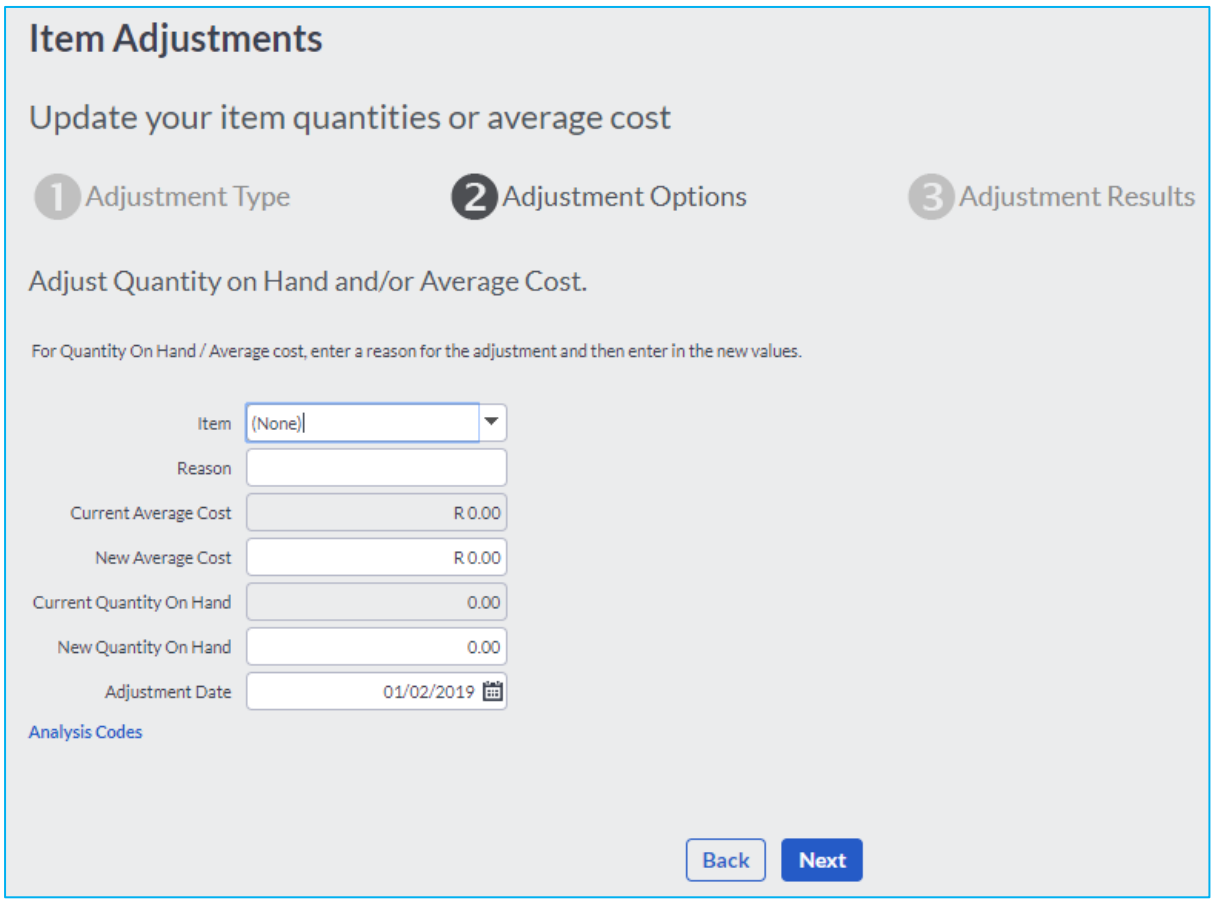


3. Select which option you want to use to adjust items by selecting either the Quantity on Hand and/or Average Cost or by a Quick Entry Grid option.
4. Click on the Next button to continue.

Item Adjustments

Quantity on Hand and/or Average Cost option

5. The following screen will be displayed:

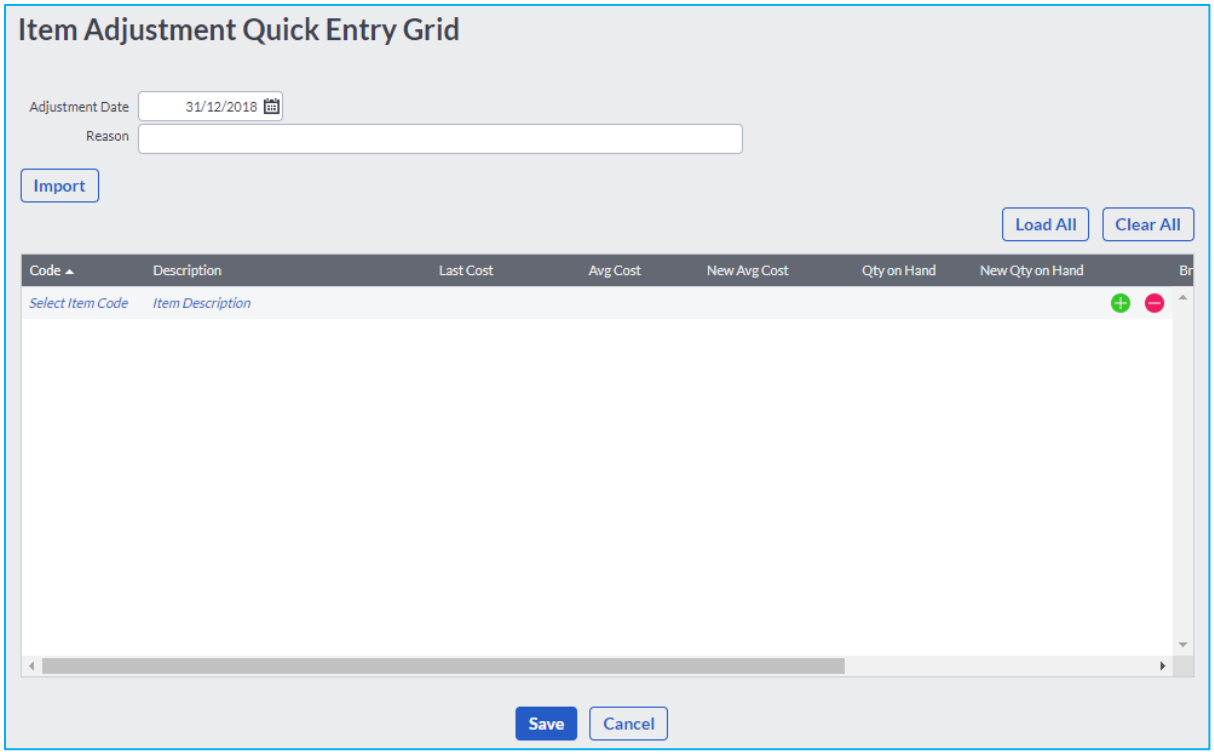


6. From the **Item** drop down menu, select the item you want to adjust.
7. Enter a reason for the adjustment in the **Reason** field (This is compulsory).
8. The current average cost of the item will be displayed in the **Current Average Cost** field.
9. Enter the new average cost in the **New Average Cost** field.
10. The current quantity on hand will be displayed in the **Current Quantity on Hand** field.
11. Enter the new quantity on hand in the **New Quantity on Hand** field.
12. Select the date of the adjustment in the **Adjustment Date** calendar look up menu.
13. Click on the **Next** button to continue.

Item Adjustments

Quick Entry Grid option (recommended)

14. When you select the Quick Entry grid option, the following screen is displayed:

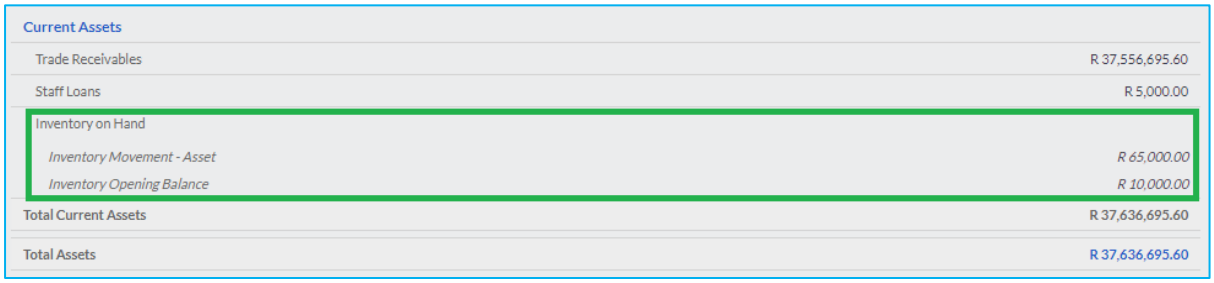


15. Select the date of the adjustment in the **Adjustment Date** calendar look up menu.
16. Enter a reason for the adjustment in the **Reason** field (This is compulsory).
17. Click on the **Load All** button to load all items.
18. Enter the new average cost in the **New Average Cost** field.
19. Enter the new quantity in the **New Quantity on Hand** field.
20. Click on the **Save** button to save the item adjustment.

Recording Inventory on Hand on your Balance Sheet

We will show you how to process the correct journal to bring your closing stock onto the Balance Sheet, so your current assets section looks like the example below.

In this example, we have assumed your Balance Sheet is run at 28/29 February (your financial year end):



For clarity, the inventory values above are grouped under the heading **Inventory on Hand**, using the Account Reporting Groups in Sage Accounting.

How to reflect your Inventory closing balance on the Balance Sheet

Step 1 – Set up the correct accounts in sage Accounting

Step 2 – Calculate your Inventory Value movements (difference between your opening and closing inventory)

Step 3 – Process your Inventory Journal to reflect the above-mentioned movement

Step 1 – Create the following Inventory Accounts

In order to process your journal entry, you will need to set up some inventory accounts (if they don't already exist).

Go to **Accounts… List of Accounts… Add an Account** and add the following accounts in Sage Accounting. Note the financial categories illustrated below. These categories are used by Sage Accounting to position the amounts in the right section of the Balance Sheet.

Accounts	Financial Category
Inventory Movement – Asset	Current Assets
Inventory Movement – Cost of Sales	Cost of Sales

Recording Inventory on Hand on your Balance Sheet

Step 2 – Calculate the Inventory Value

Assume you began using Sage Accounting at the beginning of the current year.

You would've created your inventory items with their related opening balances – both quantity and value.

Sage Accounting automatically puts this balance in a System Account called Inventory Opening Balance on the Balance Sheet. In our example we will assume an opening balance total of R10,000.00.

Now we assume that at the end of the year, your total inventory on hand (closing stock) amounts to R75,000.00.

You can get this total from your **Item Valuation Report**.

Note: Good practice says you should conduct stock take to check your item quantities on hand as reflected on the Item Valuation Report. You should also check that the average cost value for each stock item is reasonable (in case mistakes have been made).

In our example, opening inventory totalled R10,000.00 and closing inventory totalled R75,000.00 reflecting an **Inventory Movement** of **R65,000.00**. this value is the difference between the **Inventory Opening Balance** and the **Inventory Value** (the Inventory Closing Balance). This is the amount that you will use to process your journal entry.

Inventory Opening Balance: This amount will appear on your financial statements by default.	R10,000.00
Inventory Value: your actual inventory on hand value.	R75,000.00
Inventory Movement: This amount needs to be recorded.	R65,000.00

Step 3 – Process the Inventory Journal Entry

Consult your accountant before processing these journal entries if you are unsure.

The journal entry will be processed to record the Inventory Movement to create the "Inventory on hand balance" as at 28/29 February as follows:

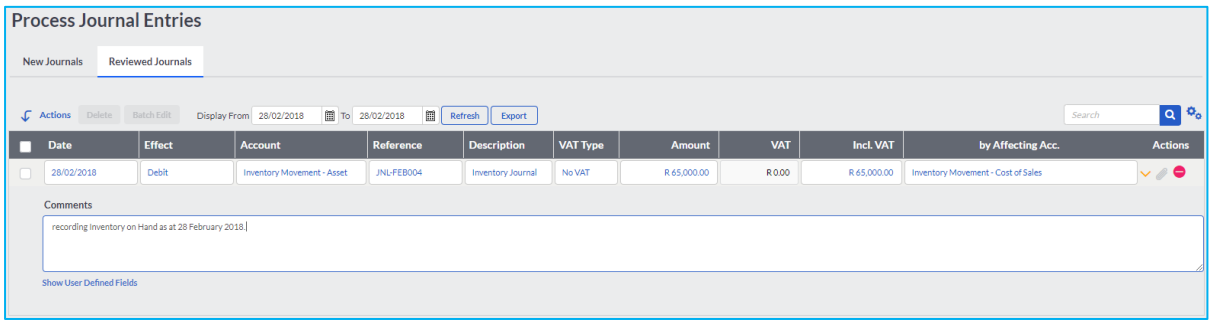
On 28/29 February debit Inventory Movement – Asset with an amount of R65,000.00 by affecting the Inventory Movement – Cost of Sales account.

To process the journal, go to **Accountants Area… Process Journal Entries**.

Recording Inventory on Hand on your Balance Sheet

Note: If when you are processing this journal and your closing inventory value is less than your opening inventory value, reverse the debits and credits on the journal entry.

The screenshot below shows this journal entry for the example above:



Printing the Year End Reports

Before you can start with year end, there are several reports which you need to print (recommended):

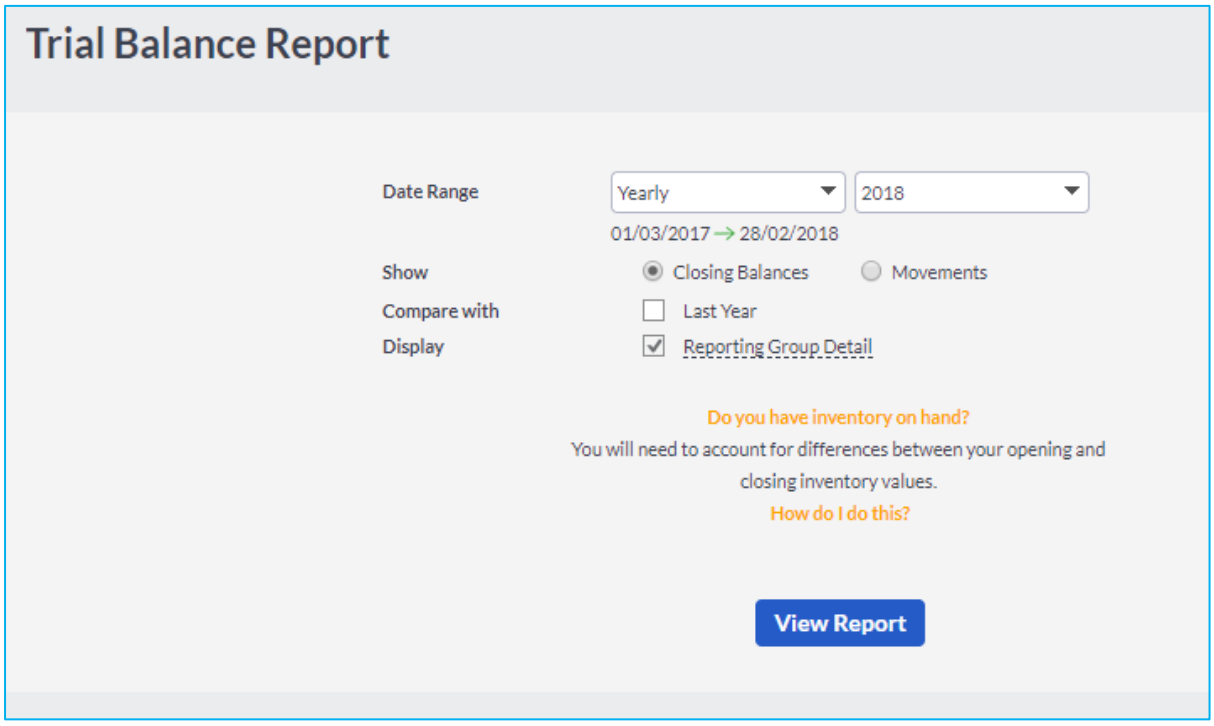
- Trial Balance Report
- Profit and Loss Report
- Balance Sheet Report
- Customer Balances – Days Outstanding Report
- Supplier Balances – Days Outstanding Report
- Item Valuation Report

Trial Balance Report

You can either print or export the Trial Balance Report. The Trial Balance shows account balances as well as the Net Profit/Loss After Tax.

Follow these steps to access the Trial Balance Report

1. Click on the **Reports... Financial Statements** menu.
2. Click on the **Trial Balance** report option.
3. The following screen will be displayed:



4. Click on the **View Report** button to view the report.

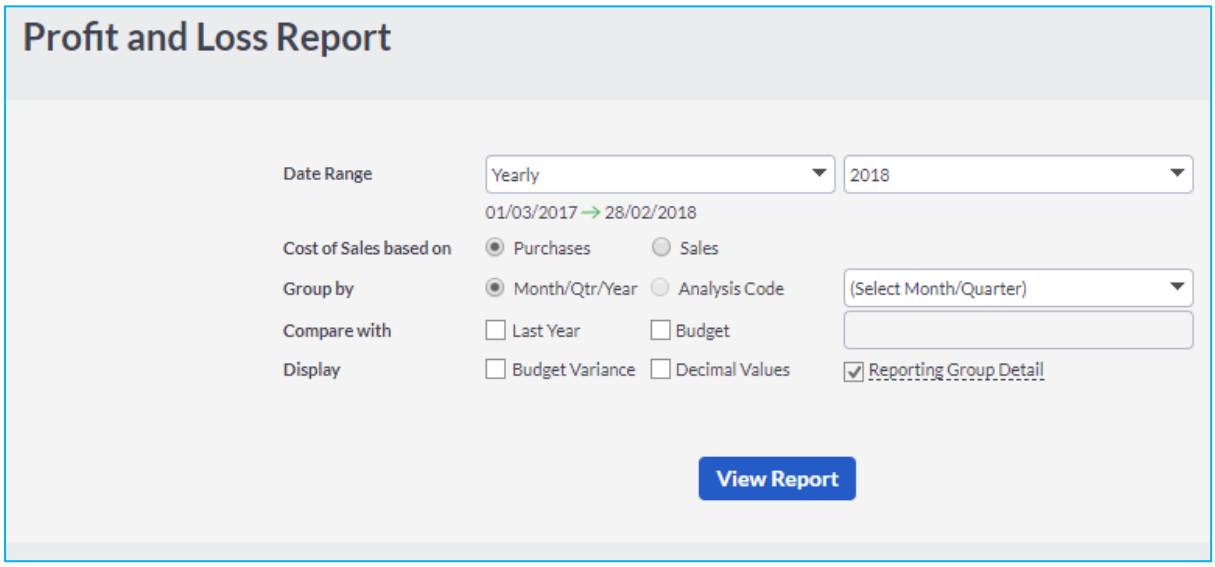
Printing the Year End Reports

Profit and Loss Report

The second financial report to print is the Profit and Loss report, traditionally known as the Income Statement report. This report gives you a breakdown of income and expenditure and company profit/loss.

Follow these steps to access the Profit and Loss Report:

1. Click on the **Reports... Financial Statements** menu.
2. Click on the **Profit and Loss** report option.
3. The following screen will be displayed:



4. Click on the **View Report** button to view the report.

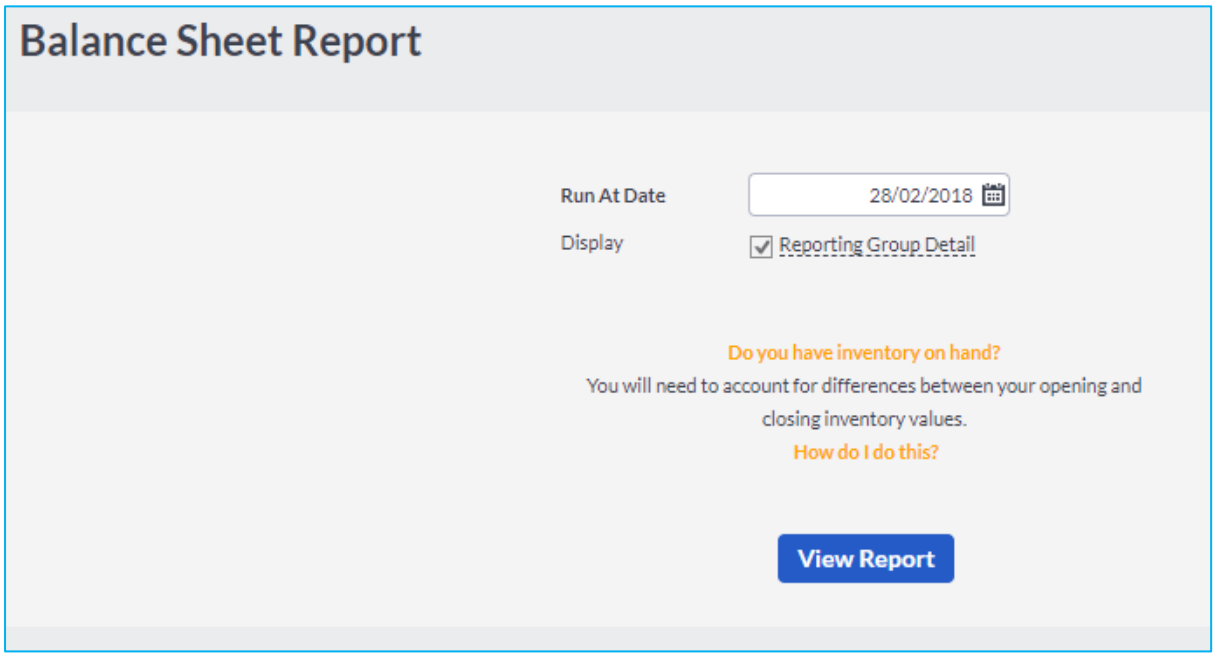
Balance Sheet Report

The final financial report to print is the Balance Sheet report. This report shows the financial value of assets and liabilities of your company.

Follow these steps to access the Balance Sheet Report:

1. Click on the **Reports... Financial Statements** menu.
2. Click on the **Balance Sheet** report option.
3. The following screen will be displayed:

Printing the Year End Reports



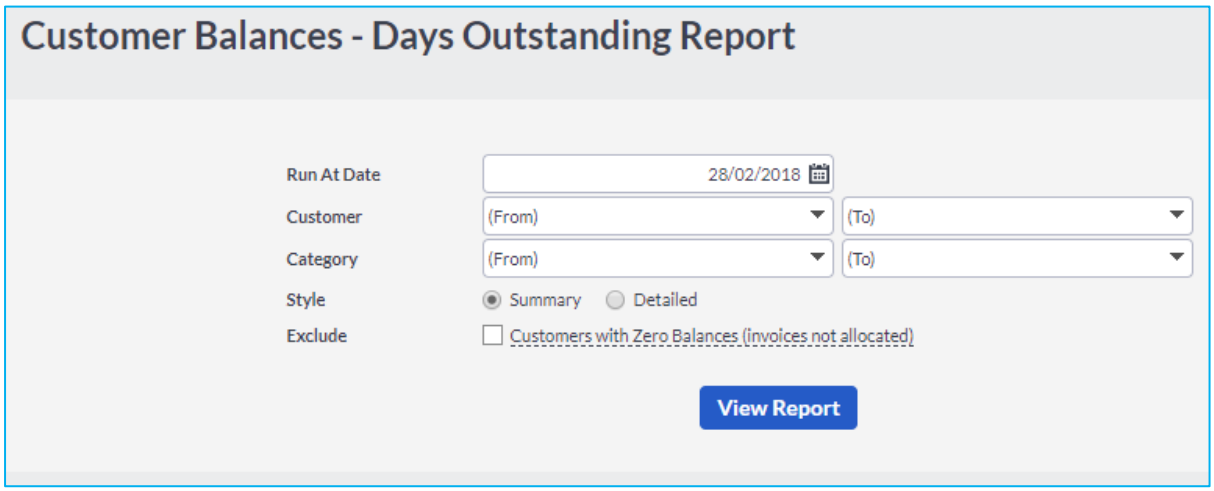
4. Click on the View Report button to view the report.

Customer Balances – Days Outstanding Report

The Customer Balances – Days Outstanding report, traditionally known as the Age Analysis for Customers, shows you the balances of what your customers owe the business in periods.

Follow these steps to view the Customer Balances – Days Outstanding Report

1. Click on the **Reports... Customers** menu.
2. Click on the **Customer Balances – Days Outstanding** report option.
3. The following screen will be displayed:



Printing the Year End Reports

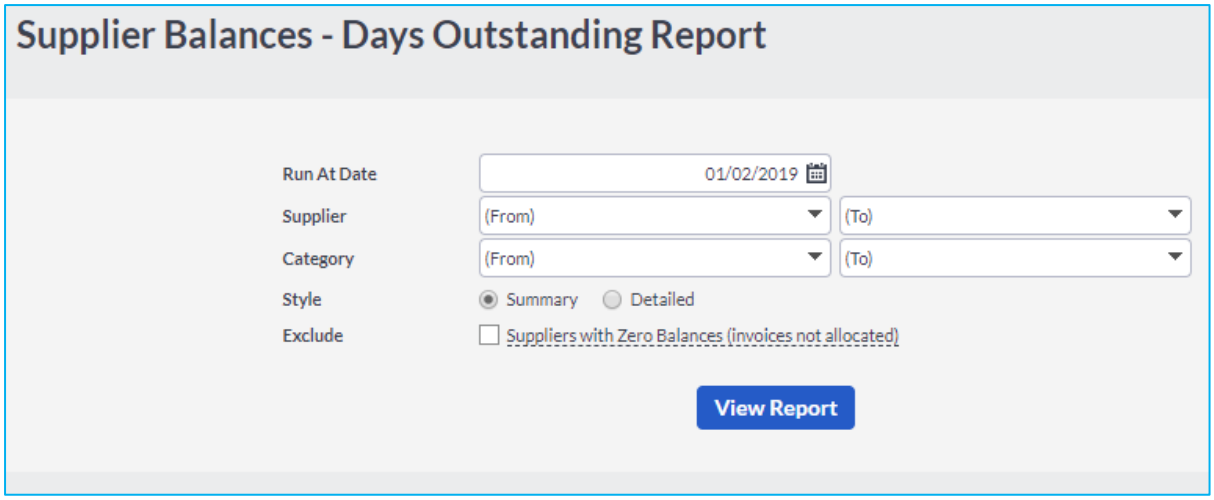
4. Enter the date you want to run the report as in the **Run At Date** calendar look up field.
5. Select the **From** and **To Customer** in the applicable drop down menu. Should you wish to view all the customers, leave this blank.
6. Select the customer category from the **From** and **To** drop down menus.
7. Select to view your **Active** or **Inactive** customers only. If you wish to view all your customers, select the **Both** option.
8. Select whether you want to view the report as **Detailed** or as a **Summary** in the **Style** drop down menu.
9. If you want to exclude customers with a zero balance, tick the **Exclude** tick box.
10. Click on the View Report button to preview the report.

Supplier Balances – Days Outstanding Report

The Supplier Balances – Days Outstanding report is traditionally known as the Age Analysis for Suppliers. This report will help you to be on top of your creditors or suppliers knowing exactly what balances the business have outstanding with them.

Follow these steps to view the Supplier Balances – Days Outstanding Report

1. Click on the **Reports... Suppliers** menu.
2. Click on the **Supplier Balances – Days Outstanding** report option.
3. The following screen will be displayed:



4. Enter the date you want to run the report as in the **Run At Date** calendar look up field.
5. Select the **From** and **To Supplier** in the applicable drop down menu. Should you wish to view all the customers, leave this blank.
6. Select the customer category from the **From** and **To** drop down menus.

Printing the Year End Reports

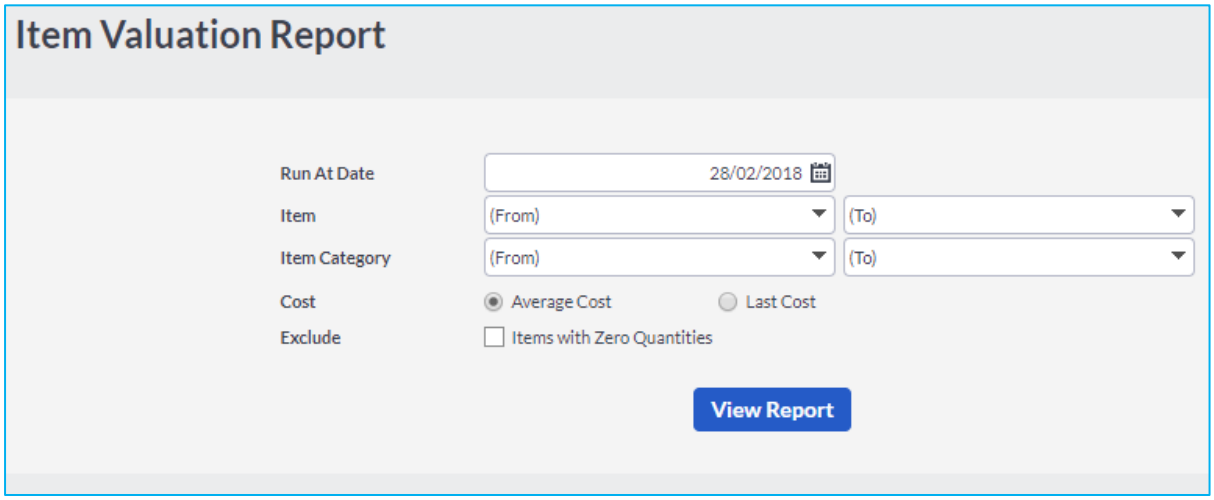
7. Select to view your **Active** or **Inactive** customers only. If you wish to view all your customers, select the **Both** option.
8. Select whether you want to view the report as **Detailed** or as a **Summary** in the **Style** drop down menu.
9. If you want to exclude customers with a zero balance, tick the **Exclude** tick box.
10. Click on the View Report button to preview the report.

Item Valuation Report

The Item Valuation report will show you the item cost as well as the quantity for the items available. Should there be any discrepancies, stock adjustments can be processed.

Follow these steps to view the Item Valuation Report

1. Click on the **Reports... Items** menu.
2. Click on the **Item Valuation** report option.
3. The following screen will be displayed:



4. Enter the date you want to run the report as in the **Run At Date** calendar look up field.
5. Select the **From** and **To Item** in the applicable drop down menu. Should you wish to view all the items, leave these fields blank.
6. Select the item category from the **From** and **To** drop down menus.
7. Select to view your **Active** or **Inactive** items only. If you wish to view all your items, select the **Both** option.
8. Select the **Last Cost** option if you wish to view the entries before it was updated.
9. Click on the **View Report** button to view your report.

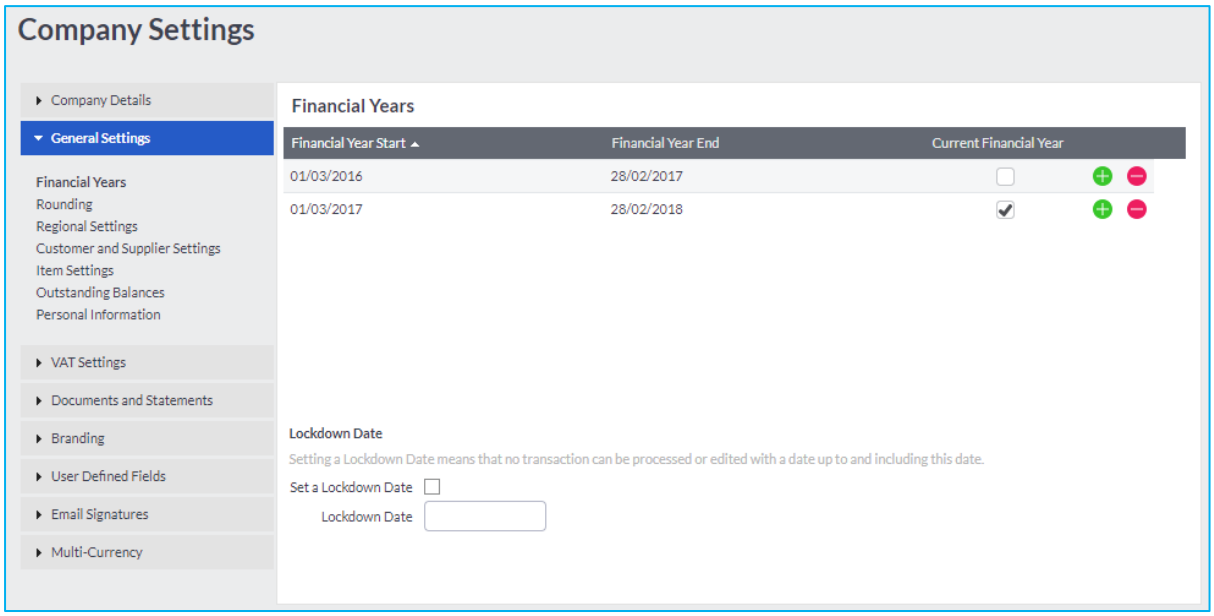
Performing the Year End

The last step in the year end process is to close off the current financial year and move over to a new financial year. As mentioned earlier the year end process in Sage Accounting is very simple and easy.

Important Information

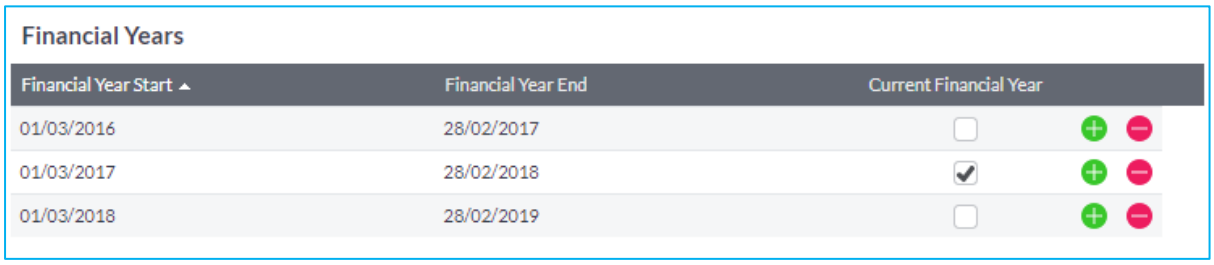
Ensure that all the important reports are printed before performing the year end.

1. Click on the **Company... Change Company Settings** menu.
2. Select the **General Settings** option followed by the **Financial Years** option.
3. The following screenw will be displayed:



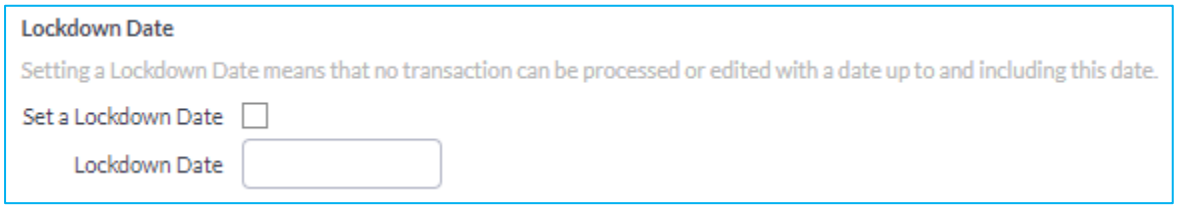
4. Click on the **plus** button at the end of the row of the last financial year.

5. A new line is displayed with the next financial year:

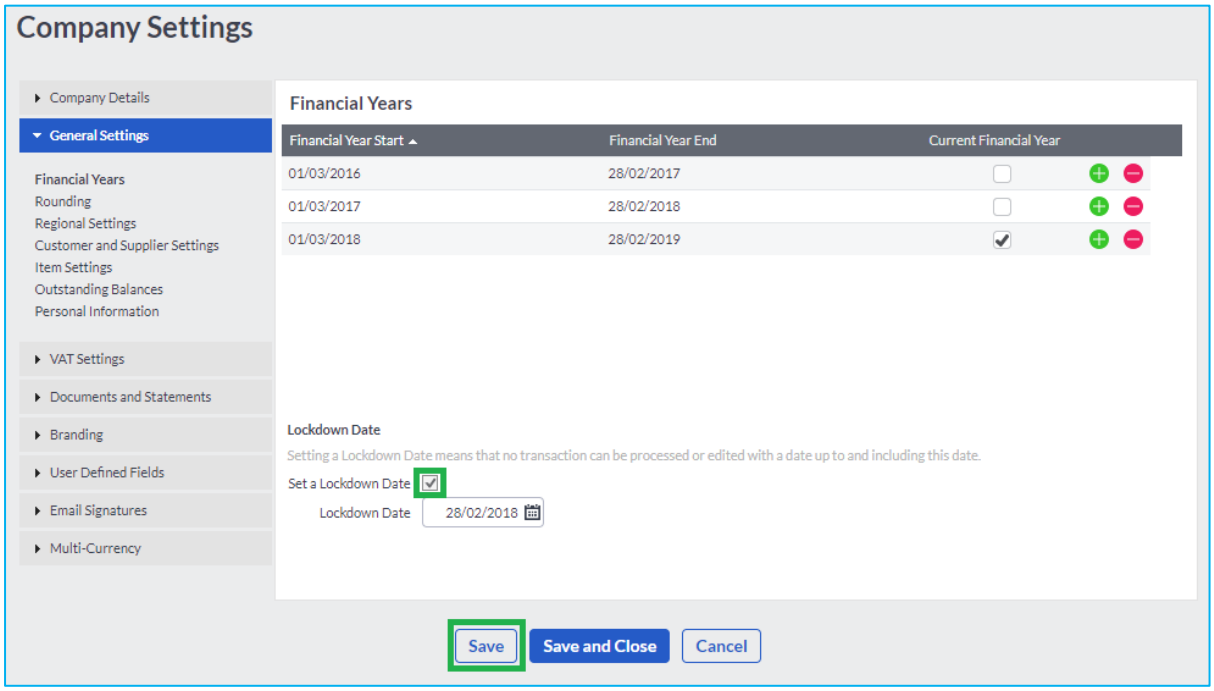


6. Tick the **Current Financial Year** tick box for the new financial year.

Lockdown Date:



7. Setting a Lockdown Date means that no transaction can be processed or edited with a date up to and including this date.
8. Tick the tick box and enter the date when transactions cannot be processed (this date can be the last day of the previous year end).
9. Click on the **Save** button.



10. Once you clicked the Save button, the year end is completed.

Year End Check List

Reconciling your company	
1. Reconciled your Banks and Credit cards	
Item Adjustments	
1. Stock (Item) Adjustments	
2. Recording Inventory on Hand on your Balance Sheet	
Printing Year End Reports	
1. Printed the Trial Balance Report	
2. Printed the Profit and Loss Report	
3. Printed the Balance Sheet Report	
4. Printed the Customer Balances – Days Outstanding Report	
5. Printed the Supplier Balances – Days Outstanding Report	
6. Printed the Item Valuation Report	
Performing the Year End	
1. Changed the Current Financial Year check box to the new financial year	
2. Set a Lockdown date	