5 ways to wrap up the 2022 fiscal year successfully

The end of February is upon us and that means - for most SA companies - that it's time to wrap up the 2022 fiscal year. We've spoken to a variety of financial managers and accountants to bring you the best advice for a smooth financial year end.

Source: Supplied

"The financial year end is the closing off of a company's accounts for its business year. Simply, it is just a 12-month or annual accounting period for a company. It is used to assess the annual profit, loss and performance of the company's finances," says Carina Cilliers, CFO at South African payroll and HR software company, hellohr.

"Typically in South Africa, FYEs take place at the end of February, which coincides with the South African tax year, or end of December. Other year-ends are possible, but these are the most common for small businesses," explains Cilliers.

"Preparing for the financial year end can be a lot of extra work," Cilliers adds, "but we have some tips to help you prepare for a smooth year-end process."

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Easing into FYE

We asked a number of accountants from across SA about their best advice for easing into the upcoming financial year end. "Don't leave things till late, start requesting for all that you need prior to avoid a last minute rush," says Bakani Ngulani, financial accountant and managing director at BN Business Solutions.

Reiterating what Ngulani says, Lynette Pretorius, professional accountant and tax practitioner at Austral Accounting in Durban, says that a successful FYE doesn't happen by itself.

"Planning is the key to any system within our businesses. So if FYE is a problem it's usually lacking focus and planning – having cash on hand for provisional tax payments, having prepared inventory lists that are current and up-to-date, etc, all will run a lot smoother if it's planned and not seen as this 'big event'. Rather it should be the culmination of work done during the year all culminating into the closing of records," Pretorius says.

"For provisional taxpayers the ideal is if the amount they owe at the end of the tax year is not a surprise to them," says Willem Haarhoff, co-founder and CEO of leading accounting tech business, the DoughGetters Group. According to Haarhoff, the only way this is possible is if the necessary numbers are kept constantly up to date.

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In agreement with Pretorius, Haarhoff adds: "The accountant and client need to work closely together throughout the year. Both need to be proactive and look at the numbers regularly, keeping them up-to-date using cloud technology, such as Xero."

Below, Cilliers has provided an easy-to-use FYE list for small businesses:

1. Finalise your debtor and creditor accounts

Cilliers advises small businesses to make sure all their sales to customers before year end have been recorded so that their revenue and receivables accounts are accurate. "Ensure that all transactions with creditors have been captured, so that the amount of money owed to suppliers at year-end is accurate," Cilliers adds.

2. Reconcile your accounts

"While it may sound like your high school accounting teacher's mantra, it still remains true that every debit must have a credit. If this does not appear to be the case in your accounts - for example, if your trial balance does not actually balance - you will need to spend some time performing reconciliation procedures in order to identify and rectify the error," says Cilliers.

Cilliers adds that it's always a good idea to regularly reconcile at least your main accounts, such as your bank account, customer control account and creditor control account. "If your bank balance per your accounting software agrees to the balance on the bank statement," she continues, "you at least have some assurance that all transactions that went through

the bank were recorded in the books."

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3. Prepare for your stock count

Cilliers advises small businesses that trade in inventory to ensure that they schedule an inventory count for the last day of your financial year. They can decide whether to close the business for the day of the count, count at the beginning of the day and then account for the day's inventory movement or whether they can count after the day's sales had taken place.

"Make sure that stock is packed in a manner that makes it easy to count and that obsolete goods are kept separate so that it can be written off. Ensure that your counters count in teams of two and that they know what the proper procedure is when count discrepancies are identified," she says.

4. Update your fixed asset register

Cilliers encourages businesses to check the condition of the assets that are on their fixed asset register and confirm that they are still working.

If any assets need to be impaired or written off, she adds, small business owners need to make the entries in the accounting records and update their register.

"Update the register with assets sold during the year, as well as new assets purchased. Make sure that the fixed asset register figures agree to the figures recorded in the accounting records," Cilliers says.

5. Write your year-end journals

"When you are satisfied that your accounts have been reconciled and that they balance and that all transactions for the year have been recorded, it is time to write your closing journals. This could be your depreciation journals for the year (or for the last month of the year), creating provisions, closing off work in progress accounts, etc," says Cilliers.