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How to Close the Year in QuickBooks Online: A Beginner's Guide



The end of the financial year is an important time for every business. It is the opportunity to review financial transactions, verify account balances, reconcile bank statements, prepare financial reports, and organize records for tax filing. Completing the year-end close in QuickBooks Online helps business owners maintain accurate books and prepare for the upcoming financial year.

QuickBooks Online provides tools that help businesses manage income, expenses, invoices, payments, payroll-related transactions, and financial reports in one place. However, closing the books requires more than simply running a report. You must verify that transactions are recorded correctly, identify discrepancies, review outstanding balances, and ensure that your financial statements reflect the business's actual position.

This guide explains how to complete the year-end close in QuickBooks Online, which accounts to review, how to reconcile transactions, and what to do before locking the accounting period.

What Is a Year-End Close in QuickBooks Online?

A year-end close is the accounting process of reviewing and finalizing financial records for a completed fiscal year. It helps ensure that income, expenses, assets, liabilities, and equity accounts are properly recorded before financial statements and tax returns are prepared.

In QuickBooks Online, the process typically involves reconciling bank and credit card accounts, reviewing accounts receivable and payable, checking inventory where applicable, verifying payroll

records, and examining the Profit and Loss and Balance Sheet reports.
A proper year-end close helps businesses:

- Maintain accurate financial statements.
- Identify missing or duplicated transactions.
- Review unpaid customer invoices and vendor bills.
- Prepare organized records for tax professionals.
- Protect finalized accounting periods from accidental changes.
- Establish a reliable starting point for the next fiscal year.

The exact steps depend on your business structure, accounting method, fiscal year, and reporting requirements.

More tips:- How to Automate Recurring Invoices in QuickBooks

Why Is Year-End Closing Important?

Year-end closing is essential because errors left unresolved can affect financial reporting, tax calculations, and business decisions.
For example, an unreconciled bank transaction may cause cash balances to appear incorrect. An unpaid vendor bill recorded in the wrong period may distort expenses. Similarly, unrecorded customer payments can make accounts receivable appear higher than they should be.
Closing your books gives you an opportunity to identify these issues before final reports are shared with management, lenders, investors, or tax professionals.
It also helps you evaluate business performance by comparing annual revenue, operating expenses, profitability, and outstanding obligations.

More tips:- QuickBooks Error UEXP

Step-by-Step Guide to Year-End Close in QuickBooks Online

Step 1: Review Your Accounting Records

Before starting the closing process, review the transactions recorded throughout the year.
Open QuickBooks Online and confirm that the correct company file and reporting period are selected. Review recent entries and look for missing transactions, duplicate expenses, incorrectly categorized purchases, or income recorded in the wrong account.
Check whether all relevant invoices, sales receipts, bills, vendor credits, customer payments, and expense transactions have been entered.
You should also review transactions sitting in uncategorized income, uncategorized expenses, or other suspense accounts. Investigate these items and assign appropriate categories based on supporting documentation.
Do not delete or change transactions simply because they look unfamiliar. Confirm their purpose first and retain appropriate documentation.

Step 2: Reconcile Bank Accounts

Bank reconciliation is one of the most important parts of the year-end close.

Compare the bank statements for the final month of the fiscal year with the transactions recorded in QuickBooks Online. Make sure deposits, withdrawals, bank fees, interest, and other transactions are accounted for.
To reconcile an account:

1. Open the accounting or bookkeeping area and select the reconciliation feature.
2. Choose the bank account you want to reconcile.
3. Enter the statement's ending date and ending balance.
4. Match transactions against the bank statement.
5. Investigate missing entries, duplicate transactions, and discrepancies.
6. Complete the reconciliation when the difference is zero.

Repeat the process for each relevant bank and credit card account.
If an account does not reconcile, check for transactions recorded twice, incorrect dates, wrong amounts, or previously reconciled entries that were changed or deleted. Avoid creating an adjustment merely to force the difference to zero without understanding the cause.

Step 3: Review Accounts Receivable

Accounts receivable represents money customers owe your business.
Run an Accounts Receivable Aging report to identify unpaid invoices, overdue balances, unapplied customer payments, and potential collection issues.
Review each outstanding balance to determine whether the invoice is still collectible, has already been paid, or requires further investigation. Confirm that customer payments have been applied to the correct invoices.
If a balance is uncollectible, consult your accountant about the appropriate write-off procedure and applicable tax treatment. Do not automatically write off every old invoice.
A clean accounts receivable report helps you understand expected cash inflows and supports more accurate year-end reporting.

Step 4: Review Accounts Payable

Next, review the money your business owes suppliers and other vendors.
Run an Accounts Payable Aging report and examine outstanding bills, vendor credits, payments, and overdue balances.
Check that every bill belongs to the correct accounting period and that payments have been applied properly. Compare significant balances with vendor statements when available.
Look for duplicate bills, missing credits, and payments that have not been matched to the correct liability.
Also consider expenses incurred before year-end that have not yet been billed. Depending on your accounting method and circumstances, these may require an accrual or another adjustment prepared with your accountant.

Step 5: Check Income and Expenses

Review your Profit and Loss report for the entire fiscal year.

Examine revenue, cost of goods sold, operating expenses, interest, and other income or expense categories. Compare the results with your budget, prior-year figures, and business expectations. Investigate unusual increases, unexpected negative balances, and expenses recorded under inappropriate categories.

For example, an equipment purchase may need to be evaluated as a fixed asset rather than an ordinary operating expense. The correct treatment depends on the nature of the purchase and applicable accounting rules.

Confirm that personal expenses have not been incorrectly included in business expenses and that all legitimate business costs are recorded.

If your business uses inventory, review inventory quantities, valuation, adjustments, and cost of goods sold. Inventory accounting may require additional procedures beyond a standard year-end review.

Step 6: Review Payroll and Tax Records

If you use payroll, confirm that payroll transactions and liabilities are recorded accurately for the year.

Review wage expenses, employer payroll taxes, employee deductions, benefit costs, and outstanding payroll liabilities. Compare the accounting records with payroll reports and relevant tax filings.

Investigate differences between payroll summaries and the general ledger. Confirm that year-end forms and required filings are handled according to the applicable deadlines and jurisdiction.

If you use an external payroll provider, verify that its reports agree with the transactions recorded in QuickBooks Online.

Do not assume that running a payroll report automatically completes all tax filing or payment obligations. Some tasks require separate action.

Step 7: Review Fixed Assets and Depreciation

Businesses that own equipment, computers, vehicles, furniture, or other long-term assets should review their fixed-asset records.

Confirm that asset purchases and disposals are recorded accurately. Check whether assets were sold, retired, damaged, or placed into service during the year.

Depreciation may need to be recorded through an adjusting journal entry based on the business's accounting policy and tax requirements. The correct amount and treatment can differ between financial reporting and tax reporting.

Consult your accountant before posting depreciation or disposal adjustments, especially if the business maintains separate book and tax depreciation schedules.

Step 8: Review Loans, Credit Cards, and Other Liabilities

Examine outstanding loan balances, credit card accounts, accrued expenses, and other liabilities. Compare loan balances with lender statements and review principal payments, interest expenses, and any new borrowing. Principal repayments generally reduce the loan liability, while interest is recorded separately as an expense, subject to the applicable accounting treatment.

Check whether short-term and long-term portions of loans need to be presented separately in your financial statements.

Also verify outstanding sales tax or other tax liabilities, customer deposits, and deferred revenue when applicable. Correct classification is important for a reliable Balance Sheet.

Step 9: Run and Review Financial Reports

After reconciling accounts and reviewing adjustments, generate your year-end financial reports. The main reports include:

- **Profit and Loss:** Summarizes revenue, expenses, and net income or loss.
- **Balance Sheet:** Shows assets, liabilities, and equity at a specific date.
- **Statement of Cash Flows:** Helps explain cash movements during the reporting period.
- **Accounts Receivable Aging:** Lists unpaid customer balances.
- **Accounts Payable Aging:** Lists outstanding vendor obligations.
- **General Ledger:** Provides detailed transaction activity for accounts.

Use consistent reporting dates and accounting methods when comparing results. Review material changes, unexpected balances, and differences between supporting schedules and the financial statements.

Save copies of the final reports and supporting documentation in a secure location accessible to authorized staff.

Step 10: Make Approved Year-End Adjustments

Some businesses require adjusting journal entries before their books can be finalized.

Common examples include depreciation, accrued expenses, prepaid expenses, inventory adjustments, and corrections identified during reconciliation.

Each adjustment should have a clear explanation and supporting documentation. Confirm the accounting period, accounts affected, and amounts before posting.

If your accountant provides adjusting entries, verify that they have been entered correctly and that the updated reports agree with the accountant's final figures.

Avoid making unsupported adjustments to retained earnings, income, or expenses simply to make reports match a desired result.

Step 11: Set the Closing Date in QuickBooks Online

After the books have been reviewed and approved, consider setting a closing date to reduce the risk of accidental changes to the completed accounting period.

In QuickBooks Online, closing-date settings are generally available through the Account and settings area, under the Advanced settings. Menu labels and available options may vary by subscription or interface version.

To establish a closing date:

1. Open **Settings**.
2. Select **Account and settings**.
3. Open the **Advanced** section.
4. Locate the accounting or closing-date settings.
5. Set the closing date according to your approved accounting period.

6. Configure the available warning or password protection options, if offered.
7. Save your changes.

Choose the date only after confirming that required transactions and adjustments have been entered. Restricting changes too early can complicate the review process.
A closing date is a control to help protect historical records; it does not replace reconciliations, tax filings, or professional review.

Step 12: Prepare for the New Financial Year

Once the year-end review is complete, prepare your accounting records for the next period. Confirm that customer and vendor information is current, recurring transactions are configured correctly, and bank feeds are working as expected. Review budgets, reporting preferences, and outstanding invoices.
Retain relevant receipts, statements, invoices, payroll reports, and final financial statements according to your business's document-retention policy and legal requirements.
You generally do not need to manually zero out income and expense accounts in QuickBooks Online. The software carries out the appropriate year-end accounting treatment for net income and equity in its reports. Consult your accountant if you have questions about closing entries or the treatment of retained earnings.
More tips:- QuickBooks Payroll Login Issues

Common Year-End Closing Mistakes to Avoid

Even experienced business owners can overlook important details during year-end closing. Avoid these common mistakes:

- Skipping bank or credit card reconciliation.
- Leaving transactions in uncategorized accounts.
- Recording expenses or income in the wrong period.
- Forgetting outstanding customer invoices or vendor bills.
- Overlooking payroll liabilities and tax obligations.
- Posting unsupported journal entries.
- Changing previously reconciled transactions without investigating the impact.
- Setting the closing date before adjustments are approved.
- Failing to save supporting documents and final reports.

A structured checklist and a documented review process can reduce errors and make the next year's accounting easier.

When Should You Contact QuickBooks Online Support?

You may need **QuickBooks Online Support** if you encounter reconciliation discrepancies that you cannot explain, missing transactions, problems accessing reports, unexpected account balances, or difficulty locating closing-date settings.

Before contacting support, note the exact issue, the affected account, the relevant date range, and any error message. Keep copies of relevant reports and reconciliation details, but never share passwords or sensitive financial information through an unverified channel.

For bookkeeping questions involving depreciation, tax treatment, financial statement adjustments, or complex accounting discrepancies, consult a qualified accountant or tax professional. Technical support can help with product functionality, but it should not replace professional accounting advice.

If you need assistance reviewing a year-end bookkeeping workflow, you can also contact your bookkeeping service provider at **+1(833) 279 9443**. Verify the provider's identity and services before sharing financial records.

More tips:- QuickBooks technical support

Year-End Close Checklist for QuickBooks Online

Before finalizing your books, use this checklist:

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Review all income and expense transactions.

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Reconcile bank and credit card accounts.

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Review accounts receivable and overdue invoices.

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Review accounts payable and outstanding bills.

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Verify payroll expenses and liabilities.

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Check inventory and fixed assets, where applicable.

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Review loans, taxes, and other liabilities.

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Generate and examine year-end financial reports.

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Enter approved adjusting journal entries.

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Obtain accountant approval when needed.

-

Set the closing date and appropriate access controls.

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Save final reports and supporting documentation.

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Prepare accounts and workflows for the new year.

More tips:- QuickBooks Error Code 1317

Frequently Asked Questions

1. What is the year-end close in QuickBooks Online?

It is the process of reviewing, reconciling, and finalizing financial records for a completed fiscal year so that reports are accurate and records are ready for tax preparation.

2. Does QuickBooks Online automatically close the books?

QuickBooks Online handles year-end income and equity reporting, but business owners still need to reconcile accounts, review transactions, enter required adjustments, and protect the completed period.

3. How do I set a closing date in QuickBooks Online?

Open Settings, select Account and settings, and look under Advanced settings for the closing-date options. The exact labels may vary. Set the date after the accounting review is complete.

4. Should I reconcile every bank account before year-end?

Yes. Reconcile all relevant bank and credit card accounts through the appropriate statement-ending dates and investigate differences before finalizing reports.

5. Do I need an accountant to close my books?

Not every business needs an accountant for routine bookkeeping. However, professional assistance is useful for complex adjustments, depreciation, tax issues, inventory valuation, and material discrepancies.

6. What reports should I save after closing the year?

Save the Profit and Loss, Balance Sheet, Statement of Cash Flows, Accounts Receivable Aging, Accounts Payable Aging, and relevant General Ledger reports, along with reconciliation reports and supporting documentation.

7. Can I change transactions after setting a closing date?

Depending on the configured settings and your permissions, QuickBooks Online may warn you or require a password before changes are made. Authorized users should make corrections only after reviewing their impact on finalized reports.

8. What should I do if my Balance Sheet does not look correct?

Review bank reconciliations, accounts payable and receivable, loan balances, inventory, fixed assets, and adjusting entries. Compare the report with supporting records and seek professional accounting assistance if the difference remains unexplained.

Conclusion

Completing the **year-end close in QuickBooks Online** is an essential step toward accurate financial reporting and better business management. By reconciling accounts, reviewing income and expenses, verifying payroll and liabilities, examining financial statements, and recording approved adjustments, you can prepare reliable books for the next financial year.

Take time to investigate discrepancies rather than relying on unexplained adjustments. Once your accountant or responsible reviewer approves the records, set the closing date, save your reports, and organize your supporting documents.

For additional help with bookkeeping workflows and year-end preparation, contact your service provider at **+1(833) 279 9443**. A consistent closing process can make tax preparation smoother and give you a clearer understanding of your business's financial performance.