

Download 2025 End of Year Checklist

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YEAR-END FINANCIAL CHECKLIST

Year-end doesn't have to feel overwhelming — but it does benefit from intention.

Closing the year well isn't about perfection or squeezing everything into the last week of December. It's about making sure your financial information is complete, consistent, and ready to support tax preparation and smart decision-making in the year ahead.

This checklist is designed to walk you through the most important financial touchpoints before year-end, explain why they matter, and help you know when it's time to ask questions or get support — without turning this into tax advice.

STEP 1: GET ALIGNED WITH YOUR TAX PREPARER

Ideally, this alignment happens in early Q₄ — but if you're reading this in December, you're not behind.

The goal is simply to make sure you connect with your tax preparer **before year-end** so expectations, timing, and required information are clear. Even a brief check-in can help avoid surprises and unnecessary stress.

This step isn't about tax strategy. It's about communication and making sure everyone is working from the same information.

Things to do:

- Schedule a brief check-in with your tax preparer before year-end
- Confirm what information they will need and by when
- Ask about deadlines that affect December activity

For future years, making this a routine early Q₄ conversation can create a much smoother year-end experience.

STEP 2: CONFIRM ALL ACCOUNTS ARE CAPTURED

Before reviewing reports, confirm that all financial activity for the year is actually reflected in your books.

Missing accounts, duplicate accounts, or outdated connections can cause reports to look correct while still being incomplete.

Things to review:

- All business bank and credit card accounts are included
- Loans, lines of credit, and payroll liabilities are recorded
- No unused or duplicate accounts clutter your books

STEP 3: RECONCILE KEY BALANCE SHEET ACCOUNTS

Reconciliations are the foundation of reliable financials — but a checkmark alone doesn't always mean an account is truly clean.

It's common to hear that accounts are "reconciled," only to discover hundreds (or thousands) of unreconciled transactions still sitting in the register. When that happens, transactions can be double-counted, misdated, or misrepresented on your reports.

Year-end preparation should include reconciliations that are not only completed, but **reviewed for reasonableness**.

Things to review:

- Bank and credit card accounts reconciled through year-end (including January statements with December activity)
- Little to no unreconciled transactions lingering in registers
- Payroll liabilities, loans, and owner loan accounts reconciled
- Old or unexplained differences investigated and resolved

If you're not sure how to tell whether reconciliations are truly clean, that uncertainty itself is a helpful signal that a second set of eyes may be valuable.

STEP 4: REVIEW ACCOUNTS RECEIVABLE (AR)

Unpaid invoices can distort income and cash flow if they aren't reviewed thoughtfully.

Year-end is a good time to assess which balances are collectible and which may need follow-up or write-off.

Things to review:

- Open invoices with long aging periods
- Customer balances that need follow-up
- Write-offs discussed and documented

STEP 5: REVIEW ACCOUNTS PAYABLE (AP) & VENDOR ACTIVITY

Reviewing unpaid bills helps ensure expenses are recorded in the correct period and vendor information is accurate.

This step also supports smoother 1099 preparation later.

Things to review:

- Outstanding bills reviewed and paid or addressed
- Vendor records updated with current W-9 information
- Vendors potentially subject to 1099 reporting identified

Related resource: 1099 Tips

STEP 6: REVIEW INCOME FOR COMPLETENESS & CONSISTENCY

Income review goes beyond total sales.

Year-end is the time to confirm income is recorded consistently across payment methods and that non-cash income hasn't been overlooked.

Things to review:

- Income categories used consistently
- Payment processor totals align with your books
- Trade, barter, or non-cash income recorded appropriately

Related resource: Trade & Barter Tracking

STEP 7: REVIEW PAYROLL & PAYROLL FILINGS

Payroll issues are easier to address before the year closes than after.

Confirm payroll totals, tax withholdings, and filings are accurate before W-2s are prepared.

Important note for S-Corporation owners:

If you are an S-Corporation owner, receiving a reasonable W-2 paycheck is not optional — it is a compliance requirement.

Many owners are not clearly educated on this when their entity is formed, and it often surfaces for the first time at year-end. Ensuring owner payroll has been run before December 31 helps avoid compliance issues and last-minute corrections.

Things to review:

- Payroll totals match payroll reports
- Payroll tax filings and payments are up to date
- Employee information is current (addresses, SSNs)
- S-Corp owners have received W-2 wages for the year (if applicable)

STEP 8: REVIEW SALES TAX & OTHER RECURRING FILINGS

If your business collects sales tax or files other recurring reports, year-end is a good time to confirm nothing has been missed.

This step is about completeness — not calculating tax.

Things to review:

- Sales tax filings submitted as required
- Sales tax payable balances match filings
- Notices or discrepancies addressed

STEP 9: COUNT INVENTORY (IF APPLICABLE)

If your business collects sales tax or files other recurring reports, year-end is a good time to confirm nothing has been missed.

This step is about completeness — not calculating tax.

Things to review:

- Sales tax filings submitted as required
- Sales tax payable balances match filings
- Notices or discrepancies addressed

STEP 10: CONFIRM YOUR ACCOUNTING METHOD (CASH VS. ACCRUAL)

Before finalizing year-end numbers, it's important to understand **how your business files taxes** — on a cash basis or an accrual basis. This determines when income and expenses are considered complete for the year.

Many business owners aren't sure which method they use, and that uncertainty can create confusion about whether the books are truly "done." That's normal — but it's worth clarifying.

At a high level:

- **Cash basis** generally recognizes income when it's received and expenses when they're paid.
- **Accrual basis** generally recognizes income when it's earned and expenses when they're incurred.

Why this matters at year-end:

- The same set of books can look very different depending on the filing method
- Certain balances may still need adjustment even if transactions are entered
- What feels "finished" under one method may not be complete under the other

Important note for accrual filers:

If your business files on an accrual basis, it is especially important to make sure **all bills and invoices for the year have been received and recorded** before your books are sent to the tax preparer.

It's common for vendors to send bills or statements weeks — or even months — after the service period ends. When those bills arrive late, they often belong to a prior tax year, which can create confusion and require adjustments later.

Before year-end, accrual filers should:

- Review vendor statements and contracts
- Proactively request missing bills from vendors
- Confirm that all customer invoices for the year have been issued

This extra step helps ensure the books reflect what actually happened during the year and reduces messy cleanups later.

If you're not sure which method applies to your business, this is a great conversation to have with your tax preparer or bookkeeper before year-end.

STEP 11: BE AWARE OF PREPAID EXPENSES & DEFERRED REVENUE (IF APPLICABLE)

Some year-end items don't apply to every business — but when they do, they can significantly impact how complete and accurate the books are.

Prepaid expenses occur when you pay for something in advance that benefits a future period.

Deferred revenue occurs when you receive payment before the work is completed.

These items are often overlooked, especially in growing businesses.

Why this matters:

- Large prepayments may not belong entirely in the current year
- Advance payments from customers may not yet be earned
- These items are handled differently depending on your accounting method

If these terms feel unfamiliar or you're unsure whether they apply to your business, that's a helpful signal to pause and ask questions — not a sign that something is wrong.

STEP 12: REVIEW FINANCIAL STATEMENTS

Before handing off information to your tax preparer, review your financial statements for overall reasonableness.

Look for trends, inconsistencies, or surprises that should be addressed while the year is still open.

Things to review:

- Profit & Loss by month compared to prior year
- Balance Sheet balances reviewed for accuracy
- Cash Flow statement reviewed at a high level

If reviewing these reports raises questions or uncertainty, that's a strong signal that a second set of eyes could be helpful before filing.

STEP 13: ORGANIZE DOCUMENTATION & BACKUP

Clean documentation supports faster tax preparation and fewer follow-up questions.

Organize receipts, statements, and supporting documents so they're easy to access.

Things to review:

- Receipts and supporting documents organized
- Digital copies saved securely
- Backup files retained

A NOTE ABOUT PROFIT AT YEAR-END

As you think through year-end conversations and possible expenditures, it's worth pausing to remember an important truth:

The goal isn't to eliminate profit — it's to build a healthy, sustainable business.

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Paying taxes is not a sign of failure. It's an indicator that the business is generating income and supporting itself. While there may be times when strategic spending makes sense, those decisions should support the long-term health of the business — not simply reduce a tax bill in the short term.

When discussing year-end decisions with your tax preparer, it's helpful to ask:

- Does this expense support the business beyond this year?
- Will this decision strengthen or strain cash flow going forward?
- Is this aligned with where the business is headed?

Profit creates options — stability, growth, and the ability to reinvest thoughtfully. A profitable business is a healthy business.

If this idea feels uncomfortable or unfamiliar, you may find it helpful to explore the mindset behind prioritizing profit intentionally.

Related resource: Download the first two chapters of Profit First to better understand how profit can support both short-term clarity and long-term sustainability.

FINAL THOUGHT

Year-end preparation is about clarity — not catching every possible optimization.

A thoughtful review now can prevent costly cleanups later and help your tax preparer work more efficiently.

If you're unsure whether your books are truly ready for year-end, a one-time review or guidance conversation can help you understand:

- What's already in good shape
- What needs attention before filing
- What can safely wait until next year

The goal isn't to do everything yourself — it's to move forward with confidence and clean information.