



Checklist for a Smooth Year-End Close

Getting through year end can be a stress-filled, time-pressured, and an overall chaotic effort for controllers and accounting teams. Alleviate the madness with a proactive process. Based on years of helping clients power through the close and preparing for the audit, our handy checklist will set you up for a smoother experience.

Plan It Out

- Gather the team**
Pull together the right team. Remember to include both internal and external constituents and stakeholders.
- Build a calendar**
Plot out deliverables and share the expectations and deadlines with the rest of the team.
- Factor in flexibility**
Something always goes wrong - from late adjusting journal entries to unexpected audit requests. Factor in extra time to deal with surprises.
- Look over last year's audit**
What worked well and what wasn't so great? Check in with last year's team and get their perspective on what went well and what caught them off guard. Craft your plan around what you discover - build on your successes and avoid repeating missteps.
- Address the auditors**
Minimize the surprises. Bring up significant changes and risks with your audit partner. Discuss areas of concern your auditor may have with your company, including past results and any changes in audit focus. Air out the trouble spots ASAP.

Define Roles & Responsibilities

- Break it out**
List every deliverable and schedule used in compiling the financial statements, footnotes and audit requests (PBCs).
- Assign responsibility at all levels**
Name who will own each deliverable (preparer and approver) and due date.
- Review the auditor PBC list with the auditor**
Make sure you clearly understand what is required - don't assume (e.g., does "listing of all journal entries" mean all non-automated journal entries or all journal entries including system-generated entries? Is there a specific format required for any deliverable?).
- Track progress**
Schedule and conduct regular status meetings with all key stakeholders. Make sure the deliverables are on schedule, or reassign resources if a gap opens up.

Conduct These Reviews Before Year End

- Review the prior year's SAB 99**
Have you dealt with all the underlying issues?
- Review SOX deficiencies**
Were last year's problem areas addressed?
- Ascertain if you are subject to any new ASUs**
Have you reviewed and formally documented why you're not subject to any new ASUs?
- Review reconciliations**
We often find companies performing roll-forwards rather than true account reconciliations. Roll-forwards make footnote disclosures and audit schedules a challenge if you have to chase down underlying transactional data and supporting documentation.
- Review large/unusual transactions**
Do you have a properly prepared technical accounting memo to support the transaction's accounting entries? Does it cite the appropriate authoritative guidance? Where's the supporting documentation?
- Review high-risk areas**
Ensure your accounting is accurate and properly supported for the tricky spots like debt (changes in debt, restructuring), equity (including options, RSUs, repricings, modifications, stock-based compensation) and revenue.

Communicate Well

- Keep everyone informed**
Have a plan for updating the team throughout the process. Schedule regular status meetings with key stakeholders ahead of time.
- Prepare for problems**
Who needs to be updated ASAP when you're thrown a curve ball, and what's the best way to share the information?

Stay Calm & Support The Team

- Be creative**
Find ways to ease the stress for you and the team. The more overtired and overstressed everyone is, the more likely mistakes will happen. Teams are more tired and stressed than ever this year, with many people trying to balance remote work, distance learning for their children, and other personal obligations. Every culture is different and you know your team best - find what works for you.

Here are some ideas to think about:

- Have a meal delivered to your team's homes
- Hold a contest for the oddest audit questions
- Send notes of appreciation, gift cards, treats, or another tangible sign that you noticed the hard work - and that you care.

Special Areas for Consideration

Due to the impact of COVID and the economic environment, there are a few areas that may need extra attention:

- Impairment testing**
Build a flexible model to stress test your assumptions, especially regarding demand for product/services and disruptions to supply chain
- Contract modifications**
Review your accounting treatment for any contract modifications such as renegotiated lease terms and other concessions, extended payment terms or other concessions granted to customers or, modifications to equity awards, to name just a few
- Reduction in Force (RIF)**
If you've had a RIF, remember to reassess overhead allocations and expected term assumptions on equity awards
- Accounting estimates**
Review and update assumptions for accounting estimates, such as revenue reserves, variable revenue consideration, impairment of right of use assets and intangible assets, etc.

**Need to calm the chaos for your year-end close? We're here to help.
Reach out to us at sales@roseryan.com**

About RoseRyan

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