

FAS *Floral Accounting Systems, Inc.*

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2007 Year-end Procedures

You should perform all of the normal monthly and quarterly functions *before* executing the following year-end procedures. If you are not using one of the software features listed below, you may skip the procedure.

Data Backup

Create, verify, and label a complete year-end data backup. This backup should be retained for at least one year. Backups are made using Utility Menu option 3.1.

Age Customer Sales History

This program moves customers' current-year sales to last-year's sales, and it zeros current-year sales to begin accumulating sales totals for the new year. This program is executed by using option B of the Customer Menu.

Accounts Receivable

You may write off account balances that can not be collected at any time of the year, but the end of the year is a good time to perform this operation. Writing off delinquent account balances that you feel will not be collected reduces taxable income for the year.

The Transaction Update program, option 2 of the Accounts Receivable menu, is used to apply credits to customers' accounts. When these credits are entered on a Daily Record, the system will automatically debit account #6996, with the default account description of "AR Credits Expense", and credit account #1005, Accounts Receivable. If you choose to do so, you can transfer the expense of writing the accounts off to some other expense account set up specifically for that purpose, or you could reduce the revenue accounts involved accordingly.

To prevent customers whose accounts have been written off from charging purchases to their accounts in the future, update each customer record using option 1 of the Customer Menu. Changing these customers' credit limits to "-1" will cause the FAS system to flag these accounts during order entry to prevent charges to these accounts. You may also want to make a note on the customers' records indicating the date and amounts of these credits.

Payroll

Print the Annual payroll report using Payroll Menu option 3.

You must print W-2 forms for 2007 before clearing the annual pay figures. The format of the W-2 form has been changed for 2007. FAS payroll users **must** use the newest version of the W-2 program to make the correct tax calculations and to print the W-2 forms correctly. The locations of the employee social security number and the control number have been moved. The social security wage base was raised in 2007, and older versions of software will not make the correct calculations in breaking down FICA withholdings into Social Security tax and Medicare tax. The new W-2 program displays a sub-heading of “*** 2007 Tax Year ***” on the screen.

You should first print the W-2s on plain forms using option A of the Payroll Menu to review the information before printing the data on the actual pre-printed W-2 forms. Pre-printed, continuous or laser W-2 forms may be purchased from Moore Business Solutions or from a local office supply retailer.

After W-2s have been printed, clear the annual pay figures using option 8 of the Payroll Menu. You must print the W-2 information and clear last year's annual pay figures before processing payroll for the new year.

FAS has recently completed the employee update program and tax tables for 2008. FAS will be uploading these programs and data files as software updates to those customers who subscribe to FAS's maintenance program and whose accounts are current. After December 31st, the correct updated employee program will display the sub-heading, "EMPLOYEE INFORMATION '08". Payroll option F can be used to print the tax tables in your system to verify that you are using the correct tax information.

FAS has also completed the new state income tax programs for Ohio and Maryland for 2008. These new programs must be used for payroll processed after January 1, 2008.

If you need any of these updates, please contact FAS at (800) 830-6160 and enter extension 305. Leave a message requesting the payroll updates, along with your name, your shop's name, your city, and your phone number. FAS's support staff will electronically upload these updates to you, *provided you have a current maintenance agreement and provided your account with FAS is not past due*. Shops that do not subscribe to FAS's maintenance program may purchase the payroll updates for \$300, paid in advance by credit card.

Reports

Florists who use the detail sales analysis but *not* the inventory module must zero year-to-date sales figures to prepare for the new year by using Report Menu option 7.5. Month-to-date, year-to-date, and life-to-date quantities and dollar volumes of all items sold are automatically updated as designers itemize what they use in their arrangements. This feature may be enabled/disabled using option N of the System Setup Utility program.

General Ledger

The FAS system will allow you to make projections of next year's financial performance by allowing you to apply variances to the current year-to-date income, costs of goods sold, and expenses. After you enter percentages of increases or decreases in these three areas, the system will generate a complete earnings statement by applying the increases/decreases to the current year-end financial data. These projections are made by selecting General Ledger Menu option E.5. This program must be run *before* clearing the annual figures in the GL. The date on the terminal being used to generate this report should be set to December 31st.

Next, save the annual GL information to a history file using GL Menu option 5.4. The year to be saved will automatically default to "the terminal date year - 1". For example, if your terminal date is 01/05/08, the system will assume you want to save the history for 2007. If your terminal date is 2007, you may override the default year (06) by entering "07". The FAS system can use this historical data to allow you to generate financial statements for prior years and to perform various trend analyses.

Perform a quarterly and annual GL closing using GL Menu option 5.2, "Initialize periodic balance to zero". This program will zero revenue and expense accounts for the quarter and/or the year. Unlike revenues and expenses, balance sheet accounts--assets, liabilities, and owner equity accounts--are carried forward from year to year and are not affected by this procedure. However, the clearing of revenues and expenses will create an imbalance in the GL equal to the amount of the profit or loss for the year, as indicated on the earnings statement. To complete the annual closing, you will need to make an adjustment to the GL to record the profit or loss for the year. This entry will be made to an equity account, depending upon the type of balance sheet being used. Account #2600 should be adjusted when equity is expressed simply as "owner's equity". When equity is expressed as stock and retained earnings, then the appropriate retained earnings account should be adjusted. If a single retained earnings account is being used, then account #3005 will be adjusted. If earnings have been separated into "prior year" and "current year" earnings, then account #3004, the prior year retained earnings account, must be adjusted. Make a one-sided credit to the proper equity account to record the annual profit, or debit the appropriate equity account to record the loss for the year.

After performing these closing procedures, print a balance sheet, an earnings statement, and a GL trial balance. The balance sheet should reflect the same balances as the before-year-end balance sheet. The earnings statement should include zeros for all revenues, costs of goods sold, expenses, and net profit. The GL trial balance will list the beginning balances for the new year. Verify that the total debits are equal to the total credits on the last page of the GL trial balance.

Accounts Payable

Initialize vendors' year-to-date purchases field using Accounts Payable Menu option B.

Inventory

Age the inventory sales figures using Inventory Menu option D. This program moves the current year's sales totals to last year's sales, and it zeros the current year's totals in preparation for the new year.