FIGUEROA
CPA INC

Dear Client:

As you prepare to submit your tax information for your entity tax return, please follow these steps to ensure your books are ready for the tax preparation process.

1. **Sign Engagement Letter**
2. **Close the Books for the tax year**
3. **Provide Business Entity Required Information (see listing attachment)**

Below we will explain each step in further detail, for your convenience.

1. **Engagement Letter:**
   Your engagement letter is available in your entity private portal under the file TY23 > Client Organizer. Please note that you have separate portal files for your entity and your personal returns. Print, sign/date and return the engagement letter with your tax documents.

2. **Closing the Books:**
   This process will look slightly different depending on your type of entity and your specific business activities. Please see the following steps that should be followed by most businesses.

Steps to follow each Month-End

- Account Reconciliation: Reconcile bank accounts, credit cards, loans, and other Balance Sheet accounts to ensure accuracy and completeness of information.
- Accruals and Prepayments: Review and adjust any accrued liabilities or prepaid expenses.
- Inventory, if applicable: If you have inventory, an inventory count should be performed at least once a year (at the end of the tax year). Confirm a physical inventory count has been done and adjust for any write-offs.
- Fixed Assets:
  - Book accumulated depreciation.
  - Expense any small asset purchases per the company's capitalization policy.
- Accounts Receivable and Payable: Review and clean up aging reports; write off uncollectible client invoices.
- For Employers – Review Payroll:
  - Record officer compensation in a separate line item from employee salaries
  - Reconcile Salaries, Payroll Tax Expense and Payroll Taxes Payable (Liability) to confirm all are accurately recorded on the Profit & Loss Statement and Balance Sheet.

General Clean-up to follow at Year-End

- Complete all "month end" steps for the last month of the tax year (See "Month End List" below).
- Confirm the previous year year-end CPA journal entries have been entered into your books.
- Reconcile liability/loan balances. Obtain the statement showing the loan balance at year-end. If your loan balance does not agree, adjust accordingly (if this is the case, you may have not allocated your loan payment correctly between interest expense and principal payment).
- Review financial statements (Balance Sheet and Profit & Loss Statement) and perform any general accounting cleanup.

General Clean-up to follow at Year-End *(continued)*

- As tax documents are received, ensure financial statements agree to the documents (when applicable) and combine them to submit to CPA for income tax preparation.
- Normalize Shareholder Distributions or make sure the partner/member distribution method is consistent with the entity agreement, if applicable.
- Identify and reclassify any personal expenses that have been paid by the company not included in the shareholder/partner's distribution/draws account. Including:
    - Travel expenses
    - Meal & entertainment
    - Etc.
- Fixed assets clean up: Keep in mind your capitalization policy:
    - Review fixed assets account detail and verify that fixed assets are properly reflected on the Balance Sheet, including:
    - Make sure each transaction for a capitalized expense has a clear note in the description explaining the capital asset.
    - For leasehold improvements, consider if the fixed asset is truly improving the property or just a repair.
    - Review 2022 depreciation schedules and mark any disposed assets, indicating any proceeds received. Your previous year tax return in our portal will include your depreciation schedule.
    - Review Profit & Loss accounts which may hold fixed asset additions, capitalize fixed assets that are above your individual capitalization policy limit.
- Back up Data and Lock the Books: Once the books are closed, perform a backup and add a password to the closed year to ensure no more changes are recorded. Share your closing password with us when you provide us the books.

Once you have completed these steps, please provide us with your documentation so we can complete your entity tax return. For a list of documents we need, please see the attached Business Entity Required Information list.

Should you have any questions, please contact us.

Regards,

Figueroa CPA INC.

Figueroa CPA inc