



SPICE ROUTE  
FINANCE

# Month Close Checklist

The month close checklist, as the name suggests, is a process done at the end of each month to verify and adjust account balances so that it serves as a guide to ensure precise accounting, aiding management, investors, lenders, and regulatory agencies in understanding the company's true financial position.

The ideal month-end close process is to reconcile as many accounts as possible monthly, prioritizing high-risk ones with significant transaction volumes. These include cash and cash equivalents, accounts receivable, accounts payable and inventory. But at the same time matching principle concept should also be acknowledged by aligning the expenses with related revenue in the same period and accruing for expenses paid after the relevant period. Companies should consider standardizing reconciliation processes and documentation templates so that they can enjoy the privilege of having an efficient and accurate close process.

## 1. Cash and cash equivalents

- Ensure journal entries are being recorded in relevant accounting software or bookkeeping systems
- Post all applicable cash receipts and reconcile bank accounts with the ERP ending balance to the bank statement.
- Review undeposited funds from the prior month and the deposits that are cleared during the month.

## 2. Short-term investments

- Obtain investment statements.
- Verify reasonableness of calculated realized and unrealized gain/loss.

## 3. Accounts receivable

- Sales is a heavily scrutinized area by auditors as a sales process will naturally have a lot of closing procedures in it.
- Ensure a thorough check on the accounts receivable by maintaining an accounts receivable aging report.

## 4. Inventories

- Inventories are a key account for any small business that sells physical goods.
- Manage closing procedures for inventory accounts as per AS-2 'Valuation of Inventories'.

## 5. Prepaid Expenses

- Recognize prepaid expenses appropriately as the asset expires.

## 6. PP&E

- Generate fixed assets additions listing from the system and review invoices to verify proper asset classification.
- Create manual entries for fixed assets in the system if necessary and Inquire with department managers on fixed disposals.
- Update useful lives of the assets as per the requirements and run depreciation to review results for any significant errors.

## 7. Goodwill

- Perform an annual goodwill impairment test whenever events or changes in circumstance indicate the carrying value of goodwill may not be recoverable.
- Review results with the Controller to determine if an impairment gain/loss needs to be recorded.

## 8. Accounts payable

- Perform 3-way match (purchase order/receipt/journal entry/invoice) and prepare check signature packets.
- Request Statement of Accounts (SOAs) from all applicable vendors
- Generate and review AP aging for non-standard terms and for any unapplied credits.
- Review reconciliation of Open Purchase Orders with FP&A.

## 9. Accrued Liabilities

- Look for any one-time, significant estimates for unvouchered services rendered to date.
- Record accrued bonus and confirm reasonableness of outstanding service periods by cross referencing to invoices posted in AP.

## 10. Deferred Revenue

- Record deferred revenue and recognize revenue as obligations are satisfied.

***By adhering to this checklist, Companies can streamline their monthly close process, ensuring accurate financial reporting and fostering transparency among internal and external users of financial information.***

## About Spice Route Finance

Spice Route Finance helps startups, early stage and growth stage companies create change that matters. We partner with our clients to identify and overcome the most critical challenges and deliver value by uncovering opportunities.

From leadership to execution, we help our clients to transform their organizations through our in-depth expertise in financial strategy, interim leadership, business strategy, and deal advisory. This means embedding excellence in financial decision making, analytics, and design into core processes and mindsets; building capabilities that help businesses thrive in the face of rapid disruption; and developing successful execution models to ensure that ideas translate into outcomes, quickly and sustainably.

*This eBook has been compiled to help startups to give a flavor of why accounting and finance is important for all startups irrespective of size and segment.*

*If there is any area which you need any specific guidance or help please do not hesitate to reach out to the founder at [sriram@spiceroutefinance.com](mailto:sriram@spiceroutefinance.com)*