



Checklist for Completing Financial Statements & Preparing Income Tax Returns:

It is recommended that a checklist be kept when compiling financial information for the year-end. Below are guidelines for completing financial statements and preparing income tax returns.

- Review all past due accounts receivable and write off those that are uncollectible.
- Pay interest on shareholder loans to and from the dealership by year-end. Also, issue an IRS Form 1099 for this interest.
- Try and keep the accounting records open at the end of December.
 - Record December finance chargebacks in December.
 - To maximize LIFO deductions, record all new vehicles that were built in the current year as vehicles purchases in the current year by keeping the new vehicle purchase journal open the first days of the new year.
 - Keep accounts payable journal open to record all current year expenses in that same year.
 - If any vehicle deal is not 100% complete in the current year, treat it as the next year vehicle sale.
 - Adjust all miscellaneous inventories to actual.
- Complete any building repair or maintenance items, such as painting, by the end of the year.
- Compare actual parts inventory to the accounting parts inventory and make any appropriate adjustments. Have the parts manager determine which parts are considered worthless, and dispose of the parts by year-end.
- Put a reasonable estimate of the LIFO adjustment on all versions of the December financial statement.
- If the dealership is a "C" corporation, pay any salaries, commissions or bonuses to stockholders, whose ownership exceeds 50% in December in order to take the deduction in that year.
- Review bank reconciliations and write-off any checks that are not expected to clear. Be sure to report all uncashed checks on your Unclaimed Property Report.
- Review prepaid assets and expense all items that are not valid assets.
- Review current year fixed asset additions to determine if the costs should be capitalized or expensed. Consider accelerating your purchase of capital assets to take advantage of the additional 50% bonus depreciation. This bonus is available for assets with a depreciable life of 20 years or less and only extends to purchases through 12/31/04.
- Ensure that payroll tax and sales tax payable accounts equal the actual amount of all taxes paid in the current year for the prior year fourth quarter and year end tax returns.
- Notify all customers for whom the dealership filed an IRS/FinCEN form 8300 in the past year.
- Have all demonstrator users sign a comprehensive demonstrator agreement, and follow these rules for reporting:
 - Sales department employees - Limit personal use or apply appropriate charges for non deductible personal use.
 - Non-sales department employees who use a personal vehicle - Charge for personal usage of demonstrators, using the IRS lease table.
 - Stockholders and their family members - Report the fair market value of their personal use of the vehicle on a W-2 if they are an employee, or on Form-1099 if they are not.
- Issue an IRS Form-1099 MISC to all non-employees who received over \$600 during the year.
- Make all required personal and corporation income tax deposits for the year, and pay all personal state income taxes by year-end.

- Consider making charitable contributions to receive a deduction.
- Make sure all wages and commissions that are paid in the current year for prior year services have been accrued in the prior year. Also, make sure the first payroll of the year (based on the date the payroll checks are handed out, even if a portion was for prior year services), is not included in your W-2's for the prior year, but will instead be on the W-2's for the coming year.