

# THE COMPLETE GUIDE TO CLOSING THE FINANCIAL YEAR FOR STARTUPS



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If you run a business, chances are you dread 31st March. The sheer amount of planning and overwhelming paperwork that goes into closing the finance books is understandably burdensome for most businesses.

We have compiled everything you need to wrap up this financial year and get ready for the next one.

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# RECONCILE ALL LEDGERS



One of the most important things in closing the financial year is the reconciliation of your accounts.

No matter how well you planned things, there is always the possibility of wrongful data entry or lost invoices. And even the slightest mismatch can throw your books out of balance. To avoid that, ensure to do the following by **31st March 2021**.

## ➤ Reconcile All Bank Accounts

Businesses record their cash and bank transactions in a cash ledger of their accounting books. There are instances where the bank balances as per the cash ledger and bank statement do not match.

**You need to identify the reasons for mismatch and prepare a bank reconciliation statement to detect any discrepancies and fraudulent transactions if any.**

### PRO-TIP

You can reduce 80% error by eliminating manual reconciliation.

Integrate your finance workflows with automated accounting & reconciliation software like Tally, Zoho, and QuickBooks & save time to focus on what matters - business growth.

## ➤ Reconcile Loan Balances

SMEs & startups rely on various business loans for their growth. If you have taken a business loan, you need to reconcile the loan balance and confirm the outstanding balance with the lending bank or company.

### DID YOU KNOW

Reconciling the loan balance is mandatory according to standard audit procedures in India.

## ➤ Reconcile Accounts Payable Ledgers

To reconcile accounts payable, you need to compare the account payable entries to the sum of all entries from all the ledgers in your accounting books. If the calculations do not match, identify the discrepancies and correct them.

Since accounts payable balance is a liability in the balance sheet, it helps you calculate shareholder's equity. An incorrect accounts payable balance will mislead your investors about the financial position of the business.

## ➤ Reconcile Accounts Receivable Ledgers

Reconciliation of accounts receivable means the matching of unpaid customer billings with the total ledger.

Like accounts payable, you need to compile and compare all the account receivables. Then, confirm the outstanding balance from customers to record the same in your accounting books.

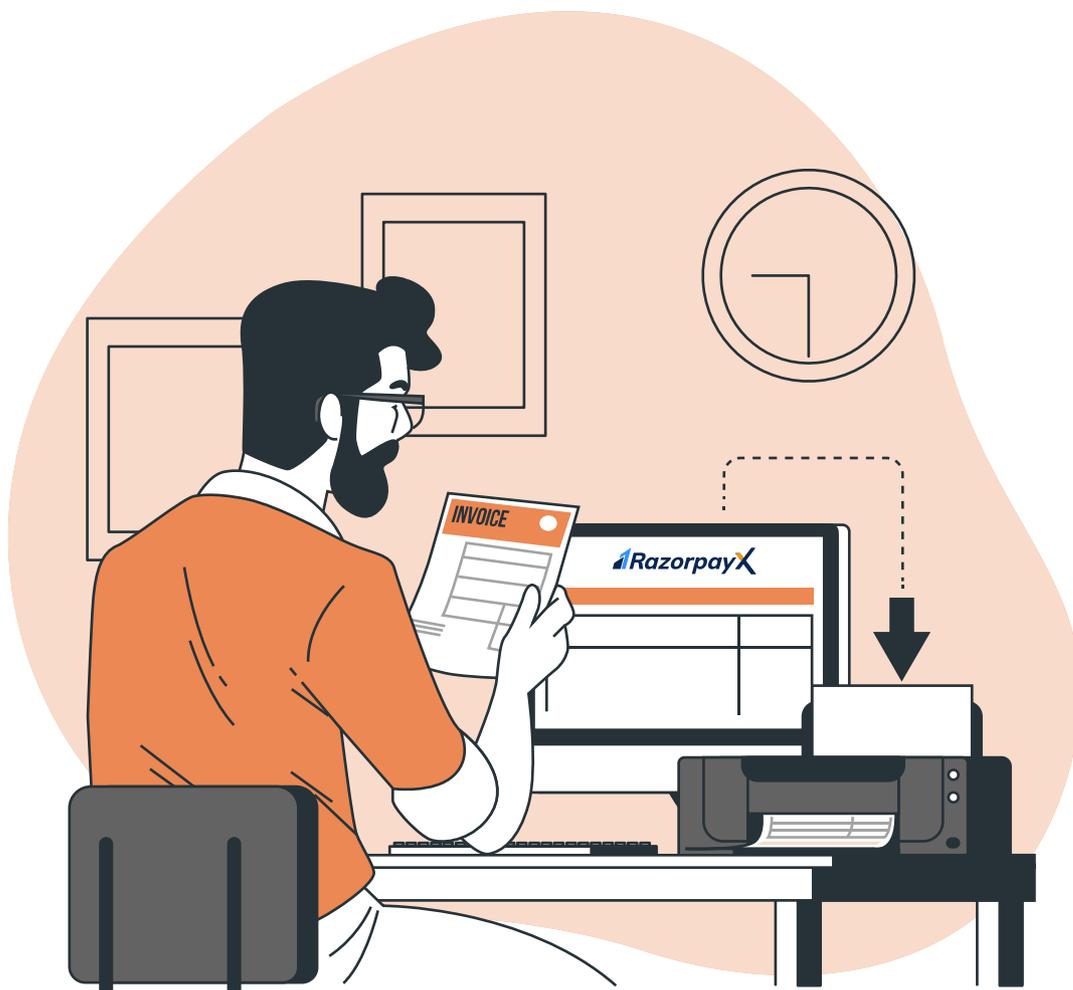
## ➤ Reconcile GST Liability and Input Credit Ledger

You must ensure that the GST transactions are reported accurately in financial statements, and periodical GST returns.

Any difference might invite notice from the Central Board of Indirect Taxes and Customs (CBIC).

You also need to review Input Tax Credit (ITC) ledgers with vendor invoices to ensure that proper credits have been claimed.

**Any incorrect claim of the tax credit could result in reversal along with interest.**



# PAY ADVANCE TAX

Advance tax refers to paying a portion of your income tax liability in advance. And, you need to pay it according to these deadlines.

DUE DATE	ADVANCE TAX PAYABLE
On or before 15th June	15% of advance tax
On or before 15th September	45% of advance tax after deducting the advance tax already paid
On or before 15th June	75% of advance tax after deducting the advance tax already paid
On or before 15th June	100% of advance tax after deducting the advance tax already paid

In case you've opted for the presumptive taxation scheme under section 44AD or 44ADA of the Income Tax Act, you have to deposit 100% of your advance tax liability by **31st March 2021**.



The last date for paying the advance tax for FY 2020-21 is **15th March 2021**. If you fail to pay advance tax on time, interest under sections 234B and 234C can be levied.

## ➤ Interest Under Section 234B

If you fail to pay advance tax or have paid it, but the amount is less than 90% of the actual tax, you will be liable to pay interest at 1% every month or part of a month.

## ➤ Interest Under Section 234C

If you have paid advance tax less than your actual installments or not paid at all, you will have to pay interest @ 1% for 3 months for every delay. For the last installment on **15th March 2021**, interest would be 1% for 1 month only.

# PAY & FILE TDS RETURNS

According to the IT department, every business must deduct TDS if payments such as rent, commission, professional fees, salary, interest exceed a certain threshold.

## ➤ Make TDS Payments On Time

You need to ensure that all TDS payments for March are deducted and deposited to the government by **30th April 2021**.



Not deducting TDS can result in the expenses becoming non-deductible for businesses. And it will attract 1.5% interest per month from the date of deduction to the actual date of payment.

## ➤ File TDS Returns For All Quarters

Due to COVID-19, the IT department extended the deadline for filing TDS returns for April-June'20 Quarter and July-September '20 quarter to **31st March 2021**. Make sure that your TDS returns for the previous quarters are filed by this due date.

- Further, you need to file TDS returns for the January-March'21 quarter by **31st May 2021**.
- A late fine of INR 200 per day will apply if you fail to submit TDS returns by the due dates.





# PREPARE FOR YEAR-END PAYROLL

Payroll is one of the most significant expenses incurred by businesses to run their operations. Reconciling salaries, compliance payments, and reporting the correct amount will help analyze your business health accurately.

Here's a year-end checklist for payroll management so that you can ensure a seamless closure to the current financial year.

- 1** Make sure to collect the corresponding proofs for tax-saving declarations made by your employees. This helps you calculate accurate TDS and deposit it to the government on time.
- 2** Record the salary payouts and outstanding statutory payments like TDS, PF, PT, & ESI correctly in your accounting books.
- 3** Any outstanding reimbursements or arrears for March should be accounted for in your accounting books.

**4** The outstanding TDS amount for March should be paid to the government by **30th April 2021** and the corresponding TDS returns (Form 24Q) should be filed on or before **31st May 2021**

**5** Similarly, PF annual returns for FY 2020-21 should be filed before **25th April 2021**

**6** Half-yearly ESI contributions (from October to March) must be deposited to the government by **15th April 2021**. And, corresponding returns should be filed by **11th May 2021**

**7** As an employer, you are required to generate Form 16 for all your employees on or before **15th June 2021**

#### DID YOU KNOW

You can use RazorpayX Payroll to execute all-things-payroll within a few minutes and never lose track of important due dates.

Sign up for Free



# CLOSE THE ACCOUNTING BOOKS



Closing the books generates a summary of all the financial statements that will help you understand your business's financial health and make strategic decisions to unlock new growth opportunities.

## PRO-TIP

Automating the process of closing your books every month rather than the financial year-end can help you track your business performance efficiently.

## ➤ Calculate The Yearly Revenue & Expenses

As the financial year comes to an end, you should keep track of the total revenue made during the year along with the cost incurred for running the business.

Ensure that the revenue and expenses are recorded in the accounting books accurately. This will help you prepare a Profit & Loss statement for your business while finalizing the financial reports.

## ➤ Raise All Sales Invoices For FY 2020-21

All startups need to follow an accrual accounting system - invoices need to be issued once services are rendered or work order is executed.

## ➤ Update The Fixed Asset Register

All businesses are allowed to claim depreciation on Fixed Assets. Hence, it is important that you maintain a Fixed Asset register that provides the details of when the asset was used, and accordingly, calculate the depreciation.



### PRO-TIP

An updated fixed asset register will not only ensure that your business is compliant but will also help with short and long-term business planning.

## ➤ Make A Provision For Depreciation

Businesses are allowed to calculate depreciation on Fixed Assets as per the Income tax Act and Companies Act, depending on the entity type. But, only depreciation calculated as per the Income Tax Act is tax-deductible.

However, depreciation under the Companies Act 2013 has to be calculated for financial reporting purposes by the companies. So, you should calculate & make a provision for depreciation before closing your accounting books.

## ➤ Make A Provision For Expenses For Which Vendor Bills Are Not Received

Since businesses have to maintain accounting books on an accrual basis, it is important that for expenses where bills are not received by the year-end, you make a provision for that expense by 31st March 2021.

# SET FINANCIAL GOALS WITH AN EFFECTIVE BUDGET

Setting up a budget for your business is one of the best ways to prepare and avoid unforeseen financial challenges.

Since your budget is for the whole upcoming financial year, you'll need to gauge how you anticipate your business will perform for the following year.

That is the reason when you sit down to begin your yearly budgeting; it pays off to meticulously consider your upcoming business goals and how they might affect your expenses and revenue.

## AN EFFECTIVE BUDGET WILL HELP YOU PLAN,

- Finance requirements for the upcoming year
- Growth targets for the next financial year
- Expected cost structure changes
- Emergency funding for unprecedented times

### DID YOU KNOW



You can save taxes for next 7 years by registering your startup with the Department for Promotion of Industry and Trade under the 'Startup India' program.



Also, you can get additional working capital for your business under CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) scheme

# PLAN YOUR NEXT FINANCIAL YEAR

Financial year-end can be daunting, but with the right accounting tool, you can save time and money throughout the year, setting the processes for an efficient and error-free closing.

The best thing you can do to prepare for the next financial year is to choose a tool that acts as a financial CRM & integrates all functions, making them accessible in a single place.

## Simplify your finances with RazorpayX Business Banking Hub

Automate your financial operations & manage everything from accounting, reconciliation, and payments on a single dashboard



**1 Payroll & Compliance Automation:** Automate and execute your payroll, compliances like PF, TDS, ESI & PT with a single click. And, get affordable group health insurance for your employees

**2 Automated Accounting & Reconciliation:** Generate actionable financial reports within minutes with automated accounting & reconciliation

**3 Powerful Current Account:** Get a Current Account that is packed with everything that helps you spend less time on managing finances and more time on focusing on your business growth

**4 Automated Tax & Vendor Payments:** Add, track and pay invoices before your due dates. RazorpayX automates TDS payments to tax authorities and captures challans on your dashboard

**5 24\*7 Instant Payouts:** Payouts via IMPS/ NEFT/ RTGS/ UPI to bank accounts, cards, UPI IDs and wallets. Additionally, make payouts with just a phone number & email address.

**6 Approval Workflows:** Get complete visibility of every transaction with maker-checker for payout creation

Signup for free



# FINANCIAL YEAR-END CHECKLIST

<input type="checkbox"/> <b>Reconcile All Ledgers</b>	Reconcile Bank Accounts	<b>31st March 2021</b>
	Reconcile Loan Balances	
	Reconcile Accounts Payable Ledgers	
	Reconcile Accounts Receivable Ledgers	
	Reconcile GST Liability and Input Credit Ledger	
<input type="checkbox"/> <b>Pay Advance Tax</b>	For all taxpayers except the ones opting for presumptive taxation scheme	<b>15th March 2021</b>
	For taxpayers who have opted for the presumptive taxation scheme under section 44AD or 44ADA	<b>31st March 2021</b>
<input type="checkbox"/> <b>Pay and File TDS Returns</b>	Make TDS Payments	<b>30th April 2021</b>
	File TDS Returns	<b>31st May 2021</b>
<input type="checkbox"/> <b>Prepare for Year-end Payroll</b>	Record the salary payouts and outstanding statutory payments	<b>31st March 2021</b>
	Record outstanding reimbursements or salary arrears	<b>31st March 2021</b>
	PF annual returns	<b>25th April 2021</b>

	Half-yearly ESI contributions (from October to March)	<b>15th April 2021</b>
	Half-yearly ESI return (from October to March)	<b>11th May 2021</b>
	Form 16 generation for employees	<b>15th June 2021</b>
<input type="checkbox"/> <b>Close the Accounting Books</b>	Calculate the Yearly Revenue & Expenses	<b>31st March 2021</b>
	Raise All Sales Invoices for FY 2020-21	
	Update the Fixed Asset Register	
	Make a Provision for Depreciation	
	Make a Provision for Expenses for	
	Which Vendor Bills Are Not Received	
<input type="checkbox"/> <b>Set Financial Goals with an Effective Budget</b>		<b>31st March 2021</b>

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