

EBOOK

# CFO tips and tricks for closing the year like a pro



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# Introduction

As the year draws to an end, we want to help you close it like a pro and avoid any last-minute surprises. We talked to a handful of CFOs from multiple industries and asked them to share their most essential tips on this annual endeavour.

In chapter one, you'll find a summary of their answers related to closing the books, budgets, and the SaaS tools they use. In chapter two, there's a super quick checklist for you to use when you start the process of closing the financial year or doing quarterly closings. And, in chapter three, you can dig into the most common mistakes finance teams make when it comes to financial statements and taxes (this section is particularly relevant for UK finance teams.)

## The digital transformation

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Soon enough, closing the year will be an automated process for finance teams. Managing company spend with company cards will eliminate the need for cash in most cases and allow finance teams to manage all transactions digitally.

But, [cashless](#) companies aren't the only trend in business digitalization. Collaboration tools, cloud finance, and accounting platforms have all increased in popularity due to remote working and created benefits that are here to stay.

In addition to the increased efficiency and visibility provided by company cards, many Governments are making the digital transition mandatory. For example, [the Making Tax Digital](#) initiative in the UK, and the German [GoBD](#), have been created to store information electronically and handle tax-relevant documents.

How does digitization look in practice? Tata, the automotive giant, decided to go [Enterprise Agile by 2020](#). Taking on this challenge meant digitizing several business processes in a company of more than 450,000 employees across 47 countries. It

was worth it. Today, the Tata team can have their P&L on the first day of the month, giving their business leaders real-time information to make strategic decisions quickly. It met its goal of finding the best technology to increase the simplification, digitalization, and automation of the financial closing.

*Payhawk supports businesses in making strategic decisions regarding forecasting, planning budgets, and managing cash flow. Our payments and expense solution comes with transparent reporting that lets finance leaders optimize their spend and processes.*

## Chapter 1

# Tips to close the financial year

First of all, closing the financial year is not a one-person project, so gather the team that's going to help you. If you were overwhelmed trying to do all the tasks last year, look into hiring someone temporarily or ask for support from an external accounting firm.

As the information needed to close the financial statements comes from various sources, you should inform your team members about the closing schedule ahead of time with tangible deadlines. Be aware that your team may struggle to fit in all the hours needed to close as the holidays approach, especially with time off booked, so plan accordingly. Try to be flexible if some information is taking more time to gather. And, finally, take a look at last year audits to refresh what worked and what didn't.

At Payhawk, we value customer feedback tremendously. Thanks to our customer feedback, we can improve our product, build our roadmap, and share insights via our content. Thank you to all of our customers who've shared their experiences with us so far.

For this chapter, we asked five CFOs – two from Spain and three from the UK – five questions. Here's a summary of their tips to close the financial year.

### Information

How do you gather financial information?

- We gather all the information from the ERP we use, [Holded](#).
- We collect the information from our monthly closings. In 2022 we want to have the accounting in-house and start using [Netsuite](#).
- It's still a pretty manual process, as it comes from different sources: accounting system, bank statements, and legal team.
- We use third-party audit evidence and document judgements (normally done by email), Excel reminders, month-end processes, and save copies of invoices.
- We have meetings with budget owners to go over all of the costs that have hit the P&L. Plus, we make sure that all employees have submitted their expenses.

*With Payhawk, you can forget chasing your employees to gather all the invoices for your monthly or year closing. Every time your team uses a Payhawk card or pays with personal funds, they just snap a picture of the receipt with their smartphone, and the job is done.*

### Process

How different is your year-end closing from the monthly/quarterly closing process? Is it crucial for your business to have a quick year-end closing?

- There's not a big difference between monthly closing and yearly closing. We try to do these fast to make decisions on investments and financing options.
- We have a similar process monthly and annually. It's important to us to finish fast as we need to report our numbers to the company's holding, and it's usually a tight schedule.
- Definitely crucial as investors will stress otherwise. The year-end closing can be a bit more stressful than the monthly one.
- The month-end process and year-end processes should be identical.
- Monthly and yearly shouldn't be that different, but you need to make sure it's all accurate and that all your files are in order to make auditing smoother.

## Tax

How do you ensure the accuracy of your annual tax returns? Do you use any tool/SaaS where you have all relevant information?

- All our information is registered in our ERP as we do monthly tax returns.
- Our accounting firm handles all our taxes, they're in charge of the tax returns, and we have total faith they're accurate. We only send them the information month by month.
- No tools. Just export P&L and hand it over to the tax consultant.
- Different people do the day-to-day bookkeeping and the review of the VAT return, so two sets of eyes. Regarding tools: I haven't found one, so I use Excel.

## Actual vs budget

How important is budget accuracy for your business? What actions do you take in case of significant gaps/over-delivery? Do you use any tool/SaaS to monitor the actual vs budget performance?

- Budget accuracy is essential for us. But it's definitely something we can improve.
- We work with projections a lot, and we adjust them frequently if we need more funds or to divert from another budget item. Tools: only Excel.
- Accuracy is super important. We do the budget plan, then see the actual spend from the accounting system, and then export it to our comparing tool, [Adaptive Planning](#).
- The budget process is essential for each department head, so they are empowered. The finance team should focus on having budget and actuals on the same accounting basis, so it's easy to analyse.
- Budget accuracy is crucial to ensure profit targets that depend on accurate sales and margin and cost forecasting. Reforecasting should take place every quarter.

Payhawk allows you to track your company spend in real-time, rather than having to wait for finances at the end of the month. One of our customers says, "it's like a pilot cockpit for company expenses."

## Planning

How do you prepare for the upcoming financial year (how do you learn about new tax legislation/changes? When do you prepare the budget for next year, etc.)?

- I trust my accounting firm to be up-to-date.
- Currently, the accounting firm supports us with that, but we'll be up-to-date as soon as we have in-house accounting and a good ERP in place.
- Next year's budget should be planned in Q3 and signed by the management team in Q4.
- Tax legislation is typically held externally. If you're expanding into new territories, you would expect a specialist tax advisor to have already been in contact. However, [PwC](#) and [KPMG](#) give tax fact sheets which can be very helpful for new jurisdictions.
- The budget's usually completed by October, then rebased once the year has closed.

## Your star tip for a smooth year-end closing

- **Start preparing early** so that you can solve any discrepancies
- **Automate** your monthly closings to eliminate manual work as as much as you can
- Be **organized** during the year and make sure your **AP and AR are clean**
- Do the **same process every month**. Have a clear **calendar and checklist** and **assign leads**. Include **controls** in the month-end process so you can understand **if errors can emerge** and how to correct them.

Have **good processes and procedures** in place throughout the year.

## Chapter 2

# End of the year checklist

### Before you start

- Gather the team
- Prepare a closing schedule
- Distribute tasks among team members
- Be flexible
- Look over last year audits

### Closing the financial year

#### A. Complete bookkeeping and tax returns

- Review assets accounts
- Close receivable and payable accounts
- Reconcile all bank accounts (credit cards, loans, and transaction accounts)
- Run the profit and loss
- Update the balance sheet
- Update payroll data
- Run inventory if you have physical stock
- Spend time going through your completed accounts and tax returns before your accountant submits them

#### B. Review performance

- Review all your monthly subscriptions
- Review number of bank accounts
- Review your accounting processes and make a list of your pain points
- Review all manual steps
- Review your company structure if you're growing

#### C. Plan for the new year

- Create a budget for the new financial year
- Review the new year business plan
- Review the new year marketing plan for the next year
- Back up data

## Chapter 3

# Common mistakes to avoid (UK)

Here, we dig into some of the most common mistakes business owners and CFOs make while filing their documents at Companies House and HMRC. We gathered this data from several different accounting and tax websites (see footnote for references).

Take a quick look to avoid any issues with your own information and avoid penalty fees in the future.

## Financial statements and expenses

Whether your accountant is in-house or not, having proper accounts is very important, especially if you want to ask for a loan, as banks will always ask for these documents.

**Here's a quick list of mistakes to avoid when filling in your financial statements:**

- Be sure that your accountant fills in the correct financial statement under Companies House. Check if you're qualified as a [small or micro business](#). As a small business, you're also exempt from filing a profit and loss account.
- The details of your directors, secretary, address and share issuance should be up to date.
- Make sure you understand which directors to include as employees. If directors have a contract, make sure they're included when disclosing the number of employees.
- Make sure that you have the correct status of your employees, and these don't differ from what HMRC has on file. You might have freelancers on your team, while on paper, they're not part of your payroll.
- Travel expenses. To deduct these, remember that the sole purpose of the trip has to be business-related.

# Corporation Tax

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Company directors are responsible for filling out corporation tax returns, submitting to HMRC, and paying them on time. If there are any mistakes, the person responsible isn't the accountant who filled them in, but the director – and that could be you.

**Some common mistakes are as follows:**

- Once you've received a notice for the corporation tax return, you normally have three months to send it. Plan ahead as this process takes a bit of time. You have no excuse to be late as this process is all online.
- Ask for professional advice to be sure all the numbers are correct. There are so many tax forms that it's impossible to keep up.
- Don't make your payment late. HMRC [mentions](#) that you must pay nine months and one day after the end of your accounting period. Your accounting period is usually your financial year, but you may have two accounting periods in [the year you set up your company](#).

If you realize you made a mistake, contact your accountant ASAP, as they will know how to deal with HMRC.

If you have more than £1.5 million in profits, you must pay your corporation tax in instalments.

# VAT

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Accountex mentions that small businesses spend more than 86 minutes reviewing the VAT returns numbers, and 51% of these business owners have made mistakes. To prevent VAT errors, you should look into HMRC approved accounting software like [Xero](#) and [Quickbooks](#) that have dedicated VAT packages. Payhawk has direct integration with both of these accounting software packages, read more [here](#).

**Some common mistakes include, reclaiming:**

- VAT for fuel or motor vehicles if used for personal and business needs.
- VAT for expenses in food, drink, accommodation, or events to entertain your customers.
- Business expenses without invoices. No evidence=no VAT claim.
- Import VAT without the C79 certificate from HMRC.

**Other frequent mistakes:**

- Not including the UK VAT on the value of the supplies received from overseas under the reverse charge procedure.
- Waiting to account VAT when receiving the total amount of deposit. In whole or in part, any receipt of payment creates a tax point for VAT purposes.
- Watch out when you do property VAT, as this area is known to be particularly complex.

## Footnote

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Legal disclaimer continued... The information presented herein may not reflect the most current legal developments. Readers of this paper should consult with a qualified expert to obtain advice with respect to any particular legal, financial and/or tax matter. No reader of this paper should act or refrain from acting on the basis of information contained herein without first seeking legal, financial and/or tax advice from an appropriate counsel in the relevant jurisdiction. Payhawk disclaims all liability in respect to actions taken or not taken based on any or all of the contents of this paper to the fullest extent permitted by law.

### Websites consulted for Chapter 3:

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[Patterson Hall Accountants, 2021, 14 common errors in financial statements, accessed 18 November 2021](#) ;

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## Our story

Payhawk is the financial system of tomorrow that combines credit cards, payments, expenses, cash management, and pre-accounting automation into one integrated experience. Payhawk was founded in 2018 and currently serves customers in over 18 countries in Europe from its offices in London, Berlin, Barcelona and, Sofia. Payhawk disrupts the expense management market by combining financial efficiency and software products in one single platform.

The product is available for any registered business in Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

[Use Cases](#)[Podcast](#)[Customer Stories](#)

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