

# MODULE 10: YEAR END CLOSING PROCESSES

## Module Overview

Completing the year-end closing process in Microsoft Dynamics NAV 2013 involves three steps.

1. Closing the fiscal year by using the **Close Year** function on the **Accounting Periods** page.
2. Generating a year-end closing entry by using the **Close Income Statement** batch job.
3. Posting the year-end closing entry together with the offsetting equity account entries.

Closing a year is not required by Microsoft Dynamics NAV 2013. However, completing the closing process makes sure that balances are displayed only for open year(s). For example, on the **Chart of Accounts** page.


### Objectives

The objectives are:

- Close the accounting periods for the fiscal year.
- Explain and run the **Close Income Statement** batch job process.
- Complete the closing process by posting the general journal.

## Closing a Fiscal Year

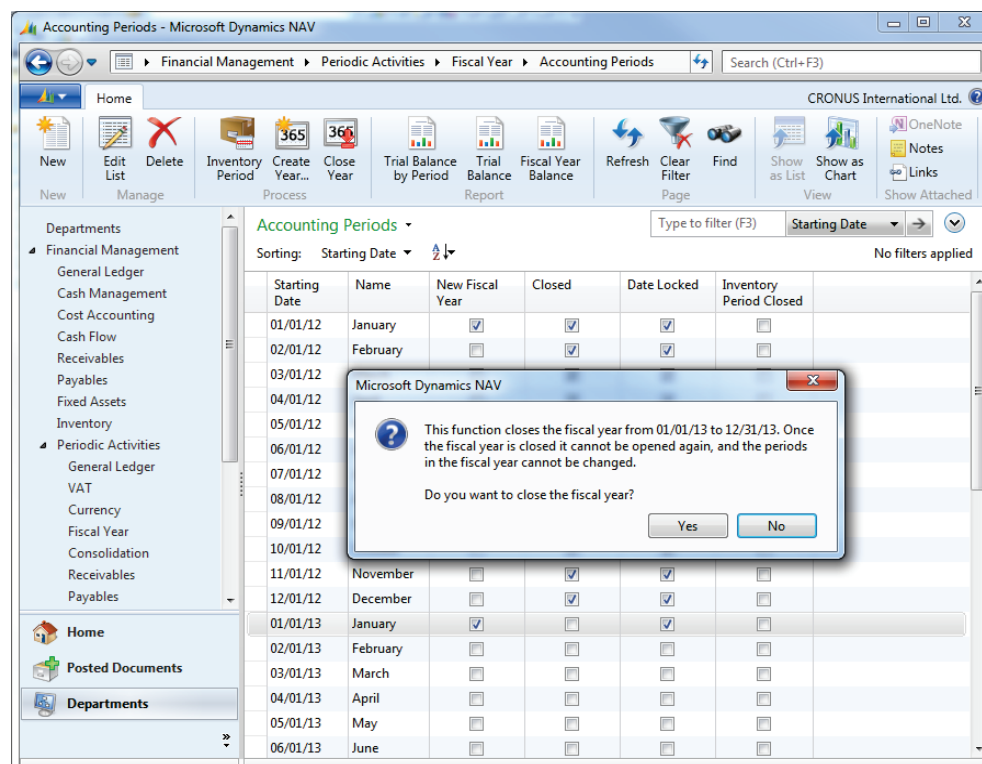
The first step in the year-end closing process is to close the fiscal year. This process manages the periods and dates for fiscal years.

 **Note:** A fiscal year cannot be closed before a new one is created.

### Close the Fiscal Year


To close the accounting periods, follow these steps.

1. In the **Search** box, enter **Accounting Periods**, and click the related link.
2. On the **Home** tab, click **Close Year**. You will receive a message about the year to be closed. This year is suggested based on the earliest open year, and the corresponding check marks in the **New Fiscal Year** field.



**FIGURE 10.1: ACCOUNTING PERIODS – CLOSE YEAR FUNCTION**

3. Click **Yes** to close the year.

 **Note:** To close a nonstandard year, add a check mark in the **New Fiscal Year** check box of the last period to be included in the year to be closed.

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After you run the fiscal year closing process, the following will apply.

- The **Closed** and **Date Locked** fields for all periods in that fiscal year are selected and they cannot be cleared any longer.
- The **Date Locked** field for the first period of the next fiscal year is selected and it cannot be cleared any longer.
- The period lengths for the closed periods cannot be changed.



**Note:** To prevent users from posting entries in a closed fiscal year, set a date range in the **Allow Posting From** and **Allow Posting To** fields on the **General Ledger Setup** page.

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### Demonstration: Prior-Year Entry Confirmation

**Scenario:** After the 2013 fiscal year is closed, Phyllis, the Accounting Manager at CRONUS International Ltd., realizes that she must post a December 2013 cleaning expense for 80.00 local currency (LCY).

After Phyllis posts the expense, she reviews the entry to verify that the **Prior-Year Entry** check box is selected to indicate that it is a prior-year entry.



**Note:** To complete this demonstration, make sure that the 2013 fiscal year is closed. If a different year is closed, post into that year in step 6 of this demonstration.

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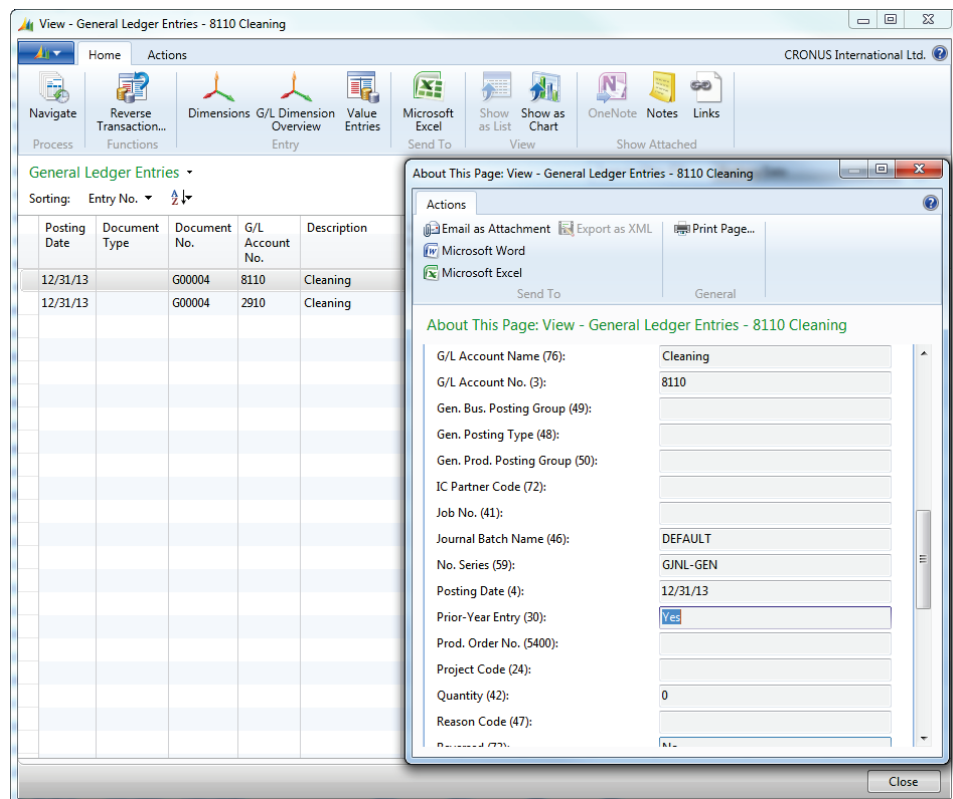
### Demonstration Steps

1. Post the 2013 cleaning expense and review the posted entries.
  - a. In the **Search** box, enter **General Journals**, and click the related link.
  - b. In the **Batch Name** field, click the drop-down list and then select the DEFAULT journal batch.
  - c. Click **OK**.
  - d. Delete any existing journal lines in the batch.
  - e. In the **Posting Date** field, enter 12/31/13.
  - f. Make sure that the **Account Type** field is set to G/L Account.
  - g. In the **Account No.** field, enter 8110.
  - h. In the **Amount** field, enter 80.00.
  - i. Make sure that the **Bal. Account Type** field is set to G/L Account.
  - j. In the **Bal. Account No.** field, enter 2910.
  - k. On the **Actions** tab, click **Post**.
  - l. Click **Yes** to post the journal lines.

- m. Click **OK**.
- n. Click **OK** to close the **General Journal** page.

To review the posted entries, follow these steps:

- a. In the **Search** box, enter **G/L Registers**, and click the related link.
- b. Press **CTRL+END** to move to the last entry and select this entry.
- c. On the **Navigate** tab, click **General Ledger** to review the posted entries.
- d. Click the **About This Page** function.
- e. Expand the **Table Fields** FastTab.
- f. Locate the **Prior-Year Entry** field and verify that the value is set to Yes. This means that this entry is considered a closing entry and it will be included when the **Close Income Statement** batch job is run.



**FIGURE 10.2: GENERAL LEDGER ENTRIES - ABOUT THIS PAGE**

- g. Close the **About This Page** page.
- h. Click **Close** to close the **View – General Ledger Entries** page.

## Transferring Income Statement Account Balances

The **Close Income Statement** batch job transfers the income statement account balances to an account in the balance sheet and it closes the income statement accounts. The **Close Income Statement** batch job also creates lines in a journal that are posted manually.

You can use the **Close Income Statement** batch job multiple times to transfer the income statement account balances. For example, you might have to do this when the next entries are posted into a closed year.

### Close Income Statement Batch Job

To open the **Close Income Statement** batch job, follow these steps.

1. In the **Search** box, enter **Close Income Statement**, and click the related link.

The screenshot shows the 'Edit - Close Income Statement' window. The title bar indicates the application is 'CRONUS Internat...'. The window contains a toolbar with 'Refresh' and 'Clear Filter' buttons. Below the toolbar is the 'Options' section, which includes the following fields and controls:

- Fiscal Year Ending Date: 31/12/2013
- Gen. Journal Template: [Dropdown]
- Gen. Journal Batch: [Dropdown]
- Document No.: [Text Field]
- Retained Earnings Acc.: [Dropdown]
- Posting Description: Close Income Statement
- Close by section:
  - Business Unit Code:
  - Dimensions: [Text Field] ...
  - Inventory Period Closed:

At the bottom of the window are 'OK' and 'Cancel' buttons.

**FIGURE 10.3: CLOSE INCOME STATEMENT WINDOW**

The following fields appear on the batch job.

- **Fiscal Year Ending Date** – Automatically populated with the last date in the latest closed fiscal year. This date is used to determine the posting date for the journal.
- **Gen. Journal Template** – Identifies the name of the general journal template that the entries are added in.
- **Gen. Journal Batch** – Identifies the name of the general journal batch that the entries will be added in.
- **Document No.** – Automatically populated with the next available number from the number series for the selected Gen. Journal Batch.
- **Retained Earnings Acc.** – Identifies the account that the retained earnings entries are added in.
- **Posting Description** – Specifies the text to accompany the entries. The default text is Close Income Statement.
- **Close by** – Provides the available accounting options in Microsoft Dynamics NAV2013 to classify into multiple entries. The options are as follows:
  - **Business Unit Code:** If this field is selected, and the company is a consolidated company, separate entries are created for each business unit.
  - **Dimensions:** For any dimensions selected, one entry is posted for each dimension value combination used in a G/L account. If neither option is used, a single entry is created for each account.
- **Inventory Period Close** – Indicates that the inventory period(s) with ending dates equal to or greater than the last date of the accounting period is closed.

After you close a fiscal year, you can still post general ledger entries to the closed year. When you post in a closed year, entries are marked as prior-year entries.

When the next entries are posted to a closed fiscal year, you must follow these steps.

1. Run the **Close Income Statement** batch job to transfer the balances to the retained earnings (equity) account.
2. Post the transferred entries.

### **Demonstration: Run the Close Income Statement Batch Job**

**Scenario:** After the 2013 fiscal year is closed, Phyllis, the Account Manager, must run the Close Income Statement batch job to transfer the income statement accounts to account 3120, the retained earnings account, as part of the fiscal year processing.

The default general journal is used and the posting description includes the fiscal year number.

You must keep the Area, Business Group, and Customer Group dimension information that is posted on the income account entries.

#### **Demonstration Steps**

1. Run the Close Income Statement batch job.
  - a. In the **Search** box, enter **Close Income Statement**, and click the related link.
  - b. Make sure that the **Fiscal Year Ending Date** is 12/31/13.
  - c. In the **Gen. Journal Template** field, click the drop-down list and select GENERAL.
  - d. In the **Gen. Journal Batch** field, click the drop-down list and select DEFAULT.
  - e. Click **OK**.
  - f. In the **Retained Earnings Acc.** field, enter 3120.
  - g. In the **Posting Description** field, add 2013 to the end of the text.
  - h. In the **Dimensions** field, click the **AssistEdit (...)** button.
  - i. Select the **Selected** check box for the AREA, BUSINESS GROUP, and CUSTOMER GROUP dimension codes.
  - j. Click **OK** to close the **Dimension Selection** page.
  - k. Click **OK** to run the **Close Income Statement** batch job.
  - l. Click **OK** to the message that the journal lines are now created.


## Posting the Journal

The **Close Income Statement** batch job transfers the closing entries to the specified journal batch. The batch job does not post the entries automatically.

If an account is not specified in the **Retained Earnings Acc.** field in the **Close Income Statement** batch job, one or more lines must be inserted into the journal with the retained earnings account, and the amount that will be posted to the account.

When the journal is posted, one or more entries are posted to each income statement account so that its balance becomes zero. Also, the retained earnings account is updated for the gain or loss.

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 **Note:** When an additional reporting currency is set up in the **General Ledger Setup** page, Microsoft Dynamics NAV2013 posts the journal automatically. This guarantees the correct posting of rounding differences.

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### Demonstration: Review Entries and Post the General Journal

In this demonstration, a general ledger account that has 2013 entries is reviewed before and after the journal is posted, to obtain a comparison. The steps for reviewing these entries are not part of the closing process.

**Scenario:** To complete the year-end closing process, Phyllis posts the entries transferred to the DEFAULT general journal batch.

Because a retained earnings account is already specified in the **Close Income Statement** batch job, a separate balancing line is not required.

#### Demonstration Steps

1. Review G/L account 9110 before posting.
  - a. In the **Search** box, enter **Chart of Accounts**, and click the related link.
  - b. Select account 9110.
  - c. Notice the amount in the **Net Change** field.
  - d. On the **Navigate** tab, click **Ledger Entries**.
  - e. Review the posted entries.
  - f. Click **Close** to close the **General Ledger Entries** page.



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2. Post the general journal.
  - a. In the **Search** box, enter **General Journals**, and click the related link.
  - b. Make sure that the DEFAULT batch is selected.
  - c. Do not change the Posting Date.
  - d. Scroll down to the last entry for account 3120, the Retained Earnings account. Notice the amount.

Notice that the **Total Balance** field at the bottom of the window contains a zero balance. Therefore, the journal can be posted.

- e. On the **Actions** tab, click **Post**.
  - f. Click **Yes** to post the journal.
  - g. Click **OK**.
  - h. Click **OK** to close the **General Journal** page.
3. Review G/L account 9110 after posting.

As soon as the journal lines are posted, an entry is posted to each income statement account so that its balance becomes zero and the year's result is transferred to the Retained Earnings account in the balance sheet.

To review the posted G/L accounts, follow these steps.

- a. In the **Search** box, enter **Chart of Accounts**, and click the related link
  - b. Select account 9110.

Notice that the **Net Change** field contains a zero balance.

- c. On the **Navigate** tab, click **Ledger Entries**.

Notice that an offsetting line appears for the amount noted when you reviewed the account before posting the journal.

- d. Click **Close** to close the **General Ledger Entries** page.
  - e. Select account 3120.
  - f. On the **Navigate** tab, click **Ledger Entries**.

Notice that the amount for the Close Income Statement 2013 line matches the amount for this account from the general journal.

- g. Click **Close** to close the **General Ledger Entries** page.

## Lab: Post an Entry into a Closed Fiscal Year

### Scenario

In this lesson, the 2013 fiscal year is already closed and it uses the three step process. It is now audit time and the auditors have found an additional vacation compensation expense for 7,844.74 LCY that must be posted in 2009.

As the accounting manager, it is your responsibility to post the accrual. The debit is to the Vacation Compensation expense (account 8740), and the credit is to the Vacation Compensation Payable account (5840). Use 12/31/13 as the posting date for the entry.

After the entry is made, transfer and post the expense to include it in the closing process. Use the following criteria to complete the closing process.

- Use the DEFAULT general journal as the transfer to journal.
- Post to the retained earnings account, 3120.
- Add 2013 Audit to the end of the posting description.
- Do not close by dimensions because dimensions are not used to post this expense.

You do not have to review any entries.

### Exercise 1: Post an Entry into a Closed Fiscal Year

#### Task 1: Post an Entry into a Closed Fiscal Year

##### *High Level Steps*

1. Post the accrual according to the scenario.
2. Run the Close Income Statement batch job according to the scenario.
3. Post the general journal.

##### *Detailed Steps*

1. Post the accrual according to the scenario.
  - a. On the **Navigation Pane**, click **Departments**.
  - b. Click **Financial Management > General Ledger > General Journals**.
  - c. In the **Batch Name** field, click the drop-down list and select the DEFAULT journal batch.
  - d. Click **OK**.
  - e. Delete any existing journal lines in the batch.
  - f. In the **Posting Date** field, enter 12/31/13.
  - g. Make sure that the **Account Type** field is set to G/L Account.

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- h. In the **Account No.** field, enter 8740.
    - i. In the **Amount** field, enter 7,844.74.
    - j. Make sure that the **Bal. Account Type** field is set to G/L Account.
    - k. In the **Bal. Account No.** field, enter 5740.
    - l. On the **Home** tab, click **Post**.
    - m. Click **Yes** to post the journal lines.
    - n. Click **OK**.
    - o. Click **OK** to close the **General Journal** page.
  2. Run the Close Income Statement batch job according to the scenario.
    - a. On the **Navigation Pane**, click **Departments**.
    - b. Click **Financial Management > Periodic Activities > Fiscal Year > Close Income Statement**.
    - c. Make sure that the **Fiscal Year Ending Date** is 12/31/13.
    - d. In the **Gen. Journal Template** field, click the drop-down list and select GENERAL.
    - e. In the **Gen. Journal Batch** field, click the drop-down list and select DEFAULT.
    - f. Click **OK**.
    - g. In the **Retained Earnings Acc.** field, enter 3120.
    - h. In the **Posting Description** field, add 2013 to the end of the text.
    - i. In the **Dimensions** field, click the **AssistEdit (...)** button.
    - j. Clear the **Selected** check box for the AREA, BUSINESS GROUP, and CUSTOMER GROUP dimension codes.
    - k. Click **OK** to close the **Dimension Selection** page.
    - l. Click **OK** to run the **Close Income Statement** batch job.
    - m. Click **OK** to the message that the journal lines are now created.
  3. Post the general journal.
    - a. On the **Navigation Pane**, click **Departments**.
    - b. Click **Financial Management > General Ledger > General Journals**.
    - c. Make sure that the DEFAULT batch is selected.
    - d. On the **Home** tab, click **Post**.
    - e. Click **Yes** to post the journal.
    - f. Click **OK**.
    - g. Click **OK** to close the **General Journal** page.

## Module Review

### ***Module Review and Takeaways***

The year-end closing processes in Microsoft Dynamics NAV 2013 are the final step in the fiscal year. A company must close all the income and expense accounts to obtain a final statement and balance for the year.

The year-end closing processes close all entries in Microsoft Dynamics NAV 2013 and the **Close Income Statement** batch job transfers all general ledger accounts to the balance so that the company is ready for the next period.

Completing the year-end closing processes will make data segregation and analysis easier, and will also simplify the review of the posted entries in the Chart of Accounts, because the balances only reflect the current year activity.

### **Test Your Knowledge**

Test your knowledge with the following questions.

1. What does not occur after the Close Year process is run?
  - ( ) The next entries posted in the closed year are marked as prior-year entries.
  - ( ) The Closed and Date Locked check boxes in the Accounting Periods window are selected.
  - ( ) A new fiscal year is created.
  - ( ) Period lengths of closed periods cannot be changed.
  
2. What steps must be performed after an entry is posted into a closed fiscal year?
  - ( ) Move on to the postings in the next fiscal year.
  - ( ) The Close Income Statement batch job must be run and then the transferred entries must be posted.
  - ( ) The next fiscal year must be created.

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3. Which of the following statements is false for the Close Income Statement batch job?
- Reconciles all G/L entries.
  - Transfers the income statement account balances to an account in the balance sheet.
  - Creates lines in a journal.
  - Closes the income statement accounts.
4. What type of account are closing entries transferred to?
- Accrued Earnings
  - Retained Earnings
  - Accrual Entries
  - Retained Accruals
5. What occurs when you post a journal that contains the closing entries?
- An entry is posted to each balance sheet account so that its balance becomes zero.
  - An entry is posted to each income statement account so that its balance becomes zero.
  - The income statement accounts are updated for the gain or loss.
  - The retained earnings accounts are updated so that their balances become zero.
6. In the closing process, what occurs when an additional reporting currency is set up in the General Ledger Setup window?
- This setup does not affect the closing process.
  - Additional currencies are added to the journal.
  - Two journals are created when the Close Income Statement batch job is run.
  - The journal is automatically posted when the Close Income Statement batch job is run.

7. What is used to transfer the income statement account balances to a balance sheet account?
- Transfer Fiscal Year Balance batch job
  - Close Income Statement batch job
  - Transfer Income Balance batch job
  - Close Fiscal Year batch job
8. Which of the following is not a step in completing the year-end closing process?
- Post the general journal.
  - Open the new fiscal year.
  - Transfer the Income Statement account balances.
  - Close the fiscal year.
9. What must occur to prevent users from posting in a closed period?
- Open a new fiscal year.
  - Run the Close Year process.
  - Set a date range in the General Ledger Setup window.
  - Close the Income Statement.

## Test Your Knowledge Solutions

### Module Review and Takeaways

1. What does not occur after the Close Year process is run?
  - The next entries posted in the closed year are marked as prior-year entries.
  - The Closed and Date Locked check boxes in the Accounting Periods window are selected.
  - A new fiscal year is created.
  - Period lengths of closed periods cannot be changed.
2. What steps must be performed after an entry is posted into a closed fiscal year?
  - Move on to the postings in the next fiscal year.
  - The Close Income Statement batch job must be run and then the transferred entries must be posted.
  - The next fiscal year must be created.
3. Which of the following statements is false for the Close Income Statement batch job?
  - Reconciles all G/L entries.
  - Transfers the income statement account balances to an account in the balance sheet.
  - Creates lines in a journal.
  - Closes the income statement accounts.
4. What type of account are closing entries transferred to?
  - Accrued Earnings
  - Retained Earnings
  - Accrual Entries
  - Retained Accruals

5. What occurs when you post a journal that contains the closing entries?
- An entry is posted to each balance sheet account so that its balance becomes zero.
  - An entry is posted to each income statement account so that its balance becomes zero.
  - The income statement accounts are updated for the gain or loss.
  - The retained earnings accounts are updated so that their balances become zero.
6. In the closing process, what occurs when an additional reporting currency is set up in the General Ledger Setup window?
- This setup does not affect the closing process.
  - Additional currencies are added to the journal.
  - Two journals are created when the Close Income Statement batch job is run.
  - The journal is automatically posted when the Close Income Statement batch job is run.
7. What is used to transfer the income statement account balances to a balance sheet account?
- Transfer Fiscal Year Balance batch job
  - Close Income Statement batch job
  - Transfer Income Balance batch job
  - Close Fiscal Year batch job
8. Which of the following is not a step in completing the year-end closing process?
- Post the general journal.
  - Open the new fiscal year.
  - Transfer the Income Statement account balances.
  - Close the fiscal year.



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9. What must occur to prevent users from posting in a closed period?
- Open a new fiscal year.
  - Run the Close Year process.
  - Set a date range in the General Ledger Setup window.
  - Close the Income Statement.

