Time to prepare annual reports is approaching 1/40/23

For most companies the financial year coincides with the calendar year, so the end of the calendar year means they need to do tasks relevant to preparation of financial statements, including an inventory of account balances and a reconciliation of debtor and creditor balances at the balance sheet date.

Data reconciliations with debtors and creditors are usually performed by the basic functionality of the accounting system automatically preparing and sending reconciliation statements according to contacts entered into the system. If such functionality is not available for any reason, then depending on the number of suppliers it's useful to estimate how much time it will take to reconcile the data. If the time spent manually reconciling information is substantial, it's worth considering setting up small automations, for instance, in Power Automate or Google Suite, which mass-produce personalised emails seeking approvals for supplier balances based on input data.

Reconciling tax account balances

When a taxpayer's accounting records are reconciled with data in the Electronic Declaration System (EDS) of the State Revenue Service (SRS), this often shows up a discrepancy of tax payments between the accounting records and the balances available to the SRS. Such discrepancies can have a variety of reasons, for example:

- Late entries have been made in the accounting system's records for the period for which reports have been filed with the SRS.
- Late fees have been charged that have not been recorded.
- An overpay of solidarity tax has not been recorded.
- Tax reports are prepared manually, rather than being imported from the accounting system.

To identify discrepancies, a detailed reconciliation of tax data needs to be undertaken using available EDS reports or tax returns, which in the case of manual reconciliation may take too long. For this data reconciliation it's possible to create templates allowing you to reconcile this information easily and quickly. For example, you can use Power Query to create templates for summarising VAT information and making detailed compliance checks against your accounting records. Find out more about how to create templates like this in our PwC's Digital Academy Latvija course.

Apps used to prepare the annual report

While accounting systems will prepare both the balance sheet and the profit and loss (P&L) account according to defined settings, the annual report needs to break down a number of additional details, including in the form of numerical tables.

Let's take a look at some errors that are typically made in preparing the annual report:

- There are mathematical errors between the balance sheet, P&L and notes to the accounts.
- Not all of the required information is broken down in the notes to the accounts (some required notes are missing).
- Any adjustments made outside the accounting system for the purpose of preparing the annual report are numerically inaccurate or difficult to trace.

In our earlier articles we evaluated the advantages and disadvantages of using various types of software, such as Excel or Word, for preparing the annual report. We came to the conclusion that the risk of these errors can be eliminated by setting up a template in a program you find the most convenient.

Of course, setting up a template on your own will take time, but in subsequent years the template can substantially reduce the time spent preparing the annual report by eliminating the manual job of copying data between multiple data sources. If you are unable to set up a template on your own or if you have no time for that, we encourage you to read about PwC's Annual Report Preparation Tool.