

Year-End Reconciliation Checklist

A printable 4-phase walkthrough for UK businesses, plus the HMRC and Companies House penalty schedule that makes year-end close worth doing on time.

Before you start

- Confirm your fiscal year-end date (5 April for sole traders; company year-end varies).
- Confirm filing deadlines: CT600 within 12 months; Companies House accounts within 9 months; Self Assessment by 31 January.
- Allocate 2 to 3 working days. Sole traders: half a day if monthly reconciliation is current.

Phase 1 – Gather everything (Day 1)

- Download 12 months of bank statements (current accounts, savings, credit cards, loans, petty cash). PDF or CSV.
- Export your accounting software transactions for the same 12-month period.
- Collect outstanding items: uncleared cheques, deposits in transit, raised but unpaid invoices, bills entered but unpaid.
- Pull all four VAT returns for the period if VAT-registered.
- If a limited company: pull the prior year director's loan account closing balance.

Phase 2 – Reconcile each account (Day 1 to 2)

- Start with your main current account. Most transactions, most error potential.
- Match bank lines to accounting entries on amount + date + reference.
- Investigate unmatched items: timing differences, missing entries, duplicates, bank charges not recorded.
- Process each additional account in turn (savings, cards, loans, PayPal, Stripe).
- Check inter-account transfers appear on both sides.
- Reconcile petty cash: count physical cash, compare to petty cash book.

Phase 3 – Year-end adjustments (Day 2 to 3)

- Accruals:** expenses incurred but not yet billed (utilities, phone, accountant's fees, insurance).

- Prepayments:** expenses paid in advance (annual insurance, software licences, rent paid quarterly).
- Depreciation:** annual charge on fixed assets. Check rates against HMRC AIA guidance (£1,000,000 for 2025/26).
- Bad debts:** review invoices over 90 days. Write off uncollectable. Reclaim VAT on written-off debts.
- Stock valuation:** count and value at lower of cost or net realisable value.
- Director's loan account:** if >£10,000 owed by director at year-end, flag for s.455 tax + benefit-in-kind.

Phase 4 – Final checks (Day 3)

- Trial balance review: debits = credits. Investigate any difference.
- Compare to prior year: revenue and expenses broadly similar?
- VAT reconciliation: balance sheet VAT liability matches paid + due to HMRC?
- Bank statement closing balance = accounting software closing balance.
- Sign off the reconciliation. Date it. File the working papers.

UK late filing penalties (current 2026)

Filing	1 day late	3 months	6 months	12 months
Self Assessment (sole trader / partner / landlord)	£100	£100 + £10/ day cap £900	+ £300 or 5% (greater)	+ £300 or 5% (greater)
Companies House accounts	£150 (under 1m)	£375	£750	£1,500 (doubled if 2 consecutive years late)
Corporation Tax (CT600)	£100	+ £100	HMRC determines tax + 10% unpaid	+ another 10% unpaid

Late payment interest on Corporation Tax: 7.75% per annum daily. Sources: gov.uk Self Assessment penalties; gov.uk annual accounts late filing penalties; gov.uk Corporation Tax filing.

Top 7 year-end mistakes to avoid

1. Reconciling year-to-date as one block instead of monthly batches.
2. Forgetting bank fees and interest accumulated through the year.
3. Missing director's loan account movements (a common s.455 trigger).
4. Not posting depreciation before drawing down accounts.
5. Inconsistent VAT treatment across the year (T9 vs T2, NV vs EX).
6. Stale opening balances from a prior period not properly closed.
7. Skipping the trial balance check before filing.

When to start

Within the first week of your new financial year, ideally within 2 weeks of the year-end date. If you reconcile monthly throughout the year, year-end becomes a sign-off rather than a reconstruction.

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