

Annual Financial Statements: What You Should Keep in Mind

Significance of the annual financial statements

The annual financial statement is crucial for your company. It is providing insight into assets, liabilities, income, and expenses to both internal and external stakeholders. To ensure a correct and meaningful financial statement, consider the following key points:

1. Previous Year(s) Figures and General Assembly Minutes

Ensure that the opening balance sheet matches the previous year's figures. Additionally, have the signed general assembly minutes available to correctly record profit distribution as decided by the shareholders.

2. Bank and Cash Reconciliation

Reconcile your bank account with bank statements to identify any discrepancies or missing entries. It's essential that the bank balance in your accounting matches the bank statement. If you manage a cash register, conduct a physical count ("cash check") at the end of the year and compare it to the cash balance in the accounting.

3. Debtor and Creditor Reconciliation

If you don't maintain debtor and creditor accounting, create a list of all open items (open item list). This includes all claims or liabilities from deliveries and services (debtors or creditors). For uninvoiced services or goods at year-end, list them and manually book them into the accounting. For claims (debtors), consider individual impairment for doubtful accounts and/or general impairment.

4. Inventory and Uninvoiced Services in the Annual Financial Statement

Physically count inventory at year-end and list inventory at cost or acquisition cost. In Switzerland, it is allowed by law to capitalize the stock by two thirds of the real value (so-called «Warendrittel») to reduce profit.

As for uninvoiced services, all services are to be listed, which aren't billed at year's end.

5. Period and Object-Based Separations in the Annual Financial Statement

Reclassify invoices that don't belong to the current period (e.g., prepaid expenses for the next year) or missing invoices (e.g., unpaid expenses like trustee fees for the financial statement) using active or passive accruals.

6. Fixed Assets

Establish and apply an activation threshold for fixed assets consistently. Fixed assets, including tangible and intangible assets, should be depreciated according to tax-allowed rates (see Federal Tax Administration's A 1995 guide for business).

7. Financial Assets

Assess if year-end valuations need adjustment. Check if grouping valuation is permitted or if individual valuations per position are necessary.

8. Payroll Accounting

Ensure all salaries and social security contributions are correctly recorded and settled. Also, compare the social security final statements with the submitted payroll reports. We can assist with social security reconciliations.

Summary

The annual financial statement requires attention to several key areas: aligning previous year figures with the opening balance, reconciling bank and cash accounts, listing open items for debtors and creditors, correctly accounting for inventory and uninvoiced services, making period and object-based separations, depreciating fixed assets according to tax rules, and ensuring accurate payroll and social security accounting. These steps ensure a correct and meaningful financial statement, essential for both internal decision-making and external reporting. If you need support in preparing your financial statements, we are here to assist.