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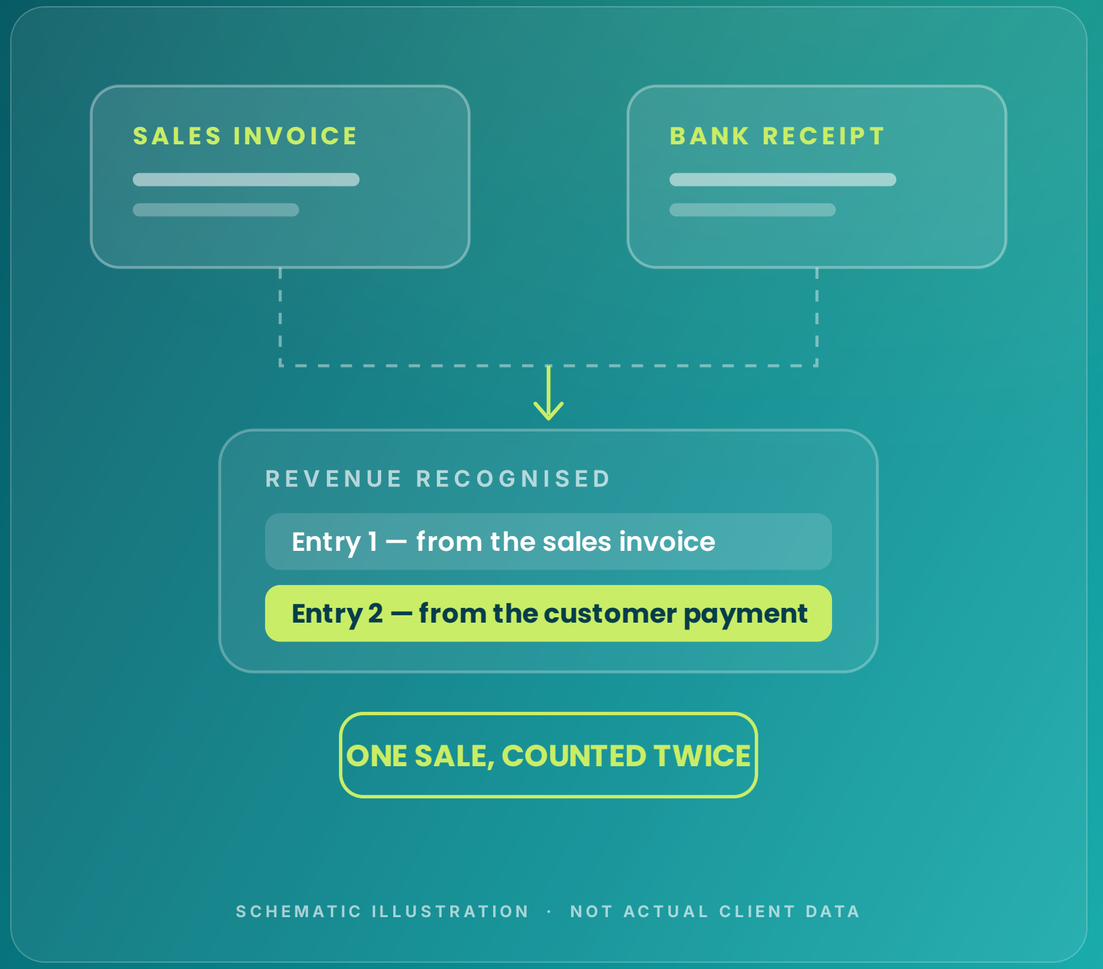
Accounting & Bookkeeping Specialist

CASE STUDY 02 · XERO FILE REVIEW & YEAR-END CORRECTIONS

The Books Looked Fine. The Revenue Was Counted Twice.

How a pre-year-end Xero review uncovered duplicated income, incorrectly capitalised expenses and unreliable financial reports for a UK small business.

PLATFORM Xero	SERVICE File Review & Correction
CLIENT UK Small Business	FOCUS Year-End Bookkeeping Accuracy



PREPARED BY

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SECTION 01 · THE STARTING POSITION

A Complete File Isn’t Always a Correct File

Every transaction appeared to be entered. The reports generated normally. But the accounting treatment behind several transactions was incorrect.

WHAT WAS PRESENT

Completeness

- Transactions entered.
- Reports available.
- Records apparently organised.

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Complete is not Correct

WHAT WAS MISSING

Accuracy

- Correct accounting treatment.
- Properly matched customer receipts.
- Correct financial classifications.
- Reliable financial reports.

The client requested a detailed review of their Xero records before year-end reporting. At first glance the bookkeeping appeared complete: transactions were present, the accounts looked organised and the financial reports generated without an obvious technical error.

Having every transaction recorded does not mean every transaction has been recorded correctly. A closer review identified accounting errors affecting reported revenue, expense classification and the balance sheet.

The most significant issue was duplicated income. Customer payments had been entered as additional revenue despite the related sales invoices already being recorded — and the result was an overstated turnover figure.

THE TAKEAWAY

A bookkeeping review looks beyond whether transactions are present. It examines whether they have been recorded, classified and reconciled correctly.

Three Problems Hidden in a Tidy Xero File

The financial reports appeared normal, but three accounting errors were affecting the reliability of the underlying figures.

01

Revenue Double-Counted

WHAT WAS WRONG

Bank receipts had been recorded as new income even though corresponding sales invoices had already been issued and recognised in Xero. The same underlying sales were therefore counted twice.

WHY IT MATTERED

Reported turnover was overstated and the financial reports did not reflect the business's actual revenue. The incorrect figure also complicated the client's assessment of their VAT registration position.

02

Software Subscriptions Incorrectly Capitalised

WHAT WAS WRONG

Software subscription payments had been classified as fixed assets rather than recorded as the relevant operating expenses. The costs identified here should not have been treated as long-term capital assets.

WHY IT MATTERED

The balance sheet carried inflated asset balances and the Profit & Loss Statement did not reflect the subscription expenses correctly. Correcting the classification was necessary for reliable year-end statements.

03

Business Expenses Miscategorised

WHAT WAS WRONG

Domain registration and website hosting fees had been categorised under advertising expenses rather than the appropriate operating expense accounts.

WHY IT MATTERED

Although the amounts were relatively minor, the classification distorted the breakdown of operating costs. Accurate categories matter for management reporting and for comparing costs across periods.

How a single sale is counted twice

Schematic illustration — not actual client transaction data.



Why Accurate Turnover Matters

Incorrect bookkeeping can affect financial statements, tax preparation and the assessment of VAT registration requirements.

UK VAT REGISTRATION THRESHOLD

£90,000

Taxable turnover, rolling 12 months

Registration generally depends on taxable turnover exceeding the threshold over the preceding 12 months, or on expected taxable turnover exceeding it within the next 30 days, subject to the applicable rules. Total accounting revenue and taxable turnover are not automatically identical.

Threshold as at September 2026. Confirm the threshold applicable to the relevant accounting period against current HMRC VAT registration guidance.

The client's reported turnover had been overstated because customer receipts were recorded as additional income. That created an unreliable starting point for year-end reporting and for assessing the VAT position. Correcting the duplicated income also helped ensure the financial statements reflected the underlying transactions properly.

01 **Financial Reporting**

Overstated revenue can distort the Profit & Loss Statement and misrepresent the business's financial performance.

02 **Year-End Tax Preparation**

The client's accountant needed dependable accounting information before preparing the relevant year-end work.

03 **VAT Registration Assessment**

Accurate taxable turnover information was necessary to assess the business's position against the applicable VAT registration rules.

> **The correct VAT position starts with the correct turnover figure.**

Found and Fixed Before Filing

Four targeted corrections, supported by source documents and followed by updated financial reporting.

01

Match Customer Receipts

- Reviewed customer receipts and their corresponding sales invoices in Xero.
- Identified bank receipts recorded as new income rather than matched to an outstanding invoice.
- Matched the relevant customer payments to the appropriate invoices.

02

Remove Duplicate Revenue

- Identified transactions that caused sales income to be counted more than once.
- Corrected the affected entries to eliminate the duplicated revenue.
- Reviewed the corrected transactions against the underlying sales.

03

Correct Capital & Revenue Classifications

- Reviewed software subscriptions incorrectly classified as fixed assets.
- Reclassified the affected transactions to the appropriate operating expense accounts.
- Recoded domain registration and hosting costs recorded under advertising.

04

Recode & Rerun the Reports

- Reviewed the revised transactions and supporting documentation.
- Updated the affected accounting entries.
- Regenerated the reports and checked they reflected the corrected figures.

Source documents were reviewed, incorrect entries were corrected and the financial reports were regenerated to support accurate year-end accounting.

PLATFORM	Xero
SERVICE	Pre-Year-End File Review & Correction
PRICING	Fixed Fee, Quoted Upfront

SECTION 05 · DOCUMENTED RESULTS

The Outcome

The underlying transactions remained the same. Correcting how they were recorded changed the reliability of the financial reports.

	BEFORE THE REVIEW		AFTER THE CORRECTIONS
01	Turnover overstated by duplicate income.	→	Revenue corrected to reflect the underlying sales without double-counting customer receipts.
02	Assets inflated by incorrectly capitalised software subscriptions.	→	Relevant costs reclassified and reflected appropriately in the Profit & Loss Statement and Balance Sheet.
03	Financial reports did not reliably reflect the underlying accounting transactions.	→	Corrected financial reports were available to support the accountant's year-end work.
04	The VAT threshold position could not be assessed reliably from the overstated turnover figure.	→	The corrected turnover provided a more reliable basis for assessing the applicable VAT registration requirements.

Accurate reporting begins with correctly recorded transactions.

The project illustrates the value of reviewing accounting records before the financial information is used for year-end reporting.

The original file contained transactions and generated financial reports, but several entries were incorrectly recorded. The review identified the underlying problems and corrected the accounting treatment, providing a more reliable basis for the accountant’s year-end work.

WORK WITH ME

Are Your Books as Accurate as They Look?

Professional bookkeeping cleanup, financial reconciliation and accounting support for businesses and accounting firms.

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Bookkeeping Cleanup

Review historical accounting records, identify bookkeeping errors, correct transaction classifications and restore organised financial records.

Catch-Up Bookkeeping

Bring overdue bookkeeping up to date, organise missing transactions and prepare records for the appropriate reporting period.

Bank & Credit Card Reconciliation

Match financial transactions, investigate discrepancies and maintain accurate reconciled account balances.

Accounts Receivable & Payable

Manage customer and supplier transactions, reconcile outstanding balances and maintain organised receivables and payables records.

Financial Reporting

Prepare Profit & Loss Statements, Balance Sheets and Trial Balances to support financial management and year-end accounting.

Monthly Bookkeeping

Provide ongoing transaction management, account reconciliation and financial reporting support.

SOFTWARE: QuickBooks Online · QuickBooks Desktop · Xero · Wave · AppFolio · A2X

This project was completed in Xero.

FOR BUSINESS OWNERS

Are your bookkeeping records behind or difficult to reconcile? Get professional support with cleanup, catch-up bookkeeping and financial reporting.

MESSAGE **CLEANUP**

FOR ACCOUNTING FIRMS

Need dependable bookkeeping support during busy periods? Explore assistance with reconciliations, historical cleanup and ongoing bookkeeping.

MESSAGE **CAPACITY**

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SCAN TO VISIT

Clean Books. Clear Financials. Confident Decisions.