Prepaid expenses schedule checklist

Use it at each close to keep the prepaid schedule complete and tied to the ledger. Lines with a document name what to request from the client.

Client or engagement

Documents that open a row

- [ ] Insurance policy declarations page
  Shows the premium and the coverage start and end dates.
- [ ] Annual software or subscription invoice
  Must print the service period, not only the charge date.
- [ ] Lease, for rent paid ahead
  Months covered by the advance payment.
- [ ] Retainer or deposit agreement
  What the payment buys and when it is used.
- [ ] Proof of payment
  Bank or card statement line, or the paid receipt.

Fill the row

- [ ] Vendor, description and document number
- [ ] Payment date and amount paid
- [ ] Service start and end dates from the document
- [ ] Months covered and monthly amount
  Example: $12,000 policy, March 1 to February 28 = 12 months x $1,000.
- [ ] Monthly columns and remaining balance
  Example above: $10,000 left after April.
- [ ] Mid-month policy written in the header
  Prorate by days, or start in the first full month.

Post and tie out

- [ ] Book each new prepaid to the prepaid account
  Dr Prepaid expenses / Cr Cash or Accounts payable.
- [ ] Post the month’s amortization
  Dr Insurance, Software or Rent expense / Cr Prepaid expenses.
- [ ] Compare the schedule total with the ledger balance
  Difference must be zero at sign-off.

- [ ] Scan the month’s bills for new prepaids
  Any bill covering future months gets a row.

Exceptions and year-end

- [ ] Close rows for cancelled policies
  Refund credits prepaid; the unrefunded rest goes to expense that month.
- [ ] Expense items under the firm’s materiality floor
  Write the floor on the schedule.
- [ ] Flag large prepaids paid near year-end for the tax preparer
  They may qualify for the 12-month rule.