Opening Balance Equity Cleanup Guide 2026

Find it, fix it, close it. A 3-step method for QuickBooks Desktop and QuickBooks Online files.

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Use with Opening_Balance_Equity_Cleanup_Workbook_2026 (.xlsx)

Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience.

Important. This guide is educational. It is not tax, legal or accounting advice and does not guarantee any result. Where equity belongs depends on your entity type and tax history, so confirm the final entry with your CPA or tax preparer. Never send anyone your bank password or full account numbers.

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What OBE is, and why it should end at zero

QuickBooks creates **Opening Balance Equity** as a holding account. When you type an opening balance while creating a bank, credit card, loan or asset account, or enter a starting quantity for an inventory item, QuickBooks needs an offset, and it uses OBE.

That is fine on day one. But OBE is not a real owner's equity account. Once setup is finished, an accountant normally moves the balance into the proper equity account so the Balance Sheet shows OBE at **0.00**.

Why it stays non-zero

- Some opening balances were entered on the wrong date, or twice.
- Someone posted a journal entry or deposit to OBE after the start date to "make it balance".
- A bank opening balance was edited after it was reconciled.
- Owner money or old customer/vendor balances were parked in OBE.

> **Rule of thumb:** lines dated on the books start date that match a real statement or count are usually fine to keep. Lines dated *after* the start date deserve a closer look.

Example used in the workbook

Group	Amount	Decision
Bank, card, inventory, equipment and loan opening balances (5 lines)	32,450.00	Keep
Journal entry dated 03/15/2026 "fix bank diff" + A/R opening line	1,000.00	Fix
Deposit dated 05/02/2026 "owner money"	5,000.00	Ask CPA
OBE on the Balance Sheet	**38,450.00**	

Amount to close out = 38,450.00 minus Fix lines 1,000.00 = **37,450.00** (example values only).

Step 1: Export your OBE report

QuickBooks Desktop

1. Open **Lists > Chart of Accounts**.
2. Click once on **Opening Balance Equity**.
3. Click **Reports** (bottom of the window) > **QuickReport**. Set Dates to **All**.
4. Click **Excel > Create New Worksheet**, then copy the rows.

QuickBooks Online (explained step by step)

1. Open the **Chart of accounts**. If you cannot find it in the menu, type "Chart of accounts" in the search bar at the top.
2. Find the **Opening Balance Equity** row. In the Action column, select **Account history** or **Run report** (the label depends on the account and your version).
3. Set the date range to cover everything (for example, All dates).
4. Use the **Export** icon to download to Excel, then copy the rows.

> Online menus move from time to time. If a label differs, use the search bar or Intuit's help for "account history".

Paste into the workbook (tab: OBE Analyzer, yellow area)

Workbook column	Desktop QuickReport	Online report
Date	Date	Date
Type	Type	Transaction type
Num	Num	Num / Ref no.
Name	Name	Name / Payee
Memo	Memo	Memo / Description
Split (other account)	Split	Split / Account
Amount	Amount	Amount (or Credit minus Debit)

Then type the **books start date** and the **OBE balance** from your Balance Sheet. If the total shows the same number with the opposite sign, set **Flip signs** to Yes. The CHECKS box must show a difference of 0.00 before you continue.

Step 2: Decide each line

The **Auto check** column reads each line and suggests what to look at. Pink means "take a closer look". You make the final call in the yellow **Your decision** column.

Auto check	What it usually means	Typical decision
Opening balance at setup	Dated on/before the start date, memo says opening	Keep, if it matches the statement or count
After start date: review	Posted later, often a "plug" to force a balance	Fix: re-code to the right account
A/R or A/P line: unusual	Customer/vendor balance touching OBE	Fix: re-enter as invoice/bill balance
Inventory opening value	Item set up with quantity on hand	Keep, if quantity and cost were right
Uncategorized: check	Offset to an uncategorized account	Fix or Ask CPA
Review source	None of the above	Open the transaction and decide

How to fix a "Fix" line

- **Desktop:** double-click the line in the QuickReport to open the transaction. Change the date, account or amount, then save.
- **Online:** click the line in the report to open it. Change the account (or date) and select Save.
- If the line is **reconciled**, editing it changes past reconciliations. Write down the statement balance first, or ask your accountant.
- After fixing, re-export the OBE report and paste again. The Fix total should drop out of the balance.

> **Ask CPA** is the right choice when a line looks like owner money, a prior-year adjustment, or anything that touches a filed tax return. The workbook warns you until every Ask CPA line is resolved.

Step 3: Post the close-out entry

Open the **Close-Out Entry** tab. Choose the entity type, list the equity account(s) exactly as named in your file, and enter each share. The tab builds a balanced journal entry: it debits OBE and credits equity (or the reverse if OBE is negative).

Entity type	Where OBE usually goes	Confirm with
Sole proprietor / single-member LLC	Owner's Equity or Owner's Investment	Your records
Multi-member LLC / partnership	Each partner's capital account	Partnership agreement, prior return
S corporation	Retained Earnings or Paid-in Capital	Your CPA and the prior-year return balance sheet
C corporation	Retained Earnings or Paid-in Capital	Your CPA and the prior-year return balance sheet

Enter the journal entry

- **Desktop:** Company > Make General Journal Entries. Use the entry date shown (usually the books start date).
- **Online:** + New > Journal entry. Enter the same lines, same date, and Save.
- Run the Balance Sheet as of that date. OBE should show 0.00 once the Fix lines are corrected.

Lock the period so it stays clean

- **Desktop:** Edit > Preferences > Accounting > Company Preferences > Set Date/Password.
- **Online** (from Intuit's "Lock your books" help article): Settings > Account and settings > Advanced > Accounting > Edit > turn on Close the books > enter the Closing date > choose a warning or password option > Save. Sign in as a primary or company admin.

> If prior-year tax returns were already filed, changing dated entries can make the books disagree with those returns. Ask your CPA which date to use.

Year-end OBE checklist

✓	Task
☐	Export the OBE report (all dates) and paste it into the workbook
☐	CHECKS box shows a 0.00 difference to the Balance Sheet
☐	Every line has a decision (Keep, Fix or Ask CPA)
☐	Fix lines corrected at the source transaction
☐	Ask CPA lines answered and re-marked
☐	Owner % adds to 100% and the entry is balanced
☐	Close-out journal entry posted with the right date
☐	Balance Sheet shows OBE = 0.00
☐	Closing date set and a backup saved

What this kit does not do

- It does not connect to or change your QuickBooks file. You enter every change yourself.
- It does not decide tax treatment, prior-year amendments or partner capital allocations.
- It does not replace a reconciliation of bank and card accounts.

> **Need a hand?** If your OBE has years of history or the books do not match your filed returns, a bookkeeping professional can review the file with you. taxnpaypro.com is a US tax and bookkeeping practice with 20+ years of bookkeeping experience (English and Korean).

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