PBQ Newsletter

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Peachtree, Business Works, QuickBooks Software

PBQ Newsletter is an instructional newsletter developed by Gordon J. Maier & Company, LLP, to support users of **P**eachtree, **B**usiness Works and **Q**uickBooks Software. In this quarterly newsletter, we will take you beyond the basics of data entry, and focus on a specific area of these programs. We will provide details on how to perform certain transactions, as well as making you aware of how to avoid common errors.

The focus of this issue is on maintaining and adjusting your accounts payable. You will find useful information regarding:

- Reports to help you monitor your bills.
- Properly applying credits to offset your balance due.
- How to make corrections in accounts payable without effecting closed or prior periods.

Ultimately, we want you to have the tools you need to effectively manage your cash position, gage your profits and losses, and plan for your income taxes. Each of the software programs included in this newsletter has the capability of allowing you to keep accurate and current financial records when used properly. If you do not feel that you are getting full value from your program, we should talk.

If there are topics that you would like to see in future newsletters or if you have questions about the items discussed in this newsletter, please contact us at (262) 634-7108 or:

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Accounts Payable Cut-off (Accrual Accounting)

Not using a proper accounts payable cut-off when entering bills can lead to inconsistent financial reports from period to period. Therefore, it is important to consider the appropriate period when posting a vendor invoice. Simply using the date of the invoice is not always appropriate when posting accounts payable. An example is as follows:

Your company receives a shipment of goods on August 29.

A week later the vendor sends you an invoice dated September 2.

In this example the goods were received and the expense was incurred in August; even though, the bill was not received until September. If the invoice was entered using the September date, then the expense and liability would be understated in August and overstated in September. When comparing these periods

the reports would be skewed and your comparison would not be accurate.

In a case such as this when bills received after month-end are for goods and services received in a prior month it is appropriate to record these bills in the prior month before closing that month.

Each software may manage this in a different manner, so we welcome your questions regarding accounts payable cut-off and how to handle it in your program.

Sage Peachtree - Cleaning Up Your Accounts Payables.
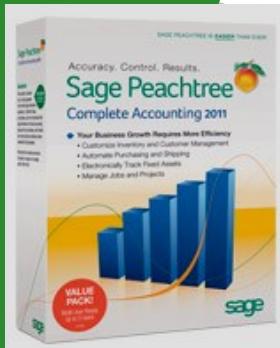
Sage Peachtree Complete Accounting 2011

Here is another tip to help you control your cash flow with regards to cleaning up your accounts payable.

The first thing you want to do is print off an accounts payable aging report. On this report you should verify the amounts you owe your vendors are correct with your vendors invoices.

If you have discovered that there are balances that are on your aging report that you do not owe or there are credit balances that you don't have with the vendor, then these are the steps you

should follow to clear them off.

Entering Credit Memos:

Step 1: Click on Task.

Step 2: Click on Vendor Credit Memos.

Step 3: Enter Vendor ID.

Step 4: Enter pass the date.

Step 5: Type in a credit number.

Step 6: In the Apply to Invoice No.: Select the invoice number you are crediting off.

Step 7: In the Returned box enter 1.

Step 8: Description Column you can leave as is or you can type a description.

Step 9: In the G/L Account Box, this should be the same account the original invoice was posted too.

Step 10: Unit Price box put in the amount of the invoice you are crediting off.

Step 11: Click the save button.

If you have a credit on your aged payable and it shouldn't be there you will need to enter a bill. If you have questions please call.

Sage Business Works - Cleaning Up Your Accounts Payables.

Sage Business Works 2010

Like Peachtree the first thing you want to do is print off an accounts payable aging report. On this report verify the amounts you owe your vendors are correct with your vendors invoices you haven't paid.

Now that you have discovered the ones that need to be written off, because you don't owe them the following steps are how to enter debit memos to be applied to these invoices:

Note: Credit memo in Business Works is used to write-off negative balances

for vendors.

Step 1: Click on A/P pull down menu.

Step 2: Click Invoices.

Step 3: Debit Memos.

Step 4: Select the Vendor ID you want to clear off.

Step 5: Apply to make sure the invoice is selected.

Step 6: Invoice # box you want to click on the button next to the box and select the invoice number you are writing-off.

Step 7: Debit Reference box just enter a number.

Step 8: Enter the date. This should be a date in your open period if not you will get a warning.

Step 9: Enter the amount of the invoice you are writing off. It will show you the amount.

Step 10: Account number should be the original account number the invoice was posted. Select Accept and post.

If you have questions please call.

QuickBooks by Intuit - Accounts Payable Tools

Important Note: Unlike many accounting programs, QuickBooks does not have a formal closing process for past months or years. Therefore, if you make changes to transactions that are dated for a prior period, the reports from those periods will change and your beginning balances for the current period will change. If these reports have been used for financial statements or tax returns and changes are made to the original transaction, your program will no longer balance with the original statements or tax returns. Use the instructions that follow to properly make changes to your accounts payable without affecting prior periods.

Accounts Payable Review

There are several reports that will help you review your accounts payable. Each report gives you a different level of detail. Listed are some useful reports that you can use.

- A/P aging summary (less detail)
- Unpaid bills detail   (more detail)
- Vendor Balance Detail (most detail)
- Customized your own report—Choose the information you want to see and save it as a template for future use.

In addition to these reports, QuickBooks has a vendor center that allows you to review each vendor's account individually and is useful to find specific transactions or review historical vendor data.

Items to look for as your review accounts payable:

- Negative balances
- Old transactions that should have been cleared
- Offsetting credits and bills
- Unusual balances

Typical Causes for Corrections
1. A bill that was duplicated
2. A bill that was entered and then paid with a general check instead of a bill payment
3. A bill that was paid, but later adjusted or erased leaving the payment without a matching bill
4. Unapplied credits or an accumulation of unused credits
5. Items posted directly to accounts payable other than a bill or credit, such as a general check or journal entry

Instructions to Adjust A/P

If you are working in the current month or period, you can adjust the original transactions to make corrections. However, when correcting items that are dated for a prior period it is important not to make changes to the original transaction. The following instructions are geared towards correcting transactions that involve past periods.

In any case you will ultimately need to apply a credit against a bill. To do this:
1. From the Vendor menu, select pay bills
2. Select the bill you wish to offset with a credit
3. Below the bills window, select the Set Credits button to choose the credit that you can apply to this bill
4. Select the appropriate credits to offset the bill and select Done
5. Use the current date and select Pay Selected Bills—for corrections to a/p this payment should result in a $0.00 payment.

Referring to the aforementioned causes, in the case of items 1 and 2 the bill needs to be offset. The proper way to do this is by entering a credit **using the current date**. To do this:
1. From the vendors menu, select Enter Bills
2. Select the Credit button instead of bill
3. Use the expense account used with the original bill
4. Apply the credit to the original bill

For causes 3 and 4 the credits need to be offset. The proper way to do this is by entering a bill **using the current date**. Once the bill is entered you can apply the original payments or credits to your new bill. If the credits are legitimate then they should be saved and used to offset future bills.
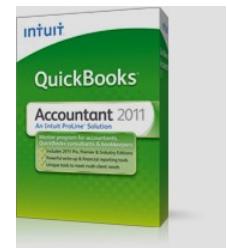
Intuit QuickBooks Accountant Edition 2011

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Founded in 1935, we are celebrating over 75 years in Racine. Please see our website (gjmllp.com) for a listing of our services.

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Instructions to correct A/P in QuickBooks

(Continued from Page 3)

In the case of cause 5, referring to items posted directly to accounts payable other than a bill or credit, the general correction that is needed could vary.

If a journal entry is used to post directly to Accounts payable and a correction needs to be made, then a reversing journal entry is recommended. To do this:
1. Post a new journal entry **using the current date**
2. Use the same information as the original entry, except reverse the debit and credits.
3. Go to the pay bills window and select the entry—one entry will be treated as a bill and the other as a credit.
4. From the pay bills window, apply the credit to the bill using the journal entries that were posted. (This will apply the new reversing journal entry against the original journal entry)

If a check is posted directly to accounts payable without using the bill payment option, it can be correct by entering a bill. The check will then be treated as a credit and can be applied to the bill.

Preventing the need for these corrections

There are multiple scenarios that may require you to make corrections. Keeping on top of your accounts payable balances on an ongoing basis will prevent you from needing to make most of these corrections, as it will allow you to correct the original transactions before the period has past. It will save time in the long run due to the time it takes to research vendor history to determine the appropriate balances and corrections.