

**Contents:**  
 Issues  
 Create Item  
 Create Invoice  
 Customer Payments  
 Add Payment to Deposit  
 Deposit Screen  
 Configure Reports

**If you are required to accrue income**, then use QuickBooks' Invoice feature to record expected customer income. Accrued Income is a method of bookkeeping in which income is recorded at the time you ship a product or provide a service. Under this method, the time when you enter a transaction and the time when you actually receive cash may be two separate events and may occur in two separate calendar months.

In QuickBooks, an accrual basis report shows expected income from all your customers who owe money.

**If your office operates on a cash basis**, then do NOT use the Customer Invoice process in QuickBooks. Record all money received in your manual receipt book and record the transactions in the Deposit screen. (see separate procedure, "[Receiving and Depositing Money](#)")

**Issues:**

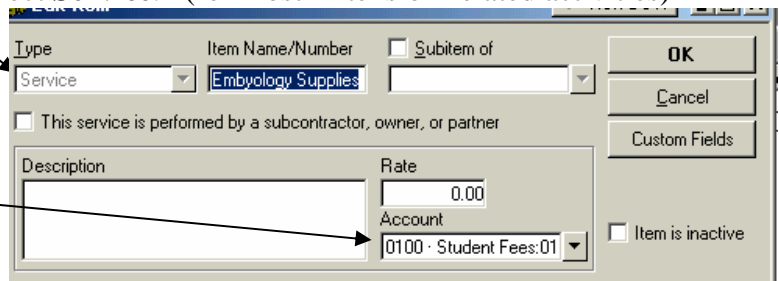
- ★ An **Item** must be created for each income type. (see section, "Create Item for Customer Income")
- ★ Each Item must be related to an **existing Income account**.
- ★ A customer **invoice** must be created with an appropriate item identified.
- ★ All money (customer payment) received to pay a Council Invoice must be recorded in the Receipt book and reported under **Customer, Received Payment** option from the QB menu bar.
- ★ Do NOT use Credit Memo. QB does not allow for class tracking.
- ★ Customer Payments are recorded in the **Deposit Screen** AFTER recording the amount received in the Customer, Received Payment screen. (see section, "Add Customer Payment to Deposit.")
- ★ Customer Invoice Transactions appear in the Register and Funds Class Balance Reports when the payment is recorded as received. (see section, "Configuring Reports for Accruals.")



## Create Item for Customer Income

An Item must be created and linked to an existing income account.

- ★ Open the Item List. **Lists** from the menu bar, **Item List**.
- ★ Right Click anywhere on the Item List screen.
- ★ Left click on **New**.
- ★ Click the down arrow for **Type** and select **Service**. (for most Extension-related activities)
- ★ Type an **Item Name**
- ★ The Description box is optional.
- ★ Enter a **rate** if the rate is fixed. Otherwise, leave the rate field blank.
- ★ Under **Account**, select appropriate Income Account, or Expense account if amount received is a reduction of expense. **An Account is Required!**
- ★ Click **OK**.



## Here is an example of an Item List.

Name	Description	Type	Account	On Hand	Price
◆ Dedicated Line		Service	6400 · Other Contract		0.00
◆ Embryology Supplies		Service	0100 · Student Fees		0.00
◆ Farm Tax Recd	Farm Tax Record Flv	Service	0900 · Resales/Educ		6.50
◆ Glo Germ	Glo Germ	Service	0100 · Student Fees		10.00
◆ Manual #6	Recertification Manu.	Service	0900 · Resales/Educ		3.00
◆ Meeting Room Use		Service	0900 · Resales/Educ		0.00
◆ Monthly Appropriation		Service	0200 · Governmental		13,333.33
◆ Postage reimbursement		Service	3600 · Postage/Shipp		0.00
◆ Publications		Service	0900 · Resales/Educ		0.00

## Create a Customer Invoice

To record and accrue the customer income, create a Customer invoice. This invoice may be printed and forwarded to the customer. Data must be entered in the QB customer invoice in order to record the accrued income in the council accounting records and establish it as an Accounts Receivable.

- ★ Select **Customer** from the menu bar.
  - ★ **Create Invoices**
  - ★ Click the down arrow for **Customer:Job** and select the appropriate Customer name. The customer's address will appear in the "Bill To" box (if the customer address previously was entered in the Customer List). Or, select "Add New" to create a new Customer.
  - ★ Enter a **Class Code (very important!)**
  - ★ The UOE Service Template should already be selected.
  - ★ Enter invoice **Date**.
  - ★ Invoice and P.O. # fields are optional.
  - ★ Under Item, select the appropriate Sales **Item**. Or, select "Add New" to create a new Item. see section, "Create Item for Customer Invoice."
  - ★ Enter a **Description**
  - ★ Enter a **Rate**, if appropriate. Or, the rate will display if it was identified in the Item setup.
  - ★ Enter **Quantity**, if appropriate.
  - ★ **Class** code should be displayed
  - ★ Enter **Amount**.
- Note: multiple sales transaction items may be entered on an Invoice.
- ★ Enter a **Customer Message**, if appropriate. Customer messages may be stored for future use.
  - ★ Click **Save and Close**, or **Save and New**.

Customer:Job	Class	Form Template	DATE	INVOICE #	
Francis Howell School Dist.	3000 Educal	UOE Service Invoice	11/07/2001	147	
<b>Invoice</b>					
<b>BILL TO</b>					
Francis Howell School Dist. 478 Highway 94 St. Charles, MD 63333					
			P.O. NO.	DUE DATE	
				11/07/2001	
ITEM	DESCRIPTION	RATE	QUANTITY	CLASS	AMOUNT
Reg. Fees	2 doz embryo eggs	10.00		3000 Educatio	10.00
Customer Message: Payment is due by April 4					Total: 10.00
To be printed					Balance: 10.00

## Received Customer Payments

When the customer payment is received....

- ★ Record the cash or check in the **Receipt book**

Note: *If the customer payment is more than or less than the original Invoice amount, retrieve the customer Invoice and change the amount and save it before proceeding to the Customer, Receive Payment. Do NOT use Credit Memo or Discount. Class tracking is not applied !! Your financial reports will not agree with the Register!!*

- ★ Select **Customer** from the menu bar.
- ★ Select **Receive Payments**.
- ★ Click the down arrow for **Customer:Job** and select the appropriate Customer.

Note: Invoice data will display.

- ★ Enter the **Amount**
- ★ Enter the **Payment Method**.
- ★ Enter the check number, if appropriate.
- ★ Place a ✓ in the checkmark column preceding the customer Invoice that was paid.  
Note: Multiple invoices may exist for one Customer.
- ★ The **Amount** should display in the Payment column.
- ★ “**Group with other undeposited funds**” should be selected.
- ★ Click **Save and Close**, or Save and New.

## Add Customer Payment to Deposit

After Customer payments have been...

- ★ recorded in the Receipt book
- ★ recorded as a “Received Payment” in QB

then include the customer payment in a deposit.

- ★ Select **Bank** from menu bar.
- ★ Select **Make Deposits**.

The following “Payments to Deposit” screen should display, if there are customer received payments.

If the screen does not display, select  in the Deposits Screen.

- ★ Insert a ✓ in the checkmark column for the customer payment that is ready to be delivered to the bank.
- ★ Click **OK**. The Received Payment data will display in the Make Deposit screen.

## In the Deposit Screen

- ★ Enter data in the **Memo, check no, and Pmt Method. Fields**, if necessary.
- ★ **Do NOT enter a Class code.** The class code was identified when you created the Invoice data.
- ★ The Account field is protected. You will not be able to change the account number. QB records all Customer Received Payments temporarily in an account named, **1499-Undeposited Funds**. The Customer payment is offset in the Undeposited Funds when the amount is recorded and saved in the Deposits screen.
- ★ **Other income may be added to the Deposit Screen.**
- ★ Select the **Print** button at the top of deposit screen.
- ★ Print either a **Deposit Slip and Deposit Summary** or a **Deposit Summary**. (Deposit reports are also available in *Memorized Reports* on the *Reports* menu.)
  
- ★ Click **Save and Close**, or Save and New

**The Transactions involved in the Accounts Receivable to Deposit process are identified below.**

	Debit		Credit	
A)	1900-Accts. Receivable – Francis Howell	10.00	0130-Embryology Fees	10.00
B)	1499-Undeposited funds	10.00	1900-Accts.Receivable – Francis Howell	10.00
C)	0050-Checking Account (CASH)	10.00	1499-Undeposited Funds	10.00

- A) Create the customer invoice.
- B) Enter Customer payment as received but not yet deposited.
  - Invoice is closed.
  - Accts. Receivable-Francis Howell is closed.
  - Amount recorded in Undeposited Funds until ready for bank deposit.
- C) Add customer payment to bank deposit.
  - Amount is offset in Undeposited Funds.
  - Amount is added to checking account.

See separate “[Receiving and Depositing Money](#)” procedure for recording non-customer invoice cash and checks in the Deposit screen.

## Configuring Reports for Accruals

Since Accounts Receivables (and also Payables) are considered **accrued** income (expense), these Invoice transactions are recorded in the month in which the transaction occurred. However, customer payment may be received in the following month.

When configuring a report that captures **accrued transactions** (Accounts Receivables or Payables) i.e. **Ledger, Accounts Receivable, or Monthly Income and Expense Summary** reports, the following adjustments should be made to capture the original **Invoice** (or **Bill**) transaction.

Under the **Modify Report** button, **Display** tab

→ Report Basis = **Accrual**

Under the **Filters** tab,

Transaction types also should include **Invoice, Payment (Bill, Bill Payment** for Payables)

Accounts filter also should include **Accounts Receivable** (**Accounts Payable** for accrued expenses).

When configuring any report that captures the **actual receipt of customer money** ( or actual check written to a vendor to pay a bill) i.e. **Funds Class Balance Report**, the following adjustments should be made to capture the deposit for the Invoice transaction.

Under the **Modify Report** button, **Display** tab

→ Report Basis = **Cash**

Under the **Filters** button,

Transaction types also should include **Invoice, Payment (Bill, Bill Payment** for Payables)

Accounts filter – Accounts Receivables (Payables) should **NOT be checked**).

The major distinction between a Report that captures accrued transactions and a Report that calculates Class Balances or total Checkbook balance is the **REPORT BASIS**.

The exclusion of the Accounts Receivable (Accounts Payable) from the Accounts filter does not alter the Funds Class Balance Report. However, it does eliminate the incorrect display of the negative sign for positive class balances.