

If your office operates on a **cash basis**, then do NOT use the Accounts Payable and Bills process in QuickBooks. Pay expenses in the Write Checks screen. See separate procedure, Writing checks.

If you are required to **accrue** expenses, then use QuickBooks' Bills or Purchase Order feature to record expected vendor expense. Accrued expense is a method of bookkeeping in which an expense is recorded at the time items are ordered or services requested but paid at a later time. Under this method, the time when you enter a transaction and the time when you actually pay for the item or service may be two separate events and may occur in two separate calendar months. In QuickBooks, an accrual basis report shows expected expense for all your vendors to whom money is owed.

Entering and paying bills provides four benefits:

1. Know how much money your council owes.
2. Create a report that lists how much is owed to each vendor.
3. Record the expense in the same period you incurred the expense.
4. QuickBooks can warn you if you accidentally enter the same bill twice.

When you enter a Bill:

- The Accounts Payable account increases by the amount of the bill and appears on the Balance Sheet report.
- The bill appears in the Unpaid Bills Detail report and the Transaction List by Vendor report.
- The expenses appear on the appropriate financial statements – Funds Class Balance Report and Revenue and Expense Report.

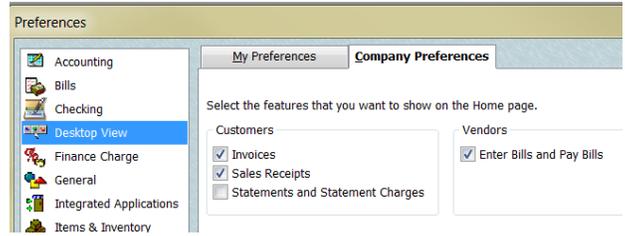
Issues:

- ★ For **Purchase Orders**, an Item must be created for each expense type. see section, "Create Item." Each **Item** must be related to an existing expense account.
- ★ For **Bills**, an Item or Expense account may be used in the enter bill screen. (The expense account is recommended)
- ★ The **Pay Bills** screen must be used to select the Bill to be paid prior to writing the check.
- ★ When applying a **Discount** for a vendor bill, use the same expense account as in the bill, or create a separate discount expense account. Class tracking is available.
- ★ If possible, **avoid the use of Credits** in QuickBooks as it does not allow for class tracking. Instead, adjust the original Bill or Purchase Order amount.
- ★ The check written for a Bill Payment is recorded in the Checking register as a *bill payment* transaction type instead of a check transaction type.
- ★ It is recommended that reports be configured as accrual basis so that the Bill transactions are included in the Funds Class Balance Report in the month in which the expense was realized. (see section, "Configuring Reports for Accruals.")

Preferences

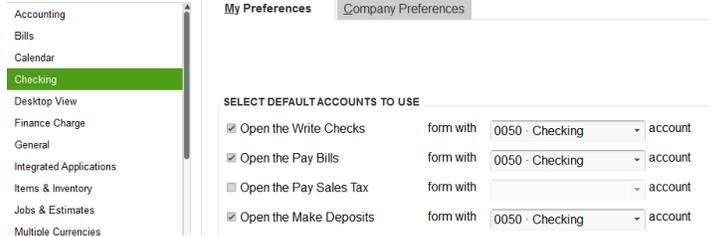
If you wish to **add "Enter Bills and Pay Bills" to the Home page**, change the Desktop View Preferences. The QuickBooks Administrator needs to login to allow this change.

- Select **Edit** from menu bar.
- Select **Preferences**
- Select **Desktop view**
- Select **Company Preferences**.
- Insert checkmark preceding "Enter Bills and Pay Bills"
- Select **OK** to save the changes.



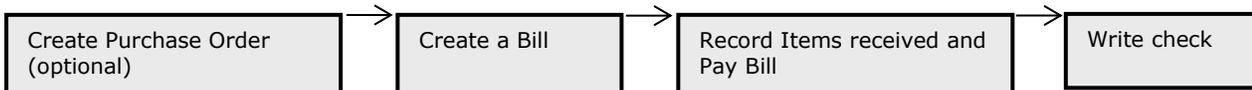
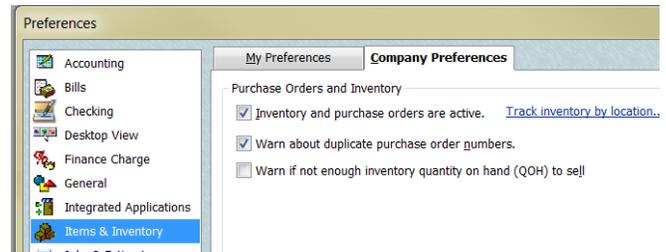
Make the Checking Account the Default bank account for Bills

- Select Edit from menu bar.
- Select Preferences.
- Select Checking.
- Under My Preferences, place checkmark preceding Open the Pay Bills.
- Select the Checking account.



If **Purchase Order form will be used**, activate the Inventory and Purchase Order Preference. The QuickBooks Administrator needs to login to allow this change.

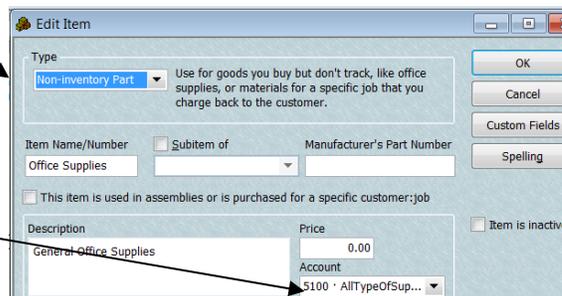
- Select **Edit** from menu bar.
- Select **Preferences**
- Select **Items & Inventory**.
- Select **Company Preferences**.
- Insert checkmark preceding "Inventory and purchase orders are active" and "Warn about duplicate purchase order numbers."



Create an Item

An Item is created and linked to an expense account and used in Purchase Order form, or may be used in the Bill form.

- ★ Open the Item List. Select **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 Non-inventory Part or 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 Expense account. An Account is Required! Click OK.



Here is an example of an Item list.

Item Name	Item Description	Item Type	Item Code
Travel		Non-inventory Part	3100
Postage		Service	3600
Staples		Service	5100
Office Supplies	General Office Supplies	Non-inventory Part	5100
4H Materials	4H resource materials	Non-inventory Part	5110
refund	refund from Excell Class	Service	7000
Office Equipment Repair	repairs of copier & A.B. Dick	Service	7300

Create a Purchase Order (optional)

If your office pays a vendor on credit, the company may require a Purchase Order, listing the items for purchase and including billing and delivery information. In QuickBooks, the purchase order form uses the Item list method as explained in above section, [Create an Item](#).

- Select **Vendor** from the menu bar.
- Select **Create Purchase Orders**.
- Select **Vendor**.
- Assign **class** code.
- Enter **date** and Purchase Order number.
- Enter Shipping information.
- Select appropriate Item. See section, "[Create an Item](#)."
- Enter **description**.
- Enter quantity and rate, if appropriate.
- Assign **class** code for each transaction line.
- The Staff field is optional and may be added to an existing purchase order template. (see customize purchase order)
- Vendor message and Memo are optional.
- Select **Save and close**.

Purchase Order amounts do not appear in the Revenue and Expense reports, Ledger reports, Funds Class Balance reports. When items are received and a Bill created, the expense amounts will be included in the reports. See [Purchases Reports](#) section.

When items are received, open the Purchase Order related to the appropriate vendor to mark items received and create a Bill.

- Select **Vendors** from menu bar.
- Select **Receive Items and Enter Bill**.
- Select the appropriate Purchase Order to insert into Bill screen.

Create a Bill

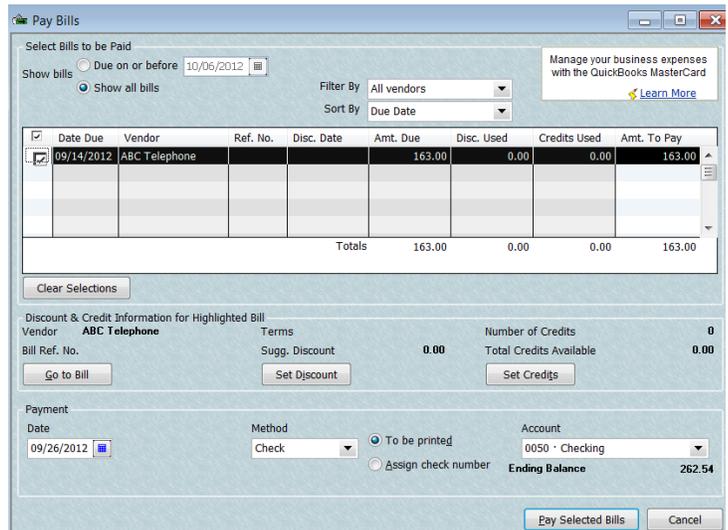
Instead of a Purchase Order, a Bill may be created to post the expense in the month in which the cost was incurred.

- Select **Vendors** from menu bar.
- Select **Enter Bills**
- Select **Vendor**
- Enter **date**
- Enter referencre number if appropriate.
- Enter **Amount** Due and Bill due date.
- Enter Terms if appropriate.
- The Memo field may include the vendor account number.
- There are two **tabs: Expenses and Items**. It is recommended that Expenses tab be used.
- Enter the appropriate **Expense account**.
- Enter **Amount**
- Enter **Memo**.
- Skip Customer and Billable fields.
- Enter a **class code** for each transaction line.
- Select **Save and close**.

Pay Bills

When the vendor's invoice or bill arrives, mark the QuickBooks Bill transaction paid for the appropriate vendor name.

- Select **Vendors** from the menu bar.
- Select **Pay bills**.
- Insert checkmark for the appropriate vendor transaction.
- Enter the **Amount** to pay.
Note: If the bill amount is more than or less than the original bill, retrieve the Bill and change the amount and save it before proceeding to the Pay Bills screen. Otherwise, in the Pay Bills screen apply a discount and post to appropriate discount expense account.
- Enter **date**.
- Enter **method of payment** and **"to be printed"** is selected.
- Is the **correct bank account** displayed?
- Select **Pay Selected Bills**. A Payment Summary screen will display.
- Select **Print checks** to pay the bill (s).



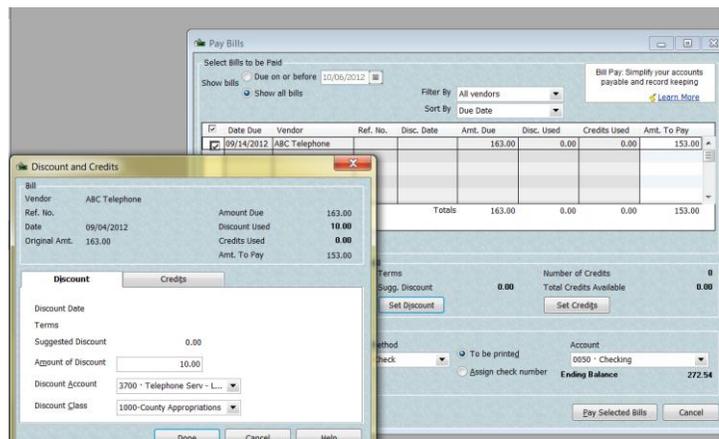
Apply Vendor Discount & credits

Vendor **credits** are not recommended because a class code cannot be assigned. Instead of applying a **vendor discount**, it is recommended that the original bill amount be changed before marking the bill paid. However, a vendor discount may be applied if your office wants to track discounts. **Create a separate discount expense account, or use the same expense account**, when applying a discount for a vendor bill. A discount amount applied to this account will be subtracted from the expense account. The net result will appear in reports. To create a new account, go to create new account under the general tab of accounting manual.

For example, if a Bill reflects the expense account 7700-Furniture & Equipment, then use 7700 as the Discount Expense account. Second option is to create a separate discount expense account 7701 as a subaccount under 7700.

To Apply a Vendor Discount,

- In the Pay Bill screen, enter the **reduced amount in the Amt to Pay field**.
- Select the **Set Discount** button
- Select **Discount** tab.
- Enter **amount of discount**.
- Select appropriate **expense account, or create a discount expense account**. (to create a discount expense account, scroll up in the pull-down list and select "create new account.")
- Select appropriate Class code.
- Select Done.
- **Complete the Pay Bill screen to write the check.**



Transactions involved in the Accounts Payable to Checks process are identified below.

- Create the Vendor Bill. Amount is posted to appropriate expense accounts and the accounts payable account.
- Mark the Bill Paid. The Vendor's accounts payable is closed and a check is written and posted to the Checking register.

A)	3700-Telephone Serv-Local Expense	75.00	A)	9200-Accounts Payable	163.00
	3800-Telephone Serv-Tolls Expense	88.00			
B)	9200-Accounts Payable	163.00	B)	0050-Checking (Cash)	163.00

Customize Purchase Order form

The existing purchase order form may be modified by opening the form as follows.

- Select **Vendors** from menu bar.
- Select **Create Purchase orders**.
- At top of screen, select down arrow next to **Customize** button.
- Select **Customize Design and Layout**.
- Select **Customize Data Layout**.

The Customized Purchase Order screen allows you to edit the Header, columns, footer, and print options.

The **Basic Customization** button allows you to add Extension logo, change color scheme, change font, and select Council information to appear on Invoice.

The **Layout Designer** button allows you to edit the form, move text boxes or images.

Select the OK button to save changes.

A new Purchase Order form or template may be created as follows.

- Select **Vendor** from menu bar.
- Select **Create Purchase Orders**.
- At top of screen, select down arrow next to **Customize** button.
- Select **Manage Templates**.
- Select the **Download Templates** button for additional Purchase Order form designs.
- The new Template can be edited.

Reports for Accruals

Since Accounts Payables (and also Receivables) are considered accrued expense (income), these Bill transactions are recorded in the month in which the transaction occurred. However, the bill may be paid in the following month and is recorded in the checking register as a bill payment transaction instead of a check transaction.

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

Under the Modify Report button, Display tab
Report Basis = **Accrual**

Under the Filters tab,

Transaction types also should include Bill, Bill Payment for Payables (Invoice, Payment, Sales Receipts for Receivables)

Under the accrual reports,

The Bill amount is included in the Funds Class Balance Report in the month in which it was posted. The amount also appears as Accounts Payable in the Balance Sheet Report. When the Bill Payment is paid, it reduces Account Payable and decreases the cash (checking register) part of the Balance Sheet Report.

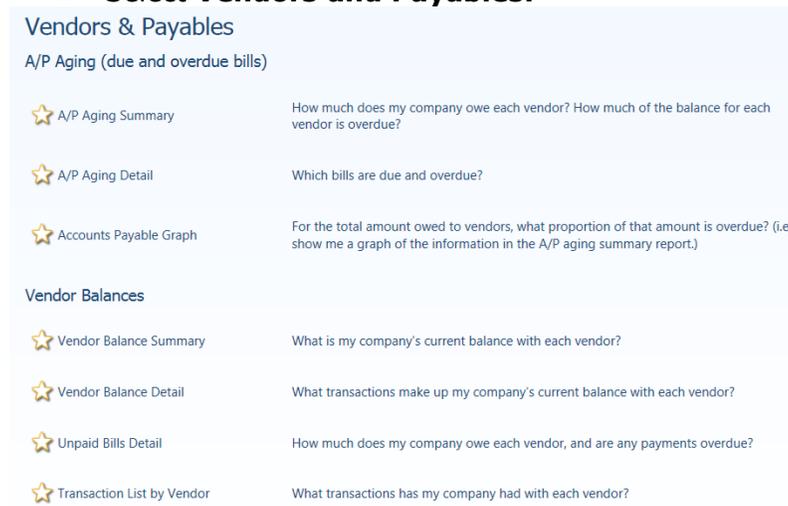
The major distinction between a Report that captures accrued transactions and a Report that calculates the Checkbook (Cash) balance is the REPORT BASIS.

The exclusion of the Accounts Payable (Accounts Receivable) 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.

Other Reports

Vendors and Payables reports may be generated from the general QuickBooks Report menu.

- Select **Reports** from menu bar.
- Select **Vendors and Payables**.



The screenshot shows the 'Vendors & Payables' menu with two sub-sections: 'A/P Aging (due and overdue bills)' and 'Vendor Balances'. Each item includes a star icon, a title, and a brief description.

Vendors & Payables	
A/P Aging (due and overdue bills)	
☆ A/P Aging Summary	How much does my company owe each vendor? How much of the balance for each vendor is overdue?
☆ A/P Aging Detail	Which bills are due and overdue?
☆ Accounts Payable Graph	For the total amount owed to vendors, what proportion of that amount is overdue? (i.e., show me a graph of the information in the A/P aging summary report.)
Vendor Balances	
☆ Vendor Balance Summary	What is my company's current balance with each vendor?
☆ Vendor Balance Detail	What transactions make up my company's current balance with each vendor?
☆ Unpaid Bills Detail	How much does my company owe each vendor, and are any payments overdue?
☆ Transaction List by Vendor	What transactions has my company had with each vendor?

A **Quick Report** for Accounts Payable may be created.

- Open the Balance sheet report (Reports, Company and Financial, Balance Sheet Standard.) Remember: your report must be set to Accrued Report basis for the Account Payable to display. See section, [Configuring Reports for Accruals](#).
- Double click on the Accounts Payable amount.
- Set the Date range to ALL to see a history of accounts payables, or enter a specific date range.

Purchases Reports

- Select **Reports** from menu bar.
- Select **Purchases**
- An **Open Purchase Orders reports** is recommended.