

Accounts Payable (A/P)

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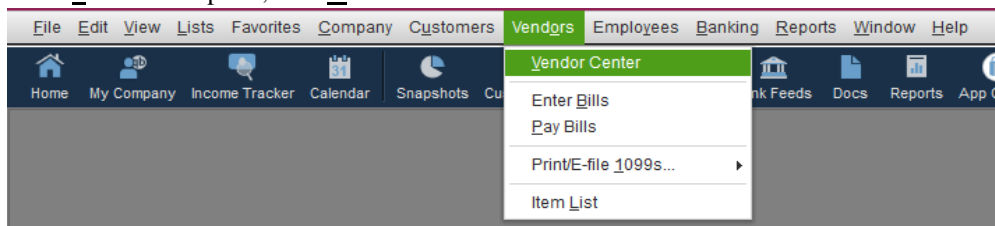
I. Introduction:

- a. **Definition:** money owed by a company to its creditors or lenders; a balance sheet account (current liability) (e.g., an invoice billable in 30 days)
 - i. Use accrual reports versus cash reports, because some items entered have not been paid. Cash reports will not show unpaid items
- b. **Accounts:**
 - i. Balance Sheet – Account 2000 (to record the liability) and a bank account (to pay the invoice)
 - ii. Profit and Loss – Bills are recorded as expenses when the invoice is recognized. The unpaid expense will show in the accrual report but not the cash report; the cash report will show an expense when the invoice is paid

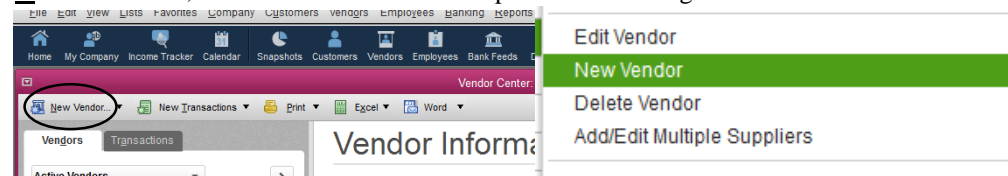
II. Setting up A/P:

a. Vendor Setup

- i. Click **Vendors** on the top bar, then **Vendor Center**



- ii. In the **Vendor Center**, click **New Vendor** in the top-left corner or right-click the mouse to select **New Vendor**



*assuming A/P, expense, and bank accounts have already been setup

iii. After selecting **New Vendor**, a window will appear with multiple tabs to input information

1. Required:

- a. Vendor Name/ Company Name
- b. Billing Address
- c. Vendor Tax ID if eligible for IRS Form-1099. (See 1099 document)

2. Recommended information

- a. Account No. (listed on invoices directly related to your entity)
- b. Payment Terms (Net 30, Net 10, etc.) (see section B. following)
- c. Contact info
- d. Account settings tab – used when vendor has specific expense (Power company will be Electric, Power); will auto-fill when typing the vendor (multiple lines can be entered)

iv. Click **OK** to save the vendor

- a. To edit a vendor: double- or right-click a vendor within the **Vendor Center**

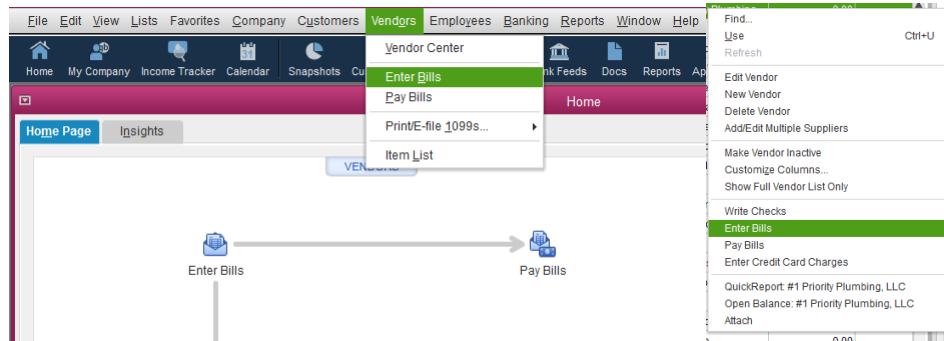
b. Payment Terms

- i. Terms will not be setup, but many entities may have similar terms.
- ii. All terms are based on the invoice date (i.e. invoice date April 1st net 30 would be May 1st)

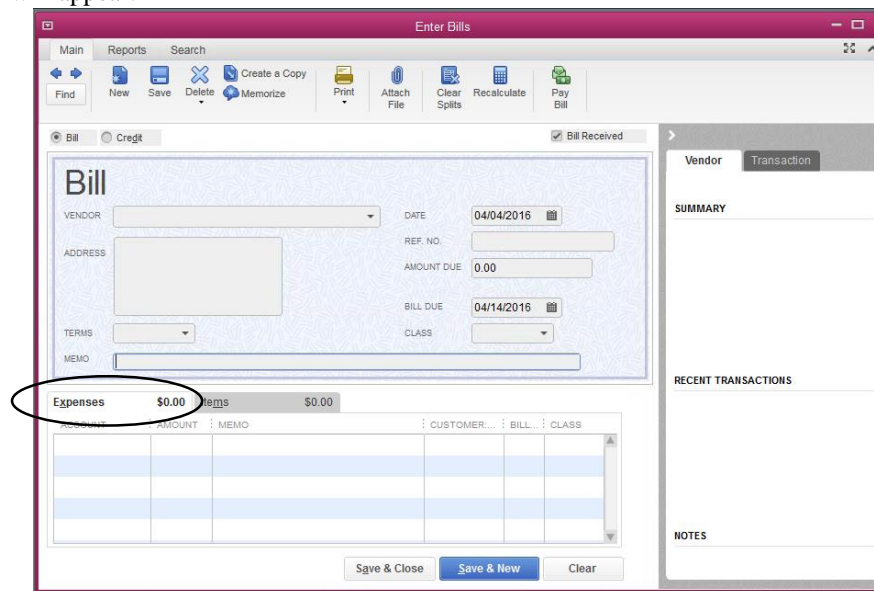
III. Entering and paying bills

a. Entering bills

- i. You can enter bills from the home screen, vendors tab, and the vendor center.



- ii. The following screen will appear:

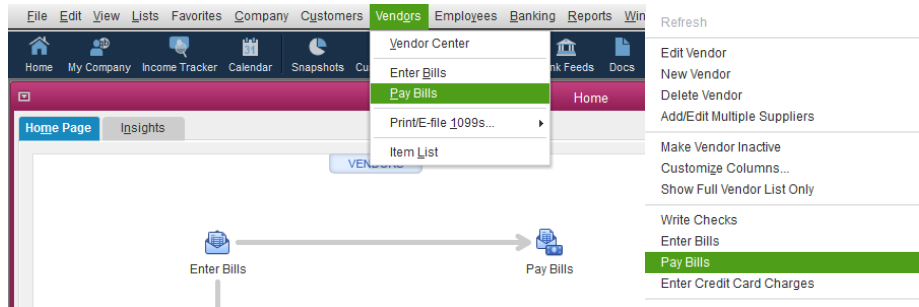


(It is important before we mention you make sure you are on bill not credit)

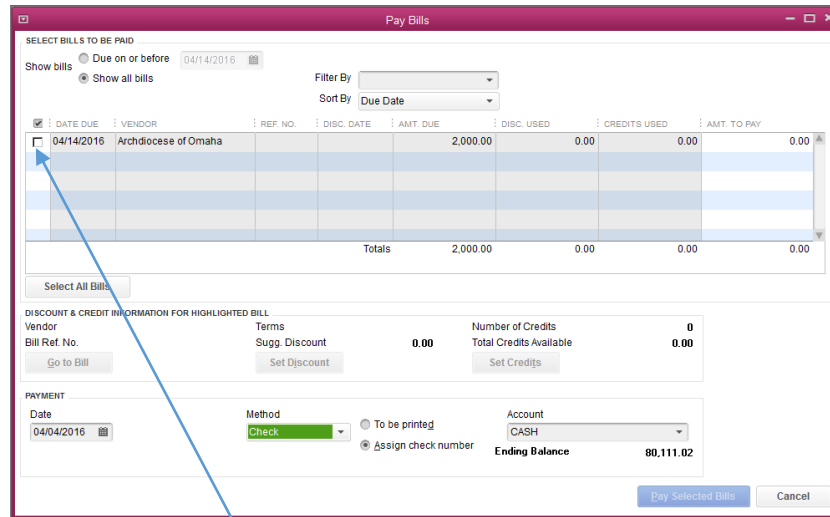
- iii. Enter the pertinent information from the invoice onto the bill
 1. **Vendor name:** some fields will auto fill if you set up the vendor to match an expense
 2. **Date:** current date or date of notice if entering the terms
 3. **Ref No.:** invoice number given by the vendor
 4. **Amount due:** total of the invoice
 5. **Bill Due:**
 - a. if terms were entered, then not needed; just verify with the invoice
 - b. if terms were not entered, then enter the 'pay by' date listed on the invoice
 6. **Class:** can be left blank as you will complete that in the lower section
 7. **Memo:** descriptive, useful information (i.e., job, reason, item(s) purchased, etc.)
 8. Make sure the **Expenses** tab is open (enter amount(s) if auto filled)
 - a. **Account:** choose the appropriate P&L expense account
 - b. **Amount:** can be total or a portion depending on terms and type of bill
 - c. **Memo:** see #7 above
 - d. **Customer:** can be skipped
 - e. **Billed:** can be skipped
 - f. **Class:** identifying markers (e.g., parish, school, re led, etc.)
 9. Another useful section is the far right side, this will list previous entered invoices for the vendor.
 10. Click **Save & Close** when finished or **Save & New** to enter additional bills

b. Paying entered bills

i. You can pay bills through the home screen, vendors drop down list at the top, and within the vendor center



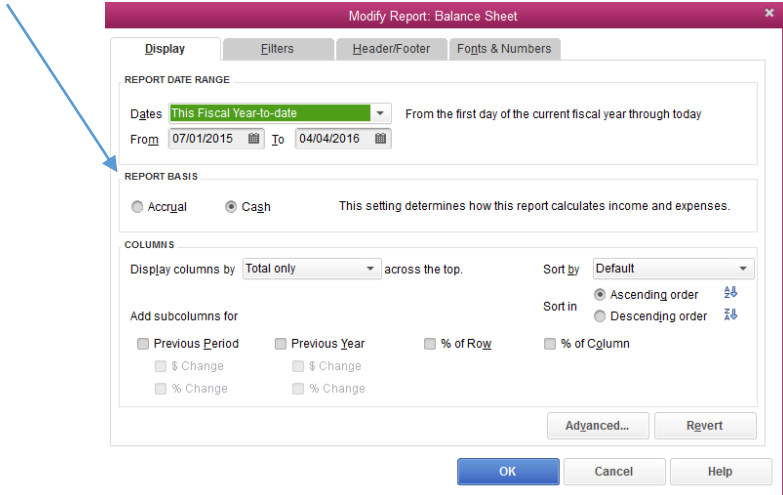
ii. Once a **Pay Bills** button is clicked, the following screen will appear, showing all outstanding bills



1. To pay a previously entered bill, check the box(es) next to the bill(s) you want to pay
2. Once selected you can change some items within the screen.
 - a. Credits from a vendor can be applied to a bill received from that specific vendor.
 - b. Postdating the check is allowed
 - c. Select **To Be Printed** to print the checks
 - d. Choose the appropriate bank account when paying the bill.
 - e. Select **Pay Selected Bills** to pay
 - f. Bills appear similar to all other non-bill checks and will print when the check is prompted.
3. If you can and choose an ACH a payment rather than selecting **To Be Printed**, then click **Assign Check Number** prior to paying selected bills, which cannot be done when printing checks.
 - a. A pop-up window will appear so you can enter the check numbers
 - b. Type ACH or EFT in the corresponding fields, then click **OK**

IV. How it will look and Useful Reports

- a. Cash basis balance sheet and P&L reports are used if A/P is not being used; accrual basis balance sheet and P&L reports will include A/P items. Report basis can be changed from cash to accrual by selecting **Customize Reports** in the top left corner.



b. Balance sheet

- i. Accrual basis will show the current balance as shown below:

LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 - Accounts Payable	2,000.00
Total Accounts Payable	2,000.00

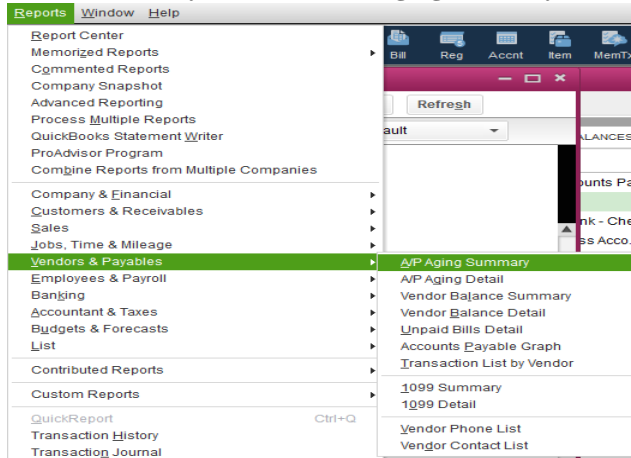
- ii. A transaction list can be viewed by double-clicking the amount.

c. Profit and Loss Statement

- i. Cash reports only include paid bills, not outstanding bills
- ii. Accrual reports include outstanding or entered and paid bills

d. A/P Aging Summary

- i. Go to the top bar, click **Reports, Vendors & Payables**, then **A/P Aging summary**



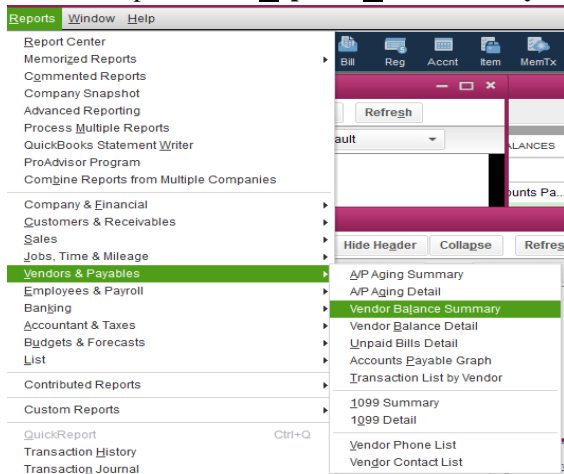
A/P Aging Summary
As of April 5, 2016

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Archdiocese of Om...	2,000.00	0.00	0.00	0.00	0.00	2,000.00
TOTAL	2,000.00	0.00	0.00	0.00	0.00	2,000.00

- ii. This report (above) shows outstanding bills based on days outstanding, and the timeframes can be adjusted

e. Vendor Balance Summary

- i. Go to the top bar, click **Reports, Vendors & Payables**, then **Vendor Balance Summary**



Vendor Balance Summary	
All Transactions	
Apr 4, 16	
Archdiocese of Omaha	2,000.00
TOTAL	2,000.00

- ii. Similar to the **A/P Aging Summary**, the **Vendor Balance Summary** shows the total outstanding balance but for each vendor
- iii. Vendor balances can also be viewed in the **Vendor Center**

V. Steps to avoid errors

- a. Never enter statements into bill pay, because you could duplicate invoices
- b. Add invoice numbers to bills
- c. Review past transactions in the vendor center before entering a bill multiple times
- d. Duplicate bills can be handled two ways:
 - i. If no payments have been issued, then void one of the two bills
 - ii. If payment has been made, void the unpaid or unattached bill. Voiding the paid bill will warrant un-attaching or un-applying the payment and apply it to the other bill
- e. Review a bill before voiding it (i.e., if paid then do not void)
- f. If you pay a bill with a regular check and not a bill-payment, then void the bill so it does not remain outstanding (i.e., regular checks will not attach to bills only)

VI. Common Errors

- a. **Negative balances:**
 - i. **Voided Bill:**
 1. *Issue:* Payment of a voided bill will cause a negative balance; payments not tied to a bill should not be made.
 2. *Fix:* Reenter the bill or void the payment.
 - ii. **Overpayment:**
 1. *Issue:* Paying more than owed to vendor
 2. *Fix:* Underpay the next bill [to the vendor you overpaid] by the amount overpaid or ask for a refund.
 - iii. **Credits:**
 1. *Issue:* An outstanding credit available to you was not applied to a past bill payment.
 2. *Fix:* Apply the credit to the next bill payment or ask for a refund.
 - iv. **Reissued Payment:**
 1. *Issue:* Payment was reissued for a bill now vendor has a balance.
 2. *Fix:* Void the previous payment.
- b. **Outstanding balances:**
 - i. **Voided Payment:**
 1. *Issue:* A payment associated with the bill was voided, causing the bill to be outstanding (i.e., bill not paid)
 2. *Fix:* If payment was sent then reissue in QuickBooks but do not send to vendor. The payment should have cleared the bank previously.
 - ii. **Outstanding balance:**
 1. *Issue:* Payment was either voided (see above), not sent, or was made via check and not bill pay.
 2. *Fix 1:* If payment was not sent, then pay the bill.
 3. *Fix 2:* If payment was made via check and not bill pay, then void the bill.

- iii. Credit:
 - 1. *Issue:* Applied a credit to a payment then the credit was voided (i.e., whole bill not paid)
 - 2. *Fix 1:* If credit was valid, then remake or un-void the credit.
 - 3. *Fix 2:* If no credit, then an make additional payment
- c. **Altering bills and/or payments after the fact (this is highly advised against)**
 - i. QuickBooks does not know to un-apply and re-apply payments when you edit a payment already paid
 - ii. *Issue:* Adjustments to bills or payments after items have been linked (i.e., payment printed or applied together) will cause the balance to appear right in one area (e.g., Vendor Center) but not the next (e.g., Balance Sheet).
 - iii. *Fix:* Payment needs to be unapplied and reapplied to the correct billed amount.