

Accrual Accounting WITH QUICKBOOKS PRO

Here's how to set up your software to provide up-to-the-minute financial reports

In the start-up years, most small contractors work out of a check book. This is essentially a cash accounting system, which records expenses

by Judith Miller

when checks are written to pay bills, and records income when clients' payments are deposited. While software like QuickBooks Pro (QBP) keeps track of

these transactions accurately, when used like a checkbook, the financial reports the program generates are almost always out of date. That's because some of the money in the account will be used at the end of the month to pay for materials ordered earlier in the month. In other words, when QBP is set up like a checkbook, it doesn't factor in "accounts payable" (AP) — bills that haven't been paid yet.

Likewise, most contractors have "accounts receivable" (AR) — that is, they are owed money by clients who haven't sent the check yet. Cash accounting doesn't include this income either.

Fortunately, accrual accounting makes up for both of these shortcomings. On the expense side, accrual accounting records transactions when you receive materials or services, whether or not you have paid the bill yet. This recognizes that some of the money sitting in your bank account is spoken for because you will need it to pay suppliers or subs.

On the income side, revenue is



recorded when materials are installed or services are rendered, whether or not you have been paid by your client. This ensures that money owed to you is not left out of the equation when you look at a financial statement. In short, accrual accounting provides current, not historic, financial information, and makes it possible to address problems in time to increase job success and profitability.

QBP is designed to work with either

cash or accrual accounting. In two earlier articles, I have explained how to set up the program for construction (see "Setting Up QuickBooks Pro for Construction," 8/97), and how to enter cash accounting transactions (see "Cash Accounting with QuickBooks Pro," 9/98). In this article, I will explain how to convert from a cash system to an accrual system. The procedures are based on QBP version 6 (or 99), but I will point out any significant differ-

ences from earlier versions. Also, be sure to back up your QBP files before making any changes.

Setting Up Accounts Payable

QBP uses information you provide about vendors and subcontractors to keep track of accounts payable (AP). To convert your cash setup to the accrual accounting format, you may need to make some changes to the Vendors you have entered.

1099s. If you need to prepare 1099s for subcontractors but didn't select this option during initial setup, you can do so from the *Preferences* menu (see Figure 1). Then, review the Vendor List to make sure 1099 reporting is enabled where appropriate.

While you're in the Vendor List, you should also check the following three setup options for each vendor.

Terms. The first option to check is *Terms*. QBP uses the payment terms and due dates you establish for each vendor to prepare a list of bills to be paid. The program provides a *Standard* option, but I recommend you use the *Date-Driven* option because there is less room for error (Figure 2).

Vendors vs. Other Names. While in the Vendor List, also check to see that you've properly distinguished between *Vendors* and *Other Names*. Vendors are companies that receive regular payments from you or who receive a 1099 from you at year's end. For example, the local lumberyard should be set up as a Vendor because it produces bills that will be entered into AP and paid at a later date; most subcontractors are also vendors, because they send regular statements and typically require a 1099 at year's end. Companies entered as *Other Names*, however, are those that you pay periodically and that do not require a 1099 — a mail-order tool company, for example. It's okay to mix these two types of companies, but QBP uses the Vendors List when paying bills, so keeping them separate will simplify data entry.

Vendor Types. It may also be helpful to further subdivide the Vendor list by adding *Vendor Types*, which provide

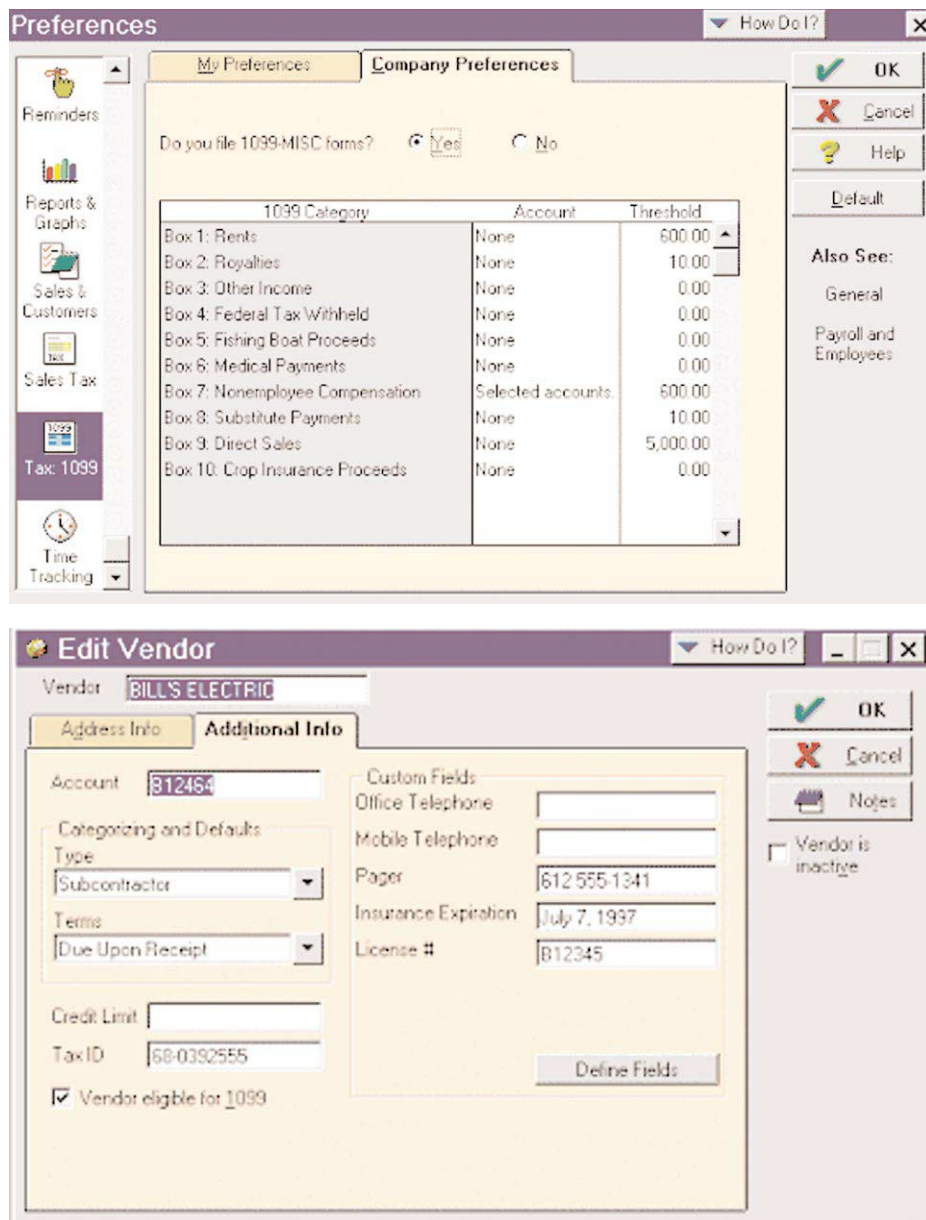


Figure 1. To enable 1099 tracking, first click on *File | Preferences*, choose the *Company Preference* tab, then click on the *Tax:1099* icon (top). At the question: *Do you file 1099-MISC forms?* select *Yes*.

Then, check your Vendors List to make sure that 1099 reporting for existing vendors is enabled. If it's not, open the *Edit Vendor* screen (bottom) and check the box next to "Vendor eligible for 1099."

another way to sort reports later (Figure 3). For example, if you create a Vendor Type called “HVAC” and assign it to plumbing, heating, and air conditioning subcontractors, you’ll be able to see a report on activity among just that group.

Entering AP Bills

One major difference between cash and accrual accounting surfaces when it’s time to pay vendors. With QBP set up for cash, you would use the *Write Checks* screen to make payments on the spot or to record checks you’ve already written. With the accrual-based AP setup, however, you use the *Pay Bills* screens.

Invoices vs. statements. It’s important not to confuse an invoice with a “statement.” Unfortunately, QBP complicates matters by referring to invoices as “bills.”

Simply put, an invoice or bill is a single transaction on a single date; a statement collects or combines several invoices or bills over a period of time. For example, a lumberyard statement typically includes several invoices or bills, each of which corresponds to a material order made on a particular day.

For the AP system to work properly, you should enter data from invoices, then use statements to double-check your work. There are some exceptions, however. The phone company, for example, doesn’t send invoices, just a statement. But the total amount due may include prior month charges. When entering these kinds of invoices, be careful to include only current month activity. (If you want to keep track of some long-distance calls — for a time-and-material job, for instance — you can subtotal them and enter them as a separate QBP “bill,” but be sure to subtract the amount from the rest of the phone statement.)

Enter invoices. Click on the *Bill* icon to open the form, which looks similar to a check, but without a check number (Figure 4, next page). Type in the vendor name or choose from the drop-down list, then enter the date of the invoice. (Don’t enter today’s date,

because this will make it difficult to search for a particular invoice later or to match up a paper invoice with the electronic record of that invoice.) If you set up *Terms* properly in the Vendor file, QBP will assign the correct discount and due date.

In the *Ref. No.* field, enter the *Bill* number using the number from the paper invoice. QBP will warn you if that invoice number had been previously used for the same vendor. Enter the

total amount of the invoice, including sales tax, shipping, and freight.

Job-cost invoices. If the invoice is to be included in a job-cost report, skip the memo field and click on the *Items* tab. Remember the rule: All job costs must be entered using the *Items* tab; for non-job costs, use the *Expenses* tab.

Choose the appropriate *Item* from the drop-down list, then enter the quantity and unit cost. For subcontracted or fixed-price work, enter “1” in the *Qty*

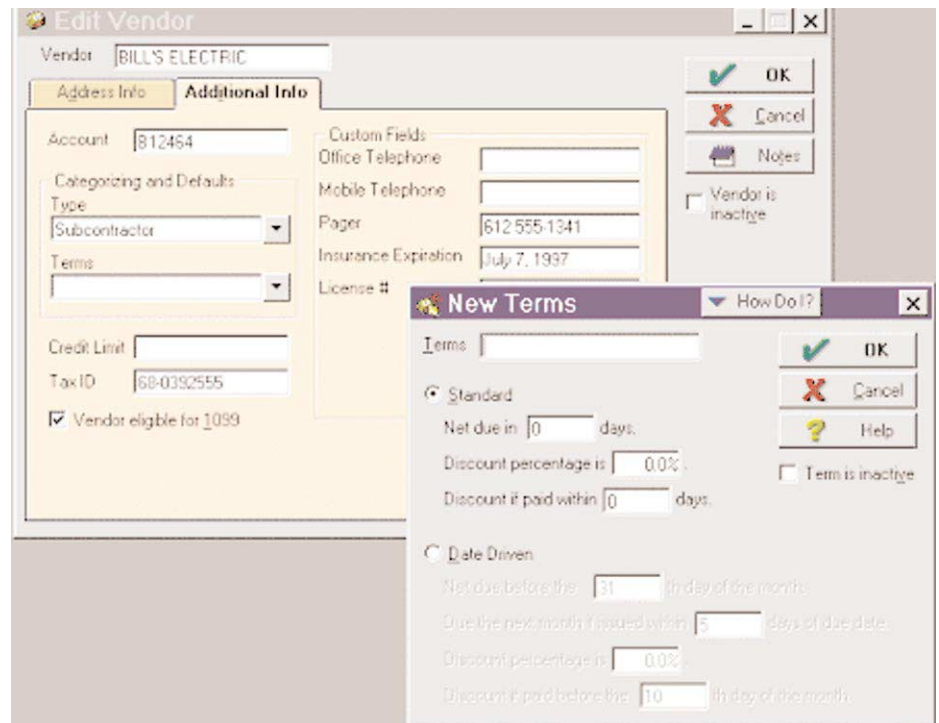


Figure 2. From *Lists | Edit Vendor*, open the drop-down list in the *Terms* field and choose from among the options or click “Add New” to define additional terms. The QBP default is “Standard” terms, but “Date-driven” terms are more in line with the way most contractors pay their suppliers.

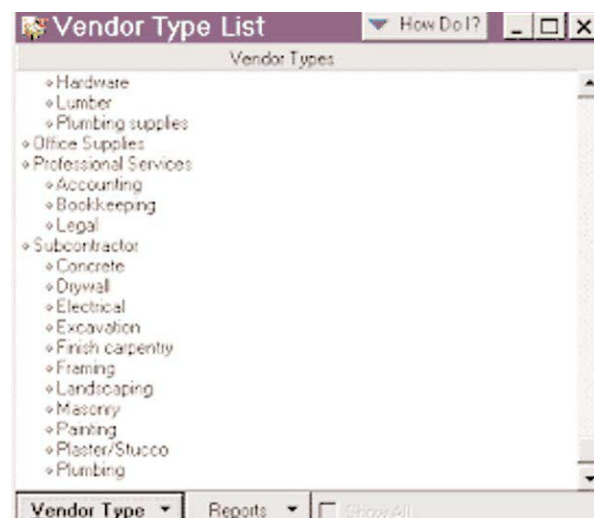


Figure 3. *Vendor Types*, which are assigned on the *Additional Info* tab at the Vendor screen, provide subcategories that you can use to sort reports. To add or change *Types*, click on *Lists | Other Lists | Vendor Types*.

field, and the entire invoice amount in the *Cost* field; QBP calculates the *Amount* field automatically. Enter the *Customer:Job*, then the *Class* — Materials, Equipment, Subcontract or Other. (Ignore the icon in the column between *Customer:Job* and *Class*. This icon tells

QBP to not include this invoice in a time-and-material billing, but it's safer to use this "hold" feature later when you're preparing a client's bill.)

Remember that you can spread the costs from each invoice over many jobs and Items. When the bill is correct,

click *Next* to enter another bill, or *OK* to exit the *Enter Bills* screen.

Entering a credit. If you have an amount to credit to a vendor account, start a separate *Bill*, and click on the *Credit* button. Although this changes the data entry screen, you enter credit data the same way as invoice data. Do not enter a negative amount — QBP automatically subtracts credit amounts from Vendor balances.

Proofing AP balances. Before you print or write checks to pay vendors, you should reconcile AP balances to the statements from your vendors. This serves as a cross-check for both the job-cost and accounting data you've entered.

From *Reports*, choose *A/P Reports*, then *Vendor Balance Summary*. This report lists the Vendor name and total unpaid balance. Compare these amounts to the statements you received from the vendors. To correct any differences, select the *Unpaid Bills* report, and double-click on the vendor name in the report. This opens a detail window listing all bills for that vendor. Double-clicking on the questionable bill sends you to the original invoice where you can make the change.

In some cases, you may need to enter a whole new bill. For example, the vendor may have added finance charges, which appear only on the statement with no supporting invoice. To correct this, follow the *Pay Bills* procedure to enter the amount of the finance charge. However, since this is not a job cost, remember to enter the amount on the *Expenses* tab, not the *Item* tab.

Paying Vendors

To keep your financial statements up to date, it's best to enter invoices into QBP as soon as you get them. QBP will keep track of AP payment dates, and if you set an alarm (from the *Preferences | Reminders* menu), the program will remind you when it's time to pay vendors.

From the *Activities* menu, choose *Pay Bills*. The top-left portion of the screen provides options for which bills to display, how they are sorted, and which

Item	Description	Qty	Cost	Amount	Customer:Job	Class
16000-ELEC.F	Rough Electrical	1	1,000.00	1,000.00	Clarke Kent	COST T
16000-ELE	Finish Electrical		500.00	500.00	Wayne, J	COS

Figure 4. To record an invoice from a supplier or sub, click on the *Bill* icon. Use the *Items* tab for all costs that will be job-costed; use the *Expenses* tab for costs that cannot be assigned to a particular job. When costs from a single invoice are assigned to separate Items, as shown in this sample screen — the total in the *Amount* column on the *Items* tab should equal the *Amount Due* on the *Bill*.

✓	Date Due	Vendor	Ref. No.	Bill Amt.	Amt. Due	Disc. Date	Amt. Paid
✓	07/30/1999	ALLEN'S PLUMB	6975	-50.00	-5.00		-5.00
✓	07/30/1999	ALLEN'S PLUMB	64995	875.00	875.00	07/10/1999	875.00
✓	09/09/1999	BILL'S ELECTRIC		1,500.00	1,500.00		1,500.00
Totals				19,625.00	14,670.00		2,370.00

Figure 5. In the top half of the *Pay Bills* screen, select options for displaying and sorting bills, and choose a payment method. Bills and credits are listed in the lower half of the screen, and selected for payment with a check mark. To pay or credit an amount other than that shown in the *Amt. Due* column, enter the new amount in the *Amt. Paid* column.

payment method you will use (Figure 5).

If you choose to pay by *Check*, then also select *To be printed*, even if you will write the checks by hand. This may seem backwards, but if you do not select *To be Printed*, QBP will automatically assign the next sequential check number. Then when you write the manual checks, you will have to go back into the check register and change all of the automatically assigned check numbers to correspond to the manual check numbers.

Selecting which bills to pay. In the lower portion of the screen, put a check mark next to each bill you want to pay. You can choose to pay the amount shown in the *Amt. Due* column, or you can enter a different amount in the *Amt. Paid* column. If you make a partial payment, QBP updates the *Amt. Due* column.

You can also apply any credits, which appear as negatives in the *Bill Amt.* and *Amt. Due* columns. QBP doesn't automatically apply the credits to the vendor, however — you must put a check mark next to each credit you want to apply, just as you would to select a bill to be paid. There is one exception: QBP will not allow you to check credits that exceed the total due for a vendor, because the program can't pay a negative amount. In that case, apply credits and enter partial credits until the amount due is zero. Any credits left unselected can be applied to future bills.

Discounts. You can also reduce the *Bill Amt.* by applying any discounts, which are calculated automatically based on the *Terms* you entered when you set up the vendor. Click on the *Discount Information* button (on bottom right of Pay Bills screen), then either click OK to accept the suggested discount or change the discount amount (Figure 6). Remember: If you pay the bill without accepting the discount, QBP will delete the discount. You may still have time to correct the error with your vendor, but you'll have to do this manually because QBP won't have the data anymore.

Writing the checks. When you've selected all the bills you want to pay, click OK. To print preformatted computer checks, click on *File | Print Forms |*

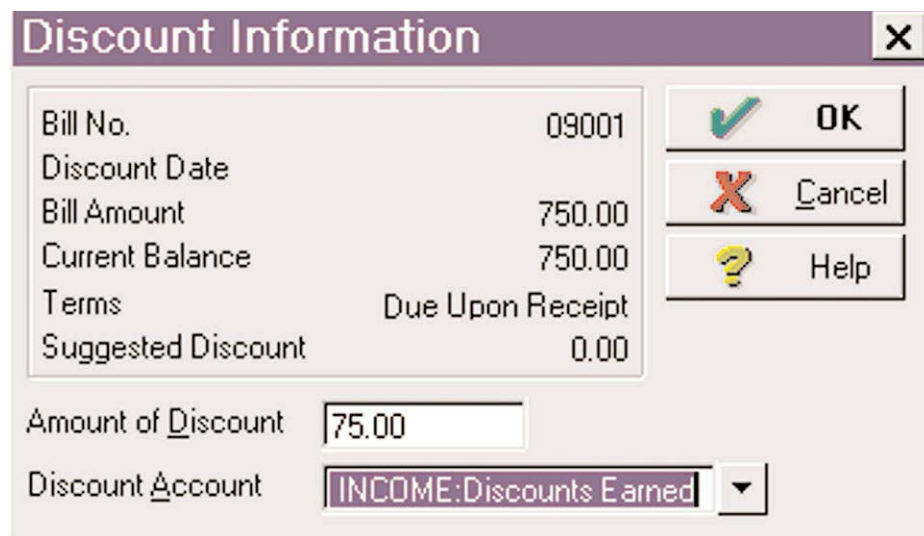
Print Checks. To pay by credit card, go to the register for that credit card. If you write manual checks, go to the check register and enter the check numbers.

Setting Up Accounts Receivable

When labor is performed and materials are installed on a job, the client owes you for that work, together with any profit and overhead provided by

the contract. The Accounts Receivable (AR) portion of the accrual accounting system recognizes that income when the work is done, whether or not the client has made payment.

To begin AR setup, click *File | Preferences*, then select the *Jobs & Estimates* icon from the column at the left of the screen. Click on the *Company Preferences* tab, and at the question *Do*



The **Discount Information** dialog box contains the following fields and controls:

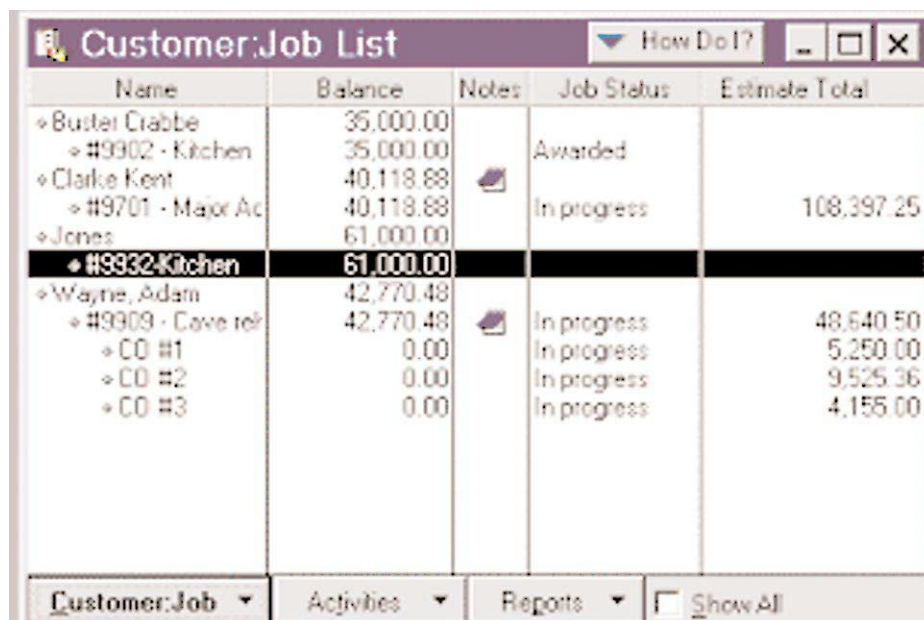
Bill No.	09001
Discount Date	
Bill Amount	750.00
Current Balance	750.00
Terms	Due Upon Receipt
Suggested Discount	0.00

On the right side, there are three buttons: **OK** (with a green checkmark icon), **Cancel** (with a red X icon), and **Help** (with a yellow question mark icon).

Below the table, there are two input fields:

- Amount of Discount:** A text box containing the value **75.00**.
- Discount Account:** A dropdown menu showing **INCOME:Discounts Earned**.

Figure 6. The *Amount of Discount*, which is automatically calculated based on the *Terms* set up for each vendor, can be accepted or manually changed on this screen. QBP deletes discount information for each bill after it is paid.



The **Customer:Job List** window displays a table of jobs for a selected customer. The table has the following columns: Name, Balance, Notes, Job Status, and Estimate Total.

Name	Balance	Notes	Job Status	Estimate Total
♦ Buster Crabbe	35,000.00			
♦ #9902 - Kitchen	35,000.00		Awarded	
♦ Clarke Kent	40,118.88			
♦ #9701 - Major Ac	40,118.88		In progress	108,397.25
♦ Jones	61,000.00			
♦ #9932-Kitchen	61,000.00			
♦ Wayne, Adam	42,770.48			
♦ #9909 - Cave tel	42,770.48		In progress	48,640.50
♦ CO #1	0.00		In progress	5,250.00
♦ CO #2	0.00		In progress	9,525.36
♦ CO #3	0.00		In progress	4,155.00

At the bottom of the window, there are four buttons: **Customer:Job** (with a dropdown arrow), **Activities** (with a dropdown arrow), **Reports** (with a dropdown arrow), and **Show All** (with a checkbox).

Figure 7. To track separate jobs for a single client, set up the customer first, then select the customer from the list and click *Add Job*. Use a descriptive name to make the job easier to recognize. You can further classify job by *Job types*, which are set up in the *Lists | Other Lists* menu.)

You Create Estimates? click Yes; do the same for the question, *Do You Do Progress Invoicing?* Now choose the *Sales and Customers* icon, and on the *Company Preferences* tab click three check boxes: *Track reimbursed expenses as income*, *Automatically apply payments*, and *Warn about duplicate invoice numbers*.

Now you're ready to set up your *Customer:Job* list. In previous articles, I described how to set up version 5 so individual projects for a single customer could be tracked separately. To do the same in version 6, where this procedure differs slightly, click on *Customer:Job*, then select *New*. Enter the

customer name and fill out the address information and *Additional Information*, but don't enter any job data. Instead, click *OK*, then from the same list, highlight that same *Customer:Job* and select *Add Job*. This will link the job to the customer name, but QBP will keep track of different jobs separately. (Figure 7, previous page). You can also set up *Job types* (use *Lists | Other Lists*) to track kitchens, baths, additions, and so on separately.

I recommend using a job name that includes the year, the job number, and a description — "9932-Kitchen," for example. Over time as you do additional work for a single customer, this naming convention will make it easy to see when the job started as well what kind of project it was.

Customer Invoicing

In the language of QBP, the document you prepare when you bill clients for payment is called an *Invoice*, and QBP provides for three different types. A *Narrative* invoice is well suited to small jobs of short duration; *Progress* invoicing is best for long-term projects in which payments are based on percent complete or on pre-established draws; *Time and Materials* billing is useful for long-term projects for which costs must be presented in great detail.

Narrative invoice. To begin, click on the *Invoice* icon and enter or select the *Customer:Job* to be billed. If earlier you entered an Estimate summary, QBP displays a question: *This customer: job has an estimate. Do you want to create this invoice based on that estimate?* Click *No*, then enter the date and invoice number (or let QBP assign the next invoice number automatically).

To fill in the *Item* column, choose an *Item* from the drop-down list. This can be a construction-specific *Item* such as "8000-Doors," or a generic *Item*, such as "Billing." The important thing is that the *Item* is linked to an income account from the Chart of Accounts.

Enter as much detail as you wish about the work for which you are billing, and enter the amount, includ-

Create Invoices How Do I? [?] [X]

Customer:Job: Jones #9932-Kitchen Class: [] Custom Template: Initial Service Invoice

Invoice DATE: 09/09/1999 INVOICE #: 4015

BILL TO
John & JoAnn Jones
1234 Any Street
Your Town, VT 05595

P.O. NO: [] TERMS: []

ITEM	QUANTITY	DESCRIPTION	R&T	AMOUNT
8000-DOORS	2	Install interior doors next to great room and paint Oyster White	850.00	1,700.00

Customer Message: [] Total: 1,700.00

Mem: [] Balance Due: 1,700.00

Buttons: Next, Prev, OK, Cancel, Print History..., Time/Costs..., Preview, Print, To be printed

Figure 8. A "narrative" invoice, which is best used for small jobs of short duration, provides a *Description* field that can be used to explain the work that was done. You can change or rearrange the information that is displayed on the invoice using the *Custom Template* option (upper right of screen).

Create Invoices How Do I? [?] [X]

Customer:Job: Wayne, Adam #9909 - Cave ref Class: [] Custom Template: Progress Invoice

Invoice DATE: 09/09/1999 INVOICE #: 4015

BILL TO
Adam Wayne
c/o the Batcave
Gotham City, NY 20000

P.O. NO: [] TERMS: Due Upon Rec

ITEM	DESCRIPTION	Est Amt	Prior Amt	QTY	RATE	Total %	AMOUNT
1000-GEN COI	Temporary Utilities: 8 months @ \$180/month	2,059.00	1,441.50	1.2	257.375	85.01%	308.85
1000-GEN COI	Supervision: foreman on site 2 days/week	27,777.00	2,500.00	333	50.04855	69.0%	16,666.20

Customer Message: [] Total: 17,797.55

Mem: [] Balance Due: 17,797.55

Buttons: Next, Prev, OK, Cancel, Print History..., Time/Costs..., Preview, Print, To be printed

Figure 9. A *Progress Invoice* is based on dollar amounts or completion percentages for each *Item* from a previously-entered estimate summary. The invoice shown here includes estimated, prior, and current amounts for each item.

Create Invoices How Do I?

Customer/Job: Jones #9932-Kitchen Class: Custom Template: Initul Service Invoice

Invoice

BILL TO
John & JoAnn Jones
1234 Any Street
Your Town, VT 05555

DATE: 09/03/1999 INVOICE #: 4016

P.O. NO. TERMS

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT
2000-SITEW/O	8	Demolition	28.00	224.00
10000-APPL	40	Appliances	28.00	1,120.00
6000-WOOD F	32	Interior Finish	42.00	1,344.00
SUBTOTAL		Subtotal Labor		2,688.00
P & O		Profit & Overhead on Labor @ 18%	18.00	483.84
9000-FINIS	1	Drywall & Gypsum Board	15,000.00	15,000.00
Total				19,921.84

Customer Message: Balance Due: 19,921.84

Memorandum: To be printed

Figure 10. For *Time and Costs* billing, select costs to be included from each of three tabs: *Items* (top), *Expenses*, and *Time* (middle). To complete the invoice, enter billing rates for any hours brought over from the *Time* tab (bottom). A special QBP *Item* called *Subtotal* can be used as many times as needed to organize and add markups to groups of other *Items* on the invoice.

ing all markups, in the *Rate* column (Figure 8). For a lump-sum amount, you can enter "1" in the *Qty.* column or leave it blank. (In fact, you can remove the whole column from the printed invoice by using the *Customize* feature found under the Custom Template button in the top right hand corner. You can create several different customized templates, then choose the one you want to use for a particular job.)

When the invoice is correct click *OK*, which sends the amount to Accounts Receivable and to Income. Preview the invoice before printing and sending it to the customer.

Progress billing. This method produces an invoice based on the approximate completion percentages for every line item in the Estimate Summary. Progress billing can automatically calculate retainage, and it can be used to front-load the payment schedule.

To begin, click on the *Invoice* icon, enter the job, and this time answer *Yes* when asked if you want to create an invoice from the original estimate. QBP then asks you to *Specify what to include on the invoice*, and present three options:

Create invoice for the entire estimate (100%)

Create invoice for a percentage of the entire estimate

Create invoice for selected items or for different percentages of each item

Choose Billable Time and Costs How Do I?

Time and Costs For: Jones #9932-Kitchen

Items: \$16,750.00 Expenses: \$0.00 Time: \$0.00

Options: Transfer item descriptions; combine activities. Change...

Clear All

Use	Date	Employee	Service Item	Hours	Rate	Amount	Description	Hide
✓	09/29/1997	ARC, JOAN C	10000-APPL	8.00	0.00	0.00	APPLIANCES	
✓	09/30/1997	DYLAN, JAKI	3000-CONCF	8.00	0.00	0.00	Strip & Clean	
✓	09/30/1997	ARC, JOAN C	10000-APPL	8.00	0.00	0.00	APPLIANCES	
✓	10/01/1997	DYLAN, JAKI	3000-CONCF	8.00	0.00	0.00	Strip & Clean	
✓	10/01/1997	ARC, JOAN C	10000-APPL	8.00	0.00	0.00	APPLIANCES	
✓	10/02/1997	DYLAN, JAKI	3000-CONCF	8.00	0.00	0.00	Strip & Clean	
✓	10/02/1997	ARC, JOAN C	10000-APPL	8.00	0.00	0.00	APPLIANCES	
✓	10/03/1997	DYLAN, JAKI	3000-CONCF	8.00	0.00	0.00	Strip & Clean	
✓	10/03/1997	ARC, JOAN C	10000-APPL	8.00	0.00	0.00	APPLIANCES	

Print selected time and costs as one invoice item Total billable time and costs: 16,750.00

Create Invoices How Do I?

Customer/Job: Jones #9932-Kitchen Class: Custom Template: Initul Service Invoice

Invoice

BILL TO
John & JoAnn Jones
1234 Any Street
Your Town, VT 05555

DATE: 09/03/1999 INVOICE #: 4016

P.O. NO. TERMS

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT
2000-SITEW/O	8	Demolition	28.00	224.00
10000-APPL	40	Appliances	28.00	1,120.00
6000-WOOD F	32	Interior Finish	42.00	1,344.00
SUBTOTAL		Subtotal Labor		2,688.00
P & O		Profit & Overhead on Labor @ 18%	18.00	483.84
9000-FINIS	1	Drywall & Gypsum Board	15,000.00	15,000.00
Total				19,921.84

Customer Message: Balance Due: 19,921.84

Memorandum: To be printed

✓	Date	Type	Number	Orig. Amt.	Disc. Date	Amt. Due	Payment
✓	10/03/1997	Invoice	4011	10,000.00		10,000.00	10,000.00
✓	10/15/1997	Invoice	4012	50,000.00		50,000.00	11,500.00
✓	12/27/1997	Invoice	4013	1,000.00		1,000.00	1,000.00
				Totals		62,700.00	22,500.00

Figure 11. Customer payments made to a specific account using the *Deposit To* button are credited immediately. If you *Group* several deposits together, QBP stores the amounts in a special holding account, but you must manually update your checking account balance using the *Activities | Make Deposits* menu.

Although QBP automatically applies a deposit to the oldest outstanding invoice, you can manually override this feature and apply deposits to invoices you specify, as shown here.

While the third choice is more complex, it allows you to invoice based on actual completion by line item. You can then produce a series of invoices throughout the course of the job until all line items are billed at 100% complete. Prior amounts and percentages accumulate with each successive invoice.

On the next screen, you can enter either a dollar amount for each line item, in which case you use the *Amt.* column, or you can choose *Show Percentage* to enter a percentage (Figure 9). Make sure the estimate line items include all markups.

Click *OK* to finalize the invoice and send it to the accounts receivable and income accounts. QBP then moves amounts from current billings into the *Prior Amt.* column and re-calculates *Prior %*, leaving this customer's record ready for the next bill.

Time and costs billing. This invoicing method (commonly called time-and-materials in the construction industry) bills for actual time spent on the job, and actual material and subcontractor costs, as well as markups for overhead and profit.

To begin, click the *Invoice* icon, enter the *Customer/Job*, and answer *No* when asked about an estimate. When you click on the *Time/Costs* button, three tabs appear on the new screen: *Items*, *Expenses*, and *Time* (Figure 10, previous page). To build the invoice, enter a check mark in the *Use* column in all applicable tabs next to costs you want to include. Note that the *Total billable time and costs* amount in the bottom right-hand corner increases as you add each new cost. Before you print the invoice, you need to enter a billing rate to each line of billable time, which QBP multiplies by the hours worked to produce the extended amount.

This is also the time to mark up material and subcontractor amounts. QBP provides for this by creating an *Item* called *Subtotal*. Selecting this *Item* last will produce a subtotal of all itemized costs on the bill. You can then enter overhead and profit on the next line, either as a percentage in the *Rate* column or as lump sum in the *Amt.* column; QBP will calculate the total for the entire invoice.

Reviewing AR balances. To maintain good cash flow, review all open invoices at least weekly. From *Reports | A/R Reports*, print *Customer Balance Summary* for an overview. Print *Customer Balance Detail* to see which specific invoices remain unpaid.

Crediting Customer Payments

When your customers pay the invoices, whether partially or in full, those payments must be applied to the original invoices. Otherwise both the income and the AR balances will be distorted.

To apply payments, from the *Activities* menu select *Receive Payments*, and on the *Customer Payment* screen fill in *Customer/Job* information. All AR invoices with any remaining balance will then be listed below. QBP totals the outstanding balance in two places on this screen: in the upper right-hand *Balance* cell, and again at the bottom of the screen.

Enter the amount received in the *Amount* cell, and fill out the *Pmt. Method* and *Check No.* (Figure 11). If you select *Deposit To*, the payment is credited immediately to the account you specify. If you select *Group with other undeposited funds* to include more than one check on a single deposit form, QBP keeps the total amount in a holding account. Your checking account balance won't be affected until you finalize the deposit through *Activities | Make Deposits*.

QBP automatically applies a deposit to the oldest outstanding invoice first. If the deposit is greater than the amount of the oldest invoice, QBP applies the remainder to the next oldest invoice until the entire deposit amount has been applied. You can also override this and tell QBP to apply the payment to an invoice you specify. If the deposit is greater than the total amount of all the outstanding invoices, QBP will create a credit for the difference. You can print a credit memo to reflect this overpayment.



Judith Miller is a consultant on financial management, office systems, and construction software in the Bay Area of California.