# Invoicing and Collecting Income

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Having a method for recording your income is likely one of the main reasons you purchased your QuickBooks program. Here are just some of the reasons why it's important to have an accurate record of your income transactions.

- You need to be able to track your company's revenue and record income transactions so you know how well your company is performing.
- You need a vehicle whereby you can separate your income into appropriate accounts so that you can produce reliable financial statements that tell you where your company's strengths and weaknesses are.
- You need the record-keeping ability necessary to provide your customers with an opportunity to make down payments and partial payments, as well as being able to give them the right to receive refunds and credits for returned merchandise or unfulfilled obligations.
- You need to have the mechanism in place for recording amounts you deposit in your bank account.
- In this day and age, you need to be able to email an invoice to customers.
- If you incur expenses on behalf of a customer, you need to be able to charge those expenses to your customer.
- You need to be able to assess finance charges for late payments.

All of this and more can be accomplished through the invoicing and collection services available in your QuickBooks program. This chapter explains how you can meet all your revenue-collection obligations.

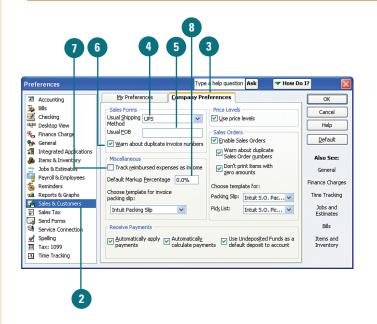
#### What You'll Do

Set Sales and Customers Preferences Create an Invoice **Preview Invoices Print a Single Invoice** Print a Batch of Invoices **Email an Invoice Charge Expenses to a Customer Set Finance Charge Preferences Create a Monthly Statement Set Send Forms Preferences** Track Accounts Receivable **Receive Payments for Invoices** Issue a Credit or Refund Receive Cash Make Bank Deposits Receive Advances, Retainers, and **Down Payments** Issue Discounts View the Open Invoices Report Create a Collection Letter **Record Bad Debts** 

## Setting Sales and Customers Preferences

- Select Edit, Preferences.
- 2 Click the Sales & Customers icon.
- Click the Company Preferences tab.
- Indicate the most common shipping method that your company uses in the Usual Shipping Method field.
- 5 Indicate the status that applies to your sales in the **Usual FOB** field.
- 6 Check the Warn About Duplicate Invoice Numbers checkbox if you want to receive a warning when you are about to issue an invoice with a number that duplicates another invoice.
- 7 Check Track Reimbursed
  Expenses as Income if you have
  expenditures that will be recorded
  as income rather than an offset to
  the expense account.
- 8 Enter a **Default Markup**Percentage that is to be used for standard markups on items your company buys and resells to customers.

You can customize some of the standard features that apply to invoices by making adjustments in the Sales & Customers preferences screen. The types of preferences that relate to your sales operations include setting a default shipping method, setting a standard markup percent for items you purchase and resell to customers, and indicating a standard FOB for your company. In addition, you indicate how you want reimbursements to be recorded in your financial records, in what order customer payments are to be applied to outstanding invoices, whether you want to be told you are about to issue a duplicate invoice number, and whether you want to use the QuickBooks Price Level feature. The QuickBooks Price Level feature enables you to easily apply discounts or price increases to items on your invoices. The settings you make here affect all your company's invoices. Note that only a user with administrative rights can make changes to the company preferences for sales and customers.



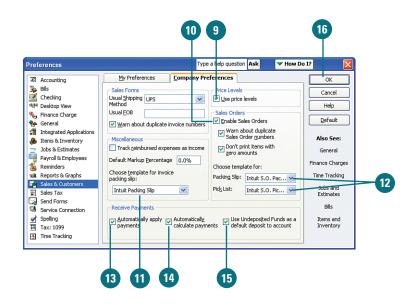
### **Did You Know?**

**FOB** stands for Free on Board. FOB refers to the physical place where the ownership of an item changes hands from the vendor to the purchaser. This designation is used when discussing shipping costs and is important for determining who has the responsibility of shipping and insurance costs. "FOB Our Warehouse" for example, means the ownership of the item transfers to the purchaser when it leaves the seller's warehouse. The purchaser is responsible for shipping charges and insurance on the item from the time it leaves the seller's premises.

- 3 Check Use Price Levels to use the QuickBooks Price Levels feature for quickly adjusting amounts on sales forms by a preset percentage.
- 10 Check Enable Sales Orders if you want to use the sales orders feature in QuickBooks. If you check this box, then you have the option of checking the box to warn about duplicate sales order numbers and to prevent the printing of zero amounts.
- 11 Choose the template you prefer to use for invoice packing slips.
- 12 If you have enabled sales orders, choose the templates you prefer to use for sales order packing slips and sales order pick lists.
- Check Automatically Apply
  Payments if you want QuickBooks
  to apply customer payments to
  outstanding invoices.
- 14 Check Automatically Calculate
  Payments if you want to
  automatically calculate the amount
  of payments you received based
  on the invoices you check off on
  the Receive Payments list.
- 15 Check Use Undeposited Funds As a Default Deposit to Account to designate your undeposited funds account as the default account when recording payments that you receive.
- 16 Click OK.

#### See Also

See the various tasks about customizing forms in Chapter 10 for information on creating your own forms that can be used as templates.



### **Did You Know?**

**You can change preference settings on invoice forms.** The settings you make in the Sales & Customers Preferences dialog box affect all of your company's invoices. However, you can override these settings, if necessary, on the actual invoices.

### **Accounting for Sales**

The goods and services your company sells produce *income* that needs to be recorded in your company's financial records.

When you issue an invoice, QuickBooks increases your income by the amount on that invoice. If the customer is to pay you in the future, your company's accounts receivable account is also increased by the amount of the invoice. Alternatively, if you receive cash at the time of the sale, the undeposited funds account is increased.

If the sale is taxable, your sales tax liability account is increased by the amount of sales tax charged on the invoice.

The following example illustrates the accounts that are affected in the background when you enter information on a QuickBooks invoice form:

#### Sample invoice:

Amount of sale \$100.00 Sales tax \$5.00

Total amount due

from customer \$105.00

#### Affected accounts:

Debit Credit

Accounts receivable

(or undeposited funds) 105.00

Sales tax payable 5.00

Sales revenue 100.00

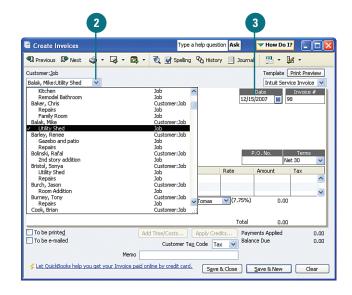
### **Creating an Invoice**

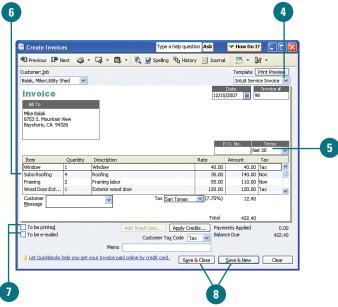
1 Select Customers, Create Invoices.

TIMESAVER You can also click the Invoices icon on the Home page, or press Ctrl+I to start a new invoice.

- Select a customer and, if applicable, a job from the Customer:Job drop-down list.
- Verify that the date is correct, making any necessary changes.
- Click the **Template** drop-down menu if you want to choose a different style of invoice.
- 5 Enter the terms that apply to this customer.
- Enter each of the items that this customer is purchasing, along with quantities and rates. (The rates might appear automatically, depending on how the items are entered in your records.) The Amount column is automatically calculated.
- 7 Check **To Be Printed** or **To Be**E-mailed. Otherwise, the invoice will be added to the queue to print later.
- 8 Select a save option.

The invoice is the basic form you use to charge your customers for goods and services. Invoices include detailed lists of all items that you charge to a customer. There are several types of invoice forms available in QuickBooks. Choose the form that best suits the type of business you do. You can use the invoice form as a document that you give or send to your customers, or you can use the form purely for internal purposes, to record sales that occur in your company.





### **Types of Invoices**

If you used the EasyStep Interview to set up your company, you were asked whether you wanted to use one of four types of invoice forms: professional, service, product, or custom. Choosing an invoice style in the interview doesn't prevent you from using one of the other styles. The style you choose in the interview is the one that appears by default when you begin creating an invoice. To use one of the other styles, open an invoice form, click the down arrow in the **Form Template** field at the top of the invoice form, and select another form.

Depending on the version of QuickBooks you use, there is a variety of standard invoice forms from which you can choose. The following four types of invoices are available in all versions of QuickBooks:

- Professional invoice—Includes the following fields: Terms, Item, Description, Quantity, Rate, and Amount (Tax and Units of Measure fields also might appear, depending on the preferences you have selected.)
- Service invoice—Includes the following fields: P.O. Number, Terms, Item, Quantity,
  Description, Rate, and Amount (Tax and Units of Measure fields also might appear, depending
  on the preferences you have selected.)
- Product invoice—Includes the following fields: Ship To, P.O. Number, Terms, Rep, Ship Date, Via, FOB, Quantity, Item Code, Description, Price Each, and Amount (Tax and Units of Measure fields also might appear, depending on the preferences you have selected.)
- Custom invoice—Can be customized to include any of the fields from other invoice styles and any other fields that are useful to you

### **Previewing Invoices**

- Prepare an invoice.
- 2 Click the arrow next to the **Print** button on the invoice form toolbar.
- 3 Select Preview.

#### **Did You Know?**

Program advertisements appear from time to time. When you make certain selections in QuickBooks, you might notice extra windows appearing, offering more information about special features, such as how to print labels or how to order preprinted supplies. When these windows appear, you can check a box in the window to keep the window from appearing again in the future, or you can simply click **OK** to close the window.

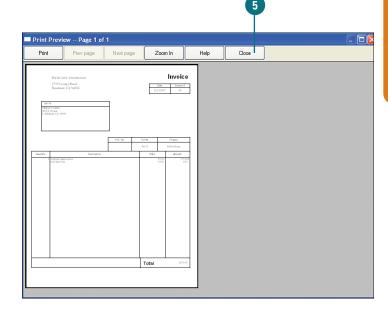
- 4 Examine the preview screen for any errors or changes you want to make prior to printing.
- 5 Click **Close** to close the preview and return to the invoice screen.

#### See Also

See "Prepare an Invoice for Selected Items" in Chapter 8, "Job Cost Estimating and Tracking," and "Charging Expenses to a Customer" later in this chapter for additional examples of information that does not appear on invoices.

The onscreen preview feature is useful because it allows you to familiarize yourself with what information prints on the invoice, where it prints, and what information is just for display onscreen.





### **Invoice Dates**

The date you enter on your invoice is significant because a variety of calculations results from that date:

- The invoice date is coordinated with the criteria you enter in the Terms field to help QuickBooks determine when the customer payment is due.
- The invoice due date is considered when QuickBooks produces Accounts Receivable Aging Reports, which show overdue customer payments in increments of 30 days, 60 days, 90 days, and so on.
- The invoice date is significant when you issue statements to customers and assess finance charges. When you set Finance Charge Preferences, you must indicate whether finance charges are to be assessed based on the date of the invoice or the due date based on the terms you indicated.
- The invoice date combined with the payment terms you set determine when the invoice appears in your Reminders window as being overdue.

So, take extra care when you write invoices, knowing the date you put on an invoice has myriad implications throughout your QuickBooks program.

#### See Also

See the following related topics for more information on coordinating the invoice date with various QuickBooks functions:

- ◆ "Setting Finance Charge Preferences," page 120
- "Creating Payment Terms," page 247 in Chapter 10, "QuickBooks Tips and Tricks"
- "Preparing Accounts Receivable Aging Summary Report," page 391 in Chapter 18, "Preparing the Top Ten QuickBooks Reports"
- "Creating a Monthly Statement," page 121

## Printing a Single Invoice

- Prepare an invoice.
- If you want to print this invoice later with a batch of invoices, as described in the next task, check the **To Be Printed** box, save your invoice, and skip the rest of this task.
- 3 To print this invoice now, click the drop-down arrow next to the **Print** button on the invoice form toolbar.

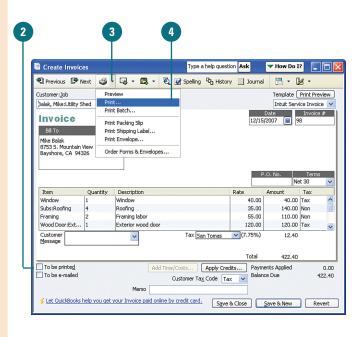
**TIMESAVER** You can also press **Ctrl+P** to print the invoice.

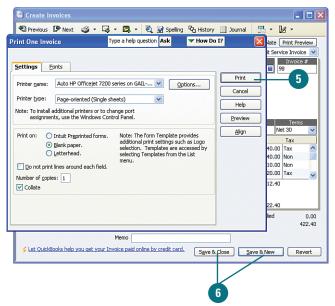
- Select Print to print the invoice.
- 5 Click **Print** in the Print One Invoice dialog box that appears.
- 6 Save your invoice.

### **Did You Know?**

**Memo information does not print on the invoice.** You can enter comments for your own use in the Memo field of an invoice. Your customer won't see this field on the printed invoice.

When it's time to send your invoice to a customer, it pays to first take a look at the form and double-check to make sure everything is the way you want it. After previewing the invoice, you can choose to print the form right away or save it for printing later, perhaps with a batch of other invoices.





### Printing a Batch of Invoices

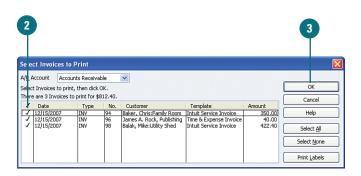
- 1 Select File, Print Forms and then select Invoices.
- Check each invoice you want to print at this time.

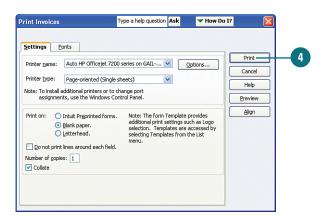
**IMPORTANT** You can save time by using the **Select All** and **Select None** buttons, and then checking or unchecking the invoices.

IMPORTANT You cannot make changes in this window. If you discover that the amount on an invoice is incorrect, you cannot enter a change on this window. Instead, close the Select Invoices to Print window and open the original invoice, make your changes, and return to this window for printing.

- 3 Click OK.
- 4 Click the **Print** button in the Print Invoices dialog box.

Sometimes it's easier to print several invoices at once, particularly if you have to change the paper you use in your printer. You can save your invoices with instructions to print later, and then follow these instructions to print all the forms at once.





### **Emailing an Invoice**

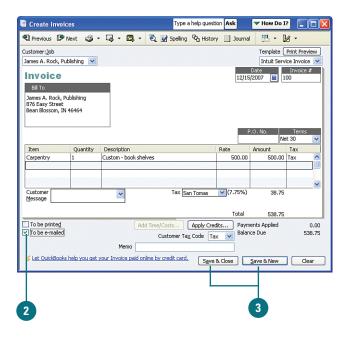
### Indicate Email Status on an Invoice

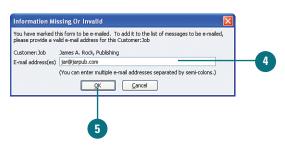
- 1 Create an invoice, or open an invoice form already created but not yet printed.
- Check the To Be E-mailed box to initiate email delivery.
- Save the invoice.
- 4 If the customer's email address was not entered previously, you are prompted to enter it now.
- 5 Click OK.

#### **Did You Know?**

Email addresses entered on-the-fly are saved for future use. If you are prompted to enter your customer's email address, you only have to enter it once. Your entry is saved with this customer's information for future use.

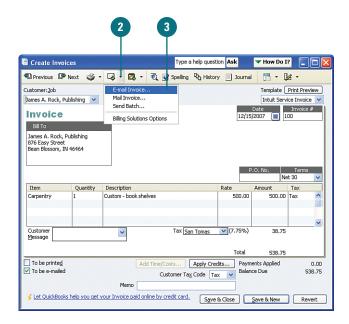
The most popular form of communication these days seems to be email, so why not take advantage of this medium to dispatch your invoices? Email is easy and you can get your invoice into the hands of your customer quickly. One word of warning: Make sure your customer expects the e-invoice so your message won't get lost in the shuffle of junk that permeates email boxes. If your customer is keen on electronic communication, you might be able to encourage an electronic payment, which reduces the turnaround time on your invoice even more.





### **Send One Invoice by Email**

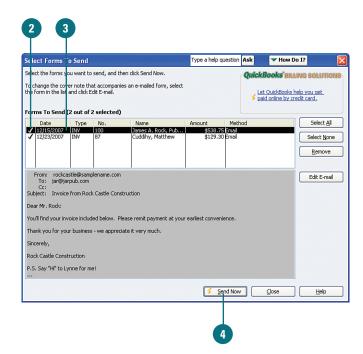
- 1 Open the invoice on which you indicated email delivery.
- 2 Click the drop-down arrow next to the **Send** button.
- 3 Select E-mail Invoice.
- 4 Verify that the information in the cover letter is correct.
- 5 Make changes or additions to the cover letter if necessary.
- 6 Click the **Send Now** button.





### **Send a Batch of Email Invoices**

- Select File, Send Forms.
- Click in the first column to check off each form you want to send. Checkmarks appear to the left of each selected form.
- 3 Double-click any form to display a preview of the accompanying cover letter.
- 4 Click Send Now.

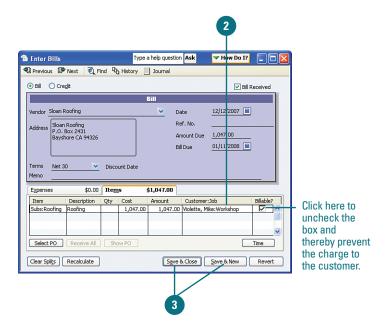


## Charging Expenses to a Customer

### Designate the Customer When Making a Purchase

- 1 Prepare a new bill for a purchase, or open an existing bill.
- Enter the customer's name and, if applicable, a job.
- 3 Save the bill.

When you make a purchase on behalf of a customer, you need to designate the customer on the bill. Then, when you create an invoice for the customer, you can request that expenses be charged as well as any other items that go on the invoice. You can also select a markup for the expense if you intend to sell this to your customer at a profit.



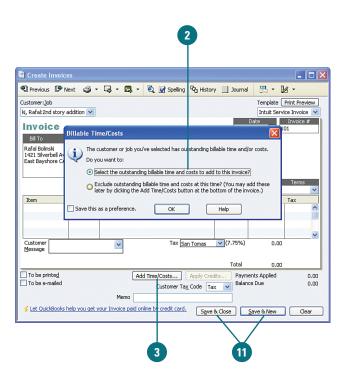
#### **Did You Know?**

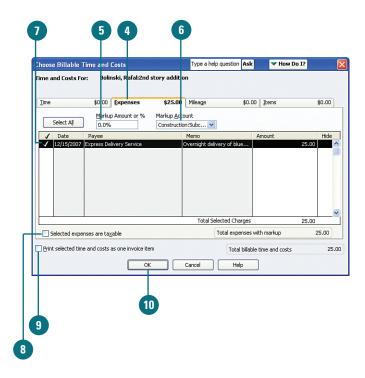
You can associate an expense with a customer without charging the customer for the expense. If you uncheck the box in the Billable field next to the customer's name on a bill, the amount is not charged to the customer.

You can remove the markup amount from the customer invoice. If you increase the expenses charged to your customer by a markup amount (see next page), this amount appears on your customer invoice unless you check the Print Selected Time and Costs as One Invoice Item option. When you check this box, the markup still appears on your screen version of the invoice, but the printed version combines the markup with the billed expense into one amount.

### Place Expenses on a Customer Invoice

- Open an invoice form and enter the customer information.
- If this pop-up dialog box appears, choose the option to Select the Outstanding Billable Time and Costs to Ad to This Invoice, and then click OK. Note that you can check a box at the bottom of the dialog box if you want to make this your default choice for future invoices that have time or costs assigned to them.
- If the pop-up dialog box did not appear, click the **Add Time/Costs** button.
- 4 Click the Expenses tab.
- 5 Enter the markup amount or percentage, if applicable.
- Verify the account to which the markup should be recorded, if applicable.
- Check any item you want to include on this invoice.
- 8 Indicate whether the expenses are taxable to the customer.
- If you are charging more than one item to the customer and if you want all the items to appear as a single item on the customer invoice, check this box.
- 10 Click OK.
- 11 Complete the invoice and save it.

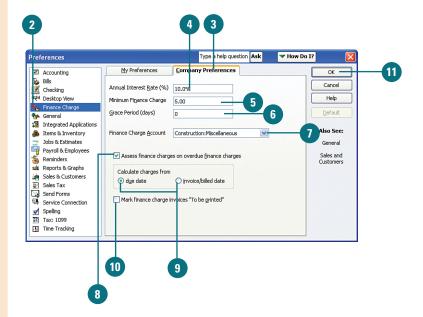




### **Setting Finance Charge Preferences**

- Select Edit, Preferences.
- 2 Click the Finance Charge icon.
- 3 Click the Company Preferences tab.
- Indicate in the Annual Interest
  Rate field the amount of interest
  that your company charges for
  past-due customer payments.
- 5 Indicate in the Minimum Finance Charge field the amount, if any, that your company assesses on late payments.
- 6 Enter the number of days in the Grace Period (days) field allowed before finance charges are assessed.
- 7 Choose from the Finance Charge Account drop-down list the account you use to track finance charges.
- 8 Check Assess Finance Charges on Overdue Finance Charges if you add previous finance charges to the balance when computing additional finance charges.
- Select an option in the Calculate Charges From section.
- 10 Check Mark Finance Charge Invoices "To Be Printed" if you want to send an invoice to customers when finance charges are assessed. If you check this box, QuickBooks automatically generates invoices and places them in your print queue.
- 11 Click **OK**.

Do you charge your customers a fee for late payments? If so, you can create several settings to ensure that the process of assessing finance charges is consistent and automatic. Any settings you establish here can be revised later, but you'll save yourself time by thinking through these options and configuring the settings before you start dealing with customers who made late payments.



## Creating a Monthly Statement

Select Customers, Create
Statements.

**TIMESAVER** Clicking the **Statements** icon on the Home page also opens the Create Statements dialog.

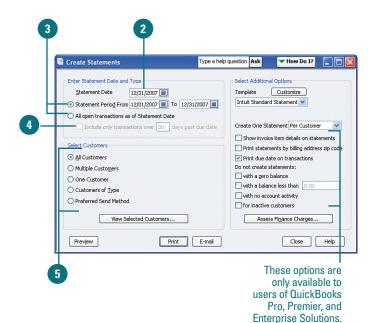
- 2 Indicate the date that will appear on the statement.
- Choose dates in the Statement
  Period From fields, or choose All
  Open Transactions as of Statement
  Date to create a statement for all
  outstanding invoices.
- If you choose to prepare statements for all outstanding invoices, check this box to limit the statements to invoices more than a designated number of days overdue.
- 5 Select the customers who will receive statements. If you select any option other than **All Customers**, you can then select the specific customers who will receive statements.

### See Also

See "Invoice Dates" on page 112 for more information on coordinating the invoice date and due date with monthly statements.

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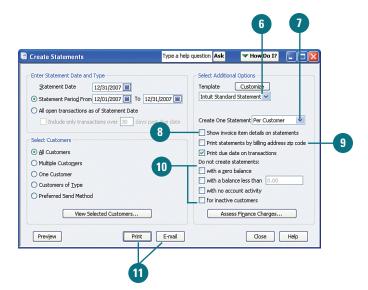
It's not unusual to have some customers who don't pay their bills on time. If you have customers like this, you probably want to send them a reminder that they owe you money. The monthly statement lists outstanding invoices and also provides you with an opportunity to assess a finance charge.



### **Did You Know?**

You can't save statement options. If you make selections in the statement dialog box and then click Close rather than printing or emailing your statements, the choices you made are not saved.

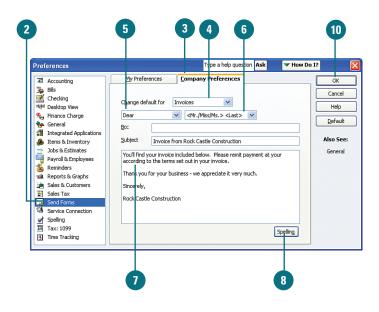
- 6 Select a template to use for the statements from the **Template** drop-down list.
- 7 Choose between creating one statement per customer or one statement per job.
- Check Show Invoice Item Details on Statements to provide detailed information from the invoice(s) on the statement.
- 9 Choose to sort statements by billing address zip code.
- 10 Check options under the **Do Not**Create Statements heading to
  customize the selection of which
  customers receive statements.
- 11 Click Print or E-mail.



## Setting Send Forms Preferences

- Select Edit, Preferences.
- Click the Send Forms icon.
- 3 Click the Company Preferences tab.
- Select the form for which you are creating a default cover letter. For this example, the **Invoices** form has been selected.
- 5 Select a salutation.
- 6 Select the style you want to use for names.
- 7 Type the text of your default letter.
- 8 Click **Spelling** to check the spelling in your letter.
- Repeat Steps 4-8 for each type of form.
- 10 Click OK.

You can create default cover notes that accompany your invoices, estimates, statements, purchase orders, and any other forms you send by email. This timesaver will give all your emailed business forms a professional look, and you can still edit the message before it is sent if you want to personalize the note.



#### Did You Know?

**There's no need to save as you go.** When creating default cover letters, you don't have to save your work as you switch from one letter to the next. All of your letters are saved at once when you click the OK button.

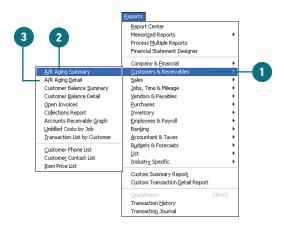
## Tracking Accounts Receivable

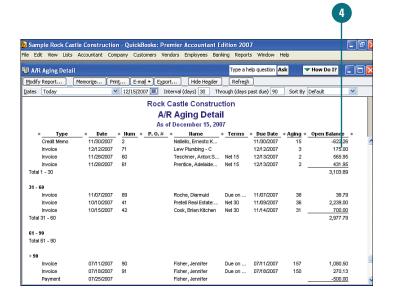
- 1 Select Reports, Customers & Receivables, or click the Customers & Receivables option in the Report Center.
- Select A/R Aging Summary to see a list of customers and the amounts owed by them.
- 3 Select A/R Aging Detail to see every invoice that is overdue.
- 4 Double-click any amount on the report to see the actual invoice form.
- Press Esc to close the reports.

### **Did You Know?**

You can change the interval for the number of days on your accounts receivable reports. The default interval when displaying the accounts receivable reports is from 30 days through 90 days overdue. You can change this by entering a different number of days (for example, 60, 90, 120, and so on) in the Interval fields at the top of the report.

QuickBooks keeps track of all amounts owed to you by your customers. In addition, QuickBooks produces aging reports to show you how long overdue these outstanding amounts are. Examine these reports frequently so you can keep on top of your company's collection effectiveness and so you'll know which customers have trouble making timely payments.





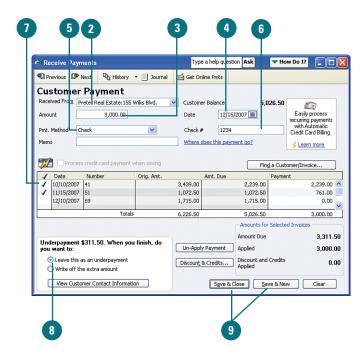
## Receiving Payments for Invoices

1 Select Customers, Receive Payments.

**TIMESAVER** Click the **Receive Payments** icon on the Home page to go immediately to the Receive Payments dialog box.

- 2 Enter the customer's name in the Received From field.
- 3 Enter the amount received.
- 4 Confirm the date on which the payment was received.
- Enter the payment method.
- 6 Enter the check number or other applicable reference number.
- Verify that the amounts are applied appropriately to the outstanding invoices by checking the invoices in order of how the payment will be applied.
- If the full amount owing has not been paid, indicate whether you want the remainder to be left as an underpayment or written off as either a discount or uncollectible.
- 9 Click a save option.

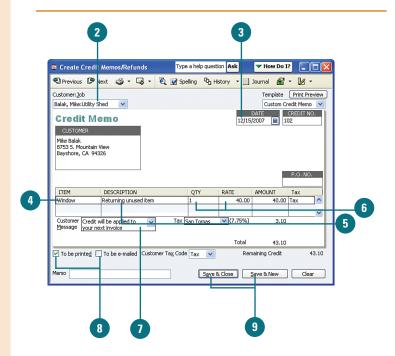
You've received a check from a customer! Now you need to record the payment and indicate that the invoice has been paid. Doing so clears your accounts receivable account and places the funds in an undeposited funds holding area in your QuickBooks file until you deposit the funds. When you actually deposit the money, the undeposited funds account is cleared and cash is increased.



## Issuing a Credit or Refund

- Select Customers, Create Credit Memos/Refunds, or click the Refunds & Credits icon on the Home page.
- Enter the customer's name and, if applicable, the job to which this credit or refund relates in the Customer:Job field.
- 3 Verify that the date is correct.
- 4 Enter the item for which the credit or refund is being issued.
- 5 Describe the reason for the credit or refund.
- 6 Enter the quantity, and, if applicable, the rate.
- 7 Enter an optional customer message. If you have not used this message before, you will be prompted to add the message to your message list. Click Quick Add to add the message.
- 8 Indicate if you want to print the credit memo or send it by email. (These two options are not mutually exclusive—you can do both if you want.)
- 9 Save the credit memo.
- 10 If the Available Credit window appears, select an option to indicate how you want the credit to be treated. If you choose to apply the credit to an invoice, you will see a list of open invoices for this customer and you can select the invoice(s) on which the credit should be applied.
- 11 Click OK.

If a customer returns an item or if for any other reason you need to issue a credit or a refund to a customer, you can do so easily. You are given room to fully describe the reason for the credit or refund, and you can indicate whether tax applies to the amount.





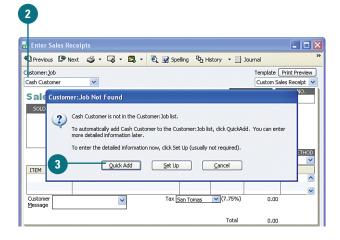
### **Did You Know?**

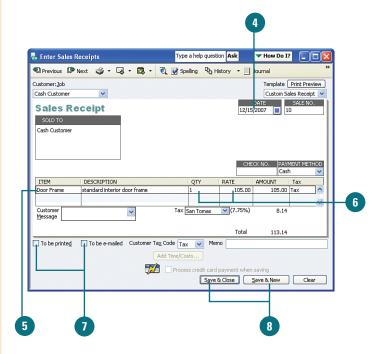
Customer messages are saved in QuickBooks. If you enter a message in the Customer Message area, and this is the first time you've used that message, you are prompted to add the message to your saved messages so that you can select the message again in the future, without having to retype it. Click the down arrow in the Customer Message area to view other messages that have been saved.

### **Receiving Cash**

- 1 Select Customers, Enter Sales Receipts, or click the Create Sales Receipts icon on the Home page.
- Enter a generic name for the cash customer in the Customer:Job field.
- 3 Select Quick Add to add this name to your customer list if the name has not been used previously.
- Verify the date of the sale.
- 5 Enter the item(s) sold.
- Enter the quantity and rate.
- Indicate if you want the invoice to be printed or emailed, or you can choose to print the invoice now by clicking the **Print** button at the top of the form.
- 8 Save the form.

Companies that make cash sales need to record these sales, just as companies that issue invoices record their sales. If yours is a cash business, such as a retail store, you might not keep a list of all of your customers. For sales to anonymous customers, you can create a customer and name it something like Cash Customer or simply Customer and still record your sales properly in QuickBooks.

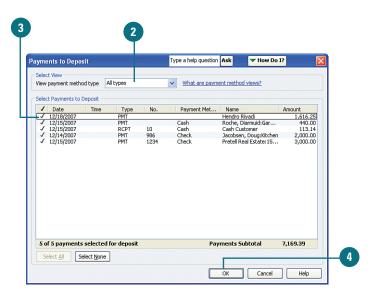


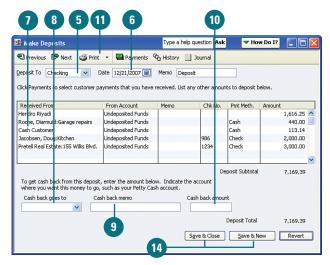


## Making Bank Deposits

- Select Banking, Make Deposits, or click the Record Deposits icon on the Home page.
- Change the payment type if you want to view a particular type of payment (such as only cash or only MasterCard and Visa).
- 3 Check off each of the deposits you want to make at this time. You can use the **Select All** button to check off the entire list at once.
- 4 Click OK.
- 5 Verify the account to which the money will be deposited.
- 6 Verify the date of the deposit.
- Verify all deposit information.
- If you intend to take cash back from the deposit, enter the account that the money should be assigned to.
- 9 Enter an optional memo regarding the cash back.
- 10 Enter the amount of the cash back.
- Click the **Print** button if you want to print a deposit slip or a summary of the deposit.
- Choose which documents you want to print.
- 13 Click the **OK** button.
- 14 Save the deposit.

In the Sales & Customers preferences, you have the option of choosing whether you want payments to be routed to an undeposited funds account for future depositing instead of being recorded immediately as deposits. If you've chosen to deposit the funds later, you need to follow these steps to record the actual deposit.







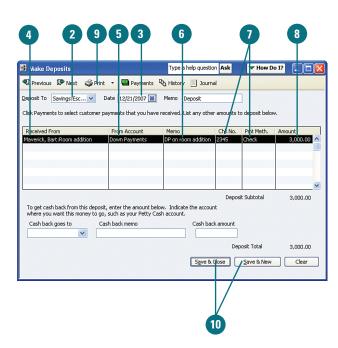
### Receiving Advances, Retainers, and Down Payments

1 Select Banking, Make Deposits.

**IMPORTANT** If the Payments to Deposit window appears, ignore that window at this time by clicking the X in the upper-right corner to close the window.

- 2 Indicate the account into which this money will be deposited.
- Enter the date of the deposit.
- 4 Enter the name of the customer and, if applicable, the job related to this deposit.
- 5 Enter the account in which the deposit will be recorded. Typically this is a current liability account, not an income account.
- 6 Enter an optional memo.
- 7 Enter optional information about the method of payment.
- Enter the amount of the deposit.
- 9 Click **Print** to print a deposit slip or deposit summary.
- 10 Save the deposit.

You might require that your customers or clients give you advance payments, retainers, layaway payments, or down payments on purchases of goods or services. If the payment you receive is a down payment on the purchase of goods, you can create an invoice for the goods and then record the payment as a partial payment for that invoice (see "Receiving Payments for Invoices," earlier in this chapter). If you are taking an advance payment or a retainer for goods or services that have not yet been invoiced, the procedure for recording the payment is somewhat different, as shown in this task.

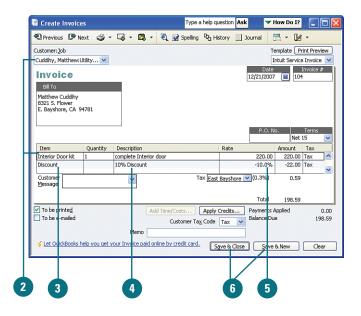


### **Issuing Discounts**

### **Enter a Sales Discount on an Invoice**

- 1 Press Ctrl+I to open an invoice.
- Enter the relevant customer information and a description of the items this customer is purchasing.
- 3 Enter Discount in the Item section.
- 4 Add a description of the discount, or revise the description that appears.
- 5 Enter the percent or exact amount of the discount. Enter the percent or amount as a positive number— QuickBooks automatically changes the discount to a negative for you. If you enter a percent, the discount is calculated based on the item on the line above.
- 6 Save the invoice.

If you offer discounts to your customers, you can record that information on a separate Discounts & Credits screen in QuickBooks. There are three types of discounts you can issue—sales discounts that you enter on a customer's invoice, early payment discounts recorded automatically for customers who pay within a specified time period, and company-wide discounts such as when your company has a clearance sale on excess inventory items. The first two types of discounts are discussed here. Company-wide discounts are discussed in the "Adjusting the Price of Inventory" section of Chapter 14.



#### **Did You Know?**

A discount can be applied to more than one invoice item. Use Subtotal as an invoice item if you want to subtotal two or more items above the subtotal line, and then apply the discount to the subtotal line.

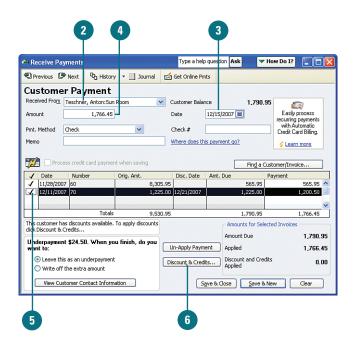
### **Enter a Discount for Early Payment**

Select Customers, Receive Payments.

**TIMESAVER** Another way to get to the Receive Payments window is to click the **Receive Payments** icon in the Customers section of the Home page.

- 2 Enter the customer's name.
- 3 Verify the date on which the payment is received.
- Enter the amount received.
- 5 Click the invoice to which you want to apply a discount.
- 6 Click **Discount & Credits** to open the Discount & Credits window.

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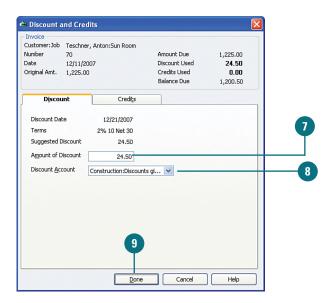
### **Did You Know?**

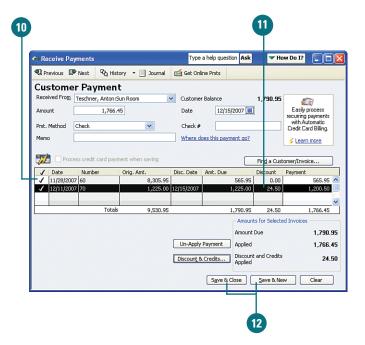
Date of receipt can differ from date of deposit. When issuing a discount for an early payment, the date on which the payment was received is of paramount importance. QuickBooks automatically enters today's date when you open the Receive Payments form. Make sure the date on which the payment was actually received appears on this form.

- 7 Confirm the discount amount as computed by QuickBooks, and make any necessary changes.
- 8 Verify the account to which the discount will be charged.
- 9 Click Done.
- 10 Check off the invoice(s) being paid.
- Note that the discount has been applied.
- 12 Save the customer payment screen.

### **Did You Know?**

A discount date appears next to invoices eligible for early payment discount. If the terms you assigned to an invoice make the invoice eligible for early payment discount, the date of eligibility appears in the Disc. Date column in the Receive Payments window.





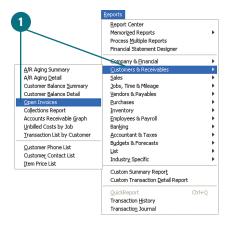
## Viewing the Open Invoices Report

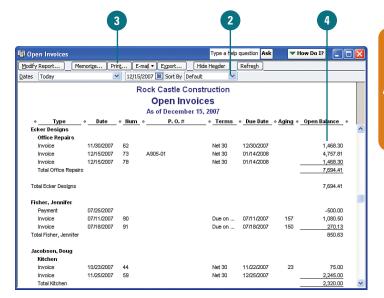
1 Select Reports, Customers & Receivables, then select Open Invoices from the side menu.

TIMESAVER Another way to get to the Open Invoices report is to click the Customers & Receivables option on the Reports Center, and then select Open Invoices.

- Click the down arrow if you want to select a different method of sorting the report.
- 3 Click Print to print a paper copy of the report.
- 4 Double-click any amount to see the actual invoice.
- Press Esc to close the report.

How much is owed to your company and who owes it? This information is readily available on the Open Invoices report. This report shows the detail of all amounts due from every customer and job. Information on this report is grouped by customer and job.

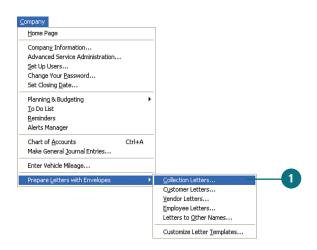


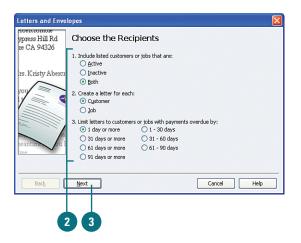


### Creating a Collection Letter

- 1 Select Company, Prepare Letters with Envelopes; then select the type of letter you want to create. For this example, a collection letter is selected.
- 2 Select from the various options to determine who will receive this letter.
- 3 Click Next.

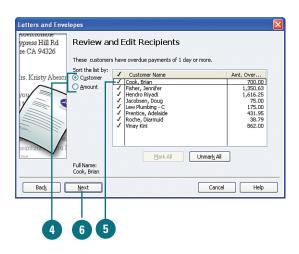
Of course you can open your word processing program and write an extemporaneous letter to the customer who owes you money. Or you can save time and use a standard form letter that is available to send to any customers who owe you money, anytime. Before printing the letters, you have the capability to customize the letters and add personal information if necessary.

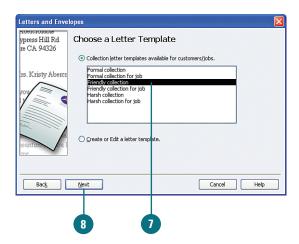




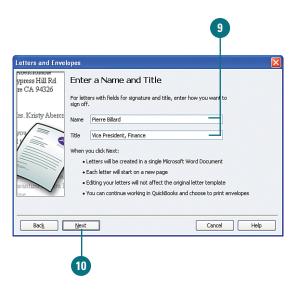
- 4 Choose to sort your list alphabetically by customer name or by amount, lowest to highest.
- 5 The list that appears here is the result of the selections you made in Step 2. Check off all members of the list who will receive the letter. Use the Mark All and Unmark All buttons to help with your selections.
- 6 Click Next.
- Choose from a variety of available letters, or click the Create or Edit a Letter Template option to customize your mailing. If you choose to create a letter from scratch, a Microsoft Word document where you can customize your letter will appear. For this example, the Friendly Collection letter template has been chosen.
- 8 Click Next.

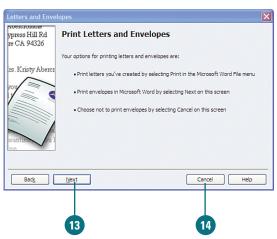
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- Enter the name and title of the person who will sign the letters.
- 10 Click **Next**. A Microsoft Word document containing all the letters will open.
- Scroll through the letters to make sure they read the way you want them to. If necessary, you can add information to any letter.
- 12 Select File, Print from the Word menu bar.
- In QuickBooks, click **Next** if you want to print envelopes. If you choose this option, you are asked to verify the size of the envelopes. In the Microsoft Word document that appears, click **OK** to print the envelopes.
- If you don't want to print envelopes, click Cancel.
- In QuickBooks, click **Finish** to close the Letters and Envelopes window.





### **Recording Bad Debts**

- 1 Select Customers, Receive Payments, or click the Receive Payments icon on the QuickBooks Home page.
- 2 Enter the name of the customer and job, if applicable, for whom you will record a bad debt.
- 3 Leave the amount set to zero.
- 4 Click to place a checkmark to the left of an uncollectible invoice.

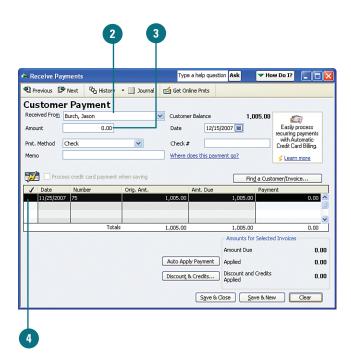
#### **Did You Know?**

ments.

You might receive a warning about automatically calculating payments. Depending on the preferences you set for your company, you might receive a warning telling you that QuickBooks will automatically enter a payment in the amount of the invoice you checked. To override this calculation, click **No** when this warning appears. Note that clicking No turns off the company preference for automatically applying payments. To reset this preference, select Edit, Preferences and click the Sales & Customers icon and the Company Preferences tab. Check the box to automatically apply pay-

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If your company keeps records on an accrual basis, you've already recorded income when a job is completed and invoiced, even though you haven't yet received the payment from your customer. So when you discover that the customer isn't going to pay, you need to offset the income you recorded with a bad debt expense.



- 5 Click **OK** in the warning box.
- 6 Click the **Discounts & Credits** button.
- Enter as a discount the amount of the uncollectible debt.

### **Did You Know?**

Bad debts get entered as positive numbers. Even though you are reducing the amount owed by the customer, enter the amount as a positive number. QuickBooks will reduce the amount due by the number you enter.

- If necessary, change the discount account field to reflect the account where you record bad debt expenses.
- 9 Click the **Done** button.
- 10 Save the Receive Payments window.

