Accounts Payable – Vendor Invoices

ENTERING A SIMPLE A/P INVOICE

Vendor invoices are entered into the system for later payment. Data for the General Accounting and Vendor Rebate systems is also captured and posted to the appropriate file.

To enter a vendor's invoice, go to: Accounts Payable – Update A/P Invoice File

Illustration 1: Blank A/P Invoice Screen

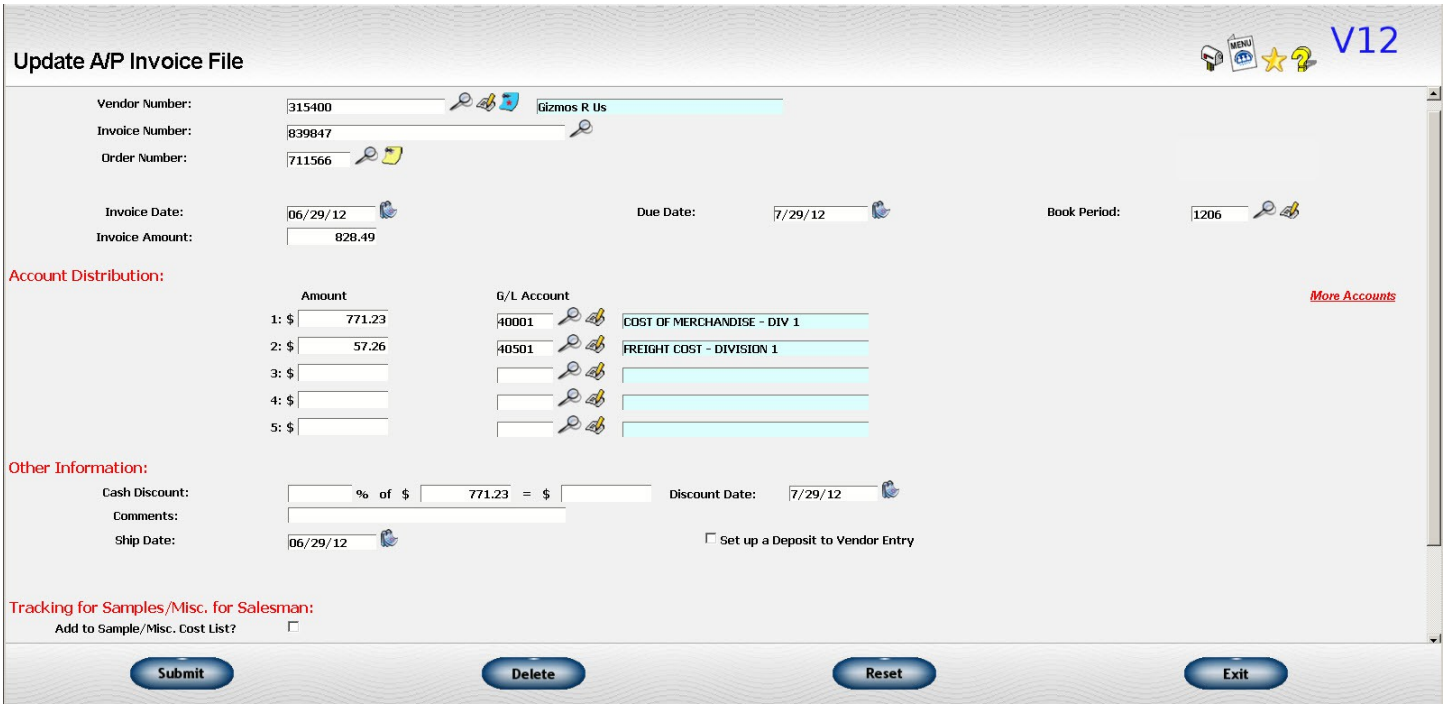

Illustration 2: A/P Invoice Screen with data

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Once you have the data for the invoice entered, click Submit.

After you have all your invoices entered, you will need to close the journal so that the information posts to the accounts. To do this, go to **Accounts Payable – Close/Print Purchases Journal.** You will want to run the Audit Only option to make sure that everything is correct. Once you have checked that everything is fine, then go back and do the actual "Close".

Key Points

- Vendor's invoice number must be unique.
  - The system checks to make sure another invoice with the same vendor/payee and invoice number is not already on file. This keeps you from paying an invoice twice.
  - If you receive more than one document from a vendor with the same invoice number, add something to the invoice number to make it unique. For example, if the vendor
  - issues a credit with the invoice number as the original invoice, add a "CR" to the end of the invoice number.
  - For payments for rent or phone where there is no invoice number, make up something such as "November 2007" or "11/15/07-12/14/07".
- Pick the correct book period to match revenue and expense.
  - You must enter the accounting book period to which you want to record this expense. The default will initially be to the current book period but you may change it to any open book period.
  - Book periods are 4-digits numbers. The first two digits are the accounting year in which your accounting year begins. The last two digits represent the accounting period within that year. For example, if your accounting year is a calendar year, the August book period for accounting year 2007 would be "0708". If your accounting year begins in July, then August would be "0702" and February of 2007 would be "0708".
  - Use care in selecting your book periodfor invoices related to customer orders to ensure that the expense and related revenue are posted to the same period.
- Direct expense to one or more general ledger accounts.
  - Enter information on how you want this expense to be distributed to accounting. Enter the G/L account number and the portion of the total expense to be posted to that account.
  - You may distribute the invoice amount among up to five accounts on this screen. You may enter up to 25 additional distributions by clicking on the link for "More accounts" for a total of 30 distributions.
- Total of distribution amounts must equal amount of the invoice.
  - The total of the five distribution amounts entered on this screen plus any that are entered on the "More accounts" screen must equal the total amount of the invoice. You must include at least one distribution.
- An order number is not required.
- Do not deduct any cash discounts you plan to take from the total of the invoice.
- Just enter the amount of the discount in the cash discount amount box.
- You can predefine the accounts normally used by each vendor on the vendor set vendor. If you do not need to distribute any money to one of them, leave the amount distributed to that account zero.
- You can control how the due date, cash discount percentage, and cash discount date are assigned by changing the terms information on the vendor set up screen.

Accounts Payable – Vendor Invoices

ENTERING AN A/P INVOICE USING THE "VOUCH TO ORDER" FEATURE

At some point in the payment process, the vendor's invoice must be compared to what was ordered and the anticipated cost so that you can verify that you were billed correctly. It is convenient to do this as part of the process of entering an A/P invoice. This feature is called the "Vouch A/P invoice against order detail". When you close the A/P Purchases Journal, in addition to posting your journal entries, the order detail you have vouched is also posted back to the order. It then becomes the basis of your cost when you generate the customer's invoice.

If you want to use this feature, you must indicate that you want to use it on the A/P system options.

Key Points

- Enter the vendor, invoice number, and order number, then click on the "Enter Vouching Data" link.

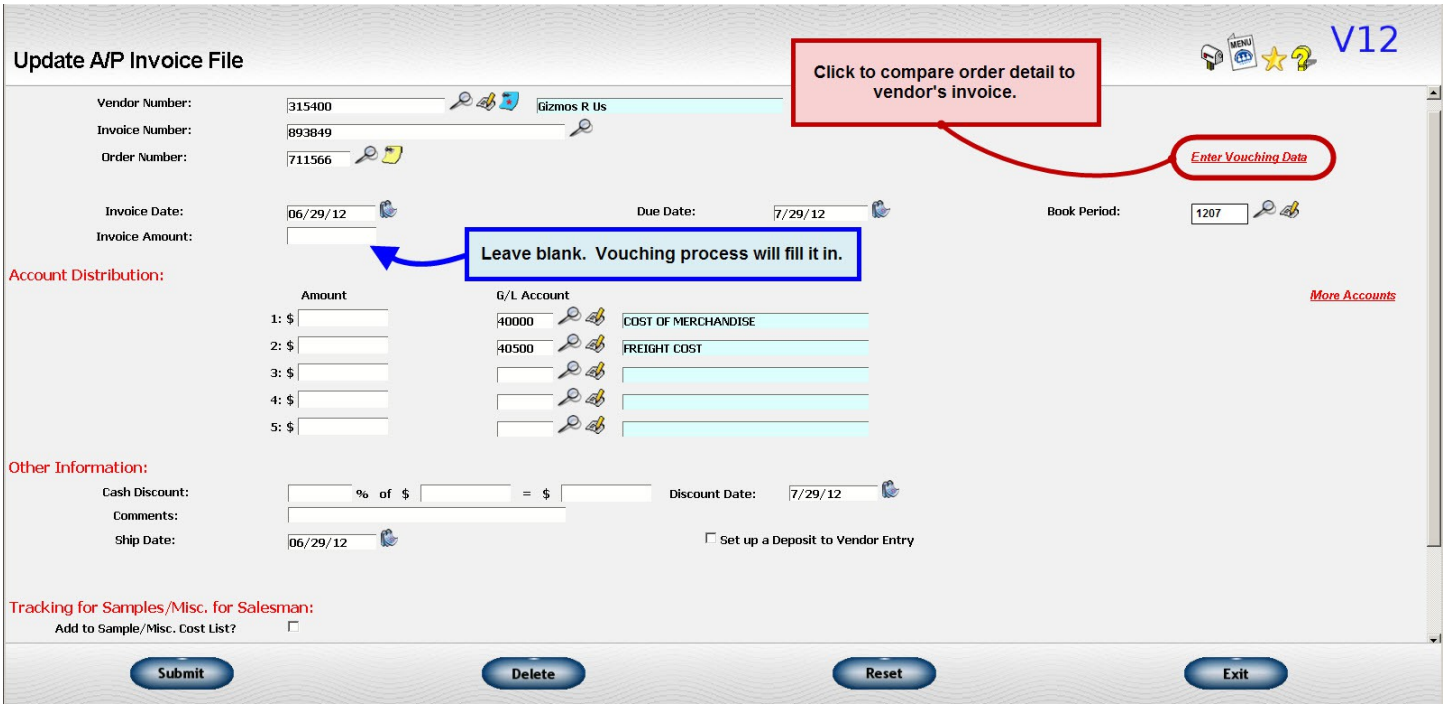


Illustration 3: Vouching Link

- The detail of the line items left to be vouched will be copied to the A/P vouching detail and displayed.

Illustration 4: Vouching Screen

Accounts Payable – Vendor Invoices

- Change the data on the screen to match the vendor's invoice.
  - You may change any of the data shown including quantity billed, quantity left to be shipped/billed later, and the unit and extended costs of each line item.
  - Shipping charges are included on a special line.
  - If there are charges on the vendor's invoice that were not on the original order, you can add those to the vouching detail. When the A/P invoice is posted back to the order, these charges will also be added as a new line item with cost only. The description on the line will be whatever you type in.

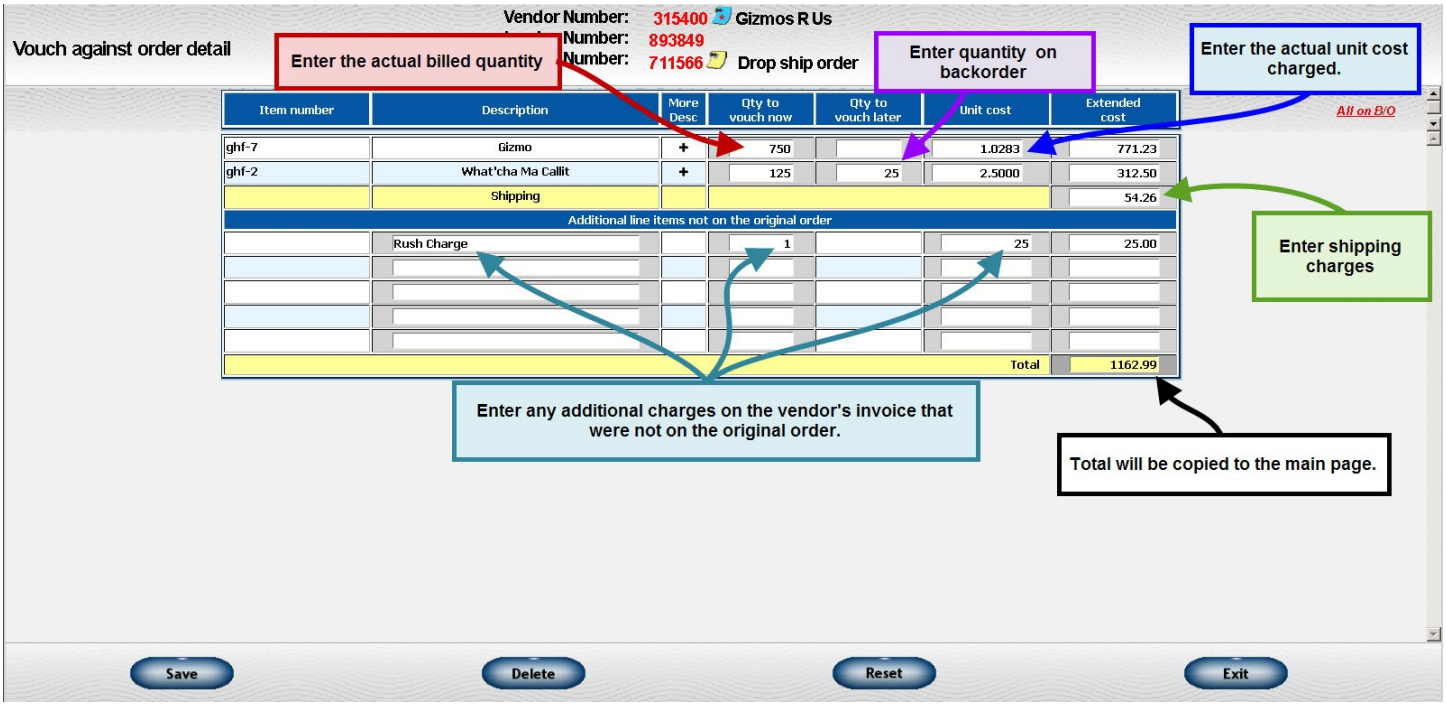


Illustration 5: Vouching Screen with Changes

- When you submit your changes, the totals will be posted back to the primary A/P invoice window.
  - When you have reviewed the order detail and made any required adjustments, click on the "Save" button to record your changes. The total costs you have entered will be returned to the original A/P invoice entry screen as the total of the invoice.
  - Where possible, the G/L distribution will be populated as well. This is somewhat dependent on the type of order and how your default G/L accounts are set up for this vendor so you should always review the distribution data to make sure it is correct.

Accounts Payable – Vendor Invoices

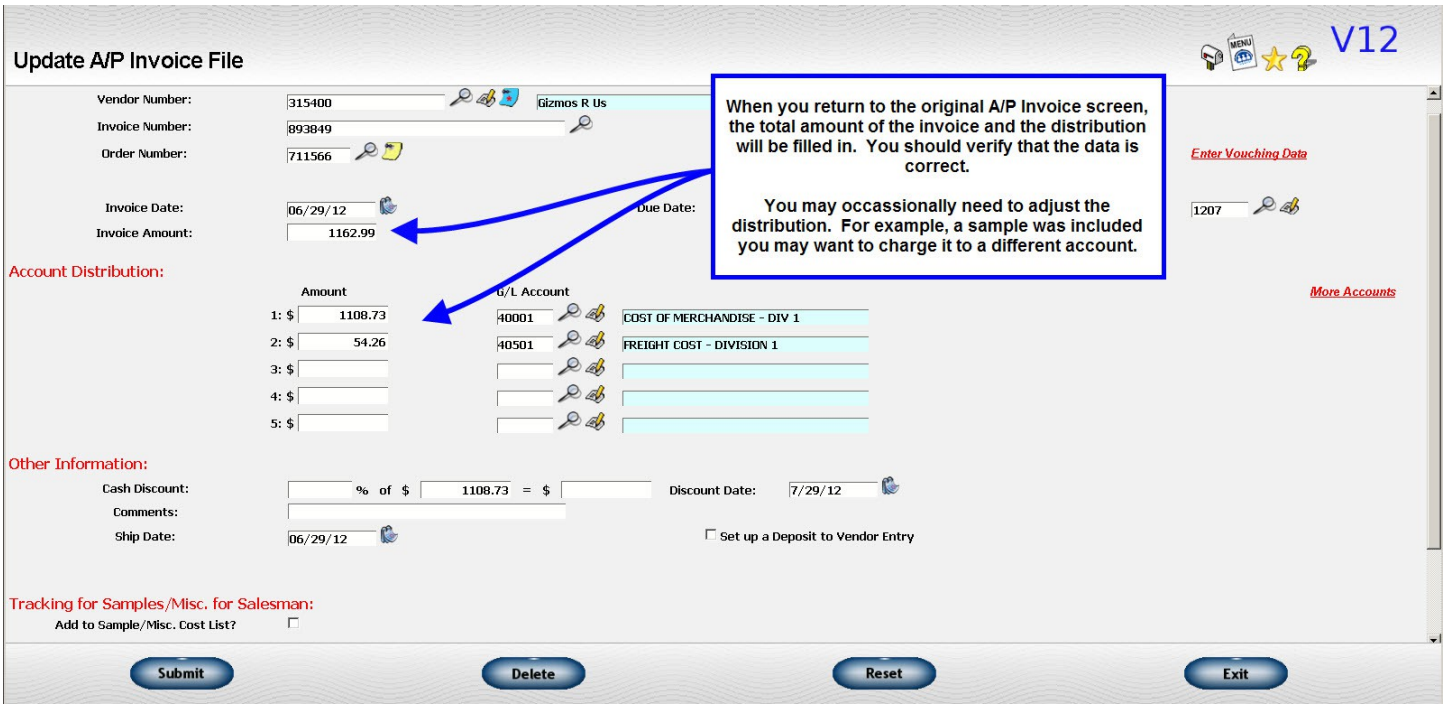


Illustration 6: A/P Invoice Screen after Vouching is Entered

- Vouching detail is posted back to the order when you close the Purchases Journal.
  - When you close your next Purchases Journal, the order detail you have entered will be posted back to the order in a special "vouched" area. The order status on the order will be changed to "Vouched".

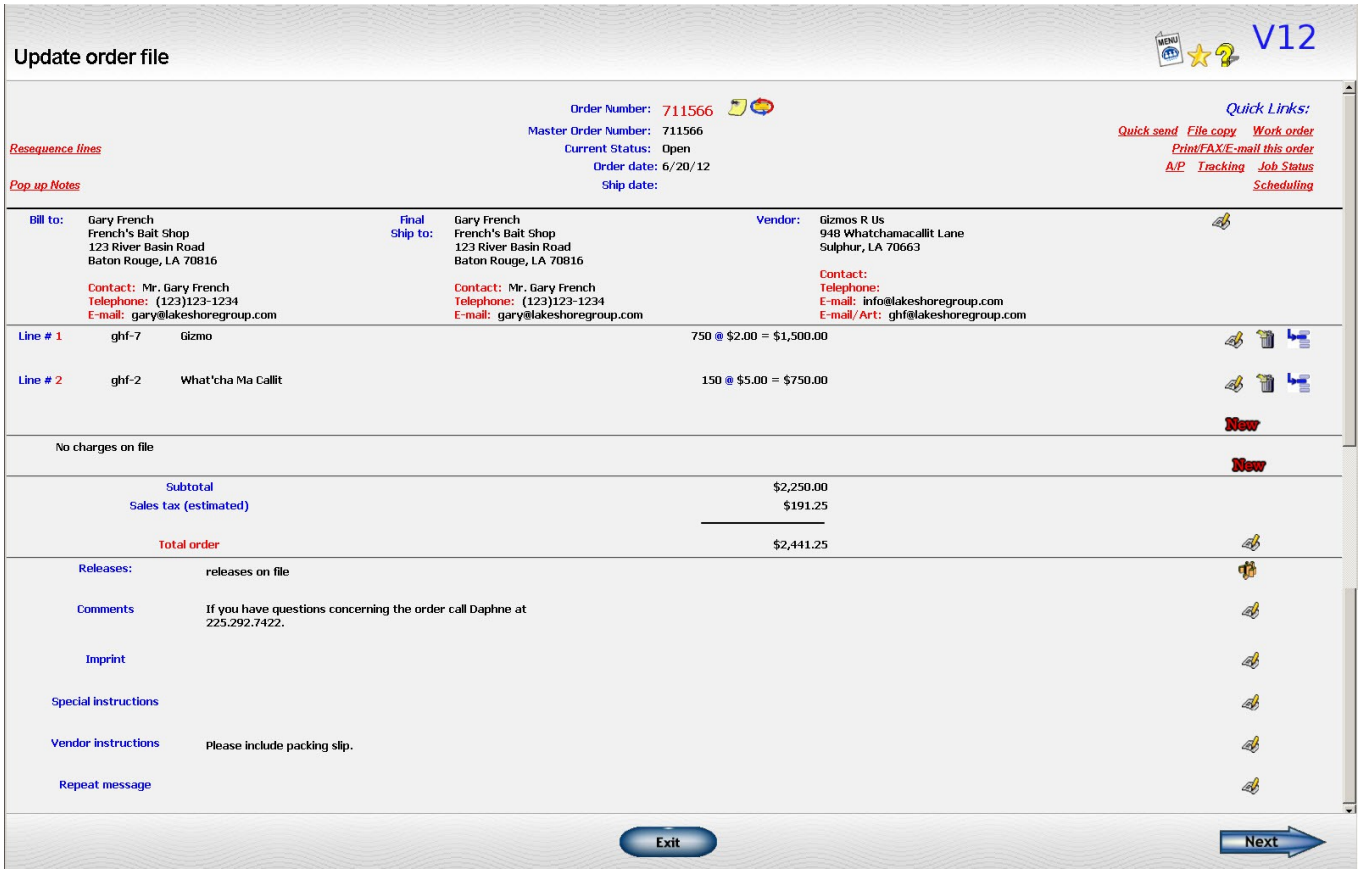


Illustration 7: Order Overview Before A/P is Closed

Accounts Payable – Vendor Invoices

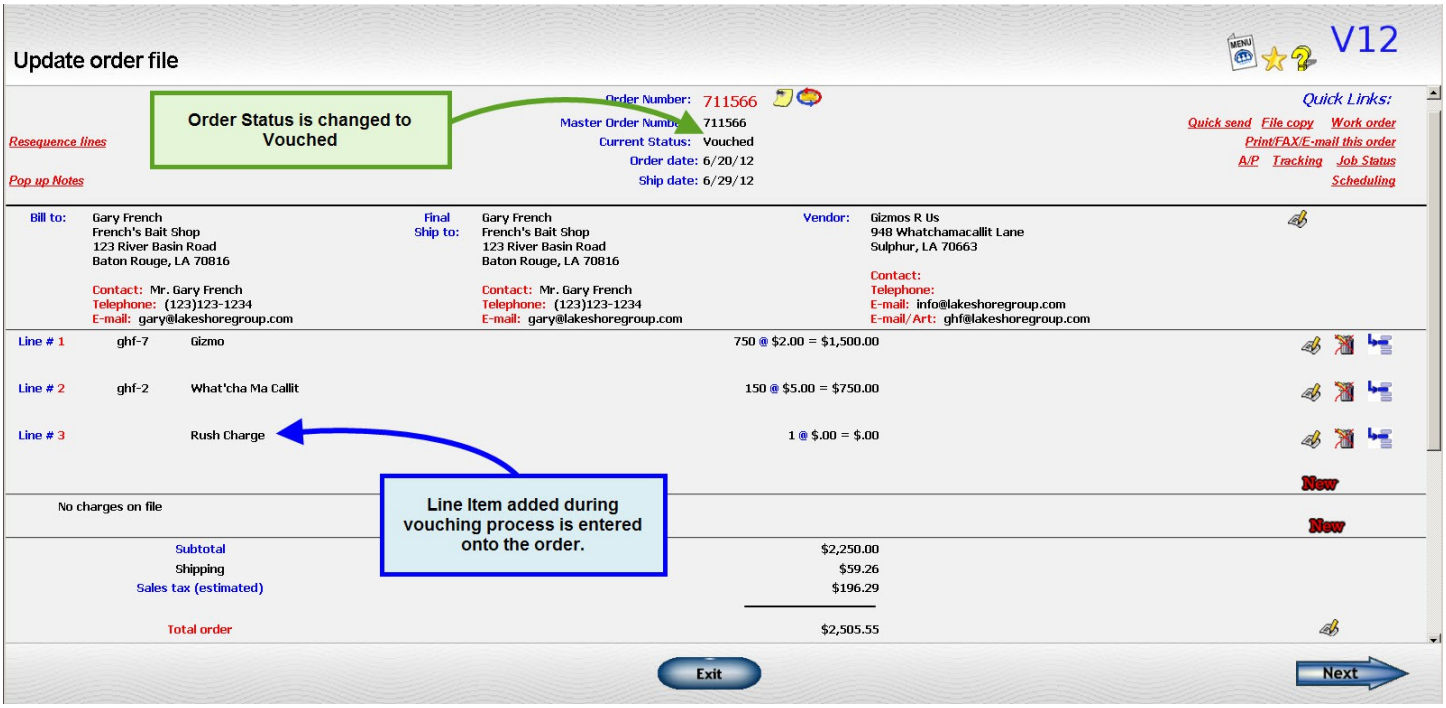


Illustration 8: Order Overview after A/P is Closed

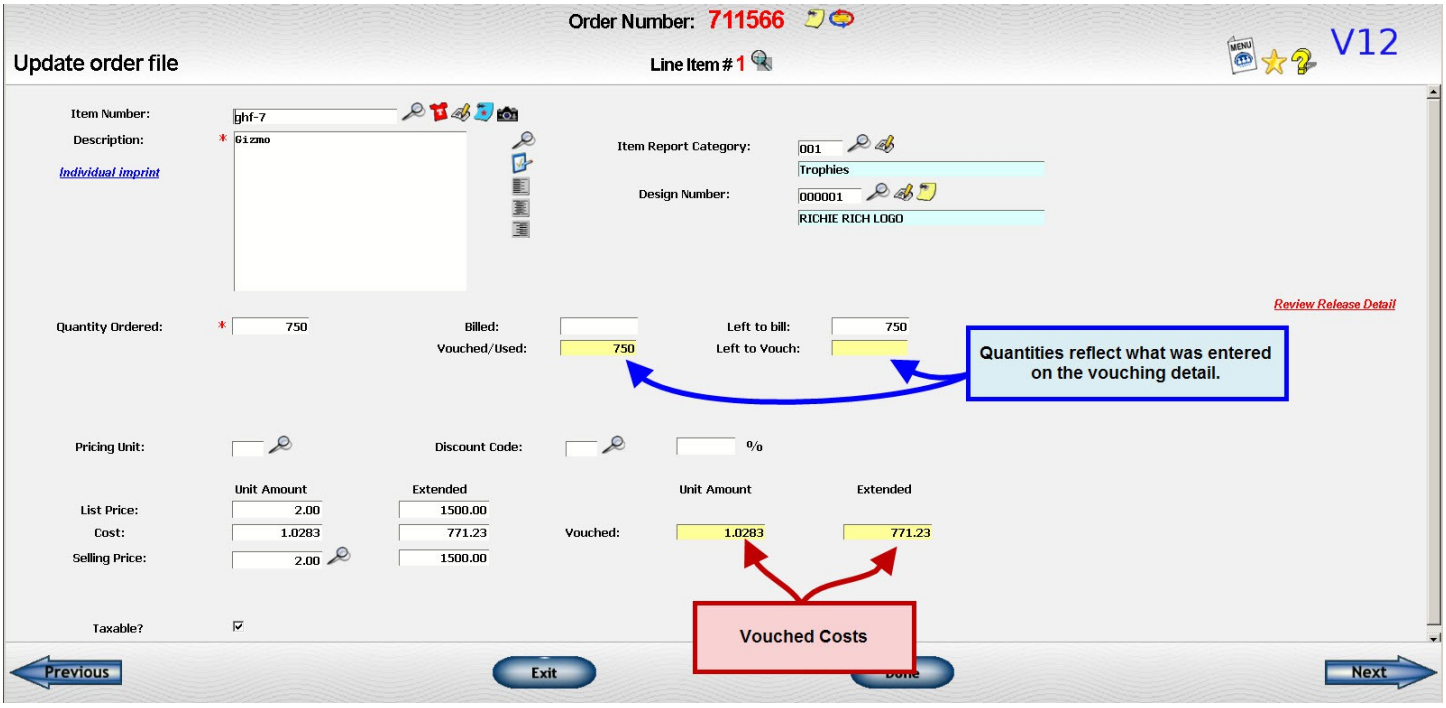


Illustration 9: Line Item #1 After A/P is Closed

Accounts Payable – Vendor Invoices

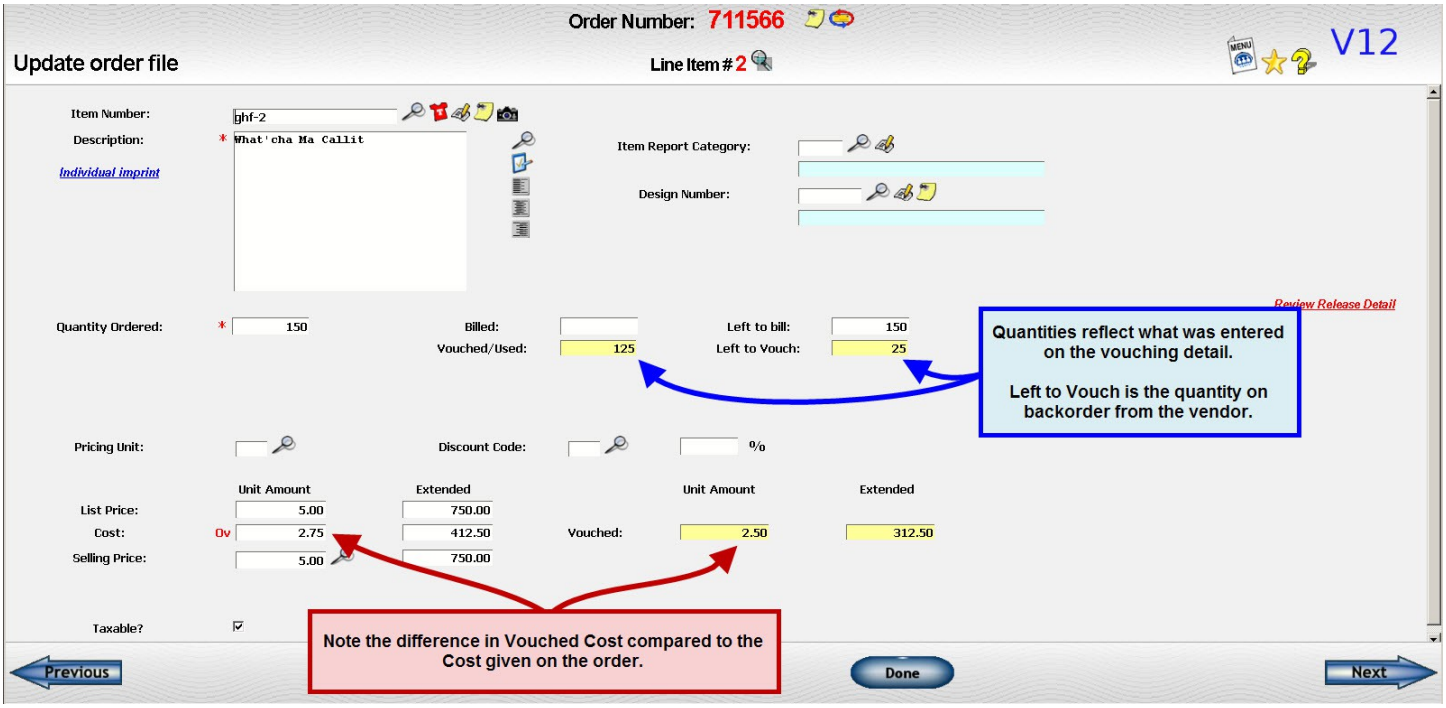


Illustration 10: Line Item #2 After A/P is Closed

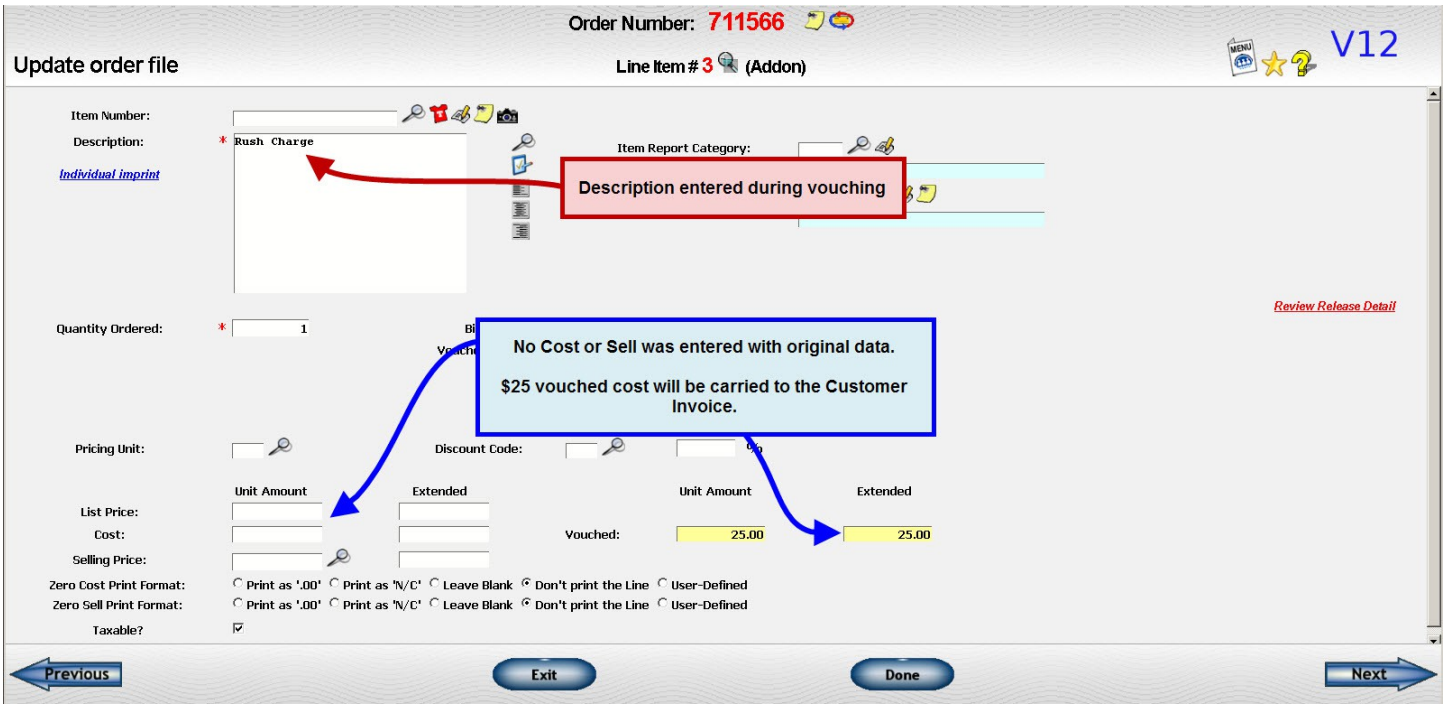


Illustration 11: Line Item #3 Added on during Vouching

Accounts Payable – Vendor Invoices

A few other points to remember...

- Adjust detail on vouching data to match the vendor's invoice.
  - Change the data on the vouching screen to match the vendor's invoice. If some of the charges are wrong, enter a separate A/P credit with the difference.
- You can vouch more than one vendor's invoice against the same order.
  - When you vouch the second invoice, the vouching screen will display what is left to be vouched based on the order. In the example, it would show the 5 remaining items on line 1. Line 2 would be included on the display but would have no quantities showing.
  - If you need to indicate an item was returned, you may use a negative quantity to reduce the quantity vouched on the order.
  - You can post only one vendor's invoice to a specific order on each Purchases Journal.
- You can vouch before or after you bill the customer.
  - Although you will normally want to enter your vendor's invoice before you invoice, this is not required. Occasionally, you will need to bill a customer before you receive one or more of the vendor's invoices. Or, a vendor's invoice may arrive that you were not expecting. You can still vouch the detail of the vendor's invoice against the order. The vouched costs will still be posted back to the order but will not affect the costs on the customer invoice or the sales history.
  - Note also that the order does NOT have to be open in order for you to vouch against it. If the order has already been billed and marked complete, just enter your vouching information as usual. The only difference will be that the order status will not be changed to "Vouched" but will be left as "Complete".
- There is no vouching link unless there is an order number entered on the A/P invoice entry screen.
- There is no vouching link if you enter "SPLIT" in the order number field to split the cost of an invoice among several orders. In this situation you will have an "Enter split" link instead.

SPLITTING ONE A/P INVOICE AMONG MULTIPLE ORDERS

You will sometimes get A/P invoices that apply to more than one order. A common example would be shipping charges. If you use the "vouch to order" feature that posts costs back to the order, this poses a problem because the regular vouching screen only calls up data on one order.

There are two ways to handle this situation:

- Enter multiple vendor invoices, one per order.
  - You would need to change the vendor's invoice number in same way for each order. For example, you might enter invoice 12345A, 12345B, 12345C, etc. In addition, each invoice would have to be on a separate Purchases Journal.
  - You would need to use this method if you want to vouch the detail to a specific line already on the order.
- Use the "SPLIT" vouching feature.
  - One invoice is entered using the special order number of "SPLIT" and the details of the split are entered on a separate screen.
  - If the invoice is for shipping charges, the amount vouched will be added to the "vouched shipping" amount on each order. If the invoice is for something other than shipping, a new line will be added to the order for the cost similar to the way you add additional costs when you are vouching a regular vendor invoice.

Accounts Payable – Vendor Invoices

Key Points

- Enter the word SPLIT in the order number field.
  - This word is how the system knows to set up the split routine.
- Enter the total invoice amount.
  - The total invoice amount should be entered BEFORE you click on the "Split" link to enter the details of the split.
- Click on the SPLIT link and enter the details of the split.
  - Enter the order numbers related to the expense and the amount of the vendor's invoice that applies to each order.

A few other points to remember...

- The total of the amounts entered for the various orders must be equal to or less than the total invoice amount.
  - It cannot be greater. An example where it could be less is a freight bill where one of the charges was for a shipment unrelated to an order.
- The description entered on the split screen will be used if a line item is added to the order.
  - If the charge is for shipping, you may leave the description blank. Otherwise some sort of description is required for the line item to be added to the order. The quantity on the new line item will be 1.

USING PREPAID PURCHASES

Vendor invoices should be entered into the system as soon as they are received so that you can have an accurate picture of your Accounts Payable liability. However, it may be difficult to select the correct book period since you may not know exactly when the corresponding customer's invoice will be generated. If you charge the merchandise to the current book period and the sale is recorded in a later book period, you will have a mismatch of revenue and expense. Your gross profit for the current period will be too low and your profit for the period when the order is billed will be too high. Good accounting practices state that you should regard any payment for merchandise that has not yet been billed as an asset. It would become an expense only when you bill the customer.

This would be difficult to do manually but the system has a method of posting these prepaid purchases as an asset and then automatically triggering the move from this account to the expense account when the customer is billed.

There are really two sets of accounts – one for merchandise, commonly called Prepaid Purchases, and one for freight, commonly called Prepaid Freight. The two accounts work the same way, so we will just refer to prepaid purchases in this discussion.

Key Points

- Set up accounts to be used for Prepaid Purchases feature in system options.
  - Before you begin to use the feature, you must define the accounts to be used in the system options. Go to
    - Reference Information - System options - Accounts Payable
  - Define each account to be used. The balance in the Prepaid accounts at this point should be zero.

Accounts Payable – Vendor Invoices

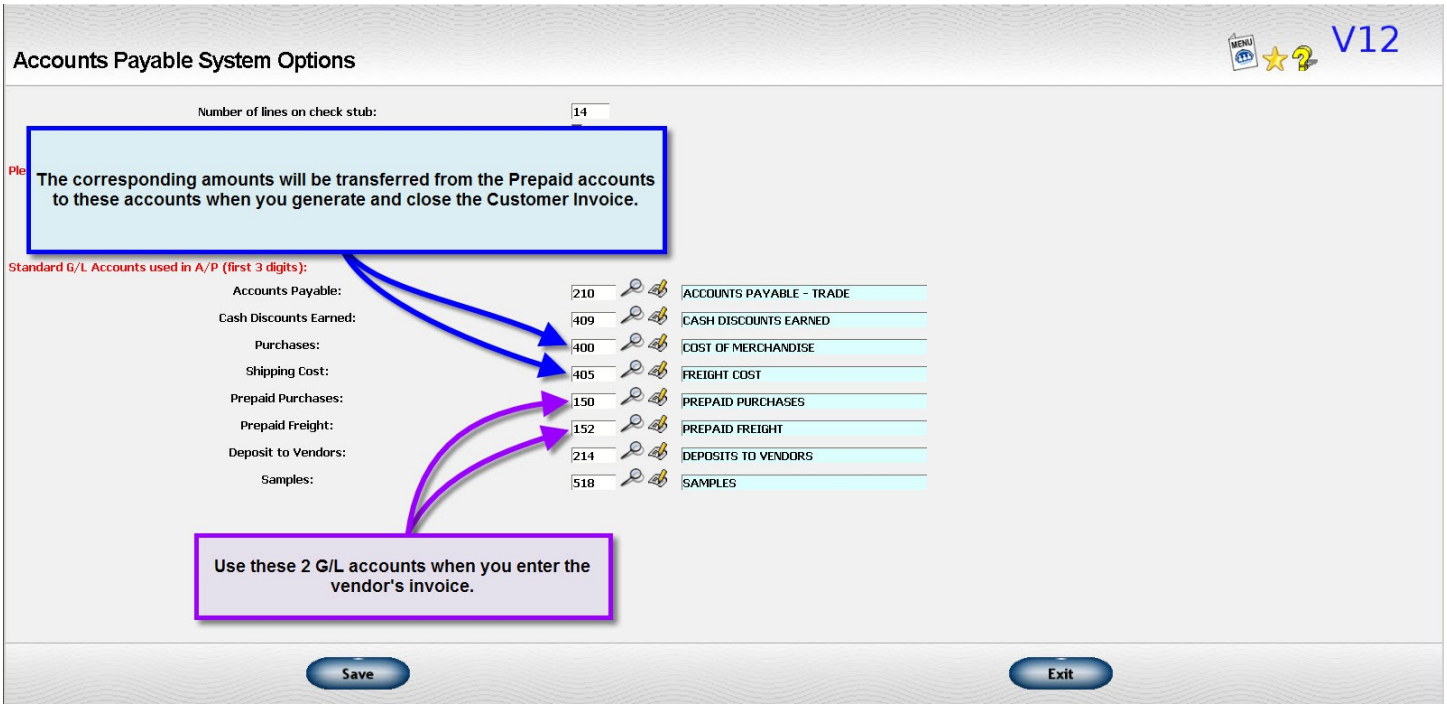


Illustration 12: Set Up Prepaid Purchases Feature

- When entering vendor invoices for payment, distribute the expense to the Prepaid accounts.
  - Distribute the expense to the Prepaid Purchases and/or Prepaid Freight accounts in the current book period.

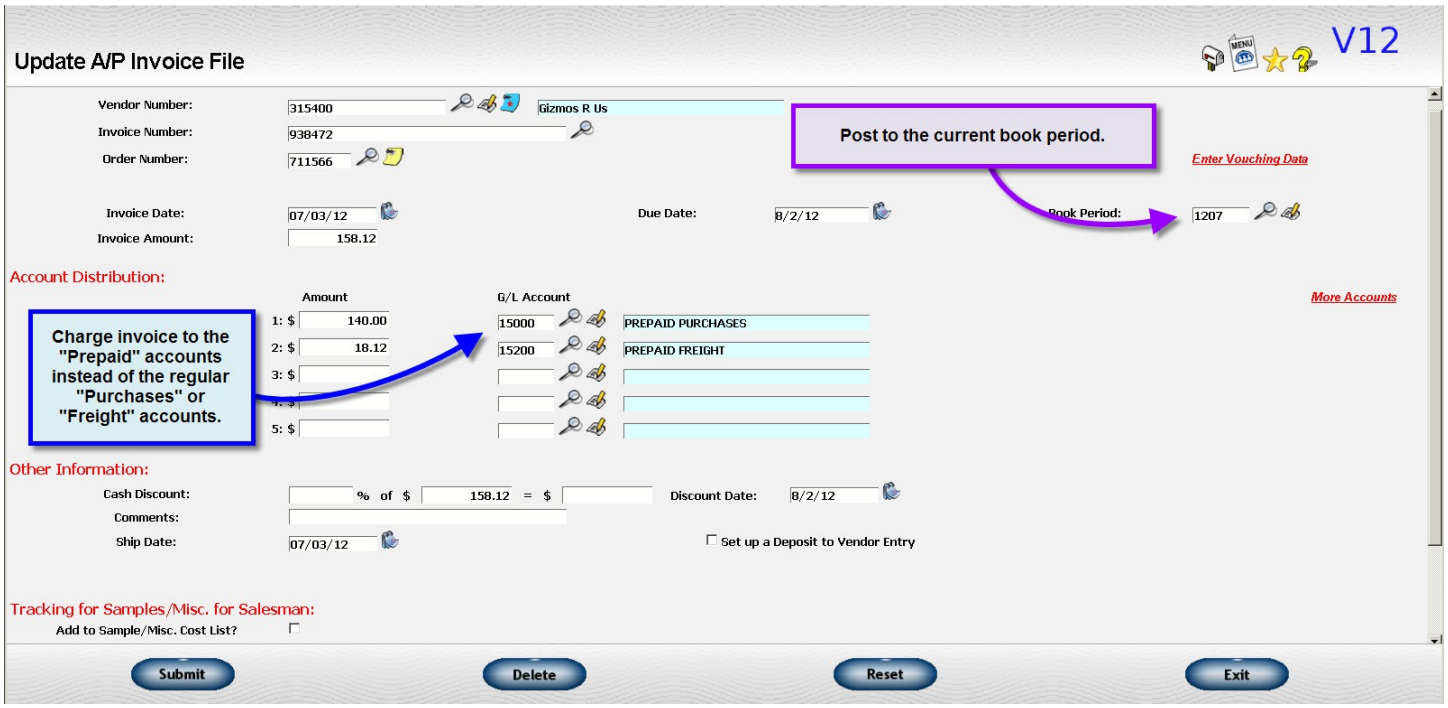


Illustration 13: A/P Invoice Entry Screen Using Prepaid Purchases Account

Accounts Payable – Vendor Invoices

- Automatic entries will be made on the Sales Journal when the order is billed.
  - When the related order is billed, the appropriate journal entry will be included in the entry on the Sales Journal to move the prepaid amount to regular purchases. This insures that the expense will be included in the same book period as the revenue.
  - If there are multiple vendor's invoices associated with an order and charged to prepaid, all the invoices will be trigger the journal entry. Each invoice will be on a separate line on the journal entry so you will have a good audit trail.
- Monitor the Prepaid Purchases account.
  - The movement of entries from the prepaid to the regular purchases account is only made automatically when the order is billed. If the order is not billed, then the entry can get "stuck" on the prepaid list. Invalid entries can occur because of the following reasons:
    - Order is cancelled
    - Vendor's invoice is entered and charged to prepaid after the order is already billed.
    - Invalid order number
  - There are procedures for removing these entries from the prepaid list.
  - The balance of prepaid entries should also be compared to the balance in the corresponding general ledger accounts periodically to make sure they are equal. They may become out of sync if invalid entries are removed without a manual journal entry or if entries are made to the G/L account without a corresponding entry in A/P.
- Consult the section on reconciliation procedures for additional information.

ENTER A DEPOSIT TO VENDOR

You will sometimes need to prepay for an order when the order is placed. This presents a couple of problems. The payment is frequently not in the same book period as the customer invoice so it needs to be entered a prepaid purchase. Also, if you receive a bill from the vendor with the total charge for the order, you need a procedure in place to insure that the deposit is deducted from these charges before any remaining balance is paid.

Options

- Prepaid Purchases
  - You can quite easily use the Prepaid Purchases and "vouch to order" features to handle deposits.
  - The Prepaid Purchases feature will handle the accounting issues.
  - As far as preventing overpayment, if you use the "vouch to order" feature, when the final vendor's invoice is submitted for payment and you go to vouch it, you will see that the order has already been vouched earlier because the quantity to be vouched will come up blank. This should prevent overpayment.
  - No set up is required other than setting up these two options.
- "Deposits to Vendors" feature
  - If you use this feature, when you enter the payment in the system and check the "Deposit to Vendor" box, in addition to recording the vendor's invoice, an offsetting credit is issue with a due date of 99/99/99 (no specific due date). The expense is usually charged to Prepaid Purchases but this is not required.
  - When you invoice the customer, the due date is changed to the same date as the customer invoice.
  - The final invoice from the vendor is entered as if no payment had been previously entered. When you issue the next check to the vendor, the offsetting credit from the prepayment will be included on

the check along with the final payment.

- The advantage of using this feature is that you have a good system in place to avoid double paying a vendor's invoice. And, the detail on the check stub is quite clear to the vendor.
- If you have a lot of deposits, have trouble keeping deposits under control, or simply like the idea of showing the deposit on the check stub, this may be a good solution.
- The disadvantage is that the accounting entries are somewhat confusing to follow. Also, you must set up a procedure to periodically reconcile the deposits to vendors to the general ledger.

Using Deposit to Vendors

- Set up the system options
  - Before you begin to use the "Deposits to Vendors" feature, you must define the accounts to be used in the system options.
  - Go to Reference Information - System options - Accounts Payable
  - Enter an account to use the Deposit to Vendor feature. Clear the account if you do NOT want to use this feature. Either way, the balance in the account at this point should be zero.

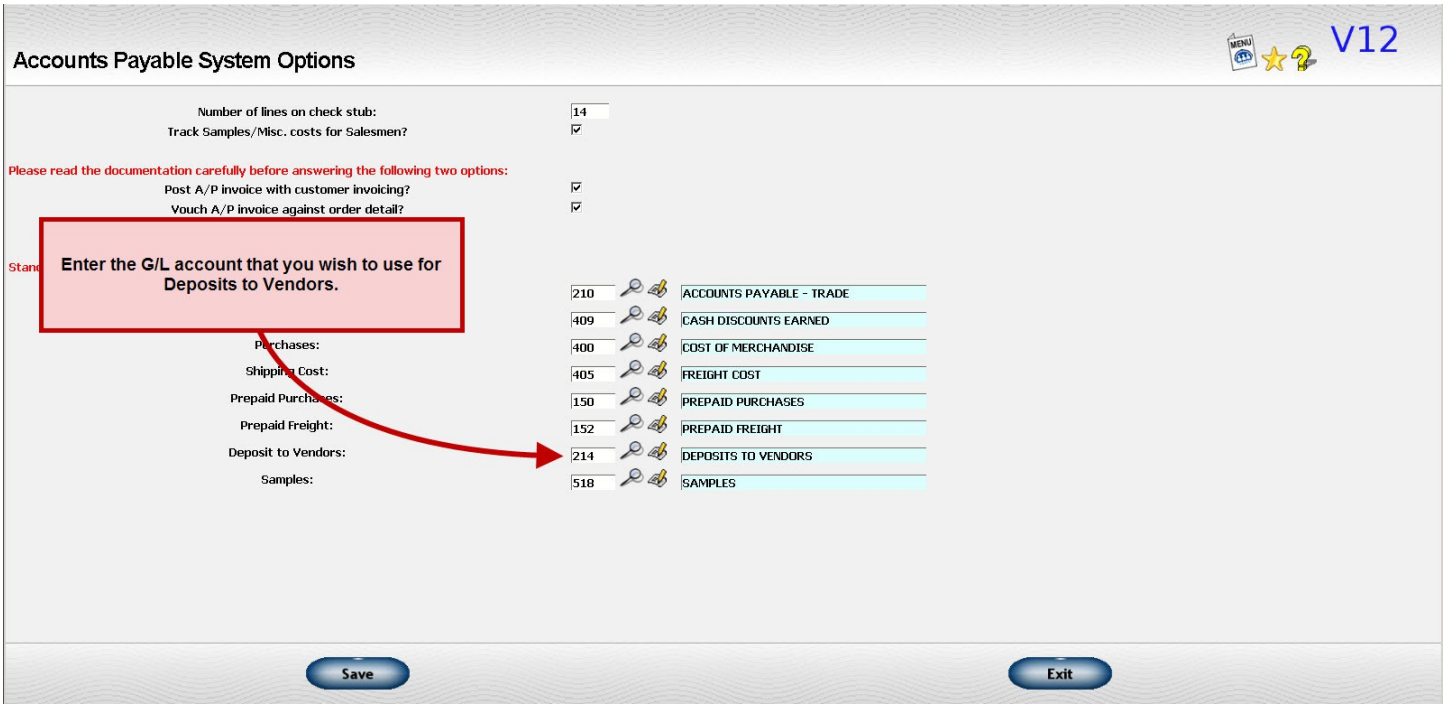
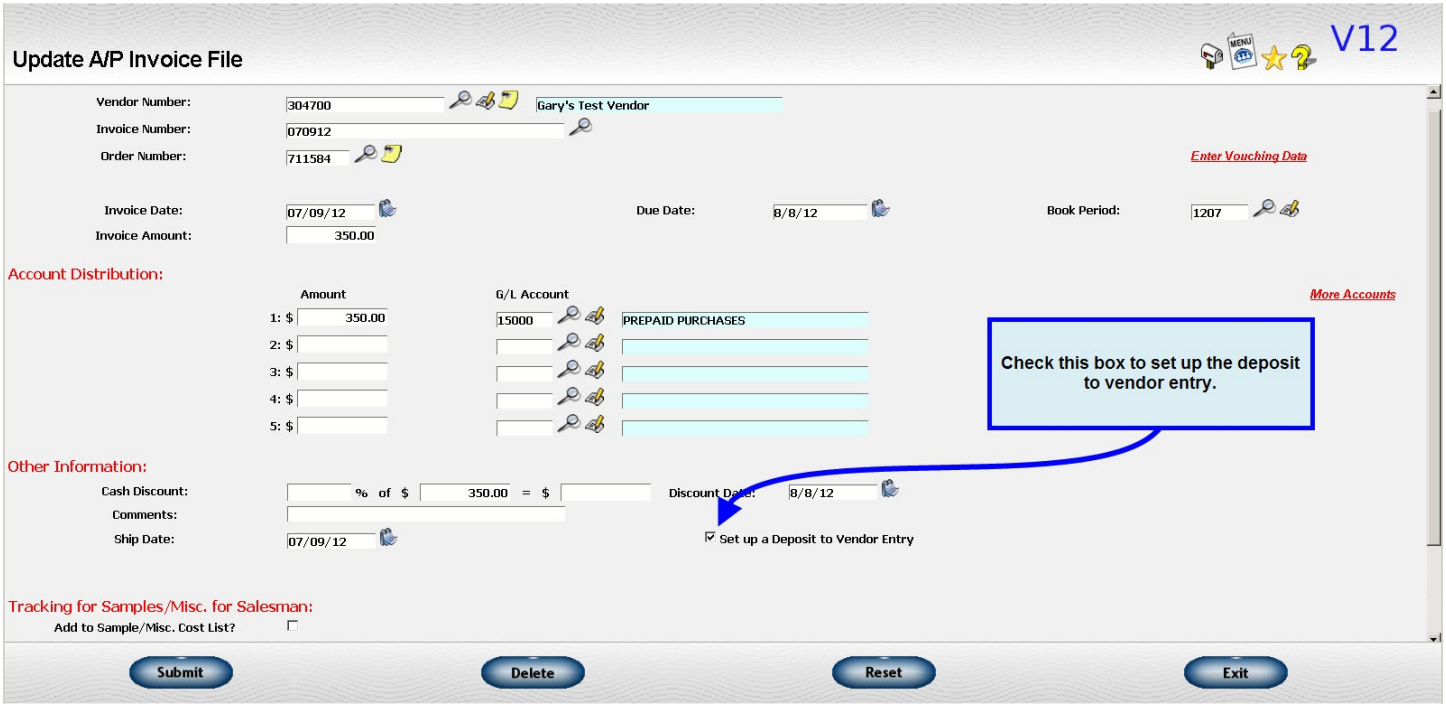


Illustration 14: System Options for Deposit to Vendor

Accounts Payable – Vendor Invoices

- Check the "Deposit to Vendor" box when you enter the vendor's invoice
  - Check the Deposit to Vendor box when you enter the vendor's invoice.
  - The box is available whether you enter the vendor invoice, then trigger a check later or enter a single or handwritten check.



- A second "deposit" entry is generated in addition to your invoice.
  - An additional entry with the prefix of "DEP-" and a due date of "99/99/99" will be added to the A/P open invoice file. The net entry will be a credit to the "Deposits to Vendors" account and a debit to the G/L account used on your invoice distribution.
- Automatic entries will be made on the Sales Journal when the order is billed.
  - When the related order is billed, the appropriate journal entry will be included in the entry on the Sales Journal to handle the deposit. The due date on the "deposit" entry will be changed from "99/99/99" to the current date.
- Enter the final vendor's invoice when received.
  - When the actual vendor's invoice is received, enter it into the system as usual. Note that if it is posted AFTER the customer is invoiced, it should NOT be posted to Prepaid Purchases.

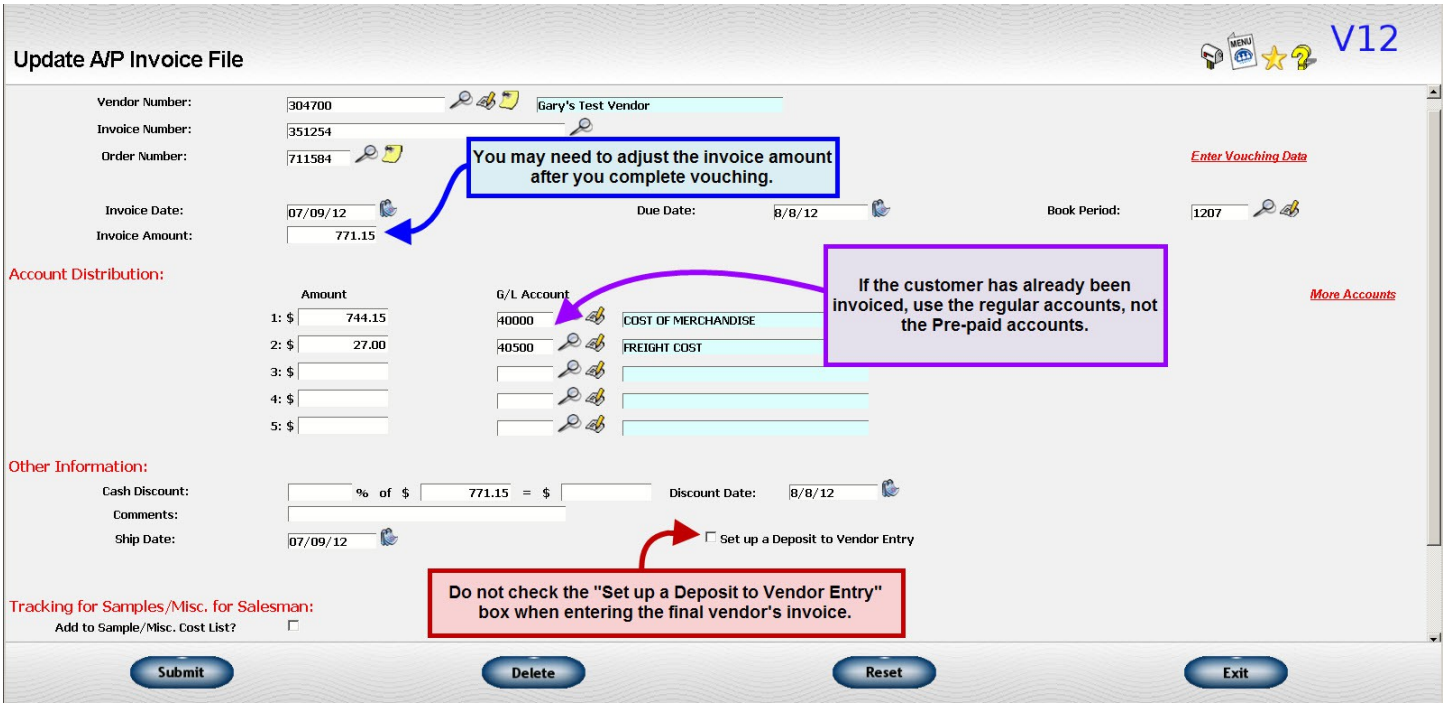


Illustration 15: Entering the Final Vendor's Invoice

- If you review the vendor's data, you will be able to see all three invoices---the original payment of the deposit, the offseting "deposit" entry, and the final vendor's invoice.
- When you pay the vendor, you would include the "deposit" entry AND the final invoice on the same check. The difference between the two would be the actual amount paid to the vendor. If they net to zero, you can do a single check with both invoices and a "dummy" check number to move the data from the open to the paid file.

- Monitor the Deposits to Vendors account.
  - The changing of the due date from "99/99/99" to the current date is only done automatically when the order is billed. If the order is not billed, then the entry can get "stuck" on the deposit list. Invalid entries can occur because of the following reasons:
    - Order is cancelled
    - Vendor's invoice is entered and marked as a deposit after the order is already billed.
    - Invalid order number
  - There are procedures for removing these entries from the deposits list.
  - The balance of deposit entries should also be compared to the balance in the corresponding general ledger accounts periodically to make sure they are equal. They may become out of sync if invalid entries are removed without a manual journal entry or if entries are made to the G/L account without a corresponding entry in A/P.
  - Consult the section on reconciliation procedures for additional information.

Strategy

- The "prepaid purchases" feature is simple and easy to use. It is especially useful when the initial payment will pay the vendor in full and no further invoice will follow. The only disadvantage is that if a vendor's invoice does follow, it could be paid a second time. Careful use of the vouching feature will give you some protection from double payments.
- The "deposit to vendor" feature is obviously more complicated. However, it has the advantage of having

the offsetting credit on file so that the final vendor's invoice will not be paid in full.

- Please read the section on Prepaid Purchases/Deposits to Vendors for more details and specific examples of the journal entries made.

FREQUENTLY ASKED QUESTIONS (FAQ) ON ENTERING AN A/P INVOICE

- I want to compare the costs from the original order to the cost on the vendor's invoice while I'm entering the vendor's invoice.
  - There is a system option that lets you compare the detail from the order to the vendor's invoice while you are entering the vendor's invoice. When you close your Purchases Journal, this detail is posted back to the order and becomes the basis of your cost when invoicing the customer.
  - Read the discussion on Vouching an A/P Invoice Against Order Detail for more details on how this feature works.
- What if I have an invoice that includes charges that apply to more than one order?
  - You can enter the word "SPLIT" as your order number, then click on a secondary screen that will split your costs among multiple orders.
  - Read the discussion of Splitting an A/P Invoice Between Multiple Orders for more details on how this feature works.
- The due date that is calculated for one of my payees is always wrong (Or, the cash discount percent or date is wrong). How do I fix it?
  - You can change the formula for calculating the payee's due date, cash discount amount, or cash discount date by adjusting the terms data on the vendor/payee file.
- How do I change an invoice once it has been entered?
  - You may be able to change some of the information as long as it has not been paid.
  - Enter the vendor/payee number and invoice number you originally used. The data already on file will be displayed.
  - If the Purchases Journal recording this entry has not yet been closed, you can change any of the data except the vendor/payee number and invoice number. If those are wrong, you will have to delete and reenter the invoice.
  - If the Purchases Journal has been closed, you can only change information that does not affect the G/L or other files. For example, you can change the due date but not one of the G/L accounts. Fields you cannot change will be shown in yellow. If you have to change data in one of the protected fields, you will have to delete the invoice and reenter it.
- How do I delete an invoice once it has been entered?
  - You can delete an invoice that is still on the open invoice file and has not yet had any part of it paid.
  - Enter the vendor/payee number and invoice number you originally used. The data already on file will be displayed so you can verify you have the correct invoice.
  - Click on the delete button at the bottom of the page.
  - IMPORTANT!- You cannot delete an invoice that has been partially paid. If you need to delete the invoice and all the payments, FIRST void the checks for the partial payments with the "no change" option. This will reduce the amount paid on the original invoice to zero and you can then delete the invoice. If the checks that have already been issued are valid and you just do not need to pay the rest of the invoice, then enter a separate credit invoice for the amount remaining to be paid, then write a zero amount check using the original invoice and the new credit invoice. This can be a handwritten check using a dummy check number.
  - If the invoice has been paid in full , you will need to void the check. You can delete the invoice as part of the void procedure or you can put the invoice back on the unpaid invoices file and delete it

later.

- I would like to enter the A/P invoice at the same time that I generate the invoice to the customer. Is there a way to do that?
  - There is a system option that lets you do this. Go to Reference Information – System Options and select Accounts Payable.
  - Read the discussion of Entering an A/P Invoice at the Same Time as Customer Invoice for more details of this feature.