The QuickBooks™ Client Newsletter

Helping You Grow a Profitable Business with QuickBooks™ Software

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The Proper Way to Record NSFs (Bounced Customer Payments)

For most of you all NSFs are made good within the same year so you do not have a problem following QuickBooks procedures via their HELP screen within QuickBooks.

However, for those of you that the NSF replacement check never arrives, or arrives in a **different tax year**, then following QUICKBOOKS "HELP" instructions on processing NSFs distorts Cash Basis reports as the QuickBooks' method does NOT address CASH BASIS reporting. For those of you with many transactions this issue has a negative effect, for it **overstates** your cash basis profit and loss, along with distorting other reports within QuickBooks.

There are 5 steps that are needed in order to record the NSF in order to preserve the integrity of all reports within QuickBooks. These 5 steps assure you that your *Customer Aging*, along with *Accrual AND Cash Basis financials (Balance Sheet, Profit and Loss, Statement of Cash Flows)*, as well *as Sales by Item* and *Sales by Rep* reports will be accurate.

QuickBooks "HELP" within the program only discusses steps 1 and 2, which unfortunately does NOT correct CASH BASIS reports and **distorts** the Customer Aging, Sales by Item, Sales by Rep, and Cash Basis financials, both Balance Sheet as well as Profit and Loss.

Adding the additional steps 3, 4 and 5 that The "*Sleeter Group"* advises in their 2012 QuickBooks Consultant's Reference Guide, corrects the weakness in QuickBooks and allows all reports to be correct, both accrual as well as cash basis.

When you receive a notice from your bank that a customer check is returned NSF the following procedures in QuickBooks™ will be necessary:

1. Create an item named *RETURNED CHECKS* and map to your bank account.

2. Create an invoice for the customer whose check is NSF and choose the newly formed item *RETURNED CHECKS* from step 1 above. In the description area of the invoice reference the original invoice number and date, along with the original check number going NSF so your customer will know WHICH check it is. Save and Close.

[*This puts the amount BACK on A/R along with deducting the NSF out of your bank account. You will want to date this invoice the* **date of the NSF** *notice in order for easy bank reconciling.*]

3. In order for CASH BASIS reports to be correct you now need to find the **original payment** by going to *CUSTOMERS and RECEIVABLE* Reports, Choose *TRANSACTION LIST BY CUSTOMER.*

4. Find the customer and double-click on the ORIGINAL payment that went NSF.

5. A *RECEIVE PAYMENT* window should open. **UNCLICK** where this payment was attached to the original invoice and **instead** CLICK the **new** invoice that reflects the NSF that you created in step 2 above. Save and Close.

Steps 1 and 2 take care of your Accounts Receivable, as well as your Bank Account. These steps put the amount "back on the books", along with deducting the NSF check from your bank account. Unfortunately they do NOT affect cash basis reports.

When adding **steps 3, 4 and 5** you can rest assured that your QuickBooks reports are now accurate. The original invoice will no longer show up on any cash basis reports, along with that original invoice now showing up as past due on your customer aging report.

When the customer pays the invoice with a replacement check, OR you redeposit the NSF you will just follow the normal procedures on receiving payments and attaching the payment to that **original invoice**.

In addition to QuickBooks services, our company can provide you with business consulting, tax representation, income tax planning, as well as income tax preparation. We offer **QuickBooks training sessions** on all Intuit products, on or off-site using **your** actual transactions for a better learning experience.

Our remote computer sessions can be set up on a monthly or quarterly basis.

- This allows us to monitor your accounting system to ensure compliance with tax agencies, as well as minimize internal fraud.

- We prepare the necessary adjusting entries to make any corrections to your accounting system, along with preparing and processing payroll and sales taxes electronically.

- Once we prepare your financial statements, we discuss the results in detail so you are completely aware of your financial condition.

For our monthly clients we offer QuickBooks and accounting support via email.

- We take pride in being there when you need an answer to a business, an accounting or a tax question.

- Whether on-site or remote session, monitoring your operations insures compliance and minimizes fraud. It also allows the owner of a business to take a proactive role in tax planning.

Good tax planning minimizes your exposure to income tax and allows your hard-earned profits to flow to the stakeholders of your company or get reinvested into your company for continued growth or both. Call and schedule an appointment and let us discuss ways we may be of service to you. **We can be reached at 770-516-5987**.

Accounting and Taxation is **our** business; having us a part of your team, allows **you** to concentrate on **your** core business.

Diane Offutt, *Enrolled Agent (EA)*, Master in Accounting (MAcc)*
Certified QuickBooks™ ProAdvisor
Managing Partner of Accounting Connections, LLC

An **Enrolled Agent (EA) is a federally licensed tax professional, who has taken an extensive test in taxation and must comply with continuing education in tax law to maintain their license. They are allowed to represent clients before all administrative levels of IRS without their clients' presence (the same as a CPA or Tax Attorney).*