The QuickBooks™ Client Newsletter

Helping You Grow a Profitable Business with QuickBooks™ Software

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Receiving Payments in QuickBooks

It is probably one of your favorite QuickBooks activities. Be sure you understand the mechanics of recording payments.

There are numerous ways to prioritize your workday. Do the most difficult things first. Get important phone calls out of the way. Respond to customer emails.

But it is likely that one activity takes precedence when you see that it needs to be done: recording payments. While you are probably very careful with this process, it is critical that your actions here are accurate. If they are not, you could either lose money that you've earned or anger customers by requesting payments they have already made.

QuickBooks comes with some helpful pre-defined payment types; however, you also have the flexibility to edit that list and add new types. To see your list, open the **Lists** menu and select **Customer & Vendor Profile Lists**, then **Payment Method List**. This window opens:
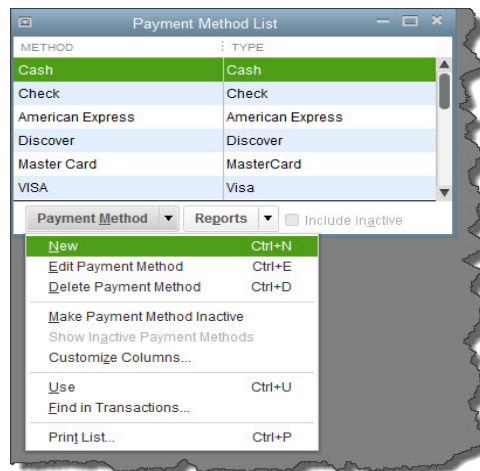
Figure 1: QuickBooks lets you accept payments from customers in a variety of ways.

To make changes to this list, click the down arrow to the right of **Payment Method**. By selecting items from this menu, you can add, edit, and delete payment methods. You can also make one temporarily inactive if for some reason you're not going to support that option right now but don't want to delete it, either. Click in the box next to **Include Inactive** if you want it to remain on the list (an **X** will appear next to it). When you want to reinstate it, open the **Payment Method** menu again and select **Make Payment Method Active**.

To search for every transaction that used a specific payment method, highlight it in the list and select **Find in Transactions**. QuickBooks will open the **Find** window with that filter already applied.

When you are done working with that window, click the **x** in the upper right to close it.

Applying the Funds

Ideally, you or someone on your staff will be working frequently with the **Receive Payments** screen frequently. To get there, open the **Customers** menu and select **Receive Payments**, or click **Receive Payments** on the home page. This is the screen you will work with if you're recording a payment that is to be applied to an invoice that you sent.
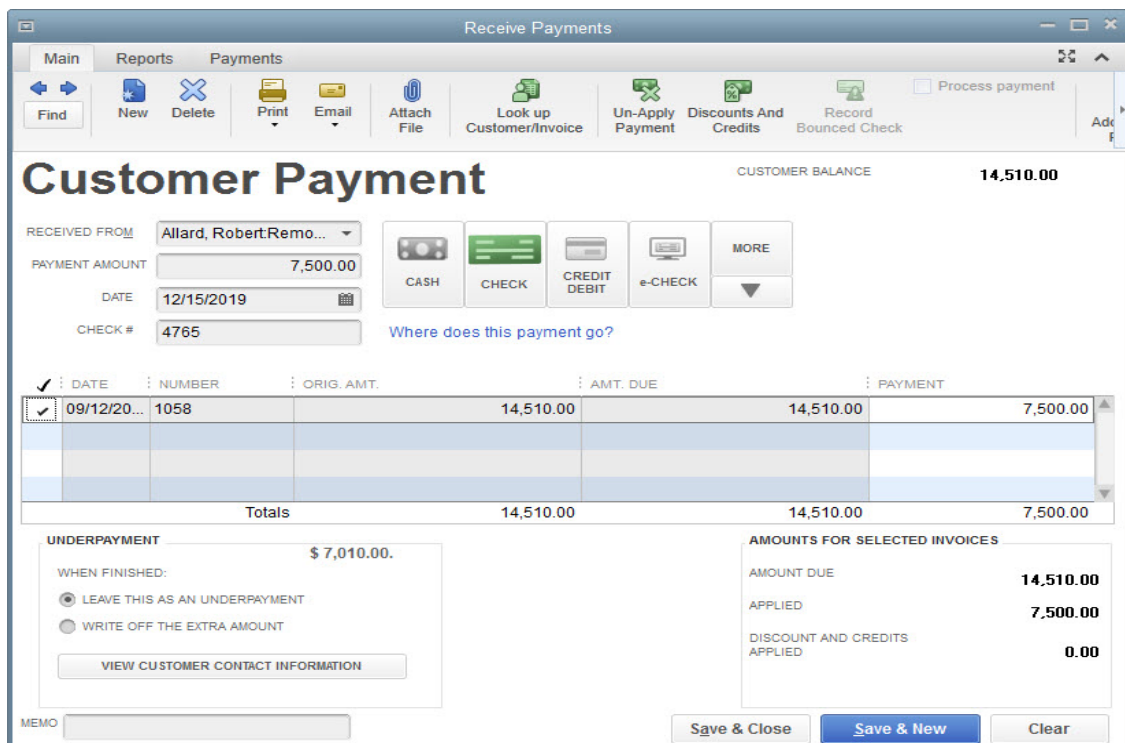

*Figure 2: The **Receive Payments** screen in QuickBooks*

First, select a customer by clicking on the down arrow in the field to the right of **RECEIVED FROM**. If there are outstanding invoices, they will appear in the table below. Enter the **PAYMENT AMOUNT** in the field below, and change the date if necessary. Click on the icon representing the payment method. If you don't see it there, click the down arrow below **MORE** and add it or select it. Your chosen icon will turn green. Then:

- **For cash or e-checks**: Just enter any **REFERENCE #** needed.

- **For checks:** Enter the **CHECK #**.

- **For credit/debit cards:** If you have saved the customer's preferred payment method in his or her record, the number will fill in automatically. If not, or you need to change it, enter it manually. As you know, you need a merchant account in order to accept credit/debit cards and e-checks. If you haven't set one up and want to, let us help.

If the payment amount equals the total of all outstanding invoices, there will be a check mark in the first column of every line in the table. If the payment is for any less than the **CUSTOMER BALANCE** in the upper right, QuickBooks automatically pays the oldest invoice(s) first. You'll also see an **UNDERPAYMENT** box in the lower left corner. Click the button in front of your preference here (leave as underpayment or write off the extra).

When you are done, click one of the **Save** buttons.

Other Types of Payments

You will also use the **Receive Payments** window to record down payments and overpayments. And there are situations where you'll have to complete other forms to document the incoming money. For example, if a customer makes a partial payment for products or services that have not yet been invoiced, you would use a **Payment Item**. A customer who pays for a product at the time it is received would get a **Sales Receipt**.

Figure 3: Sales receipts go to customers who pay for products or services at the time they are received as it will record the sale AND the payment. Based on your "payment" setup, the payment will show up in the "Un-deposited Account" in which you then "make deposit" or it will go straight into your bank account.

This may all sound a bit confusing. But it won't be if you gain a thorough understanding of the right way to record different types of payments. We can go over all of this with you to ensure that your incoming money is documented correctly, which will take less time than trying to retrace your steps when a mistake has occurred.

We hope you find this month's QuickBooks tip helpful. Please visit our company website http://www.accountingconnections.org often as it is updated constantly and offers a wealth of tax and accounting tips, along with links to better serve your business needs. Our QuickBooks Tips newsletters are archived on our website as well.

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

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ENROLLED AGENT | AMERICA'S TAX EXPERT
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Enrolled Agents are allowed to represent clients before all administrative levels of IRS without their clients' presence (the same as a CPA or Tax Attorney).