BILLBOOKS GUIDE

2019

Contents

1 **First Steps** **4**
- 1.1 Setup 4
- 1.2 Users 15
- 1.3 Summary 18
- 1.4 Software Version 34

2 **Structuring Accounts** **37**
- 2.1 Chart of Accounts 37
- 2.2 Capital Accounts 55
- 2.3 Common Business Situations 57
- 2.4 Tracking Codes 64
- 2.5 Special Accounts 67
- 2.6 Starting Balances 74

3 **Customizing a Business** **82**
- 3.1 Business Logo 82
- 3.2 Custom Fields 83
- 3.3 Themes 93
- 3.4 Form Defaults 107

4 **Program Features** **111**
- 4.1 Learn the Program 111
- 4.2 Common Procedures 116
- 4.3 Journal Entries 130
- 4.4 Tax Codes 137
- 4.5 Batch Operations 156
- 4.6 Search and Sort 161
- 4.7 Attachments 166
- 4.8 Reports 171
- 4.9 Emails 200
- 4.10 PDFs 207

5 **Cashbook** **208**
- 5.1 Cash and Bank Accounts 208
- 5.2 Cash and Bank Transactions 221
- 5.3 Inter Account Transfers 256
- 5.4 Expense Claims 262

6 **Accounts Receivable** **269**
- 6.1 Customers 269
- 6.2 Sales Quotes 275
- 6.3 Sales Orders 279
- 6.4 Sales Invoices 282
- 6.5 Credit Notes 315
- 6.6 Billable Time 318
- 6.7 Billable Expenses 323

7 **Accounts Payable** **327**
- 7.1 Suppliers 327
- 7.2 Purchase Orders 334
- 7.3 Purchase Invoices 337
- 7.4 Debit Notes 365

8 **Inventory** **368**
- 8.1 Overview 368
- 8.2 Inventory Items 386
- 8.3 Inventory Transfers 396

8.4 Inventory Write-Offs ... 398
8.5 Delivery Notes ... 400
8.6 Goods Receipts ... 403
8.7 Production Orders ... 406
9 **Payroll** ... **410**
9.1 Employees ... 410
9.2 Payslips ... 415
10 **Asset Registers** ... **423**
10.1 Fixed Assets ... 423
10.2 Intangible Assets ... 433
11 **Advanced** ... **442**
11.1 Application Data ... 442
11.2 Custom Domain Names ... 446
11.3 Rebranding ... 448
11.4 Users ... 15

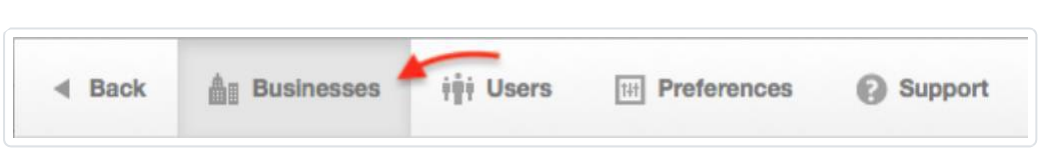
Chapter 1: First Steps

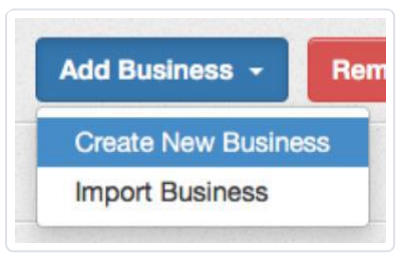
These Guides will get you started, providing information on how to manage businesses and users, set initial preferences applying to all businesses, and choose the functional modules and accounting method you will initially use. (You can always add more or change later.)

1.1 Setup

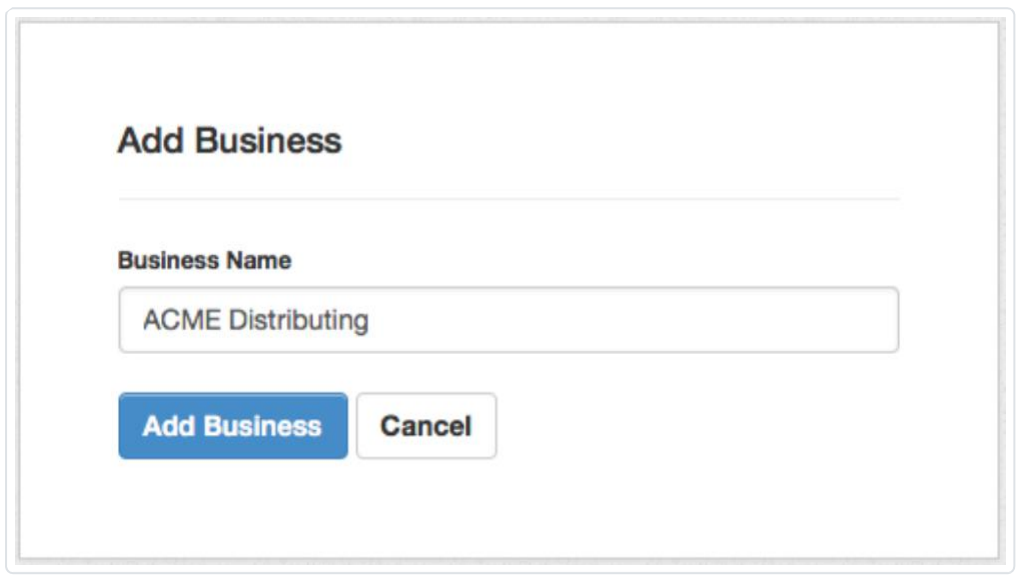
1.1.1 Add a new business

Adding a new business to BILLBOOKS is simple. After you have downloaded, installed, and launched the program on your computer or accessed it via a web browser, go to the `Businesses` tab, click `Add Business`, and select *Create New Business* in the dropdown box:

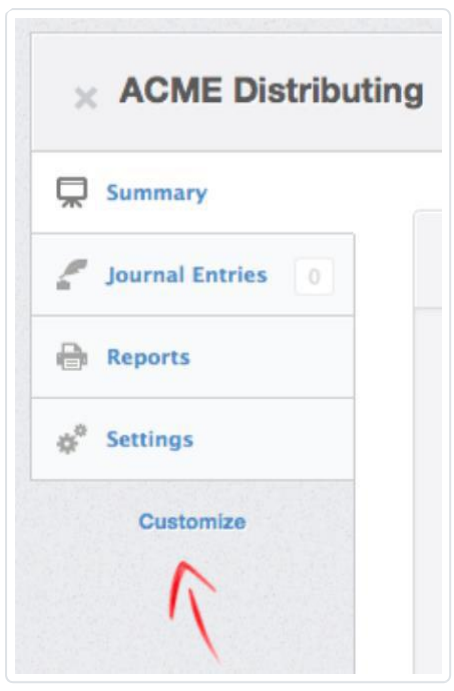




Enter the `Business Name` you want to appear in your list of businesses and click `Add Business`:



A `Summary` page for your added business will appear. Four universal tabs will be activated, because all businesses need them:



Now you can:

- Customize capabilities to meet your needs
- Build a chart of accounts
- Use other features described in the Guides

Note
When the data file of a business is opened directly in the desktop edition rather than by selecting the business in the `Businesses` tab, that business is **not** added to the list. The list on the `Businesses` page contains only those businesses stored in the application data folder. See this Guide for additional information.

Caution
Manager will not prevent adding or importing businesses with identical names. To avoid confusion, such as when renaming and restoring a backup file by eliminating the date stamp, consider removing other businesses with the same name from the `Businesses` tab first. (See instructions in another Guide.)

1.1.2 Name or rename a business

You can **name or rename a business** for any reason, including:

- Initial setup
- Change of formal business name
- Change of trading name
- Removal of date stamps from backup files

There are two, independent aspects of naming:

- Setting the business name that appears in `Businesses` tab BILLBOOKS's
- Setting the trading name on transaction forms, such as sales invoices, receipts, purchase orders, etc., and on statements and reports.

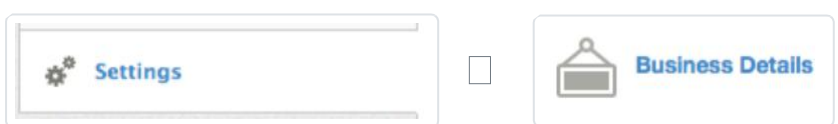
Caution
While matching names are often convenient, the business name is not used by the program in the same way as the trading name. A properly entered trading name will remain fixed through data backups, restorations, and transfers. It will appear on transaction forms and reports no matter what business name is used. The business name, however, changes when a backup is made, with addition of a date. This feature allows you to determine which version of a business data file is in use.

Set the business name

When a business is first added to BILLBOOKS using `Add Business` button, a dialog box allows you to enter the business name under the which all data for the business will be accessible. You can enter the formal legal name, a trading name, or something short and convenient. This name should be something that allows you to distinguish the business from others in the `Businesses` tab.

Set the trading name

Go to `Settings` `Business Details`:



Enter your desired name in the `Trading name` field:

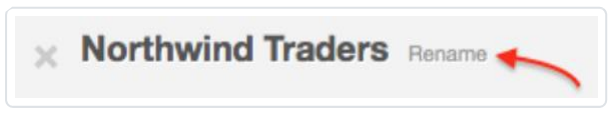


Note
If no trading name is entered, Manager will use the business name as the trading name.

Rename a business

The trading name of an existing business can be changed at any time following the same procedures described above for initial naming. Click `Update` to save the new trading name.

A business name, under which the business appears in the `Businesses` tab, can be changed by clicking `Rename` beside the business name at the top of the BILLBOOKS window:



Edit the business name and click `Update`. This step has no effect on the trading name unless one has not been entered.

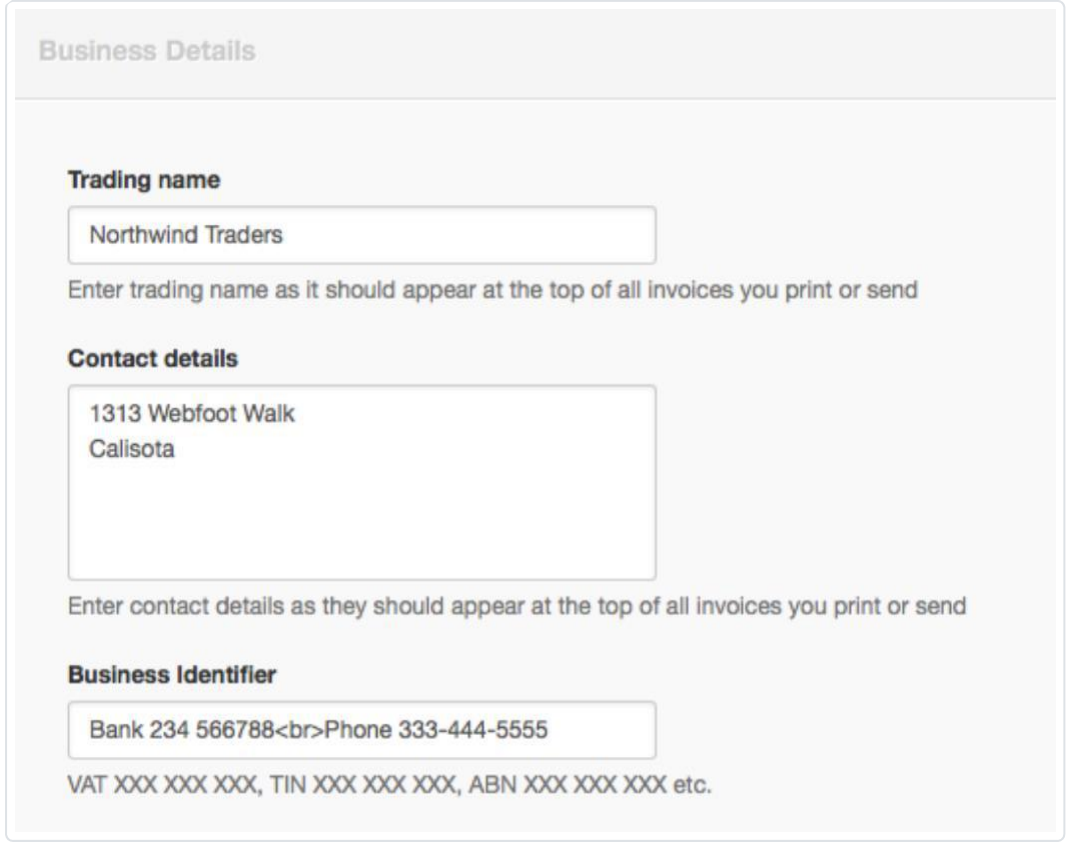
Note
Changing either a business or trading name affects no accounting data. Nor does it change data file names of prior, existing backups or the trading names they contain.

1.1.3 Enter business details

To customize sales invoices, cash receipts, purchase orders, and other transaction forms, click `Business Details` in the `Settings` tab:



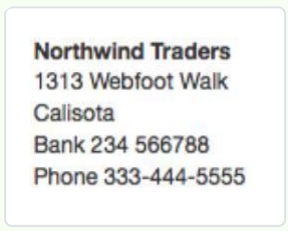
Enter information you want to appear on transaction forms:



- `Trading name` is the name you operate the business under. This does not necessarily need to be the same as your legal business name. Nor does it need to match the business name used to identify your accounting file in BILLBOOKS.
- `Contact details` will usually contain your address, phone number, email address, and so forth.
- `Business Identifier` is normally a tax identification number, but can also be a banking number or other type of information.

Note
The fields will accept HTML code. So you can modify the appearance of your form headers without creating a custom theme.

Example
The simple use of the HTML `<br>` tag in the `Business Identifier` field of the illustration above adds a line break to what would otherwise be a single-line entry:



1.1.4 Set base currency

By default, BILLBOOKS operates without any designated currency. No currency symbols are displayed on forms or reports. If your business operates entirely in a single currency, this may be sufficient. You can, however, **set a base currency**. Go to the `Settings` tab, then click `Base Currency`:



Select your base currency from the dropdown box:



Click `Update`.

All existing accounts and subaccounts will automatically be denominated in the base currency. Transaction forms will now display either the appropriate currency symbol or a designation for the currency:

Sub-total	$ 300.00
GST 10%	$ 30.00
Total	**$ 330.00**
Less: Credit Note #2 — 08/01/2018	$ 16.50
Balance due	**$ 313.50**

OR

Sub-total	R 300.00
GST 10%	R 30.00
Total	**R 330.00**
Less: Credit Note #2 — 08/01/2018	R 16.50
Balance due	**R 313.50**

Many reports do not include currency designations to reduce clutter, because they are presented in your base currency. Setting a base currency allows you to designate currencies for:

- Bank accounts
- Cash accounts
- Expense claims
- Customers
- Suppliers
- Employees
- Journal entries
- Special accounts

Note
Changing base currency has no impact on numerical values previously entered in Manager. No currency conversions are computed.

1.1.5 Set language

By default, BILLBOOKS will open and operate in English. If you prefer to work with BILLBOOKS in a different **language**, you can easily switch.

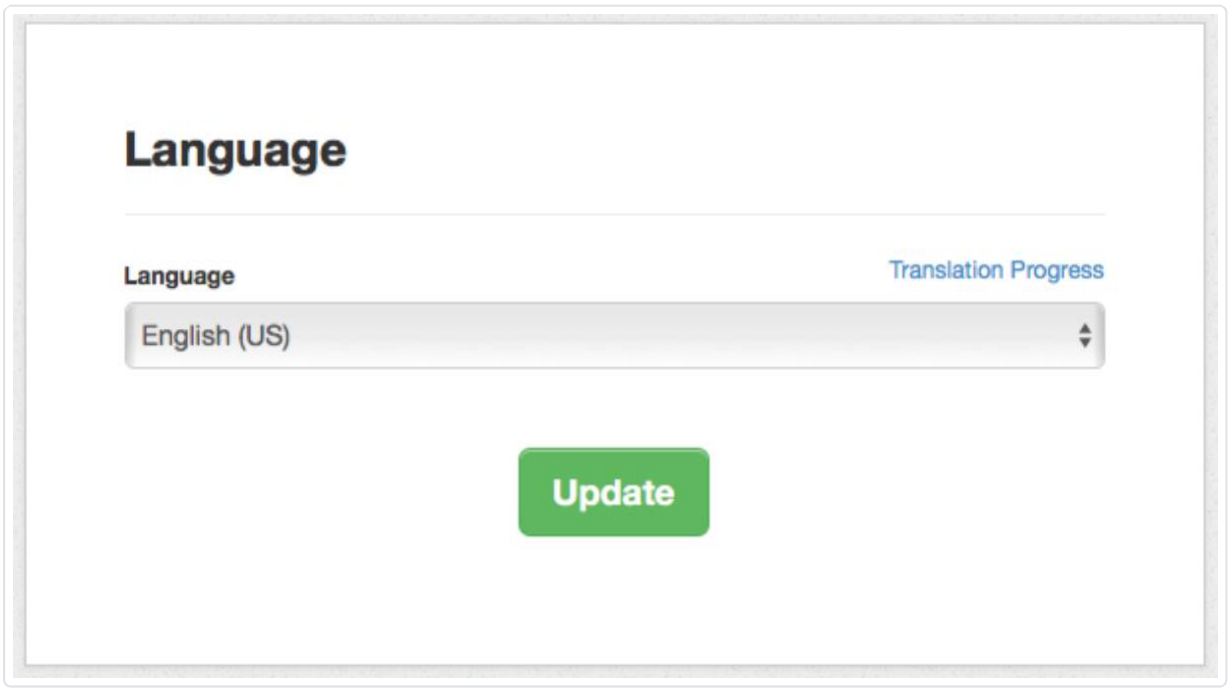
Note
Language is a global preference affecting all businesses you have created in Manager.

Choosing a language

No matter which language you currently have selected, click the `Preferences` tab at the top of the BILLBOOKS window; then click the `Language` link:



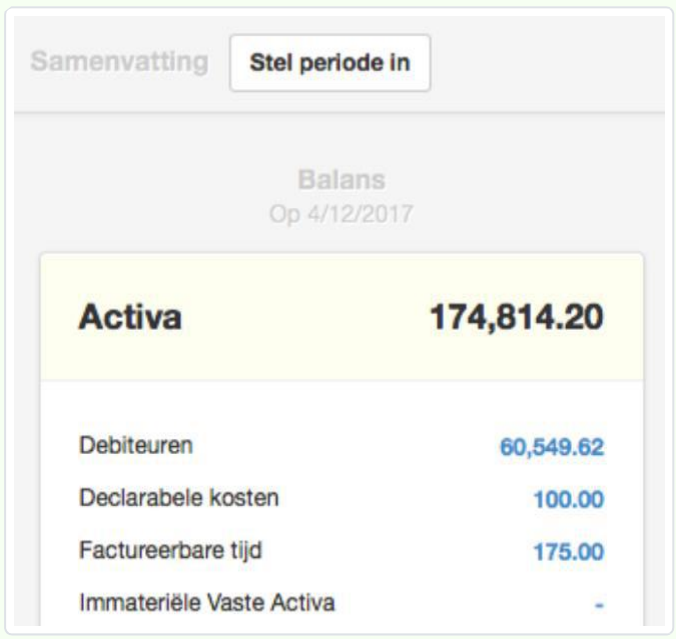
Choose your preferred language in the dropdown box that appears:



Click `Update`. You should see the program in your selected language.

Example

Northwind Traders moves to the Netherlands and decides to switch languages to Dutch. It follows the procedures described above and now sees information in the new language:



Effects of language changes

BILLBOOKS implements translation via a lookup table including terms used in the program. This table covers predictable words, such as:

- Functional tab names
- Built-in balance sheet group names
- Built-in control account names
- Automatically enabled account names related to hard-coded functions
- Report titles
- Built-in field labels on forms

The table does not include content you enter anywhere in the program. Therefore, BILLBOOKS will not translate:

- Names of groups and accounts you create or edit in your chart of accounts
- Content of fields, such as inventory item names, line-item descriptions, or business details, even though labels of these fields are translated
- Labels or content of custom fields

Note
Default, placeholder group and account names on the profit and loss statement side of your chart of accounts are special cases. Because these placeholder names are not control accounts and are not related to hard-coded program functions, they are treated as though they were created by the user. Therefore, they are not translated back and forth when the `Language` preference is changed.

However, because they are present by default when a new business is created, their names are known in advance, and they are included in the translation table. So when they are first created, their names will be in the language set under `Preferences` . If you plan to operate a business in a certain language, set that as your preference before creating the business. The placeholder groups and accounts will be titled in your desired language. They will not, however, be translated later if you change language.

Advice for multi-language businesses

When a business operates in multiple languages, whether because customers or suppliers use different languages or because internal users do, a few ideas may be helpful:

- Title self-generated groups and accounts in the chart of accounts in both languages. For example, a bilingual Spanish/English company could rename the default *Donations* account to *Donaciones* | *Donations*. (Automatic and control accounts will be translated by the program.)
- Enter field content, especially in custom fields, in the language of its intended audience. For example, payment terms on sales invoices should be in the language of the customer (or multiple languages).
- Consider creating custom themes for different languages.
- Remember that BILLBOOKS has no live translation capability, but is restricted to what the translation teams have put into the translation table. Switch back and forth between `Language` preferences to fully understand the effect and make necessary adjustments. Explore all aspects of the program when doing this.

Note
The translation process is a collaborative, community effort. See translation progress for more information. If you find incomplete or incorrect translations, you might like to join our translation team. You can suggest new languages at the same link.

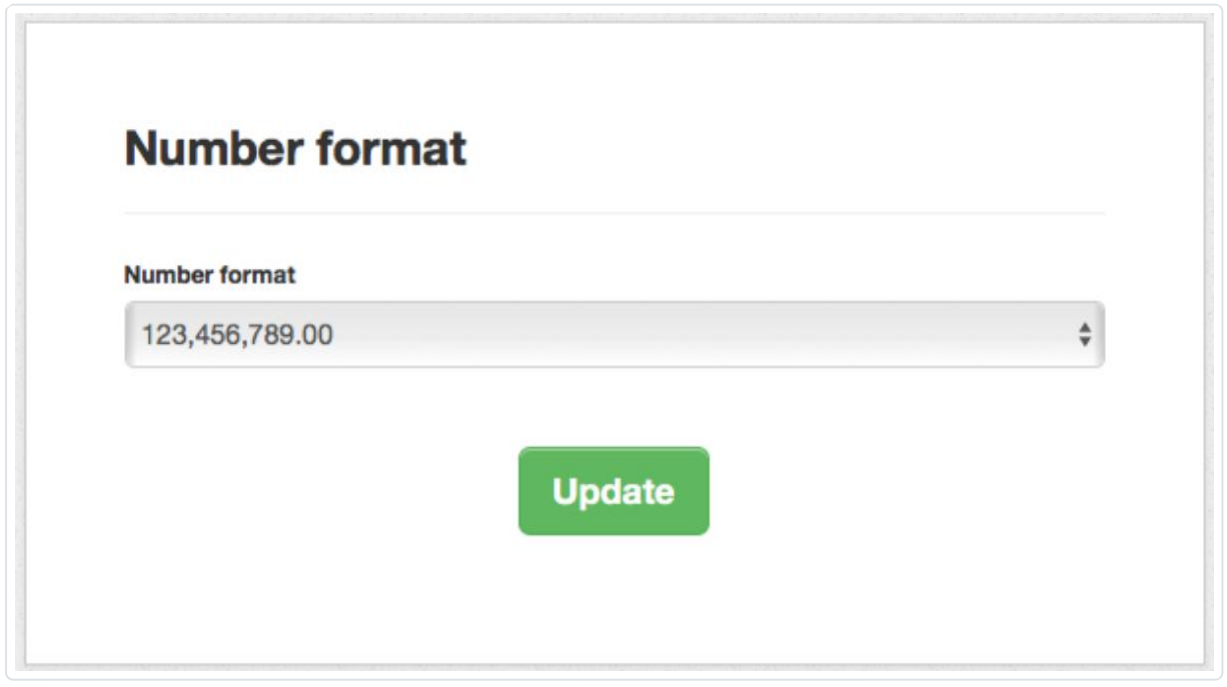
1.1.6 Set number format

In BILLBOOKS, you can set the **number format** to match your culture or local business practices. Number format options include digit grouping, decimal mark, and group size.

In the `Preferences` tab, click `Number format` link:



In the dropdown box on the screen that appears, choose your format and click `Update` :

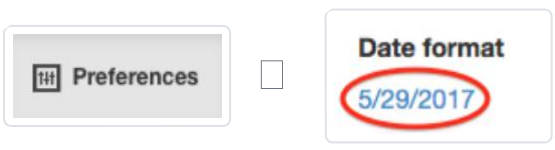


Note
Number formats apply globally to all businesses created in Manager. In some previous versions of the program, they could be set individually, by business.

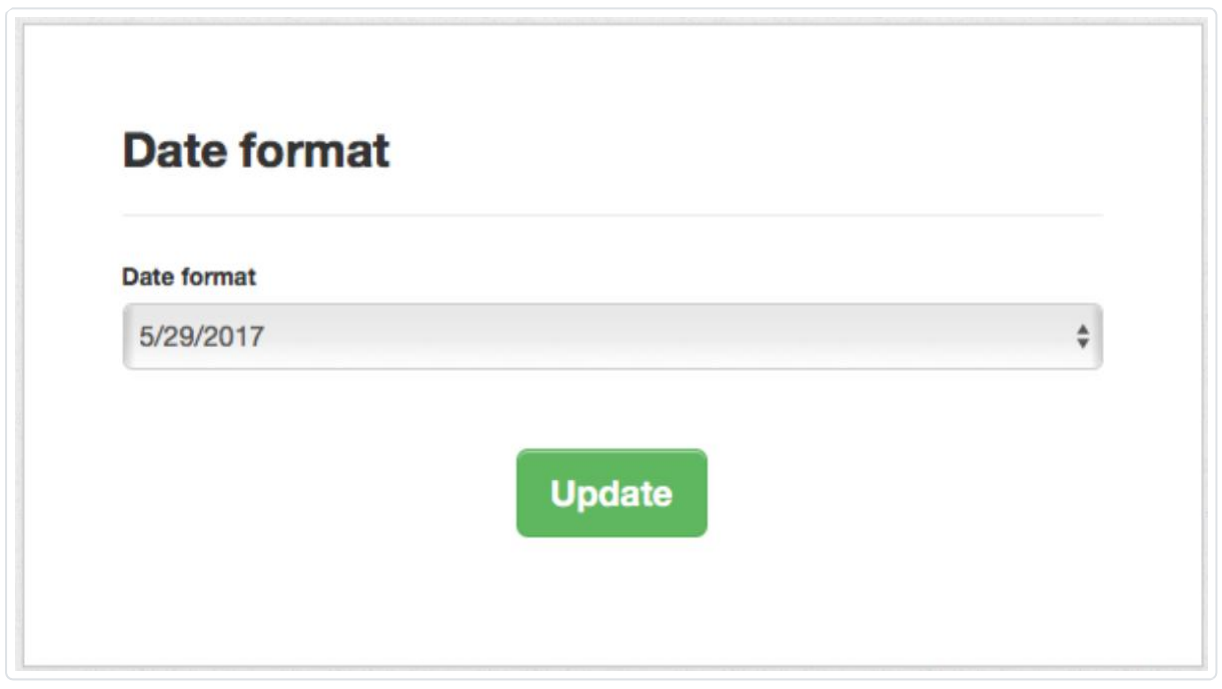
1.1.7 Set date format

In BILLBOOKS, you can customize the **date format** to match your culture or local business practices. Date options include day, month, and year format and order.

In the `Preferences` tab, click the `Date Format` link:



From the dropdown box that appears, choose your format and click `Update`.

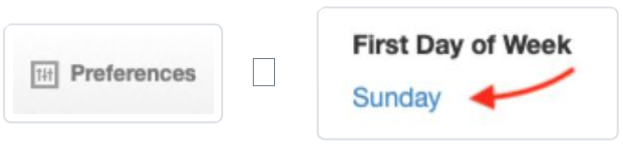


Note
Date format is a global preference affecting all businesses. In some prior versions of the program, date formats could be set individually, by business.

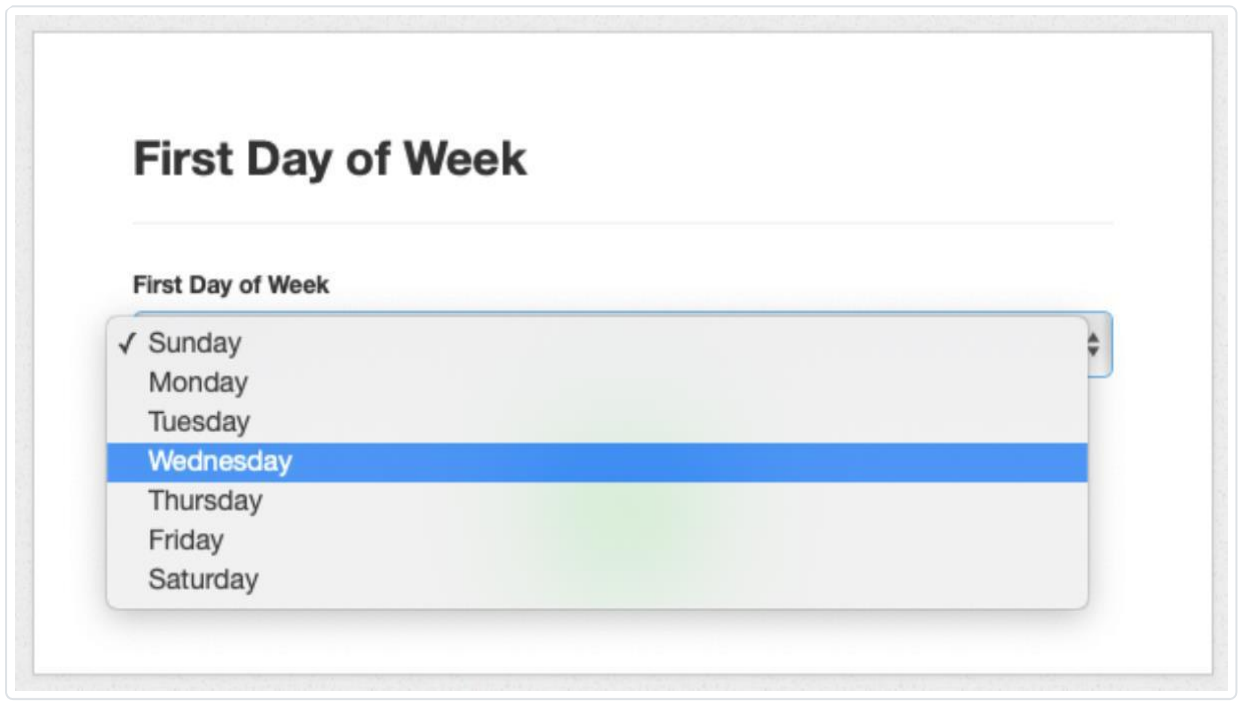
1.1.8 Set first day of week

The **first day of the week**, as shown in pop-up calendars used to select transaction dates, due dates, and so forth, can be chosen to match the usual practice at your location or your personal preference.

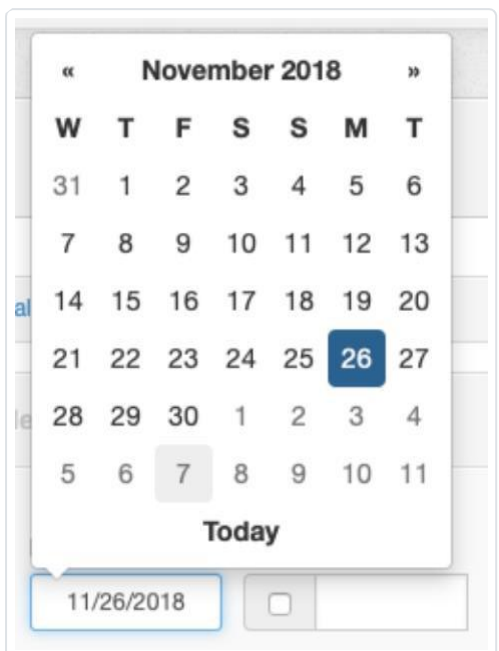
Click on the `Preferences` tab at the top of the BILLBOOKS window, then the day of the week currently in use under the `First Day of Week` heading:



Select the desired day from the menu:



Click `Update` to save the change. Pop-up calendars will now display in the new format:



1.1.9 Backup, restore and transfer businesses

Accounting data for businesses in BILLBOOKS can be backed up, restored, and transferred using a backup file. A **backup** for a business stores all information necessary to completely recreate its accounting records, including transactions, customer and supplier information, inventory status, reports, attachments, as well as custom themes and settings. Using backups, you can:

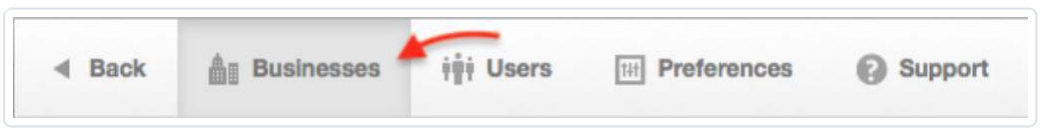
- Recover data after it is lost, as when a storage drive fails
- Recover data from an earlier time, for example, before someone began making entry errors
- Transfer data between computers
- Build redundant data caches
- Migrate data to different editions of the program (desktop, server, or cloud)

A backup includes data of only one business. If you have multiple accounting entities, each must be backed up separately. If desired, these backups can be to separate locations. And a single business can be backed up to multiple locations.

Making a backup

As long as new accounting data is being recorded, backups should be made frequently. A general guideline is to back up your data often enough that you would be willing **and able** to re-enter recent data to bring your records up to date. For high-volume businesses, that realistically means backing up at least daily. For lower-volume entities, weekly or monthly backups might suffice, as long as necessary records would be available if data loss occurs.

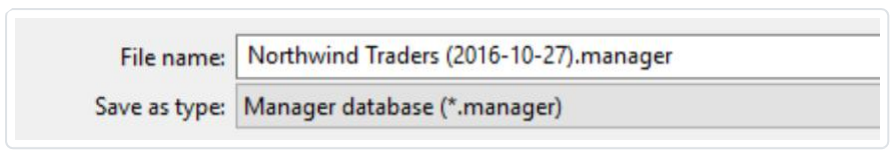
Creating a backup file is very simple. Under the `Businesses` tab, click on the name of the business you are backing up. (This step is unnecessary if you are already within the business.)





Then click the `Backup` button at the top right of the BILLBOOKS window.

Depending on your operating system, the software will offer to save the backup file somewhere on your local drive. Generally, you should choose a different location (see below). In this example, the backup is for a business named Northwind Traders.



The backup file name will contain a date stamp to indicate when the backup was created. Once you make multiple backups, it will be easy to see when individual backup files were generated:

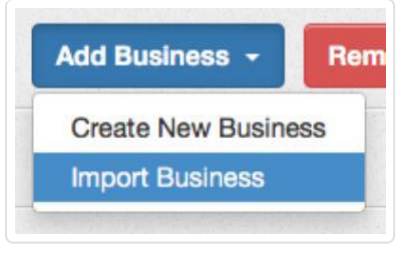


You should store backups separately from your computer. That way, if the computer fails, the backup will remain intact. Choose an appropriate backup medium and location, considering cost, convenience, and the value you place on your accounting data (including the effort required to recreate it). For protection from hazards or theft, the backup should aso be kept at a separate physical location. Some possibilities include:

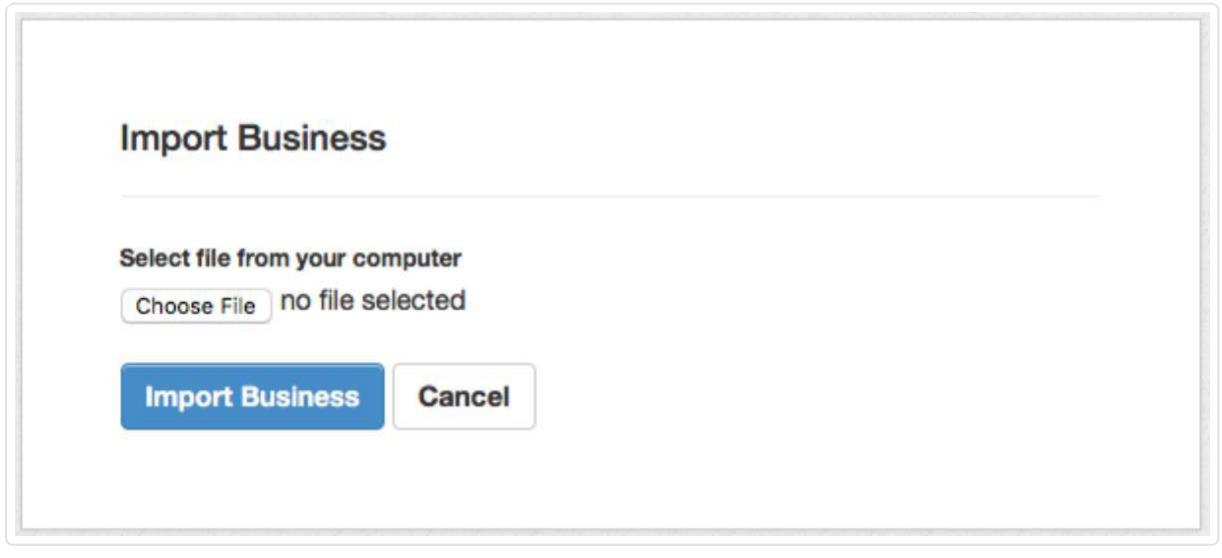
- USB flash drive
- External drive
- Network-connected drive
- Writable CDs or DVDs
- Cloud storage service (*e.g.*, Dropbox, OneDrive, or iCloud)

Restoring from backup

Restore a business from backup under the `Businesses` tab by clicking `Add Business` and selecting *Import Business*:



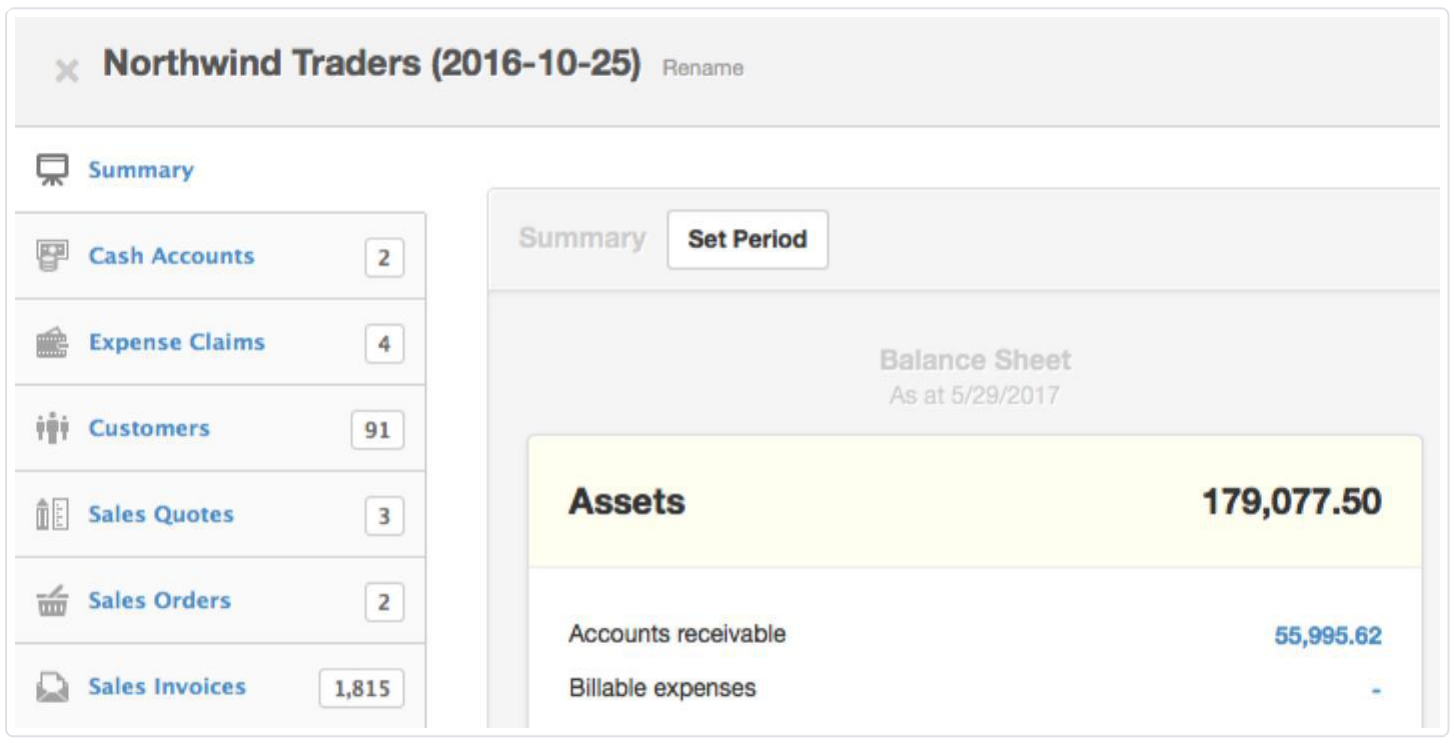
The next screen may look slightly different, depending on your operating system. Regardless, browse to the location of your stored backup and select the file you want to import. In the example below, the backup *Northwind Traders (2016-10-25).BILLBOOKS* has been chosen:



Click `Import Business` to complete the process. You will be returned to the `Businesses` tab listing your businesses:



Click on the imported business to open it so you can verify it was restored properly:



Note

The business name at the top of the Manager window retains the same date stamp as the backup file you imported. But forms and reports in the data file keep the trading name entered at `Settings` → `Business Details`. This can be useful for differentiating versions of restored businesses. If you do not want the date stamp to show, you can rename the data file either before or after importing it to remove the date stamp.

Caution

Manager will not prevent adding or importing businesses with identical names. To avoid confusion, such as when renaming and restoring a backup file by eliminating the date stamp, consider removing other businesses with the same name from the `Businesses` tab first. (See instructions in another Guide.)

Transferring data

A backup file can also be used to transfer accounting data between computers or editions of the program. The `Backup` button works exactly the same way on any platform. Follow these steps:

1. Choose a backup destination accessible to all computers involved in the transfer.

2. Back up the business to the backup destination.

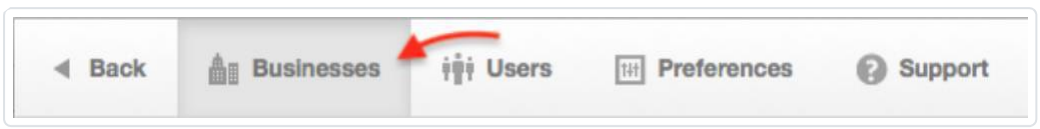
3. Install BILLBOOKS on the computer to which the data is being transferred, or access the server or cloud edition of the program via a browser on that machine.

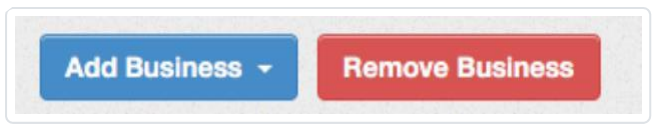
4. Use the `Add Business` function to import the business to the new computer's or browser's list of businesses.

> **Caution**
> New versions of Manager can open files created by older versions of the program. But sometimes, in doing so, they modify the data structure to incorporate new features. Therefore, older versions of the program cannot necessarily import and open backups from newer versions of the program. Therefore, be sure all versions of the program on all machines involved in data transfers are the same. And be aware, if transferring to or from the cloud edition, the cloud edition is automatically updated.

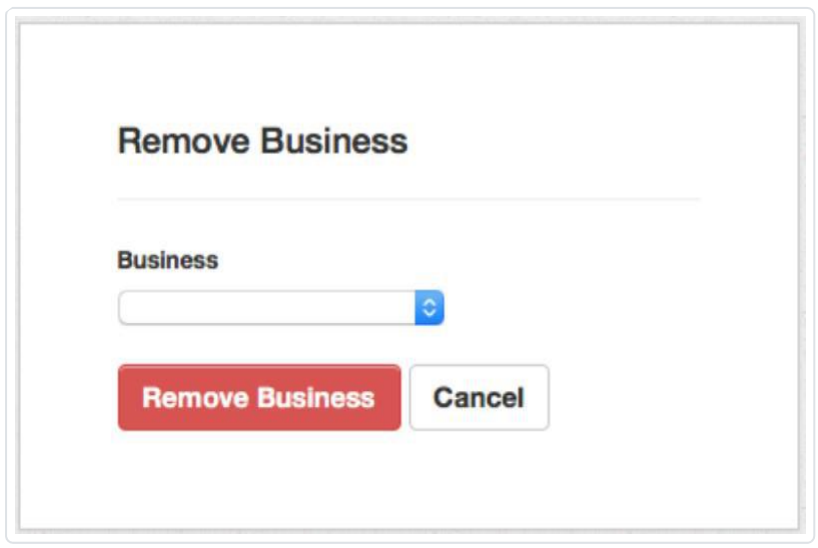
1.1.10 Remove a business

After terminating a business or restoring one from backup, redundant or unneeded business names may appear in the `Businesses` tab. These can be removed. Go to the `Businesses` tab and click `Remove Business`:





Select the business to be deleted in the dropdown box and click `Remove Business`:



> **Note**
> Removing a business name does not delete the business, which is not stored in the application. It only removes its name from the `Businesses` list. The business' complete data file will remain untouched in the application data folder. To completely eliminate the business, it must be deleted from the application data folder.

1.2 Users

1.2.1 Create users

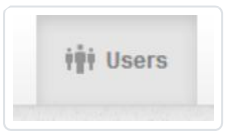
Users are discrete identities authorized to log into a business hosted in either the server or cloud editions of BILLBOOKS. They are granted permissions by an administrator consistent with their assigned duties.

Examples

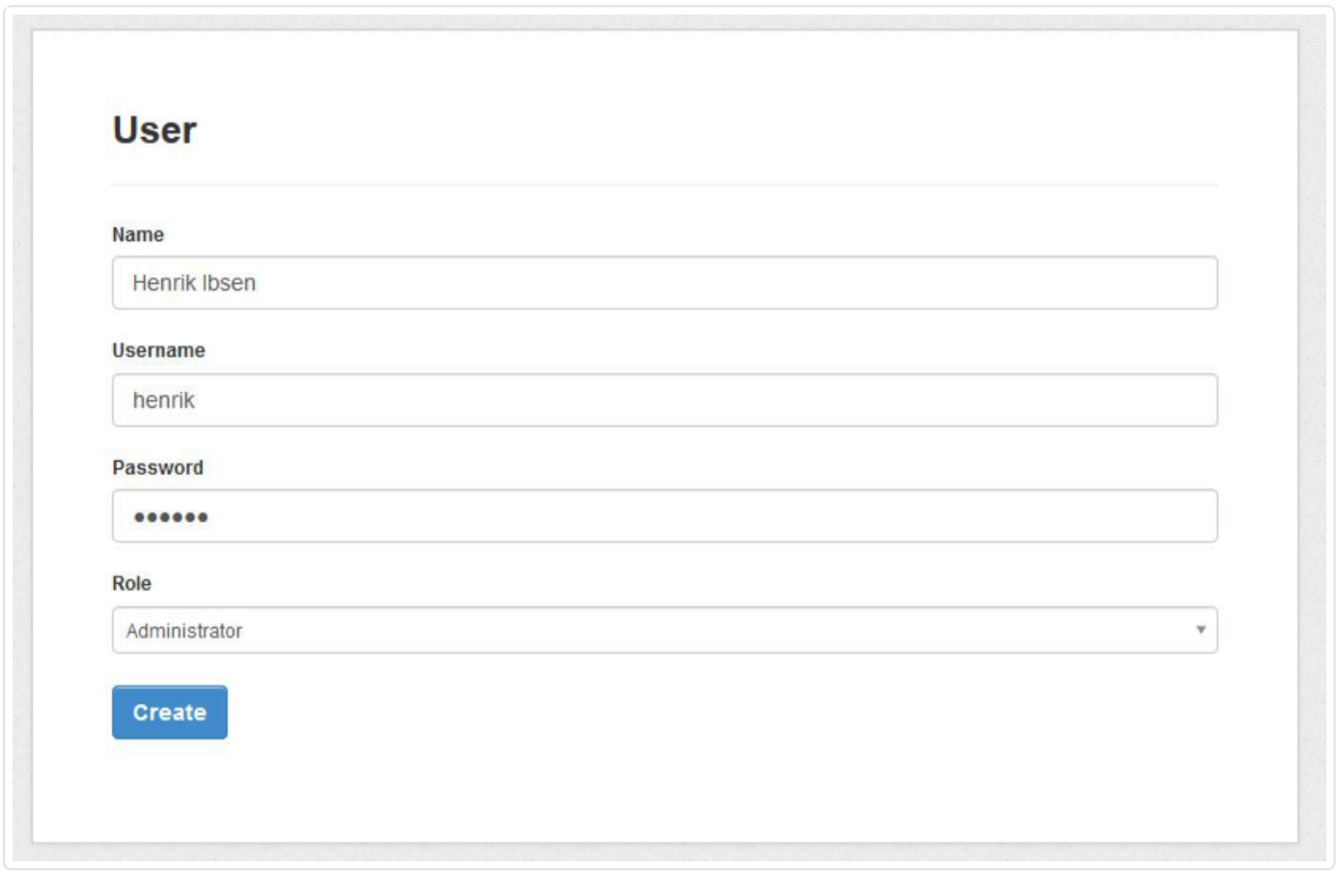
- Accounting personnel might have full access to all tabs and functions.
- Sales staff might only be able to create customers and generate sales quotes.
- A production manager might be able only to view inventory status and create production orders.
- Only partners might be able to view `Capital Accounts`.
- Human resources personnel might be given access only to `Employees`.

Create an administrator user

Administrators have full access to everything. They can create new users, set permissions for existing users, enable new tabs, and adjust settings. To set up a new administrator, go to the `Users` tab:



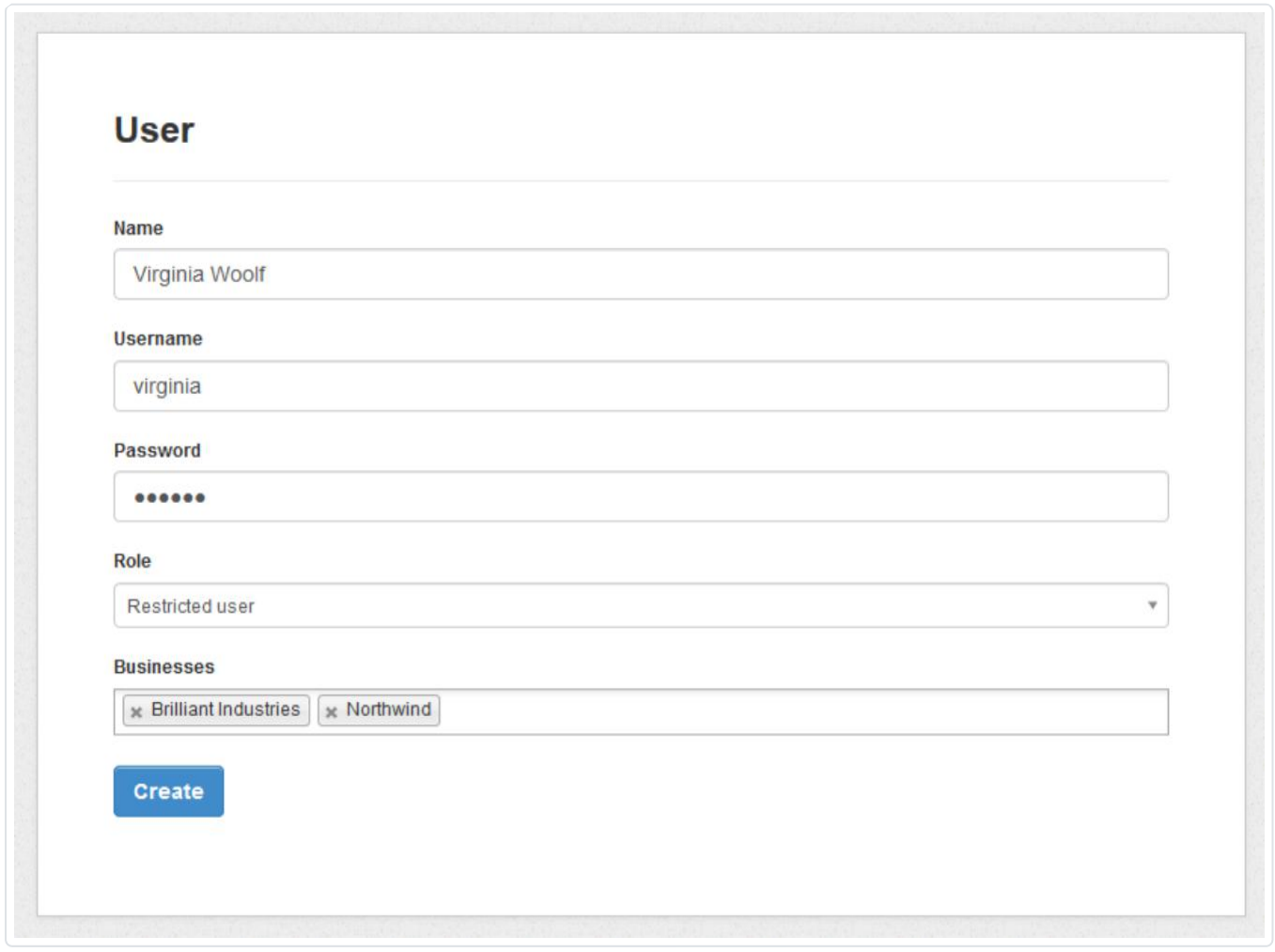
Click `New User`. Enter the administrator's `Name`, `Username`, and `Password`. Select *Administrator* in the dropdown box for `Role`:



Click `Create`.

Create a restricted user

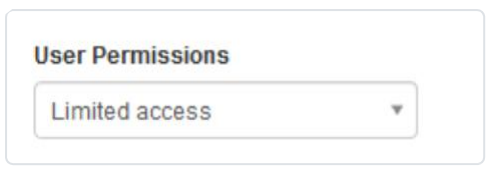
Restricted users have limited authority within a single business or multiple businesses. You can control not only what they can see, but also what they can do, in great detail. Typically, you should create most new users as restricted users. When creating a restricted user, select *Restricted user* in the `Role` field. Then select businesses they should have access to.



When restricted users are created, you will see them under the `Users` tab with the names of businesses they are allowed to see:

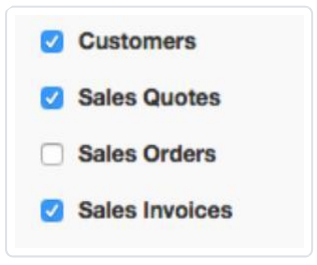


By default, restricted users will have full access to each business listed under their name. If you would like to restrict their access within a business, click on the business name under their name and in the `User Permissions` field, change *Full access* to *Restricted access*.

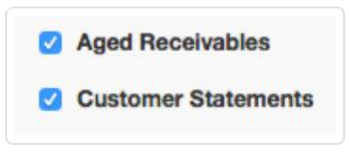


This will reveal new options to further control what the user can do and see.

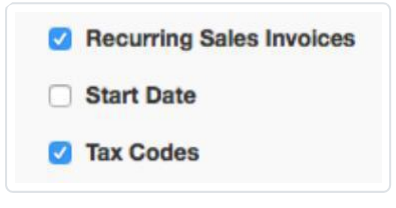
A `Permitted Actions` dropdown box will appear, offering a range of choices. Below the `Permitted Actions` field, tabs enabled for the business will be listed. Check boxes to assign permissions:



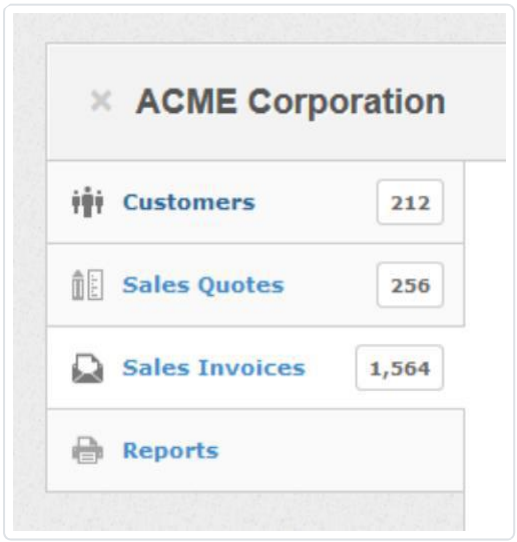
If the `Reports` tab is checked, a list of reports for active tabs will show. Check reports you want the user to see:



If `Settings` is checked, a list of settings applicable to enabled tabs will appear. Choose those the user should be able to modify:



When a user logs in, she or he will only see tabs for which permission has been granted:



1.3 Summary

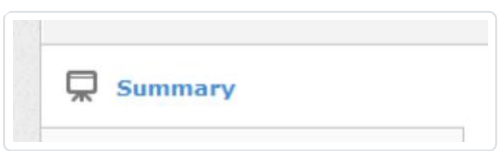
1.3.1 Customize a business

BILLBOOKS has capabilities for all types of business entities, including:

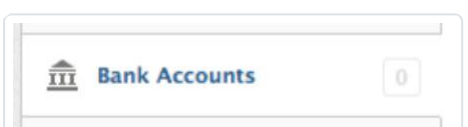
- Corporations (companies owned by shareholders, whatever they may be called)
- Partnerships (owned jointly by two or more, but without issued shares)
- Sole traders/proprietors
- Trusts
- Social clubs

Many of BILLBOOKS's capabilities are not needed by all users; nor are they necessary for every business model or operating approach. Select only the capabilities you need by enabling functional tabs. Necessary entry forms, data fields, reports, and (in certain cases) built-in accounts required to fully use enabled tabs will become available automatically. Things you don't need won't clutter your screen or the program.

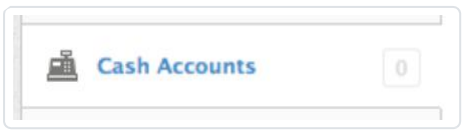
Here are brief descriptions of BILLBOOKS's available tabs:



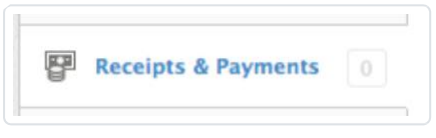
`Summary` provides an overview of position and performance by displaying the Balance Sheet for the current date and the Profit and Loss Statement for a selectable period. The display can be set for accrual or cash basis accounting.



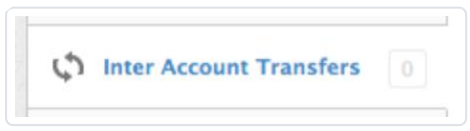
`Bank Accounts` is for setting up any form of monetary exchange managed by a financial institution, including bank accounts, credit cards, online payment systems, and cryptocurrencies.



`Cash Accounts` is where repositories for physical money are set up, including petty cash funds, cash boxes, and tills.



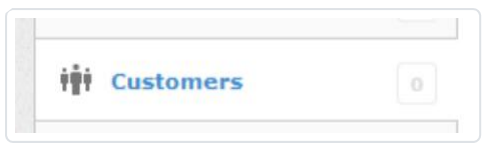
`Receipts & Payments` is where payments from and receipts to all bank and cash accounts are entered. All money entering or leaving the business must be recorded in this tab.



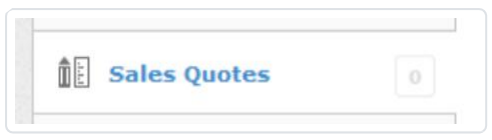
`Inter Account Transfers` is where transfers between bank and cash accounts are recorded. Both the originating and destination accounts can be either bank or cash accounts. In an inter-account transfer, no funds enter or leave the business.



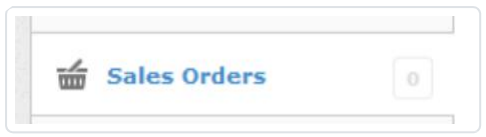
`Expense Claims` records expenses incurred by people on behalf of the business. These include (1) actual expenses paid with personal funds, which in other circumstances could have been purchased directly with company funds and allocated to appropriate accounts, and (2) allowances based on rates rather than actual expenditures but deductible from income under local law.



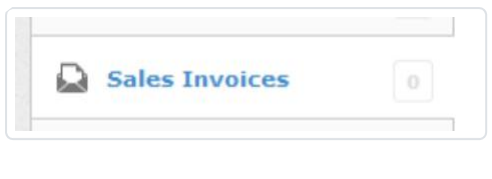
`Customers` is where you set up businesses, organizations, or individuals to whom you will sell on credit by issuing sales invoices. This tab is not required if you plan to sell only to buyers who pay immediately. But it is necessary if you want to track transaction history with a given customer.



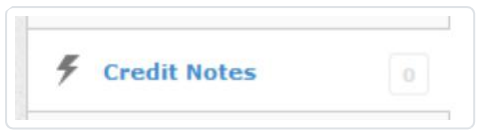
`Sales Quotes` lets you offer goods or services at defined prices and terms. Strictly speaking, sales quotes are not accounting transactions and have no financial or inventory impact. So this is another optional tab. Sales quotes can be renamed as offers, estimates, proposals, pro forma invoices, or anything else to fit practices in your industry.



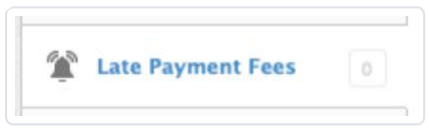
`Sales Orders` provides an optional way to record orders from customers, usually for internal purposes. Sales orders do not involve actual provision of services, movement of inventory, or payment of money. They can be used for a variety of purposes: internal manufacturing or fulfillment planning, documentation of agreed pricing, customer communication, or as drafts of purchase or sales invoices.



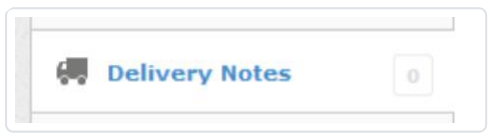
`Sales Invoices` is where you record the sale of goods or services to a customer and make demand for payment. Sales invoices increase the balance of the customer's subaccount in *Accounts receivable* and, therefore, are used when selling on credit. If all sales will involve immediate receipt of money, this tab is not necessary.



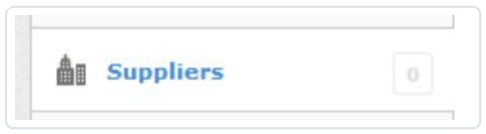
`Credit Notes` lets you record return of goods by a customer or a credit adjustment (refund) to a customer's account for goods or services previously delivered. It can be used only when the `Customers` tab is enabled and usually only when a sales invoice has already been issued.



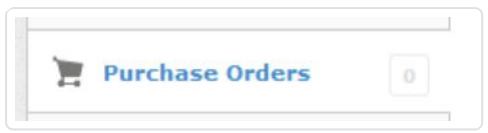
`Late Payment Fees` records fees automatically assessed on overdue sales invoices when those have been selected as an option. The tab also allows direct, manual addition, editing, and deletion of late payment fees.



`Delivery Notes` generates documentation to accompany delivered goods. Delivery notes can be used as packing lists, delivery route instructions, or confirmations of receipt. It is also used to record movement of inventory when multiple inventory locations exist.



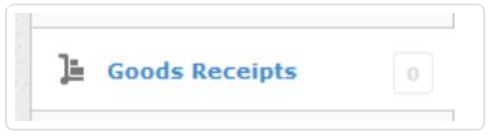
`Suppliers` is where you set up businesses, organizations, or individuals from whom you will buy on credit using purchase invoices. Subcontractors are included in this category. This tab is not required if you plan to pay immediately for all purchases, even if the seller sends you a bill or invoice. But it is necessary if you want to track transaction history with a supplier.



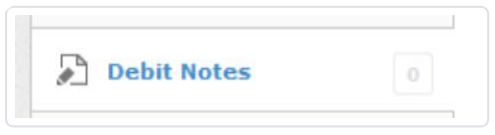
`Purchase Orders` provides an optional method for ordering goods or services from suppliers. Purchase orders have no financial or inventory impact. They do not involve actual provision of services, movement of inventory, or payment of money. They can be used for a variety of purposes: internal requests for purchase authorization, documentation of order pricing, inventory planning, supplier communication, or as drafts of purchase or sales invoices.



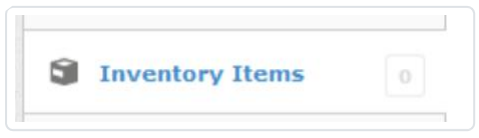
`Purchase Invoices` is where sales invoices received from suppliers are entered into BILLBOOKS. Purchase invoices increase the balance of the supplier's subaccount in *Accounts payable* and, therefore, are used when buying on credit. This tab is not required if you pay fully at the time of purchase.



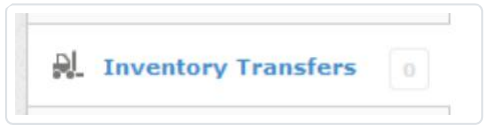
`Goods Receipts` helps track location of inventory enroute from suppliers or between warehouse locations of the business.



`Debit Notes` allows you to record changes by suppliers to amounts you owe them as *Accounts payable*. The tab is unnecessary if suppliers refund money directly to your business, only for account adjustments. Debit notes are not normally provided to the supplier. They might be for: return of goods, adjustment (refund) of price for goods or services previously delivered, or overpayment of amounts billed.



`Inventory Items` is used to identify, define, count, and manage physical goods or materials held by a business for sale or production.



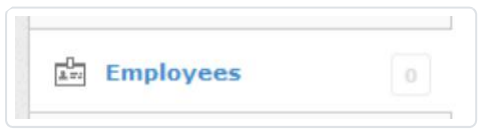
`Inventory Transfers` can be used when a business has multiple locations for its inventory. It is not necessary when all inventory is stored at a single location nor when knowledge of inventory location is unimportant.



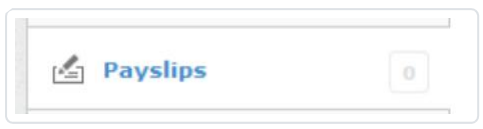
`Inventory Write-offs` is where you record loss, damage, or other non-revenue reductions of inventory.



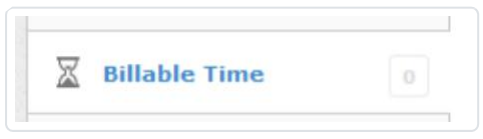
`Production Orders` helps track inventory during manufacturing by producing output inventory items from input inventory items. It also helps establish the cost of manufactured inventory. This tab is not necessary if you buy all inventory from outside suppliers.



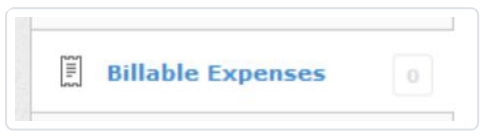
`Employees` is the tab where you set up workers who will be paid by the business. If payroll functions are outsourced, this tab may not be necessary, even if you have employees.



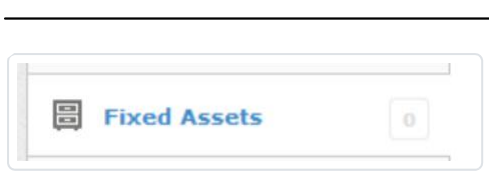
`Payslips` lets you record amounts earned by, owed to, withheld from, and contributed on behalf of employees. It does not generate payments to employees. This tab may not be needed if you outsource payroll functions.



`Billable Time` allows you to record time that will later be billed to customers at an hourly rate. It is not, however, a time clock and cannot record attendance.



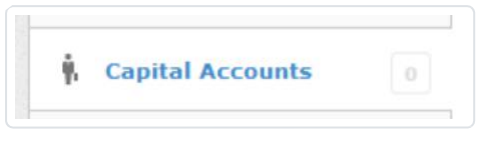
`Billable Expenses` records expenses on behalf of customers for later invoicing and reimbursement. Expenses recorded in this tab do not appear in expense accounts of the business, but are passed through to customers by invoicing. They also do not appear in income accounts unless marked up for additional profit.



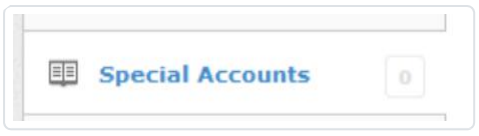
`Fixed Assets` is where you enter purchase costs and depreciation of tangible assets being capitalized, that is, whose costs are being recovered over an extended period rather than entirely as current expenses. The tab calculates current book book value of fixed assets.



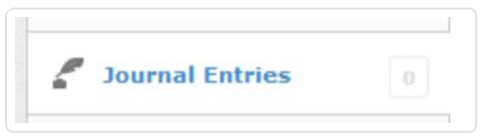
`Intangible Assets` records initial value and amortization of intangible assets being capitalized.



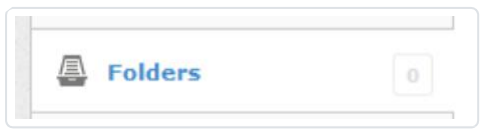
`Capital Accounts` is where partners, beneficiaries, owners, directors, or others having direct financial stakes in the business are set up and their monetary interests are tracked. This tab does not record information about shareholders of public stock corporations.



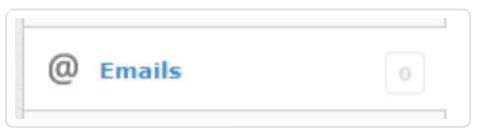
`Special Accounts` allows you to create custom subsidiary ledgers, such as for landlord's trust accounts or loans. Applications of special accounts are fairly technical, so use of this tab is not common.



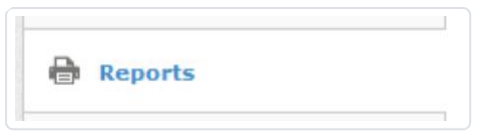
`Journal Entries` allows specialized entries with explicit identification of debited and credited accounts. It is used infrequently in BILLBOOKS, because most transactions are simplified in other relevant tabs. It is typically used for adjusting entries, earnings distributions, etc.



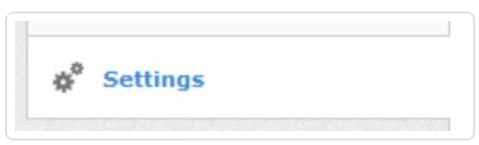
`Folders` allows organization of electronic attachments stored in BILLBOOKS to document or justify accounting records.



`Emails` stores BILLBOOKS forms and documents sent to recipients by email.



`Reports` lets you create, customize, store, view, and export reports to summarize, analyze, and present transaction data. Specific reports are available only when relevant tabs have been enabled.



`Settings` is the place to customize many small details in BILLBOOKS. Depending on which tabs are enabled, you will have options to enter, define, modify, customize, or list everything from base currency to capital account members to tax codes to overall appearance themes for your documents and forms.

In summary, between `Customize` and `Settings`, you can make BILLBOOKS as simple as possible for your form of organization and business operations. But you can also add capabilities for more complex situations. This flexibility lets BILLBOOKS grow and change with your business.

> **Note**
> Tabs that have never been used can be disabled if they turn out not to be useful. But once any record or transaction has been entered in a tab, Manager will protect that data by not allowing the tab to be disabled. To disable a tab, all entered data must first be deleted. Only data that has not been referenced by another transaction can be deleted, so disabling a tab can be tedious. Think carefully before enabling tabs. They can always be added later.

1.3.2 Simplify BILLBOOKS

Simplify left-pane navigation in BILLBOOKS and reduce overall program complexity by enabling only those functional tabs you actually need. Disable tabs you don't need.

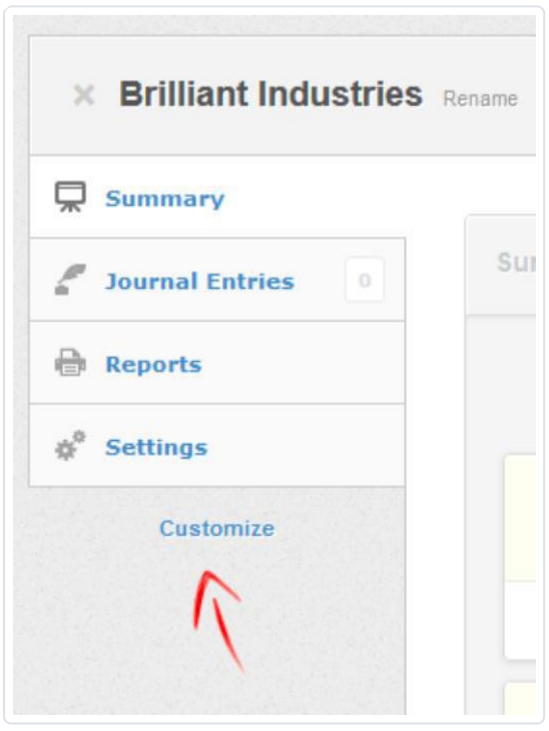
This simple change does more than reduce scrolling past unused tabs. It will also:

- Rid your balance sheet of automatically generated accounts you won't use
- Limit options under `Settings` and `Reports` to ones related to transactions you actually enter
- Eliminate unnecessary check boxes, data fields, and dropdown menu choices as you make entries throughout the program

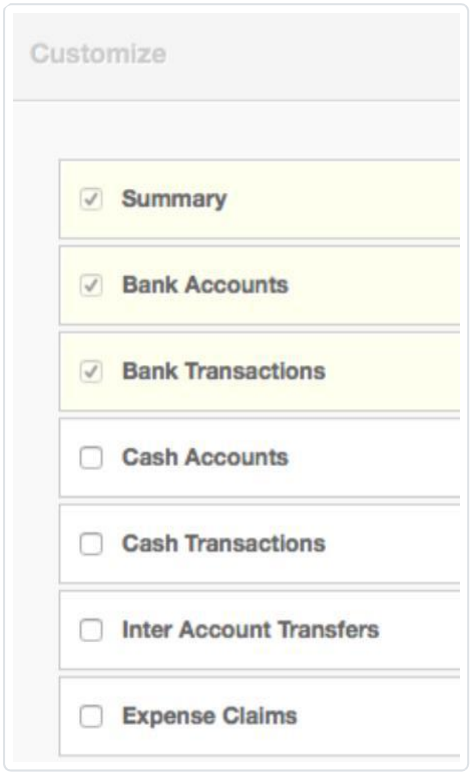
These benefits streamline your experience and lower training requirements for new users. For accounting newcomers, this change can mean the difference between efficient, professional record-keeping and complete frustration.

Enabling tabs

When a new business is created in BILLBOOKS, four tabs are enabled and visible in the left navigation pane by default. These cannot be disabled, because they are needed by all businesses:

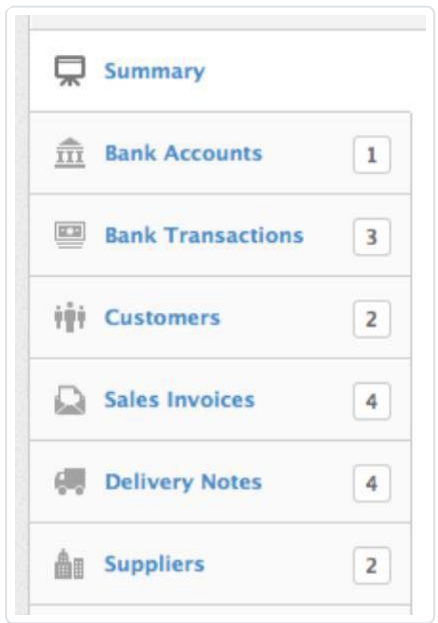


To add capabilities, click on the blue `Customize` link pointed to by the red arrow. A list of available modules appears. Check boxes next to desired tabs:



Then click `Update` at the bottom of the page.

Active tabs will appear in the left navigation pane. The number of active records of each type will show in windows to the right of tab names:



Repeat the process at any time to add more tabs.

Disabling tabs

To disable an unused tab, click `Customize` again, uncheck the tab's box, and click `Update`. Entry forms, data fields, and reports associated with that tab will no longer be visible.

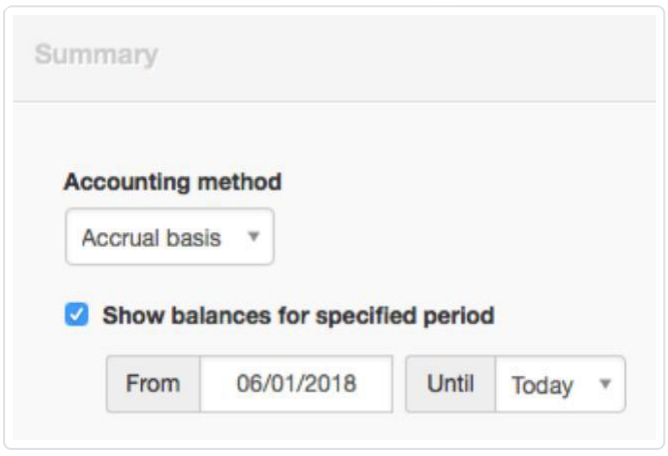
> **Note**
> Unwanted tabs can be disabled **only if they contain no transactions or records**. This restriction prevents accidental loss of accounting data. To disable a tab, all entered data must first be deleted. Only data that has not been referenced by another transaction can be deleted, so disabling a tab can be tedious. So think carefully before enabling tabs. They can always be added later.

1.3.3 Set reporting period

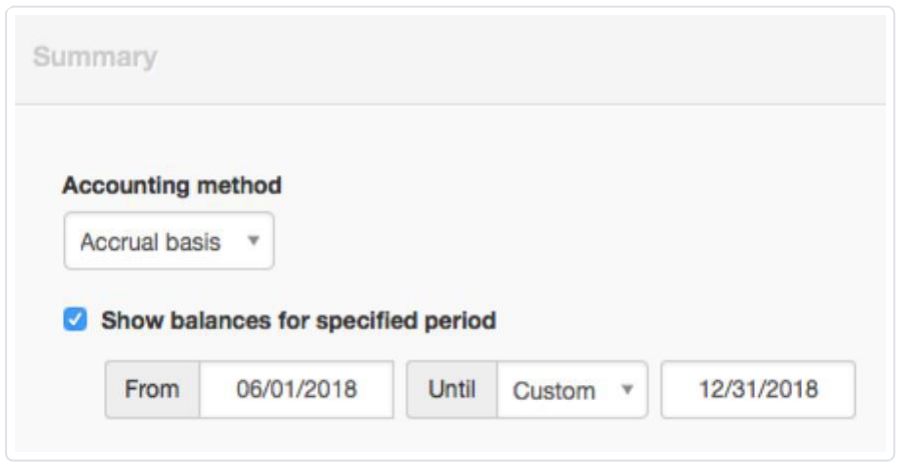
By default, account balances are shown for all transactions entered to date in BILLBOOKS. This is generally what you need when starting a business. But once you have used BILLBOOKS for more than a single accounting period (*e.g.*, a financial year), you should customize the reporting period so the Profit and Loss Statement reflects your current accounting period.

Click `Edit` in the `Summary` tab:

Check the box to `Show balances for specified period`. Select the reporting period for which you prefer to see figures in your `Summary`. Entering *Today* in the `Until` field produces a display that is always up to date, but other dates can entered by selecting *Custom*:

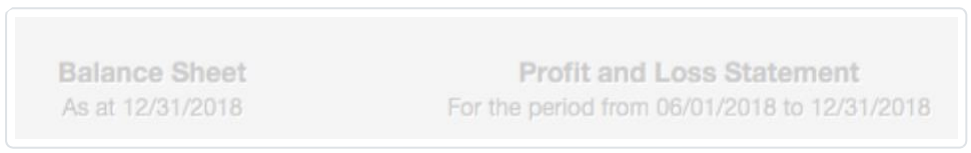


OR



Click `Update` to apply changes.

The `Summary` tab will now show figures for the selected period:



1.3.4 Choose between accrual or cash basis accounting

An important decision for any business is whether to adopt accrual or cash basis accounting. In very simple terms, **accrual basis accounting** records income when earned and expenses when incurred, whether or not accompanying receipts and payments happen at the same time. (More technically, expenses are recorded during the period when the income they are associated with is earned.) **Cash basis accounting** records income when money is received and expenses when money is paid out.

Accrual basis accounting more completely reports both financial performance and position. It is generally preferred by accountants, because it shows when revenue has been earned and debts incurred, regardless of whether money has yet changed hands. It provides more and better financial information for managing the business. Cash basis accounting is usually employed only by very small, simple businesses, often those without inventory. It emphasizes the importance of cash in a company's financial picture.

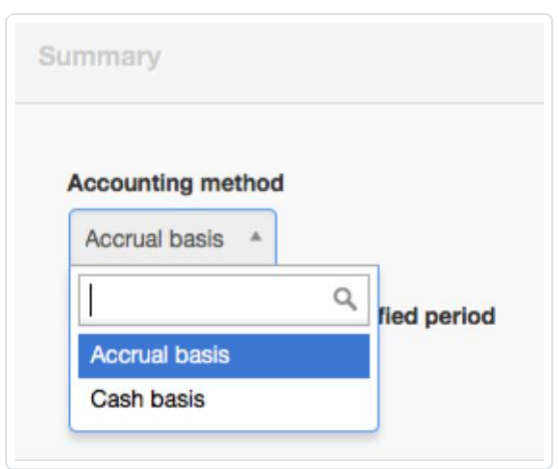
The choice between these options may be influenced by local laws. Many businesses start on the cash basis. But frequently, as revenue increases beyond some threshold or inventory is added, authorities require a change to accrual basis accounting. BILLBOOKS can handle the switch easily.

Choosing overall accounting basis

> **Note**
> Accounting method cannot be selected until after the first sales or purchase invoice has been created.

To change between accrual and cash basis accounting in BILLBOOKS, click `Edit` at the top of the `Summary` page:

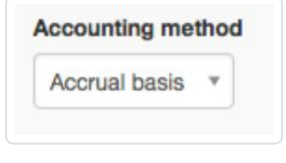
Select one of the two accounting methods in the dropdown box and click `Update`:



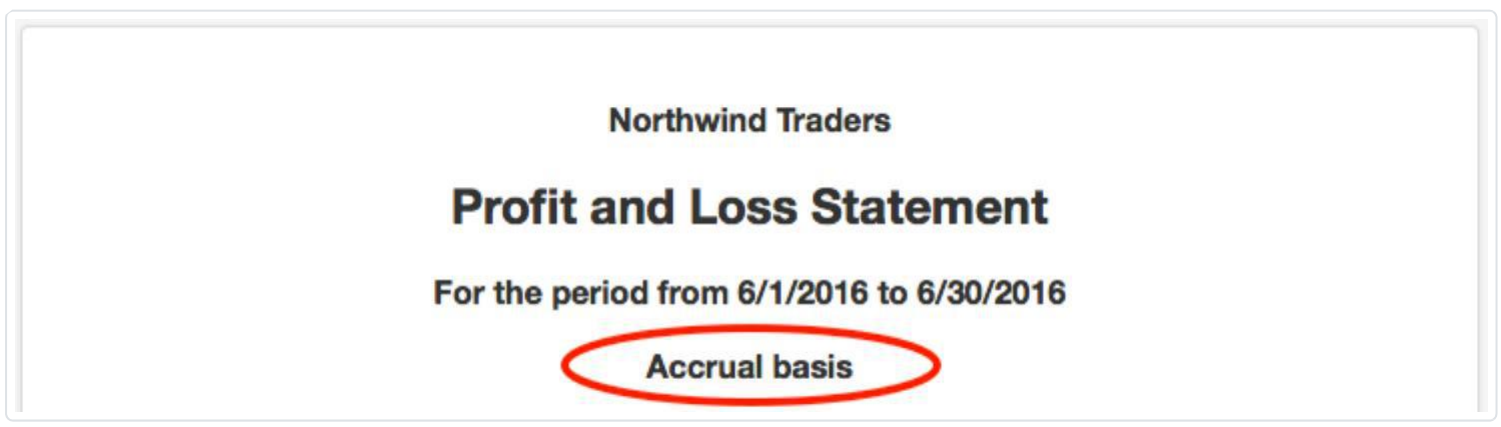
Note
Balances of many accounts may change or disappear from the `Summary` when cash basis accounting is selected because elements contributing to them have not been recognized through receipt or payment of funds. Manager will still make all necessary calculations, though. Account balances will be restored when accrual basis accounting is again selected. No information is lost when switching back and forth between methods.

Choosing accounting basis for reports

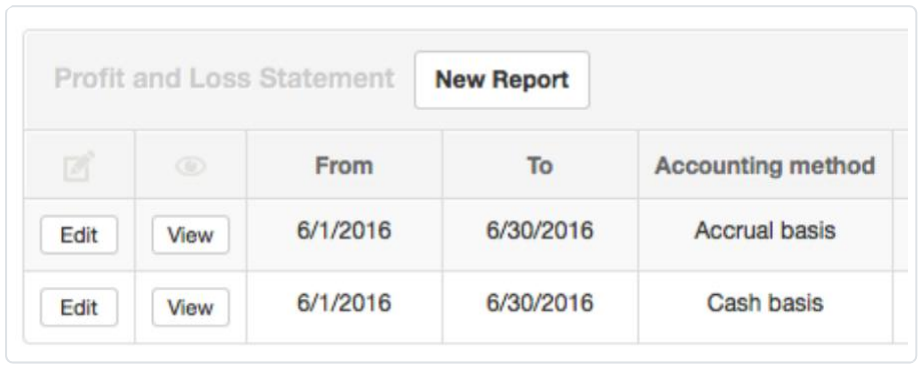
Many reports available in BILLBOOKS can be created for either accounting method, regardless of which has been chosen for everyday use. When creating or editing a report, select the desired accounting method in the dropdown box:



The report will display the accounting method used in its heading:



Reports of both types can be created and saved for the same period and will be available when the particular report is selected in the `Reports` tab:



1.3.5 Set and display account codes

Account codes serve two primary purposes:

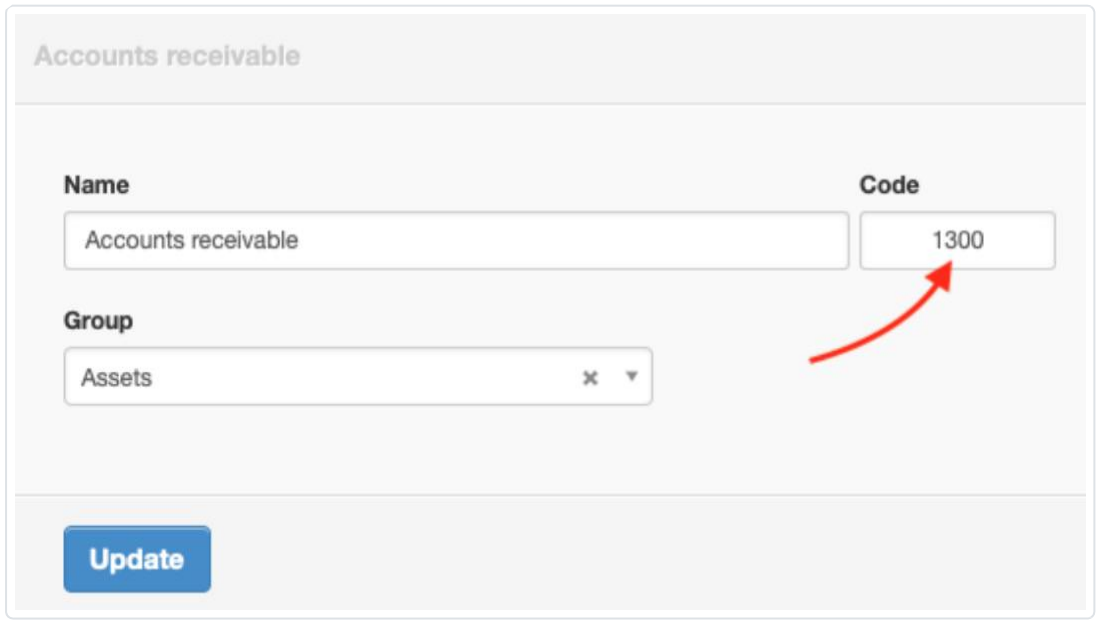
- Identifying specific accounts or groups in an overall numbering scheme for the chart of accounts
- Controlling the order in which accounts are listed in various displays

Setting account codes

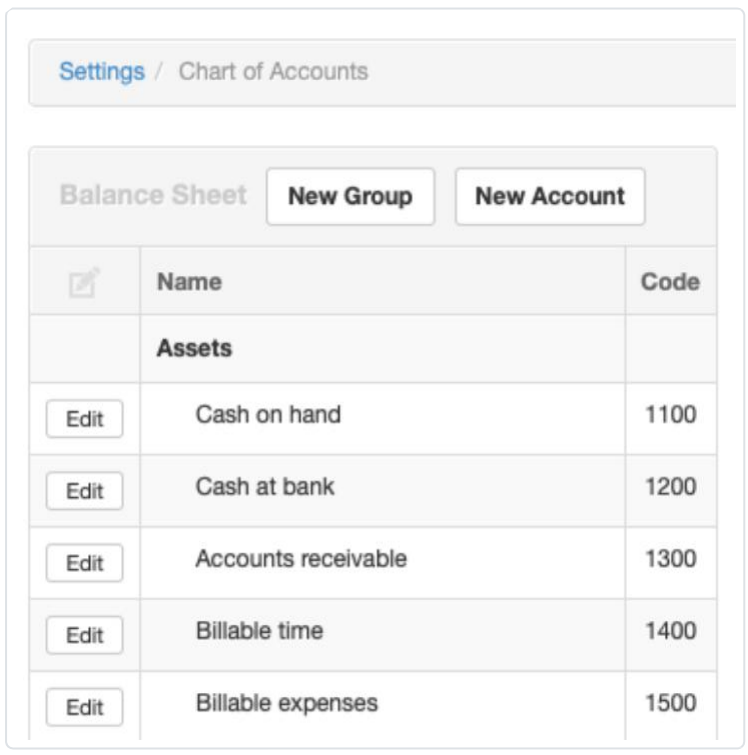
In the `Settings` tab, select `Chart of Accounts` and click `Edit` for an account or group:



Enter a number in the `Code` field and click `Update`:



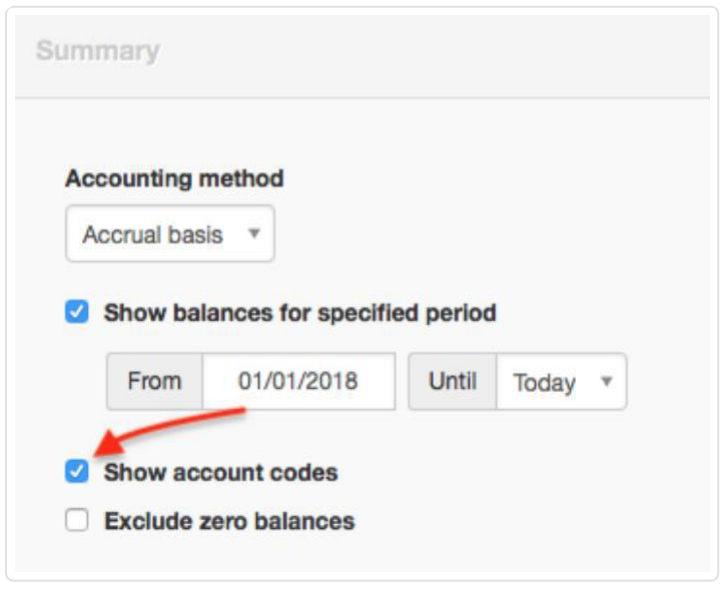
Accounts will display in the chart of accounts in numerical order. Codes will also show:



Controlling account code display

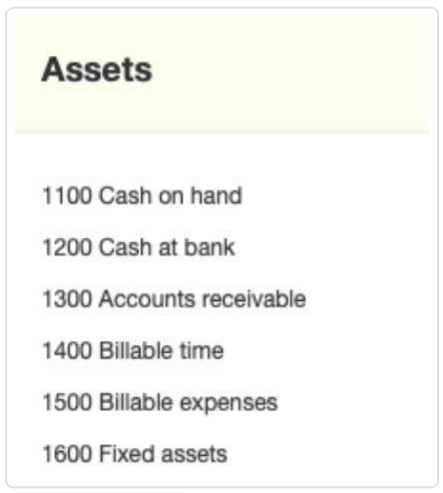
To display account codes, click `Edit` in the `Summary` tab:

Check the box to `Show account codes` and click `Update`:



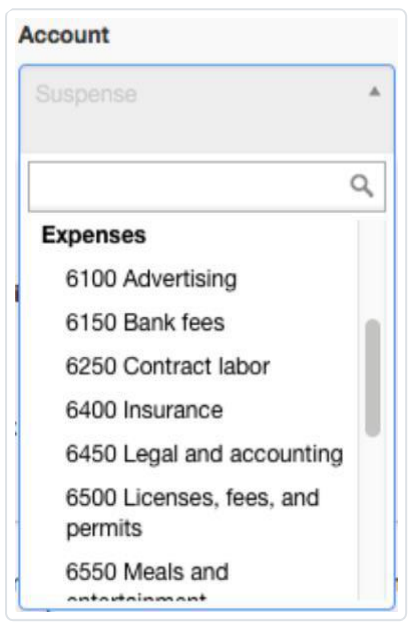
> **Note**
> If account codes have not been assigned yet, the checkbox will not be visible.

The `Summary` now includes account codes:



Turn off display of account codes by unchecking the box. Accounts will still display in numerical order.

Regardless of whether account codes are displayed, they will appear in the `Account` field dropdown box when entering line items on transactions, including cash receipts, sales invoices, journal entries, and so forth:



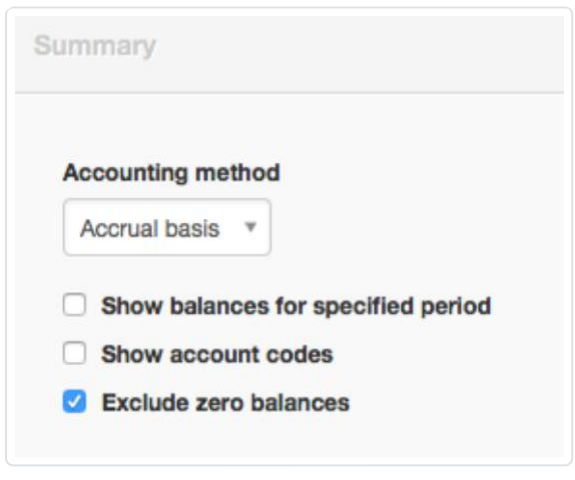
1.3.6 Exclude zero-balance accounts from Summary page

By default, account balances are shown for all accounts enabled or created in BILLBOOKS. This is generally what you need when starting a business. But once you have used BILLBOOKS for more than a single accounting period (*e.g.*, a financial year), you may have accounts that are no longer used cluttering your `Summary` page.

If they have no transactions posted to them, accounts can be deleted. If you have used them, but they now have zero balances, you can **exclude them from the** `Summary`.

Click `Edit` in the `Summary` tab:

Check the box to `Exclude zero balances`:



Click `Update`.

The `Summary` tab will now show figures only for accounts with non-zero balances.

1.3.7 Clear transactions in Suspense account

Suspense is a built-in account where BILLBOOKS posts transactions it cannot properly resolve. *Suspense* has several unique characteristics:

- It can neither be created nor deleted by a user.
- It appears automatically on the Balance Sheet in the Equity grouping whenever it has a non-zero balance.
- It it not listed in the Chart of Accounts under `Settings`, so it cannot be edited or moved to a different account group.
- Many transaction fields in BILLBOOKS default to *Suspense* until valid entries are made in them.

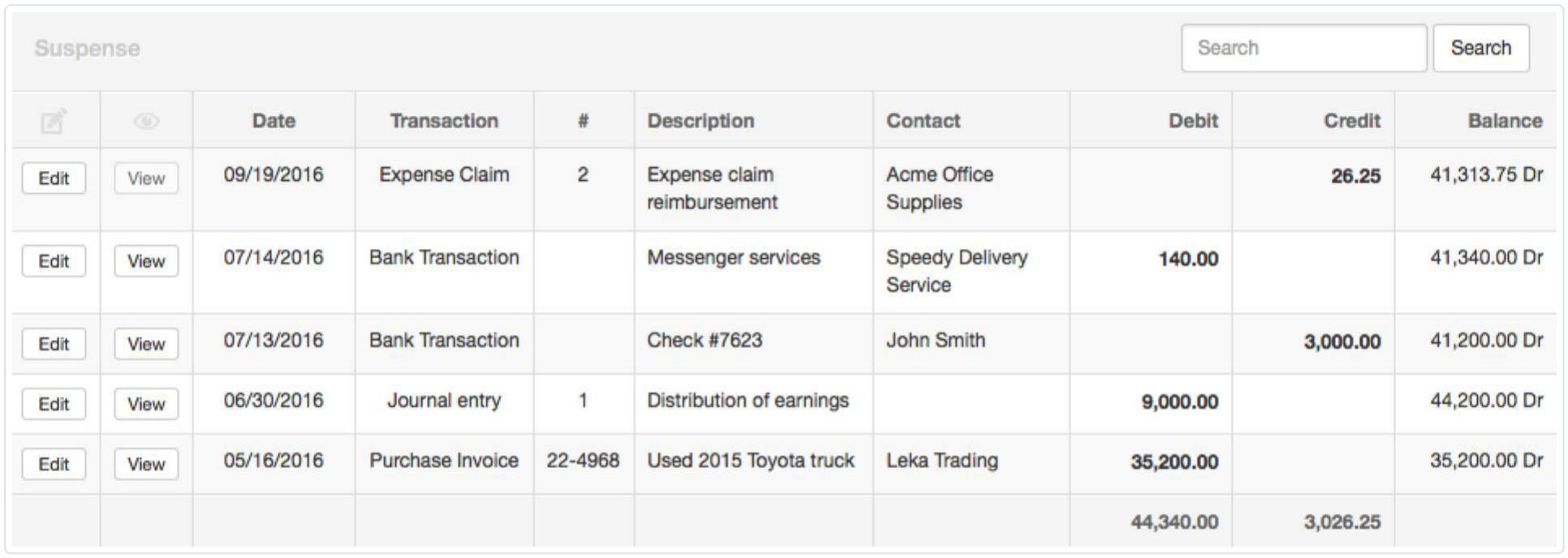
Any balance in *Suspense* signals a problem. **Never attempt to clear the *Suspense* account with a journal entry.** That only hides problems and usually makes both your Balance Sheet and Profit and Loss Statement inaccurate. Problems that caused transactions to post to *Suspense* **must** be identified and corrected.

Finding problems in *Suspense*

To identify transactions with problems, drill down by clicking on the blue balance for the *Suspense* account on the `Summary` page:

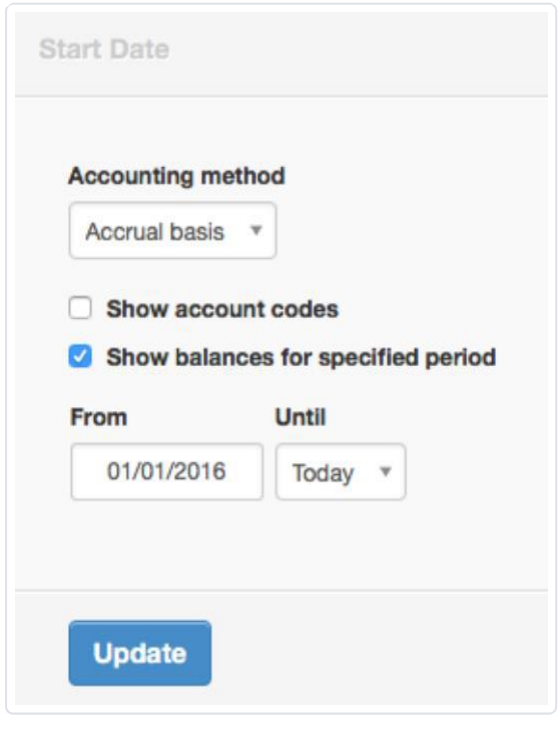


All transactions contributing to the balance will appear. These might be either debits or credits:



If the `Edit` button for any transaction is dimmed, be sure BILLBOOKS is set for accrual basis accounting. Return to `Summary` page and the click `Set Period`:

Select `Accrual basis` in the dropdown box and click `Update`:



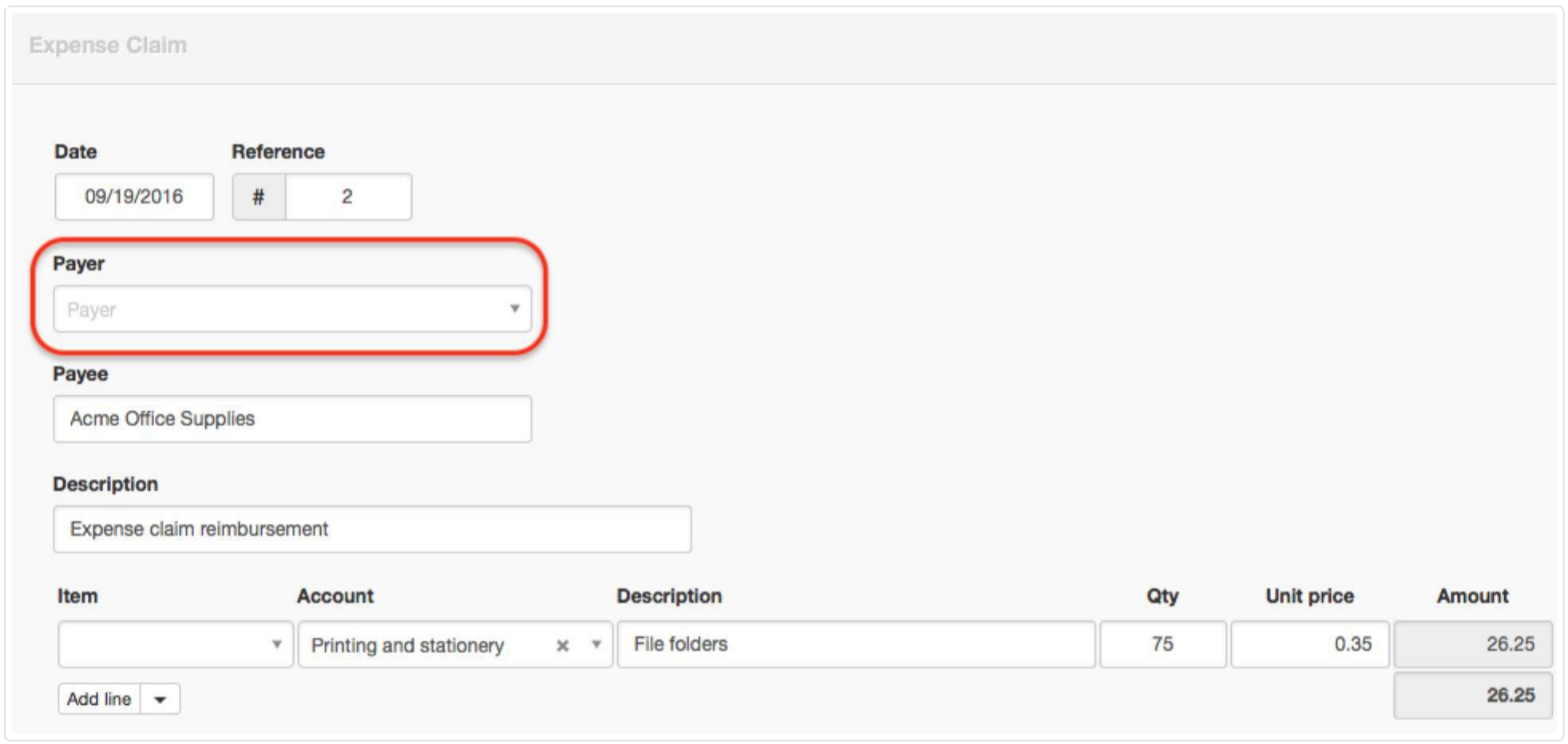
Then drill down again on the *Suspense* balance. (You can return to cash basis accounting after problems with *Suspense* have been cleared.)

Fixing problems in *Suspense*

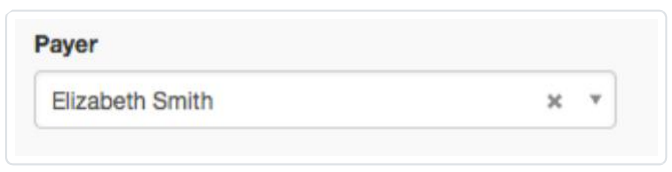
The *Suspense* account above reveals five transactions with some type of error. Each problem must be addressed individually. To fix one, click on the `Edit` button to the left of the transaction.

Problem 1: Unassigned expense claim

Beginning with the most recent transaction in the example, an expense claim did not include a Payer:



Designating a Payer from predefined choices clears this transaction from *Suspense*:



Remember to click the `Update` button to save each correction.

Problem 2: Payment not complete

A payment for messenger services recorded the payee, a description, number of deliveries, and price, but did not include proper allocation to an expense account:

Payment

Date: 07/14/2016 | Type: Payment | Reference:

Account: Main business account | Status: Cleared | Date:

Payee: Speedy Delivery Service

Description: Freight chart

Item	Account	Description	Qty	Unit price	Amount
	Suspense	Messenger services	4	35.00	140
Add line					140

Selection of the appropriate account correctly completes the transaction:

Item	Account	Description	Qty	Unit price	Amount
	Accounting fees	Messenger services	4	35.00	140

Problem 3: Capital contribution not properly allocated

The next transaction recorded a contribution of capital from a partner to fund a remodeling project. It listed the partner as the payee, properly marked the receipt as a contribution, but neglected to direct the receipt to the specific partner's subaccount:

Receipt

Date: 07/13/2016 | Type: Receipt | Reference:

Account: Main business account | Status: Cleared | Date:

Payer: John Smith

Description: Capital contribution for office remodeling project

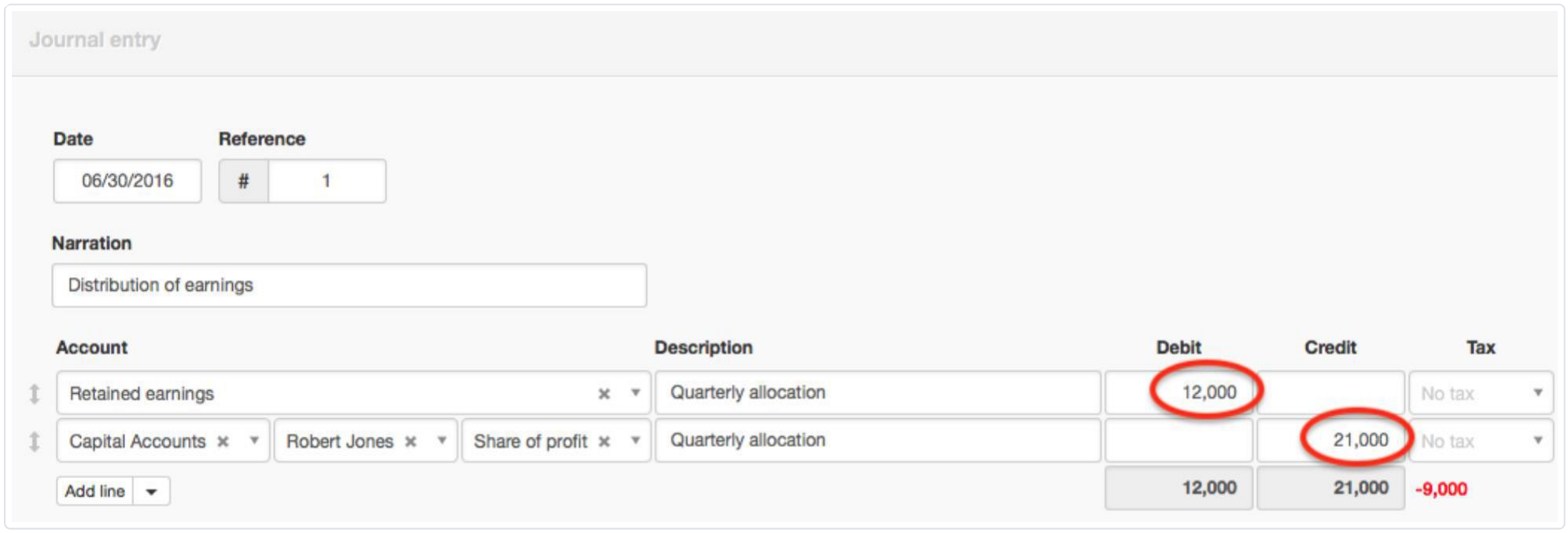
Item	Account		Description	Qty	Unit price	Amount
	Capital Accounts	Capital Account	Contributions	Check #7623		3,000	3,000
Add line						3,000

Adding that detail to the receipt fixes the problem:

Item	Account		Description	Qty	Unit price	Amount
	Capital Accounts	John Smith	Contributions	Check #7623	3,000	3,000

Problem 4: Unbalanced journal entry

A journal entry contained a typographical error, reversing digits when recording a distribution of earnings. This mistake resulted in an unbalanced transaction:

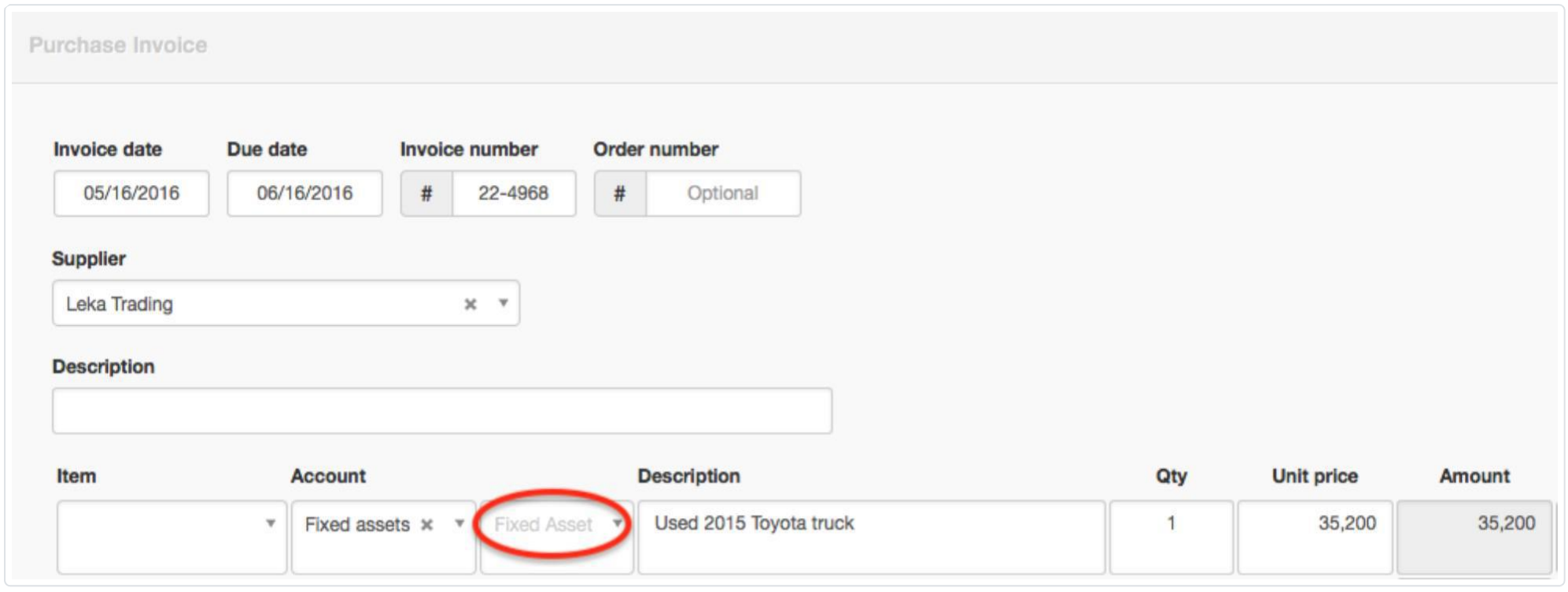


Editing the mistake properly balances the transaction, removing it from *Suspense*:

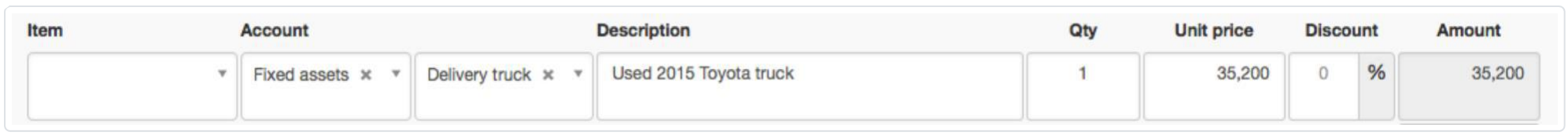


Problem 5: Fixed asset purchase invoice

The final problem in the example is a purchase invoice for a delivery truck that did not properly assign the purchase to the specific fixed asset created for the truck, despite assigning it to the *Fixed assets* account:



The corrected purchase invoice resolves the problem:



Suspense is now empty and no longer shows on the Balance Sheet:



BILLBOOKS is designed to preserve information rather than reject incorrect entries. But when anything is in your *Suspense* account, your records and reports are almost certainly wrong.

1.3.8 Close an accounting period

Historically, the accounting cycle involved numerous tasks to "close the books" at the end of an accounting period, whether a month, quarter, or year. Income and expense summaries were developed, trial balances were created, amounts were transferred with journal entries, and so forth. Most steps were designed to:

- Zero out income and expense accounts before starting a new accounting period
- Identify and correct errors
- Limit accumulation and propagation of mistakes from one period to the next

These practices developed over centuries, not only to support meaningful analysis, but also to combat unavoidable omissions, mental miscalculations, and oversights when entering and posting hundreds or thousands of transactions manually.

BILLBOOKS eliminates the need for most of these steps by:

- Performing all calculations electronically, eliminating arithmetic errors
- Basing automatic double entries on type of transaction and account selection by the user, reducing the need for manual journal entries with their requirement to deduce which accounts to debit and credit
- Furnishing real-time feedback when journal entries *are* made, reducing the possibility of unbalanced transactions
- Leaving incorrect, incomplete, or unbalanced transactions in *Suspense* until fixed
- Carrying forward information from one period to the next in a perpetual database
- Setting displays and reports to cover defined time periods

Closing the books

At the end of any accounting period, just a few tasks are normally required. For many businesses, these steps are only performed annually:

1. Make necessary adjusting entries (when using accrual basis accounting) for prepaid expenses and income items.
2. Make desired distributions of earnings to capital or equity accounts using journal entries.
3. Pay out desired dividends or draws.
4. Create desired reports for the accounting period. These might be limited to a Profit and Loss Statement and Balance Sheet. Of course, others can be added to suit needs of management, accountants, or tax authorities. Reports can be printed, stored electronically, or just saved in BILLBOOKS.
5. Consider locking past transactions by setting the lock date once end-of-period adjustments are complete. This prevents changes to transactions forming the basis for statutory reporting obligations and tax returns.

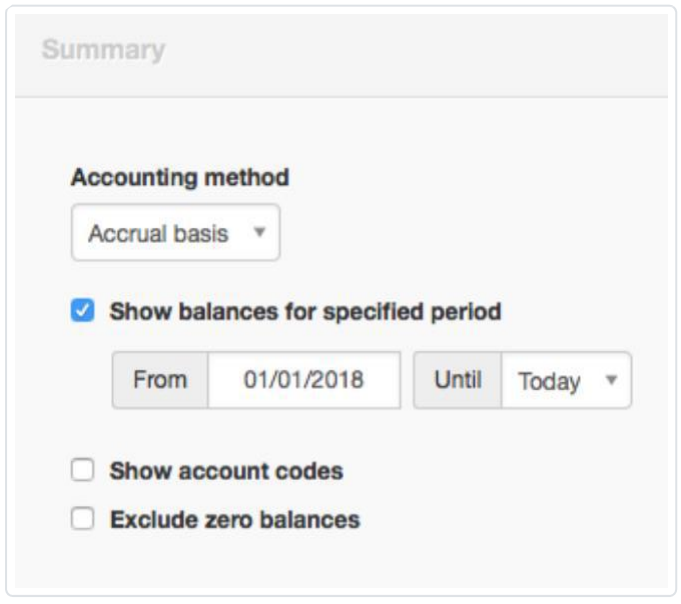


Note
For many small businesses, especially sole traders/proprietors, none of these steps might be necessary. Perhaps the business has no prepaid items. Depending on the equity structure of the chart of accounts, the second and third steps might have happened over the course of the accounting period. And reports can always be generated later if they are needed.

Setting up the next accounting period

The only essential step prior to entering transactions for the next period is resetting the period in the `Summary` tab. Click on `Edit`:

Be sure the box is checked to `Show balances for specified period`. Otherwise, all transactions from the date BILLBOOKS was first used will be included. Enter the first day of the new accounting period in the `From` field. Normally, select *Today* as the `Until` date so the `Summary` is always current, but no transactions entered in advance will be included until their entry dates are reached:



To begin accounting work for the new period, click `Update`:

You might want to define common reports for the new accounting period, too. That way, they will be quickly available when needed. But they can also be created later.

1.4 Software Version

1.4.1 Determine version number

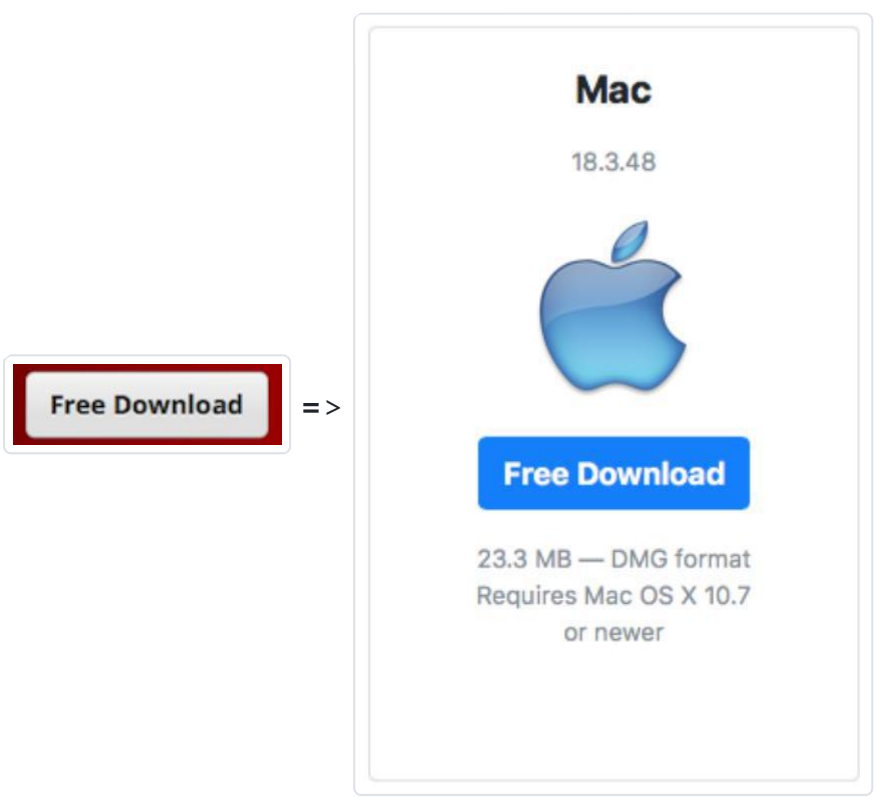
The version number of the BILLBOOKS application you are running appears at the bottom of every screen in gray text:

1.4.2 Install or update desktop edition on macOS

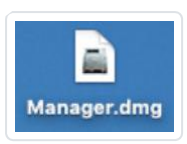
Reading about installing or updating BILLBOOKS on macOS takes longer than doing either.

Initial installation

To install the desktop edition of BILLBOOKS on macOS, download the program from billbooks.net Click on `Free Download`, then `Download` in the Mac tile:

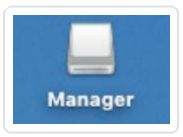


A disk image file (with a .dmg extension) will appear in your designated downloads folder:

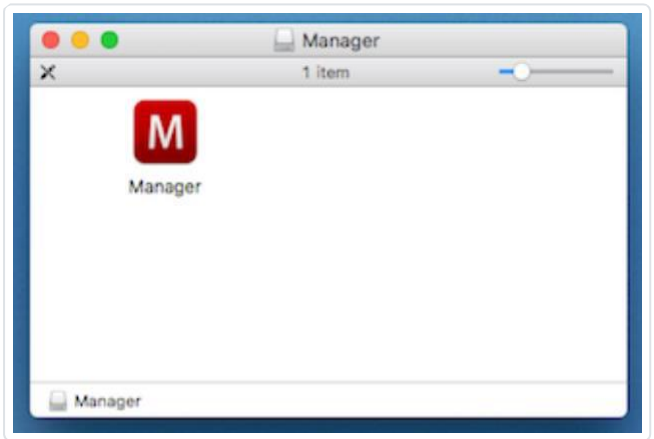


> **NOTE:** Do not try to install the disk image. It will not launch Manager.

Double-click to open the disk image. A BILLBOOKS disk icon will appear:



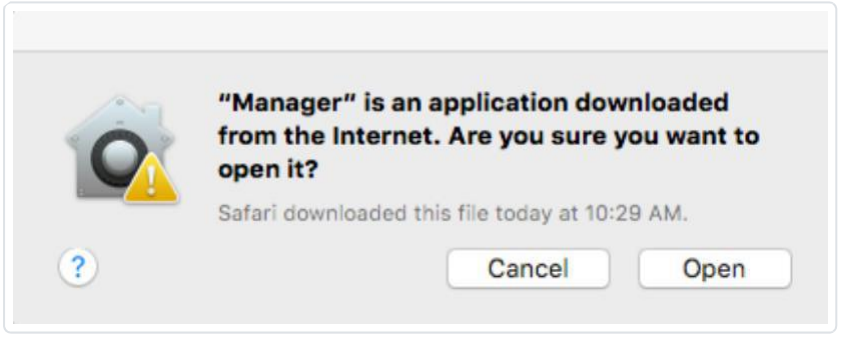
Open the disk folder if it does not open automatically:



Drag the BILLBOOKS application icon from the BILLBOOKS disk folder into the Applications folder on the computer.

> **Note**
> Do not drag the application icon to any icon for your Applications folder that may appear in the Dock. Such an icon is **not** your Applications folder; it is just an alias.

Depending on your browser and security preferences, the first time you launch BILLBOOKS, you may see a warning like this:



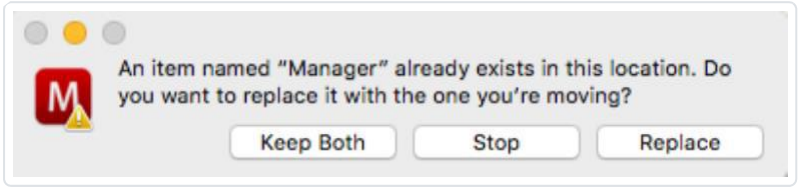
Click `Open`.

Installation is complete. Click `Continue` to use the program.

Updating BILLBOOKS

Always back up your accounting data to a remote storage device before updating.

Do not delete or uninstall anything before updating. Updating BILLBOOKS is similar to initial installation. After downloading the program, opening the disk image, and dragging the BILLBOOKS icon to the Applications folder, the macOS Finder will display a warning:



Selecting `Keep Both` will retain the existing version of BILLBOOKS and save the new version with a number appended to the application name. This option allows you to revert to an old version if you encounter a problem with the new one. (See **CAUTION** below.) Both versions will appear in the Applications folder:



Selecting `Stop` will terminate the installation without affecting the downloaded file.

Selecting `Replace` will automatically remove the old version and install the new one in its place. If an alias of BILLBOOKS is permanently kept in the Dock, that alias will now launch the new version of BILLBOOKS. (If both versions were kept, the Dock alias will launch the old version, because the new version has a different name.)

Regardless of which installation option is chosen, all versions will call data from the same data file, so no further action is required to access accounting data.

The first time BILLBOOKS is launched after updating, the same internet download warning that appeared after initial installation may show again. As before, click `Open` .

Caution
Updates of Manager can always access and use older data files. But sometimes they modify the database structure. So once you have opened a business with a newer version, problems might arise if the same business is opened with an older version. If, for any reason, you need to return to an older version of Manager, restore the business from a backup file that predates the update.

Chapter 2: Structuring Accounts

Once you have established a business in BILLBOOKS, the most important task is structuring your accounts to match your form of organization, method of operation, legal reporting requirements, and management information needs. Effort here will pay dividends as long as you run your business.

2.1 Chart of Accounts

2.1.1 Design a chart of accounts

A **chart of accounts** is an organized list of all accounts in a business entity's financial records. An account is where a financial transaction is classified, allocated, or posted. (These terms all mean the same thing.)

Every account has a balance based on additions and subtractions made since it was opened (or during a specified period of time). So summaries or totals of balances of various types or groups of accounts are often included when displaying a chart of accounts. But strictly speaking, only the accounts themselves make up the chart of accounts.

The chart of accounts will:

- Govern how every single transaction a business makes is recorded
- Determine what information management views to make important decisions
- Support government regulatory and tax filings
- Organize information for presentation to bankers, owners, creditors, and auditors

So it should be thought out carefully. Once it has been developed, written descriptions of which types of transactions are posted to each account are convenient reminders and can be helpful during audits, when working with accountants, and for training new users or reminding established ones.

Although the effort of building a good chart of accounts produces no direct revenue, it costs little or nothing, but will improve operations far into the future. A well-designed chart of accounts ultimately makes your business easier to manage and can save time and money. Understanding some basics will help you develop a good one.

Types of accounts

Accounts have been classified the same way by accountants and bookkeepers everywhere for over 500 years. (Nobody said accounting was exciting.) Classification depends on whether accounts depict your current financial position or determine your performance over a period of time. They are named for the two most important financial statements of any company: the balance sheet and the profit and loss (P & L) statement, also called the income statement.

Accounts depicting position are called balance sheet accounts, because they appear on the balance sheet. (See, this is easy!) They are also sometimes referred to as permanent or perpetual accounts, because they carry forward from one accounting period to another. When up to date, they define the state of a business at the current moment.

Balance sheet accounts

- ***Asset*** accounts represent the value of what you own, including cash, inventory, fixed assets, and other things.
- ***Liability*** accounts represent what you owe to others outside the business, including loans, employee wages earned but not yet paid, and so forth.
- ***Equity*** accounts record how much money is invested in the business, including profits that have not been distributed. Equity can be thought of as the net worth of a business. (Net worth is different from value, which is what someone might pay to buy the business.)

Accounts determining performance are called profit and loss or income statement accounts, because they appear on reports of the same name. (You probably predicted that.) Balances for these accounts are calculated over a specified timeframe or accounting period, such as a month, quarter, or year.

Profit and loss accounts

- ***Income*** (or revenue) accounts record amounts earned by the business
- ***Expense*** accounts record amounts spent on business activities (not including any withdrawals, dividends, or distributions to owners or shareholders)

Businesses may subdivide their accounts into elaborate hierarchies. But all accounts are one of those five basic types. There are no exceptions. (That would be too exciting.)

Accounting equations

Accounting begins with the simple equation:

Assets – Liabilities = Equity

This is just an accountant's way of saying the difference between what a business owns and what it owes is its net worth. (You already knew that, right? This is getting simpler.)

To make things seem mysterious so they can keep their jobs, accountants like to scramble that equation a little by moving *Liabilities* to the right side of the equation (reversing the sign, of course):

Assets = Liabilities + Equity

This version of the equation says the sum of all asset account balances must equal the sum of all liability and equity account balances. Details of this balance constitute your financial position at any given time. A proper chart of accounts and good accounting procedures make sure the two sides of the accounting equation are always equal. That's what shows on a balance sheet, nothing more, though specific accounts in each type and their arrangement may vary.

Example
Ravi has a bank account balance of 10,000 to start his messenger service. That is an asset. But 8,000 of that amount was obtained as a loan, a liability. Ravi's equity, or net worth, is 2,000. In fact, that is the amount he had saved and put into the business venture. His accounting equation is:

10,000 (*Assets*) = 8,000 (*Liabilities*) + 2,000 (*Equity*)

But how can a business grow (or fail, for that matter)? This is where those profit and loss accounts fit into the picture. Revenue earned by a business adds to *Assets*, possibly by increasing a bank account. Or it might take the form of a receivable, that is, an amount earned and invoiced to a customer but for which money has not yet been received from the customer. A receivable is still an asset, because it has value to your business.

In contrast, expenditures by the business effectively decrease assets, reducing that bank account or creating a payable, or amount owed to a supplier. The accounting equation can be extended:

Assets = Liabilities + Equity + Income – Expenses

Elements of this equation can be grouped without changing its meaning:

Assets = Liabilities + Equity + (Income – Expenses)

The portion in parentheses is called net profit and is what shows on the profit and loss statement and defines your performance. So the extended equation combines position and performance into one calculation, merging status at a moment with changes not yet transferred into the permanent accounts.

If you spend less than you make, you are profitable. Profits can increase your *Assets*. Or they can reduce your *Liabilities*. Either increases *Equity*. The creative aspect of business involves using *Assets*, *Liabilities*, and *Equity* to generate profits. Eventually, profits are converted to *Equity* and can be moved out of the business and into owners' pockets. The chart of accounts guides and records that process. (And you thought accounting would be completely boring. Well, it mostly is, until you get to the last step about putting money in your pocket.)

Debits and credits

The extended accounting equation can be ungrouped and rearranged one more time:

Assets + *Expenses* = *Liabilities* + *Equity* + *Income*

Why bother? Because this version can help you understand the deepest mystical secrets of accounting: debits and credits. Scholars, Latin linguists, and historians disagree about origins of those terms, including who first used them, when, and in what language. Every story is thorough and convincing. But you don't need to know any of them.

You only need to know two things about debits and credits:

- Your natural understanding of them from dealing with banks, merchants, and others who send you bills is probably backwards. The terms they use are not from your perspective, but from your bank's or the merchant's. All accounting is done from the perspective of the one keeping the books. So your bank's debit is your credit.
- For accounting purposes, *debit* means "on the left" and *credit* means "on the right."

Looking at the rearranged equation just above, *Asset* and *Expense* accounts are debit accounts. They are on the left side of the equal sign. *Liability*, *Equity*, and *Income* accounts are credit accounts. They are on the right. (Pretty simple, eh?)

On the Left: Debit Accounts	On the Right: Credit Accounts
Assets	*Liabilities*
Expenses	*Equity*
	Income

A debit transaction increases a debit account. A credit transaction increases a credit account. The reverse is also true. Debit transactions decrease credit accounts and credit transactions decrease debit accounts. So (here comes the magic), you can determine whether a transaction is a debit or credit by whether it increases an account on the left (a debit) or the right (a credit). (Yes, you can do it the other way round, too, but that's harder to remember.)

This relationship between debits and credits and the need to keep both sides of the accounting equation in balance led more than five centuries ago to invention of double-entry accounting. Every transaction starts out as a debit or credit posted to one of the accounts in your chart of accounts. But to balance your books, it must be offset by an opposite credit or debit to a different account.

Example
Ravi begins operating his messenger service. During the first month, he spends 2,500 from his bank account to pay operating costs. The transactions increase various *Expense* accounts on the left side of the equation. So the *Expense* accounts are debited. They also decrease his bank account, an *Asset* account, also on the left side. So the bank account is credited the same amount. (Yes, a payment from a bank account is a credit, showing that what you probably thought you knew was wrong.)

At the end of the month, Ravi deposits 4,000 received from customers into the bank. This transaction increases an *Asset* account, on the left side, so the bank account is debited. To balance this, an *Income* account, on the right side, is credited with 4,000. After these changes, Ravi's bank balance is 11,500, and his extended accounting equation is:

11,500 (*Assets*) + 2,500 (*Expenses*) = 8,000 (*Liabilities*) + 2,000 (*Equity*) +4,000 (*Income*)

Everything is still in balance. Ravi's new business is profitable and growing.

Fortunately, when using BILLBOOKS, you don't have to remember most of this. Except for occasional journal entries, all transaction forms in BILLBOOKS determine which accounts to debit and credit based on context. When faced with a decision, refer back to this Guide. And remember the rule that debits increase debit accounts and credits increase credit accounts.

Design considerations

Designing your chart of accounts is one of the most important things you do when starting a business or adopting BILLBOOKS. Poor design will irritate you every day. Yet too many businesses undertake the task in a hurry. Do some research first. Check with local authorities.
Consult an accountant or attorney (or both) to prevent costly problems. Several factors should influence your design:

- **Laws and regulations.** You may need accounts to record taxes collected or paid. If you have employees, you need accounts for wages, contributions to retirement funds, etc.
- **Business type.** Retail shops need different accounts than repair businesses, consultants different than manufacturers, and schools different than social clubs.
- **Size.** Larger companies with several divisions or locations need more complex charts of accounts than smaller ones.
- **Legal organization.** Partnerships need capital accounts; sole traders or proprietors may not. Trusts and corporations have different needs, too.
- **Government filings.** All charts of accounts should be set up to easily support filings you will make, especially tax returns. It is much easier to post transactions to accounts that match forms than to laboriously back them out of a jumble when a filing deadline approaches.
- **Management needs.** Accounts should support management decisions during the current accounting period. They should also support comparison with previous periods. But it is pointless to collect information you cannot use.
- **Permanence.** Remember that once an account has been used, BILLBOOKS will not let you delete it. So good practice includes accounts useful over the long term. Creating accounts for one-time events is usually poor practice. For example, accounts collecting transactions on a category of customers are better choices than accounts set up for individual customers who might never buy again. Accounts to handle expenses for events are fine, but accounts for the 2017 charity fundraiser might not be a good idea. They will clutter your financial statements in 2022.

Notes
Smart planning will involve adding a test business in Manager. You can experiment with typical transactions you expect to use in your business to evaluate how your chart of accounts supports your needs. Investigate whether available reports will provide information you want. You will be much happier deleting a few sample transactions or starting over with a new test business than rebuilding your real accounting records if things don't work out.

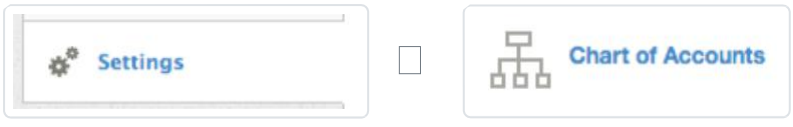
Detailed instructions for building a chart of accounts are found in another Guide.

2.1.2 Build a chart of accounts

Design your **chart of accounts** before building it. Read this Guide first. Consult your accountant and attorney, if necessary. Once you have a basic structure in mind, remember that BILLBOOKS will automatically add some accounts based on tabs (functions) you enable. So some accounts you want may be created for you. A few accounts may be added you did not realize you needed.

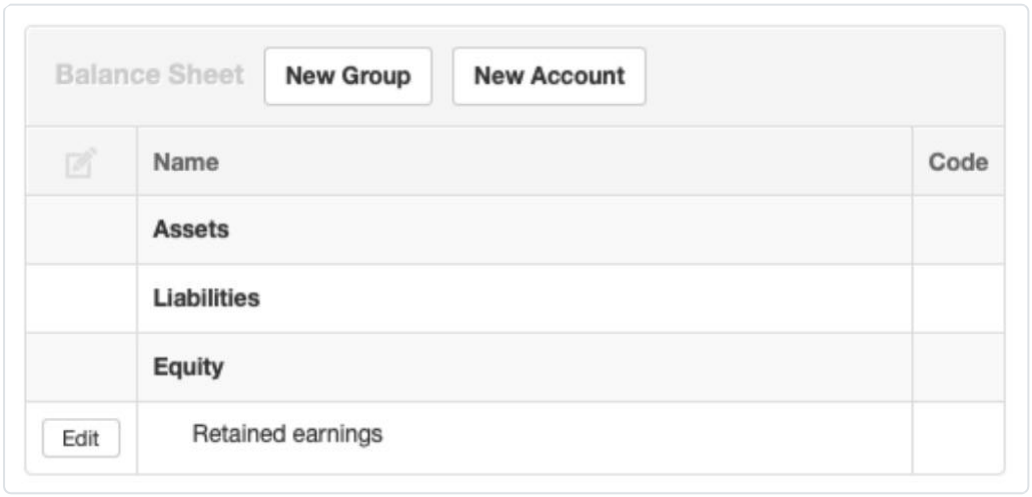
Default chart of accounts

When you first create a new business in BILLBOOKS, it already has a simple chart of accounts. Find the chart of accounts by clicking on the `Settings` tab in the left navigation pane, then clicking the `Chart of Accounts` icon from the display that appears:



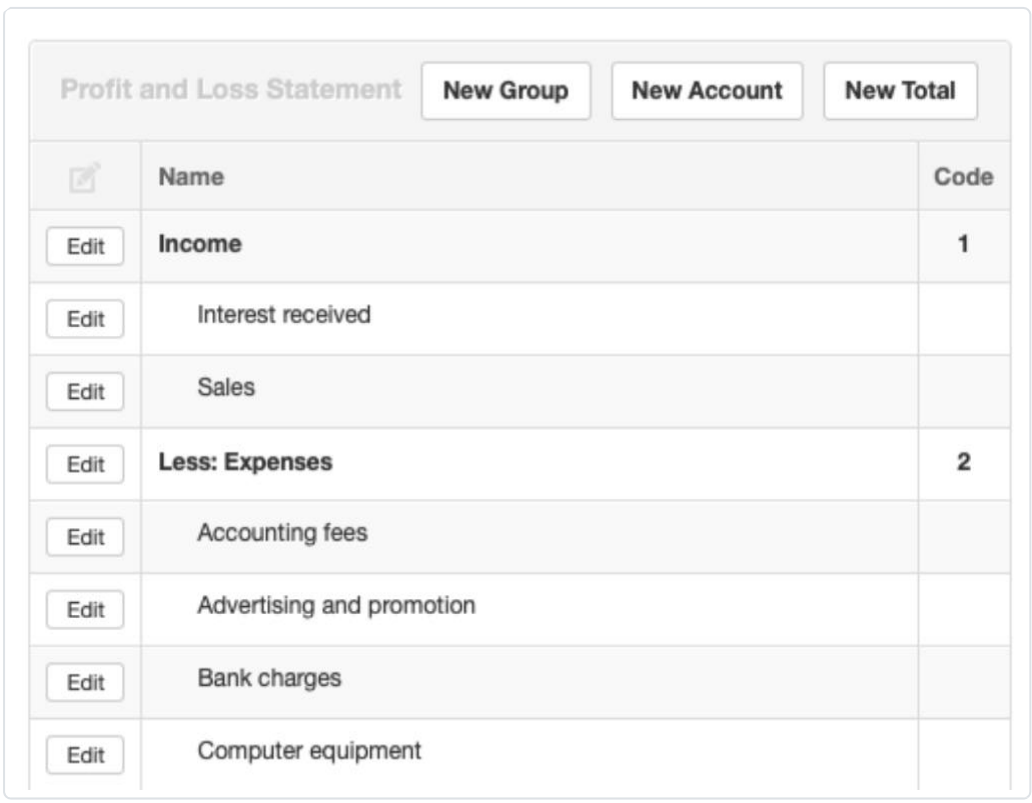
Whatever you may later name your business, BILLBOOKS initially assumes it is called Brilliant Industries. (It has to be named something, because BILLBOOKS doesn't show things that are not there. So if everything were blank, it would be difficult to set up your business.)

Brilliant Industries' default chart of accounts illustrates some key concepts. The Balance Sheet side includes three groups or categories in **boldface** type: ***Assets***, ***Liabilities***, and ***Equity***. The `Edit` buttons for these groups are greyed out, because they cannot be edited. (If you read the Guide linked to above, you know that all balance sheet accounts must fall into one of these three groups.)



It also includes one account, *Retained earnings* within the ***Equity*** group. *Retained earnings* is an example of an automatically generated account. Every business needs this account. So while you can `Edit` it by renaming it or assigning it to another group, you cannot delete it. But more about that later.

Brilliant Industries' chart of accounts also includes some common (but by no means universal) accounts for the Profit and Loss Statement in ***Income*** and ***Expense*** groups. You can use these groups and accounts, rename them for other purposes, or delete them to fit your planned chart of accounts structure (to save space, not all accounts are shown below):

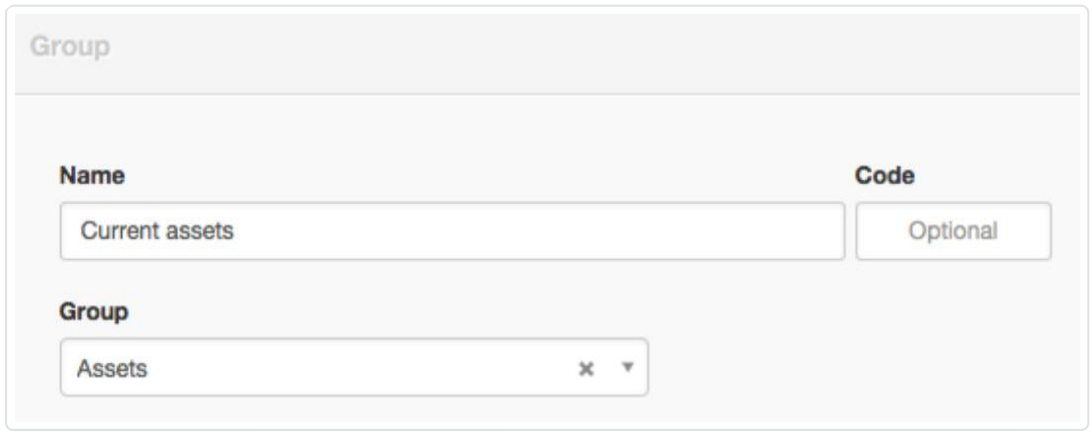


Note
This chart of accounts will be your starting point. You will transform it into one tailored for your legal structure, market sector, and reporting needs. As you work on it, it will be helpful to frequently check your `Summary` page to see what affect your actions are having on the display. You may even want to consider your first draft a test business, into which you can make a few sample entries to see their effects. Those few transactions can be deleted and the test business' data file copied, renamed, and opened as your real business.

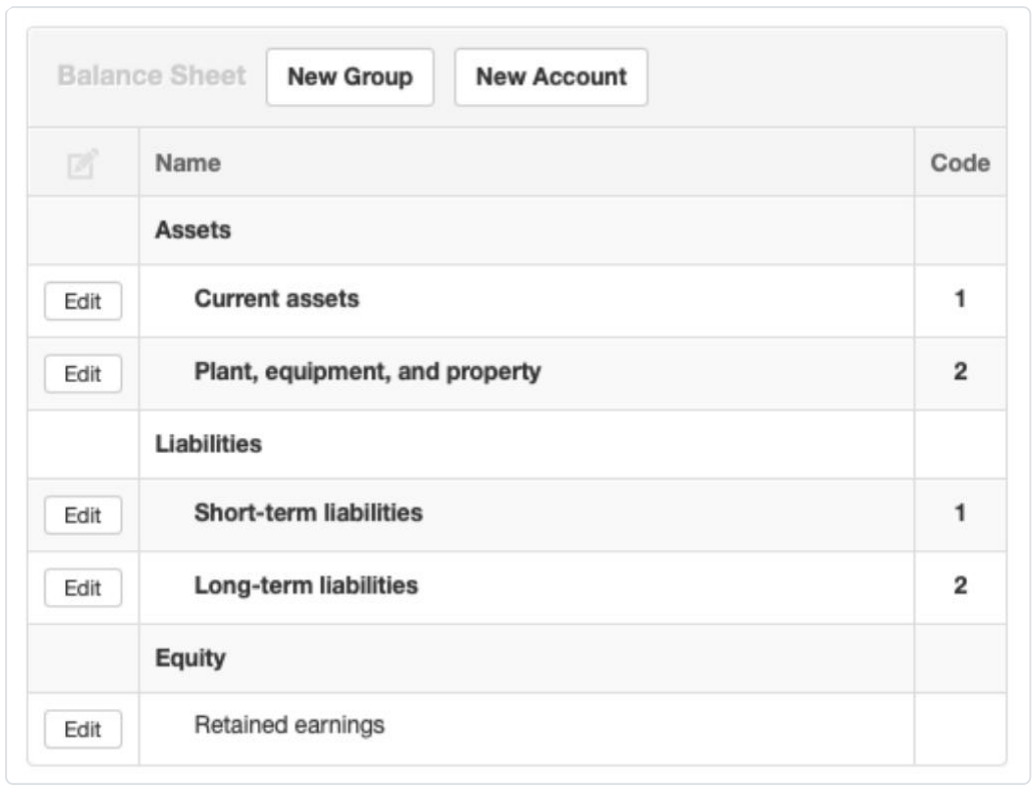
Define groups first

A four-step, methodical approach will simplify building your chart of accounts. Begin by defining groups. This step is first because every account must be assigned to a group. In fact, if you neglect to assign an account, BILLBOOKS will assign it for you to an automatic group, ***Uncategorized***.

A group can be subsidiary to another group. So on the Balance Sheet side of Brilliant Industries' chart of accounts, we will create two groups, ***Current assets*** and ***Plant, equipment, and property***, and assign them to the ***Assets*** group. We click the `New Group` button, enter the group name and choose ***Assets*** in the dropdown box:



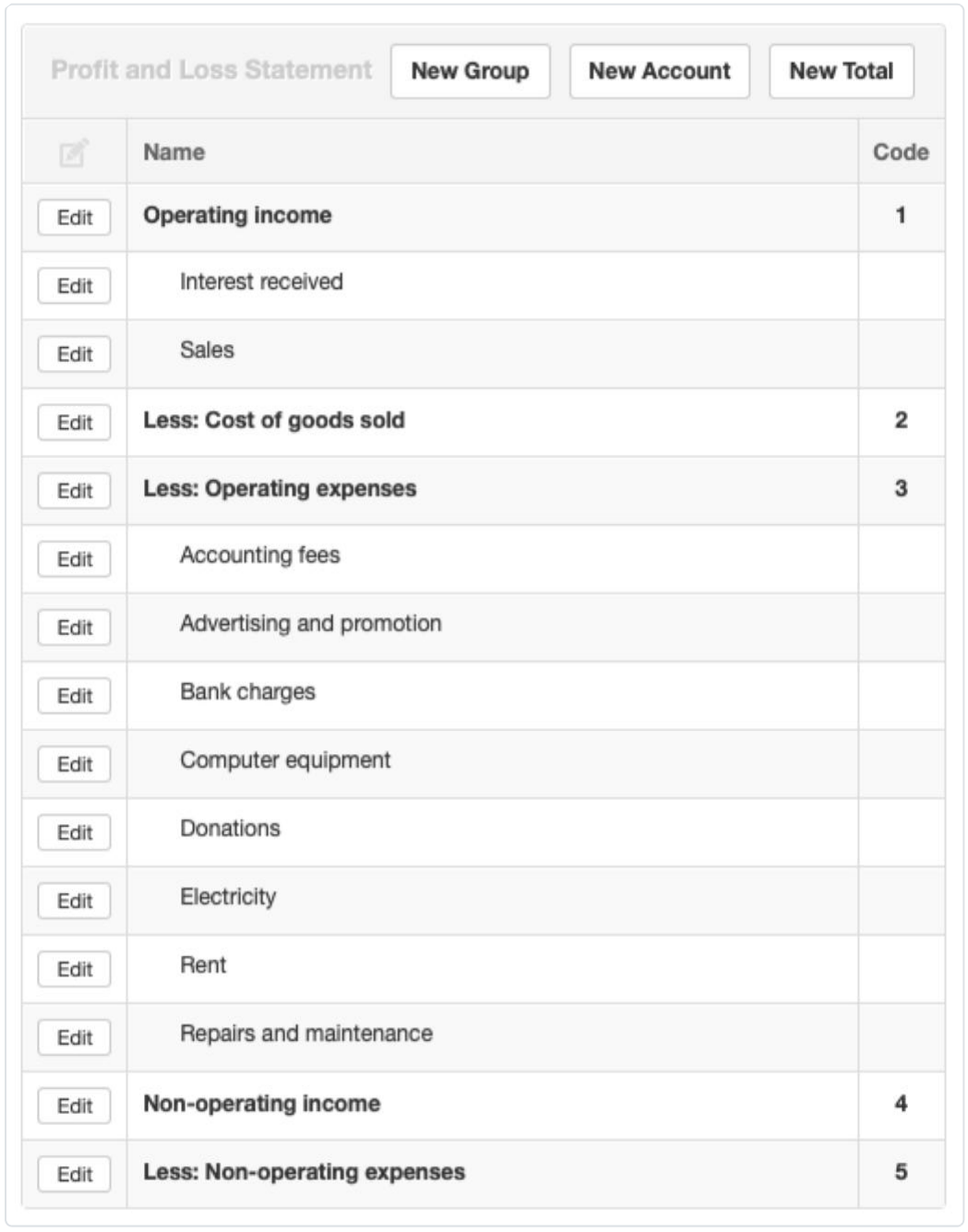
We'll do something similar under ***Liabilities***. ***Assets***, ***Liabilities***, and ***Equity*** always display in that order (by long tradition). But other groups will display alphabetically unless we assign positions in the `Code` field. So we add `Code` numbers to force the display order we want. The result looks like this:



Moving to the Profit and Loss Statement side of the chart of accounts, we take several actions:

- Rename the ***Income*** group to ***Operating income***.
- Add a ***Cost of goods sold*** group. Since this will be a top-level group, we do not assign it to another group. We check the box for `Expenses` . This will display the group and its subsidiary accounts under the heading ***Less: Cost of goods sold***, using positive numbers. Leaving it unchecked will display negative numbers. There is no affect on accounting behavior, only on how displays are presented.
- Add a ***Non-operating income*** group, also unassigned
- Rename ***Expenses*** to ***Operating expenses***.
- Add a ***Non-operating expenses*** group, leaving it unassigned, but checking the `Expenses` box.

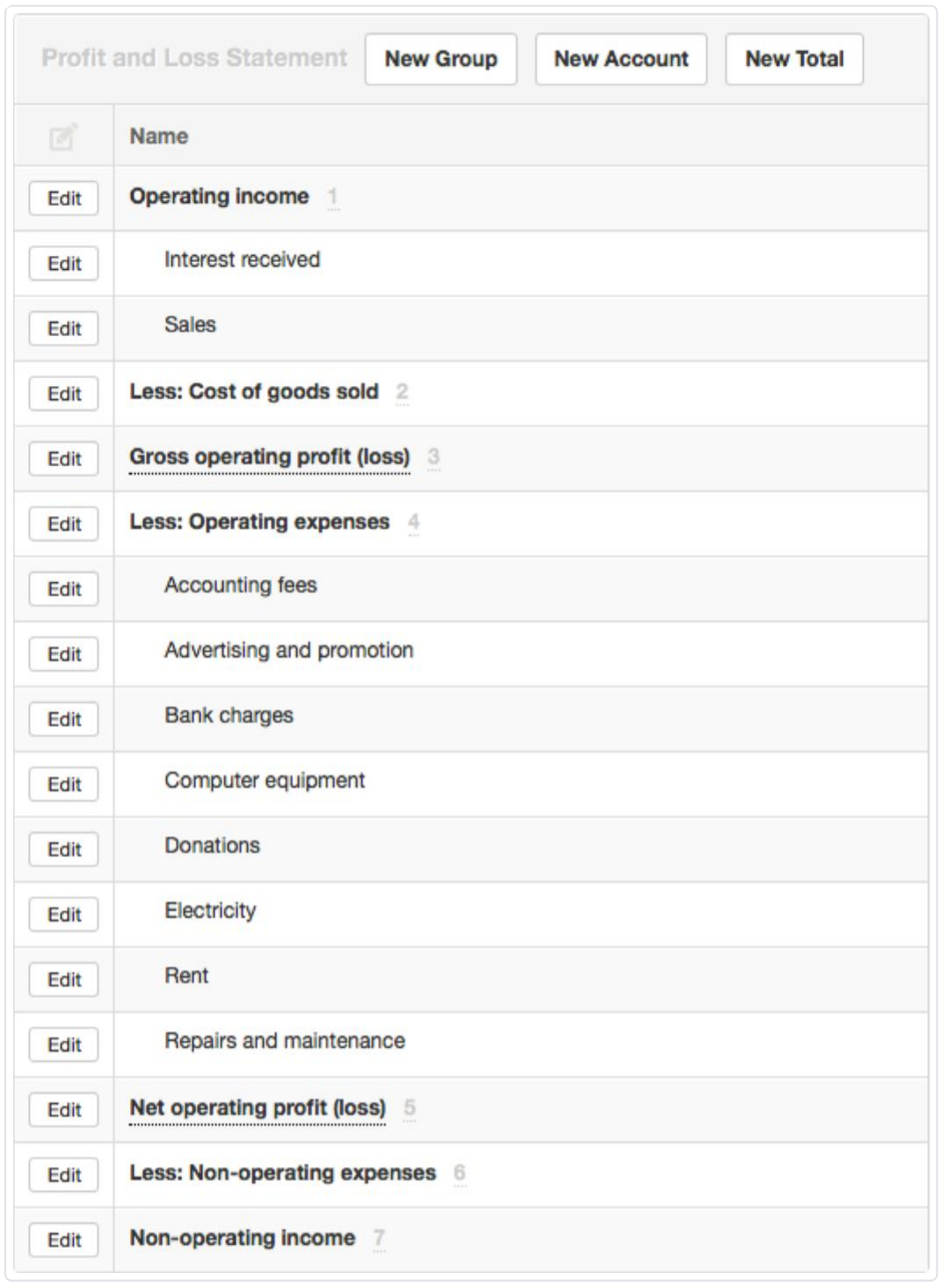
We use the `Code` field to order the groups. Our progress so far is shown below (again, some accounts have been eliminated to save space):



Add totals next

Interim subtotals and final totals are useful in accounting displays. Add them with the `New Total` button. Totals calculate a running summation of all groups above them in the chart of accounts. They are positioned with the same sequence of `Code` numbers as the groups and show with dashed underlines.

We add two totals and adjust position numbers to accommodate them:



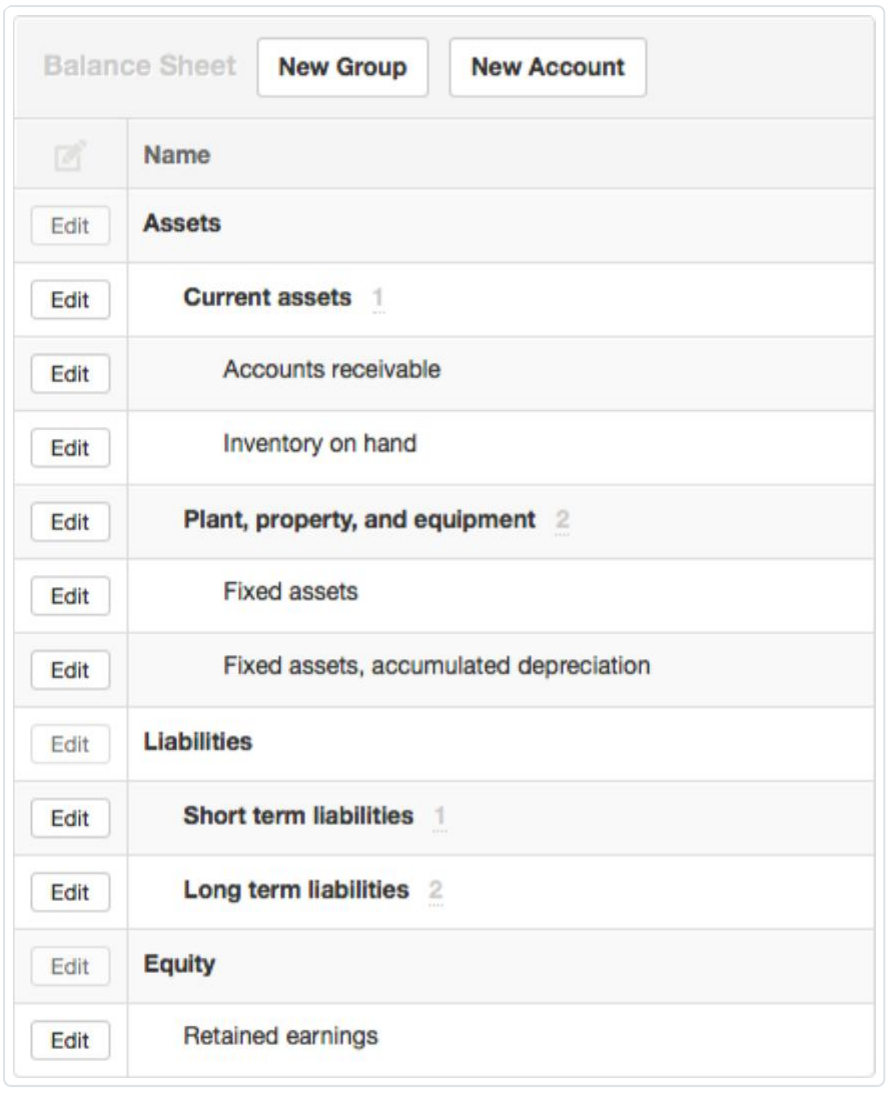
Note
A bottom-line, net profit (loss) total can be added, named as desired. If one is not specifically created, Manager will automatically add one labeled ***Net profit*** when a profit exists. If the business has a loss for the reporting period, the default total will change to ***Net loss***.

Activate automatic accounts

Several tabs and some settings activate accounts necessary to their functionality when they are enabled (or as soon as the first entry is made using them). If you plan to use any of these tabs (or need the accounts they activate), enable them now following procedures in another Guide. Automatic accounts are summarized in the table below:

Tab	Setting	Automatic Accounts Activated
	Base Currency	*Foreign exchange gains (losses)*
	Tax Codes	*Tax payable* *Withholding tax* *Withholding tax receivable*
Any		*Retained earnings* *Starting balance equity* (if required)
Bank Accounts		*Cash at bank*
Billable Expenses		*Billable expenses* *Billable expenses – markup* *Billable expenses – unrecoverable*
Billable Time		*Billable time* *Billable time – invoiced* *Billable time – movement*
Capital Accounts	Capital Subaccounts	*Drawings* *Funds contributed* *Share of profit*
Cash Accounts		*Cash on hand*
Customers		*Accounts receivable*
Employees		*Employee clearing account* *Payroll liabilities* *Wages & salaries*
Expense Claims		*Expense claims*
Fixed Assets		*Fixed assets* *Fixed assets – accumulated depreciation* *Fixed assets – depreciation* *Fixed assets – loss on disposal*
Intangible Assets		*Intangible assets* *Intangible assets – accumulated amortization* *Intangible assets – amortization* *Intangible assets – loss on disposal*
Inventory Items		*Inventory on hand* *Inventory – cost* *Inventory – sales*
Sales Invoices		*Late payment fees* (if any are applied)
Suppliers		*Accounts payable*

We enable the `Bank Accounts`, `Customers`, `Fixed Assets`, and `Inventory Items` tabs for Brilliant Industries and make at least one entry in each tab. After reassigning accounts to appropriate subsidiary groups, the Balance Sheet side of the chart of accounts looks like this:



And the Profit and Loss Statement side looks like this:

Balance Sheet | New Group | New Account

	Name	Code
	Assets	
Edit	**Current assets**	1
Edit	Accounts receivable	
Edit	Cash at bank	
Edit	Inventory on hand	
Edit	**Plant, equipment, and property**	2
Edit	Fixed assets	
Edit	Fixed assets, accumulated depreciation	
	Liabilities	
Edit	**Short-term liabilities**	1
Edit	**Long-term liabilities**	2
	Equity	
Edit	Retained earnings	

Add other desired accounts

Finally, add any remaining accounts from your plan. Assign these to relevant groups or subgroups. For example, we will add accounts for short- and long-term loans to the Balance Sheet. And since Brilliant Industries is a sole proprietorship, we will change the name of *Retained earnings* to *Owner's equity*. Note how the original, automatically assigned name of this account remains visible in the chart of accounts; it will not show elsewhere in the program:

Balance Sheet | New Group | New Account

	Name	Code
	Assets	
Edit	**Current assets**	1
Edit	Accounts receivable	
Edit	Cash at bank	
Edit	Inventory on hand	
Edit	**Plant, equipment, and property**	2
Edit	Fixed assets	
Edit	Fixed assets, accumulated depreciation	
	Liabilities	
Edit	**Short-term liabilities**	1
Edit	Short-term notes	
Edit	**Long-term liabilities**	2
Edit	Mortgage on building	
	Equity	
Edit	~~Retained earnings~~ Owner's equity	

Similar additions can be made on the Profit and Loss Statement side.

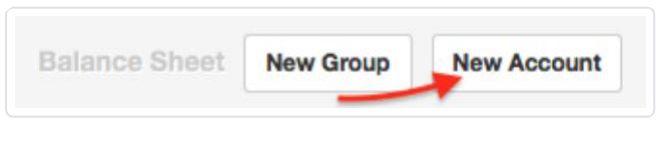
2.1.3 Add an account

Some accounts in your chart of accounts are present by default when you add a business and cannot be deleted. Others are activated as various tabs are enabled and remain unless the tab is disabled (which is only possible if no transactions have been entered within it). When necessary, you can **add an account** to either your Balance Sheet or Profit and Loss Statement.

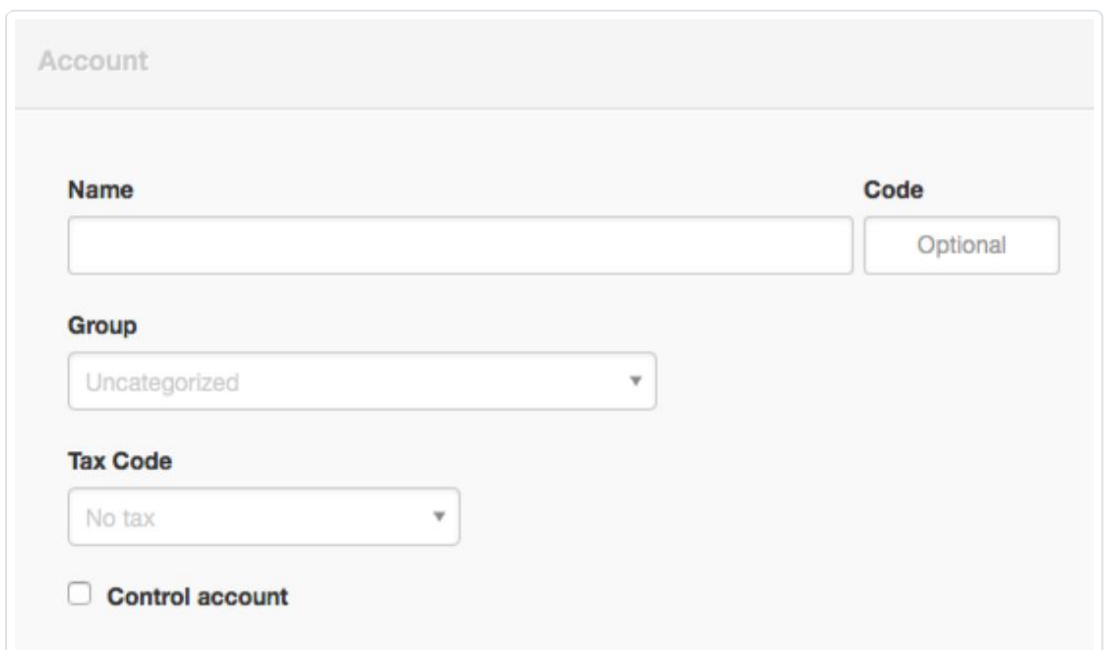
Accounts are added under `Settings` → `Chart of Accounts`:

Add a Balance Sheet Account

Click on `New Account` on the Balance Sheet side of the chart of accounts:



Define the account:

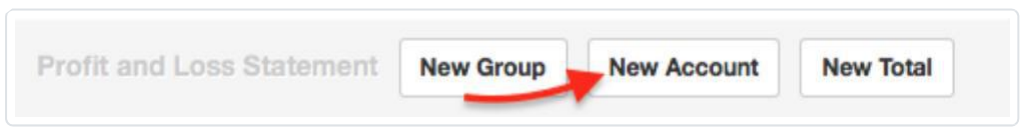


- `Name` should be a short description of the account's purpose.
- `Code` is optional. See another Guide for more information on account codes.
- Choose the `Group` under which the account will be reported. (Groups must be defined before accounts can be assigned to them.)
- Select a `Tax Code` if all or most transactions posted to this account will have the same tax code applied. For Balance Sheet accounts, this field is often left blank. The field will not appear unless at least one tax code has already been defined under `Settings`.
- Check the box if the account will be a `Control account`. Details about custom control accounts are found in another Guide.

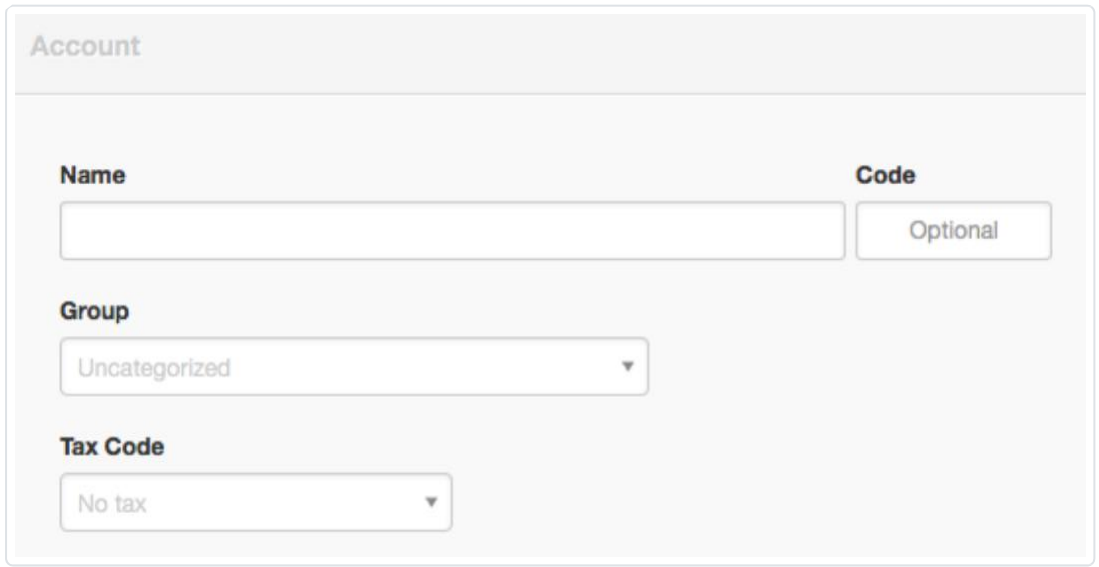
Click `Create` to save the new account.

Add a Profit and Loss Statement account

Click on `New Account` on the Profit and Loss Statement side of the chart of accounts:



Define the account. Fewer fields are available for Profit and Loss Statement accounts than for Balance Sheet accounts, but they have the same purposes:



Click `Create` when finished.

2.1.4 Delete an account

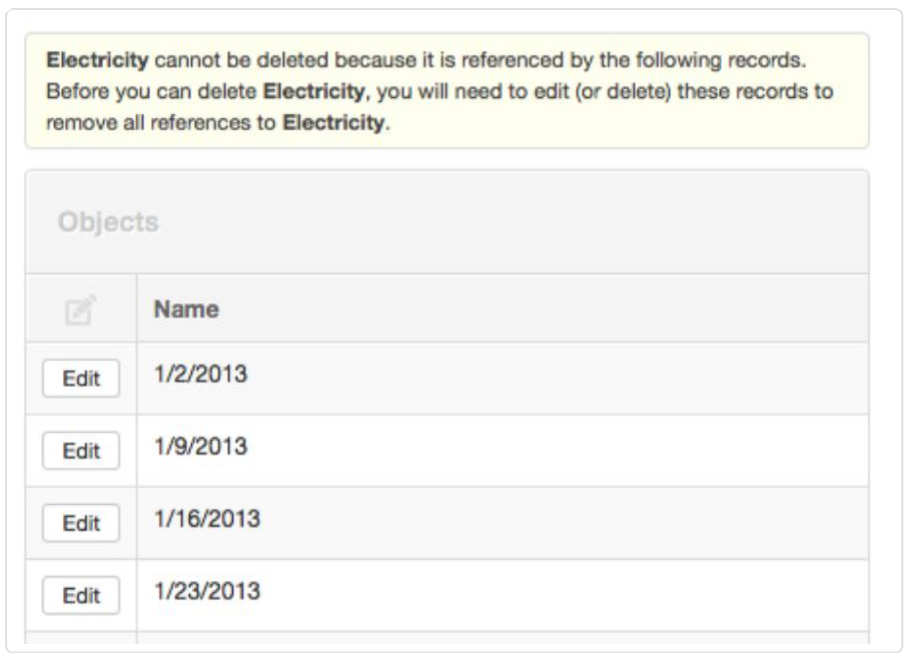
You can **delete an account** if all these statements are true:

- No transactions are posted to the account.
- The account was not automatically activated when you enabled a tab.
- The account is not *Retained earnings*, a mandatory account present by default in all businesses.

Under `Settings`, click on `Chart of Accounts`, then `Edit` next to the account you want to delete:



Click `Delete`. If the first condition listed above has not been satisfied, a notice appears and transactions posted to the account are listed:



If no `Delete` button is available, either the second or third condition has not been satisfied. In other words, BILLBOOKS will not let you delete an account needed for proper functioning of the tabs you have enabled or necessary for proper maintenance of your account records.

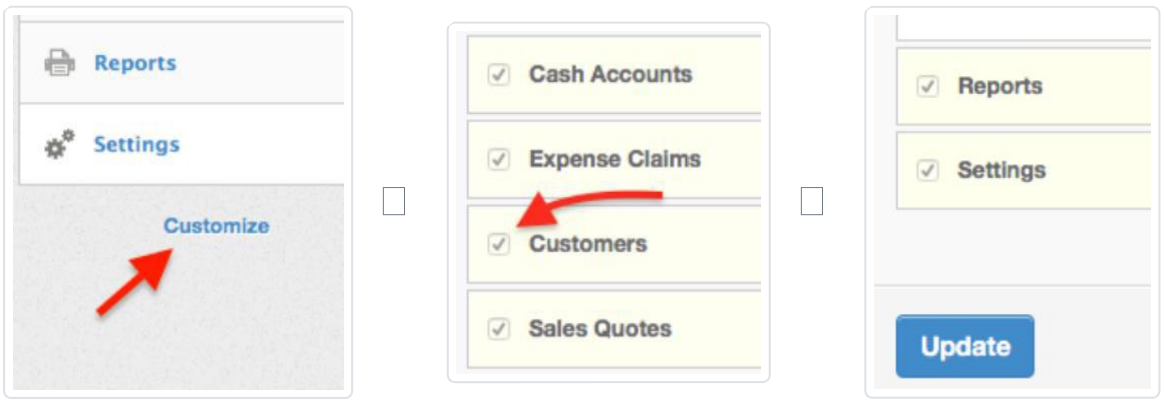
2.1.5 Set up accounts receivable

Accounts receivable is an asset account that records amounts owed to a business by customers. In BILLBOOKS, this is a control account, meaning it is built into the software and is made up of subaccounts for customers defined in the `Customers` tab. Normally, this account should **not** be created manually in the chart of accounts.

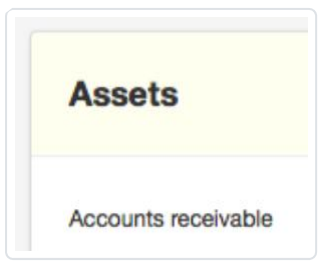
> **CAUTION**
> If *Accounts receivable* is created manually in the chart of accounts, many built-in functions will be lost. Manager will not be able to associate sales invoices with specific customers. And it will not be able to apply customer advances, deposits, or overpayments to sales invoices.

Activate *Accounts receivable*

To activate *Accounts receivable*, enable the `Customers` tab. Click `Customize` below the left navigation pane, check the box for `Customers`, and click `Update` below the list.



Accounts receivable will automatically appear in the Balance Sheet and chart of accounts when the first customer has been created:



Set up starting balances for customers

If making a transition to BILLBOOKS from a previous accounting system, follow this Guide to set up starting balances for customers.

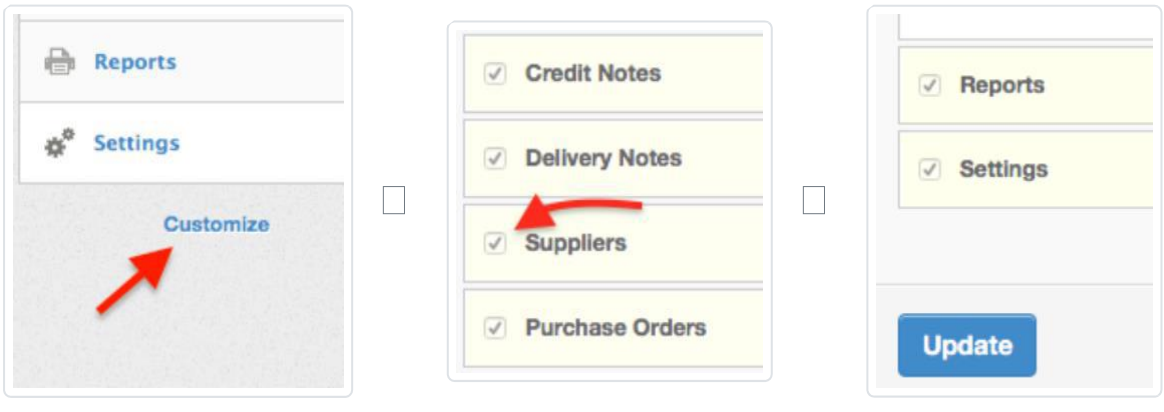
2.1.6 Set up accounts payable

Accounts payable is a liability account that records amounts the business owes to suppliers. In BILLBOOKS, this is a control account, meaning it is built into the software and is made up of subaccounts for suppliers defined in the `Suppliers` tab. Normally, it should **not** be created manually in the chart of accounts.

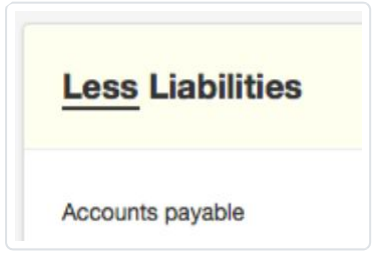
> **CAUTION**
> If *Accounts payable* is created manually in the chart of accounts, many built-in functions will be lost. Manager will not be able to associate purchase invoices with specific suppliers. And it will not be able to apply advances, deposits, or overpayments paid to suppliers to purchase invoices.

Activate *Accounts payable*

To activate *Accounts payable*, enable the `Suppliers` tab. Click `Customize` below the left navigation pane, check the box for `Suppliers`, and click `Update` below the list.



Accounts payable will automatically appear in the Balance Sheet and chart of accounts when the first supplier has been created:



Set up starting balances

If making a transition to BILLBOOKS from a previous accounting system, follow this Guide to set up starting balances for suppliers.

2.1.7 Set and display account codes

Account codes serve two primary purposes:

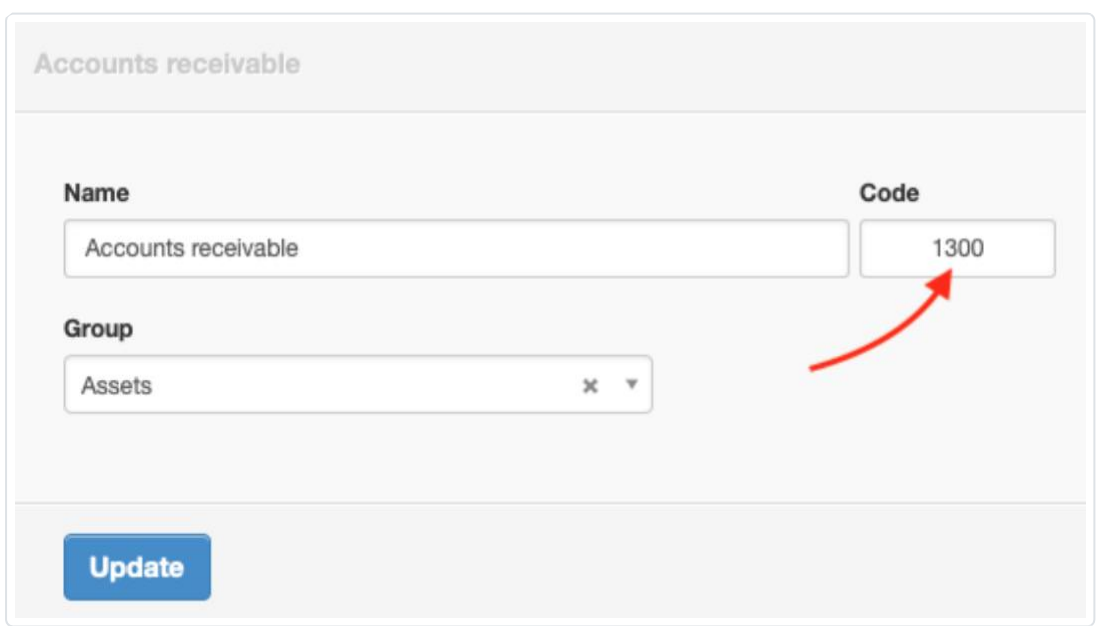
- Identifying specific accounts or groups in an overall numbering scheme for the chart of accounts
- Controlling the order in which accounts are listed in various displays

Setting account codes

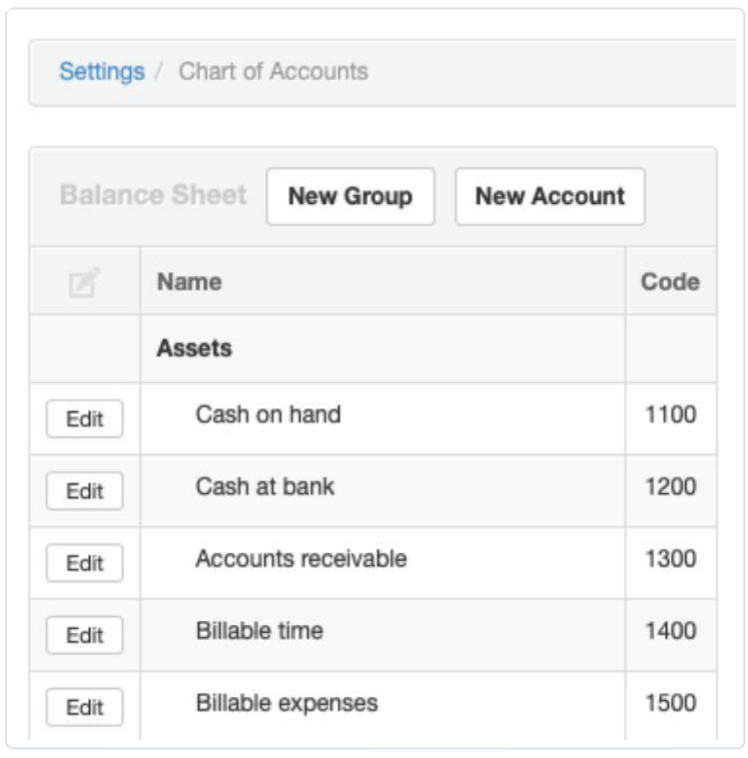
In the `Settings` tab, select `Chart of Accounts` and click `Edit` for an account or group:



Enter a number in the `Code` field and click `Update`:



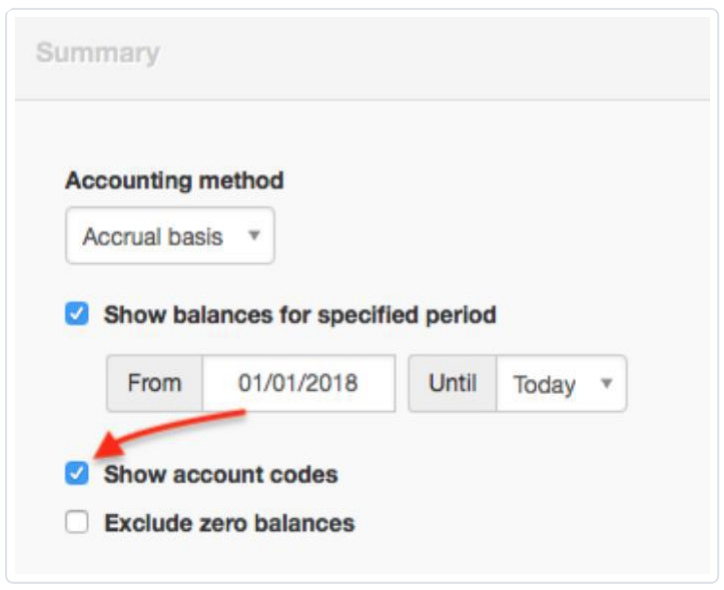
Accounts will display in the chart of accounts in numerical order. Codes will also show:



Controlling account code display

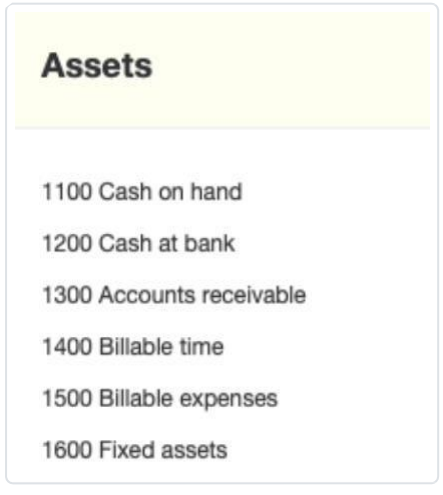
To display account codes, click `Edit` in the `Summary` tab:

Check the box to `Show account codes` and click `Update`:



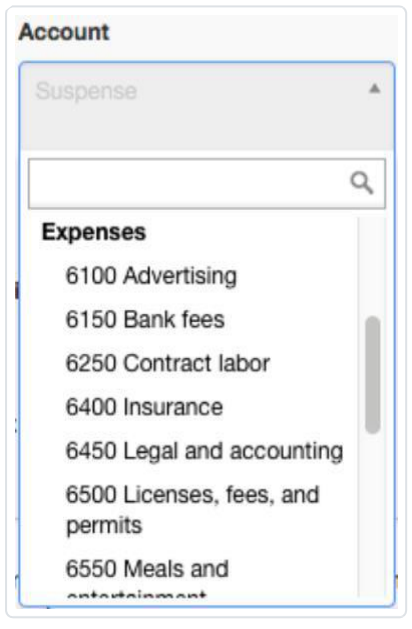
Note
If account codes have not been assigned yet, the checkbox will not be visible.

The `Summary` now includes account codes:



Turn off display of account codes by unchecking the box. Accounts will still display in numerical order.

Regardless of whether account codes are displayed, they will appear in the `Account` field dropdown box when entering line items on transactions, including cash receipts, sales invoices, journal entries, and so forth:



2.1.8 Add custom control accounts

Custom control accounts can be useful additions to your chart of accounts. A control account in BILLBOOKS is a top-level, balance sheet account containing subsidiary ledgers or subaccounts. (The terms are interchangeable). Some accounts activated automatically when various tabs are enabled are control accounts. Perhaps the most familiar examples are *Cash at bank* and *Cash on hand*, the default control accounts for bank and cash accounts. Another good example is *Accounts receivable*, made up of individual customer ledgers.

A custom control account is one you create yourself to segregate and give visibility to selected subsidiary ledgers that would otherwise be assigned to a built-in control account. A custom control account may contain only one type of subsidiary ledger, including:

- Bank accounts
- Cash accounts
- Customers
- Suppliers
- Inventory items
- Fixed assets
- Intangible assets
- Capital accounts
- Special accounts

Examples
Jurgen operates a machine shop with some very expensive, digitally controlled boring and milling machines. He wants see the value of these important assets on his balance sheet separately from other fixed assets like workbenches and office furniture. So he creates a custom control account called *Digital machinery* and assigns those fixed assets to it.

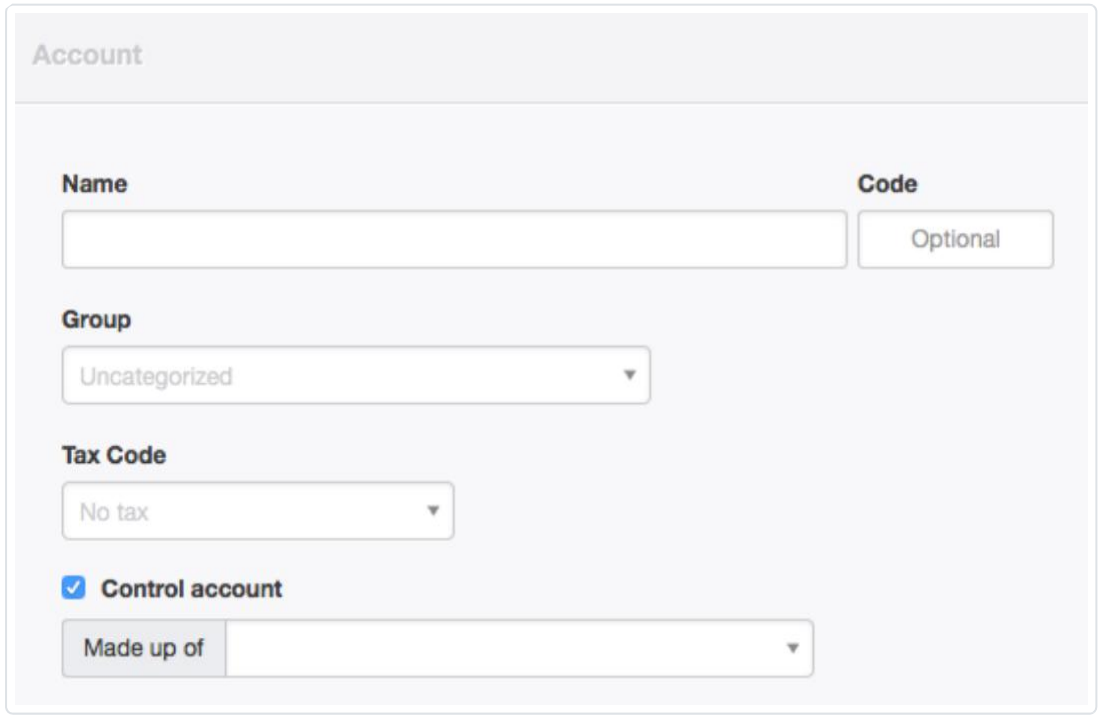
Northwind Traders has a variety of bank accounts it uses for different purposes. Rather than leave them all lumped together under the built-in control account, *Cash at bank*, it decides to break them apart for better management visibility. So the company renames that account as *Cash deposits*. It creates two new custom control accounts, *Payroll accounts* and *Term deposits*. Northwind leaves its various demand deposit accounts in the original, renamed control account. It assigns the accounts at local branch banks used to pay employees in various cities to *Payroll accounts*. And it assigns its longer term certificates of deposit to *Term deposits*. Now the balance sheet clearly distinguishes between highly liquid funds, money available for the weekly payroll, and cash reserves that are not readily accessible.

Create a custom control account

To create custom control account, go to `Settings` `Chart of Accounts` and click `New Account`:



Define the custom control account:



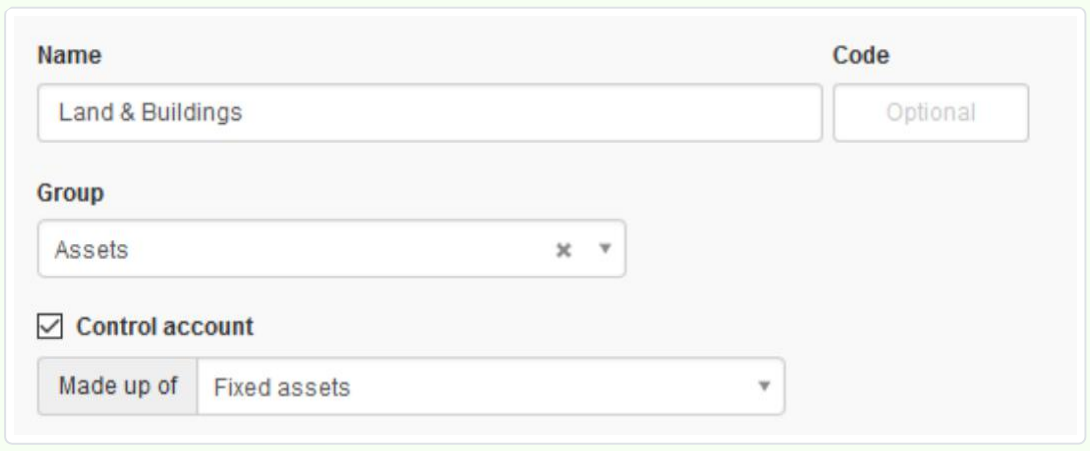
- `Name` the account as you want it to appear on your balance sheet.
- Enter a numerical `Code` to control display sequence.
- Select which `Group` the custom control account will be in: *Assets*, *Liabilities*, or *Equity*.
- Choose a `Tax Code` if one applies to most transactions to be posted to the account. (This will be editable when recording transactions. The field will not be visible if you have no tax codes defined.)
- Check the box for `Control account`.
- Select the type of subsidiary ledgers the control account will be `Made up of`.

Click `Create` to add the custom control account to your chart of accounts.

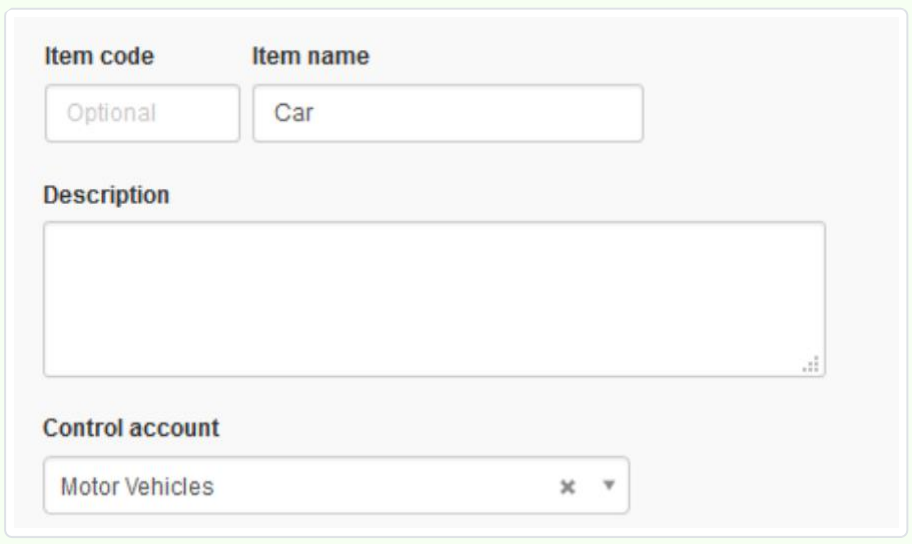
Example
Brilliant Industries has defined a number of fixed assets. It has not defined any tax codes. Nor has it set a start date. By default, the purchase costs of all fixed assets are shown on the balance sheet under the *Fixed assets* account (a built-in control account). The company wants to split fixed assets into categories and have each category show separately as:

- *Land & Buildings*
- *Motor Vehicles*
- *Furniture*

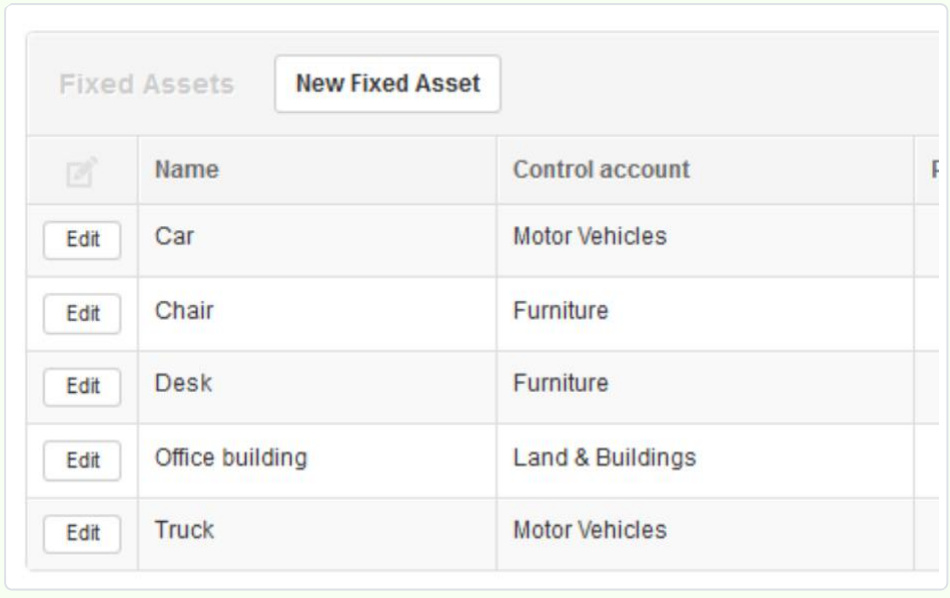
To do this, the company creates a custom control account made up of fixed assets:



It creates another custom control account named *Motor Vehicles*. And it renames *Fixed assets* as *Furniture*. Then it edits individual fixed assets under the `Fixed Assets` tab to select the specific control accounts to which they should belong:



After a control account has been selected for each fixed asset, the `Fixed Assets` tab shows which fixed asset belongs to which control account. (This feature is not available for all types of subsidiary ledgers):



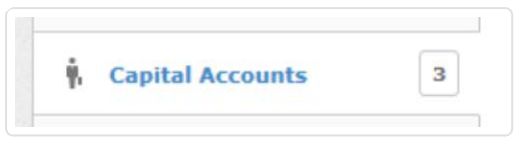
Once you have created a custom control account made up of a specific subaccount type, you will be able to select control accounts for all subaccounts of the same type when creating new ones or by editing existing ones.

2.2 Capital Accounts

2.2.1 Set up and use capital accounts

Capital accounts track contributions from, distributions of earnings to, and drawings of owners or others with financial interests in a business entity. They can be adapted to suit any type of entity, including sole proprietors, partnerships, companies, trusts, and funds.

To set up capital accounts, enable the `Capital Accounts` tab, following instructions in another Guide. The tab will appear in the left navigation pane. The number in the window indicates the number of capital accounts established:



In the `Capital Accounts` tab, click `New Capital Account` to define the first member or owner of a capital account:

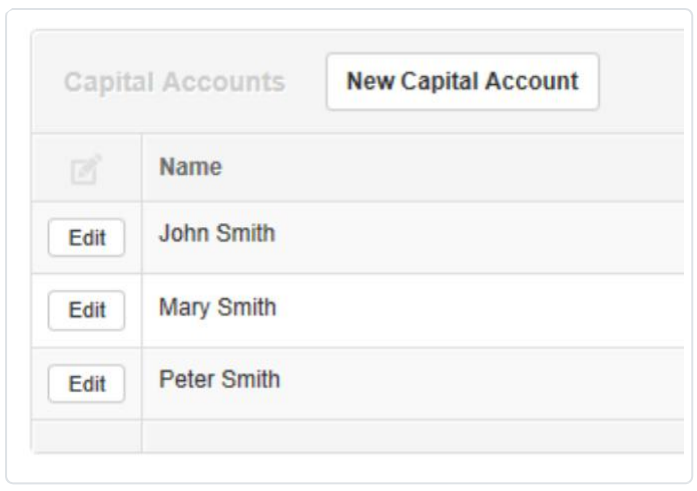


Click `Create` to save.

If making a transition to BILLBOOKS from a previous accounting system, the member may already have a capital account starting balance to transfer. In that case, after creating the member as described above, follow procedures in another Guide to enter the starting balance.

> **Note**
> Terminology used in Manager to describe capital account balances is from the perspective of the business, not the capital account holder. For positive capital account balances, which are credit balances to the business, Manager uses the descriptive phrase, *Amount to pay*. This indicates the business owes capital to the member. For negative, or debit, balances, Manager uses the phrase, *Paid in advance*, indicating the business had paid the member more than was actually distributed to the member.

Sole proprietorships require only a single capital account. Partnerships require a capital account for each partner. Trusts require one for each beneficiary. Funds require a capital account for each member. Repeat the process described until all capital accounts have been established:



If capital account members leave the company, they cannot simply be deleted, because there are transactions that reference them. Instead, make them inactive by editing them and checking the `Inactive` box:

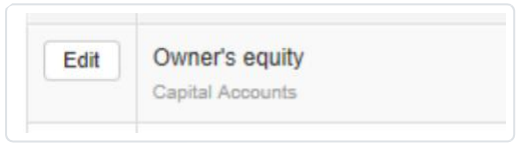


Inactive members appear in gray at the end of the `Capital Accounts` list. They can be reactivated after clicking the `Edit` button.

By default, all capital accounts are combined as *Capital accounts* in the *Equity* section of the Balance Sheet:



Sometimes, it is necessary to rename the account. For example, if the business operates as a sole proprietorship, the account can be renamed as *Owner's equity*. Click `Edit` under `Chart of Accounts` in the `Settings` tab:



> **Note**
> In some situations, sole proprietors need not add the complexity of capital accounts to their business records. See this Guide for a discussion of a simpler approach to equity accounting.

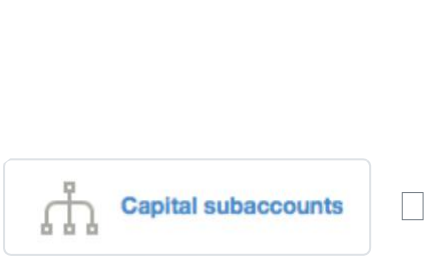
Sole proprietors and partnerships are unincorporated, meaning they have no shareholders. Their capital accounts can be set up as described in this Guide. But companies or corporations (terminology varies in different jurisdictions), trusts, and funds are separate legal entities. Depending on the legal structure of a business, it may be nessessary to change the classification of *Capital accounts* from *Equity* to *Assets* if they are debit balances or *Liabilities* if they are credit balances. When in doubt, consult with a local accountant to be sure.

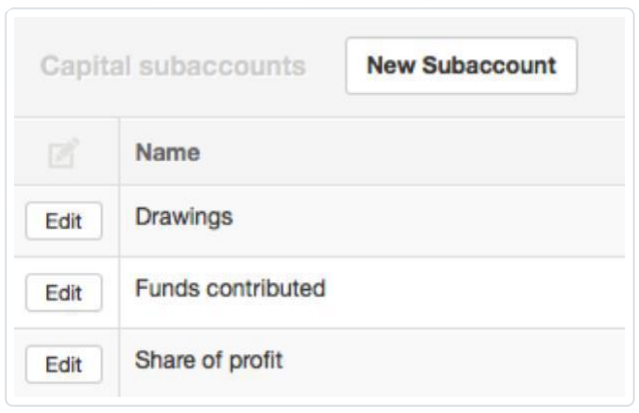
2.2.2 Use capital subaccounts

Each capital account you create automatically has the following **subaccounts**:

- *Drawings*
- *Funds contributed*
- *Share of profit*

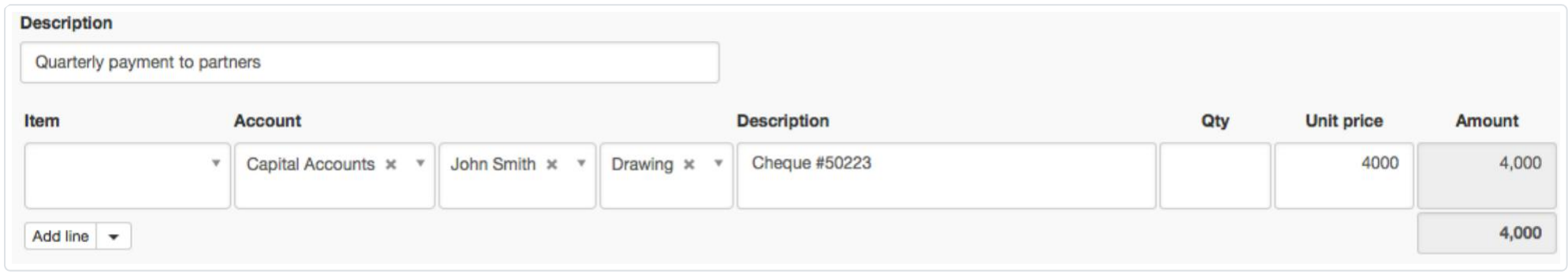
Subaccounts are useful for segregating movements to and from capital accounts. Default subaccounts are sufficient for most businesses, but you can add, remove or rename subaccounts under the `Settings` tab by selecting `Capital subaccounts`:





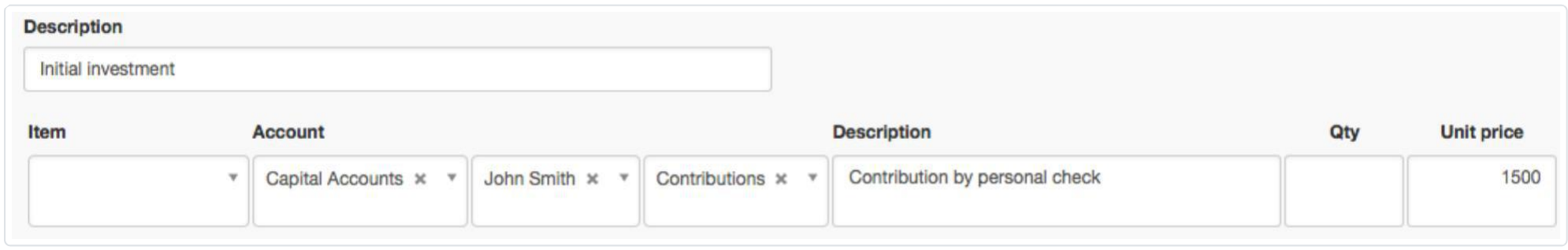
Drawings

Drawings tracks money a partner, beneficiary, or member withdraws from the business. When you transfer funds from a cash account to a member, or if the business pays a private expense on behalf of a member, the transaction should be posted to the *Drawings* subaccount:



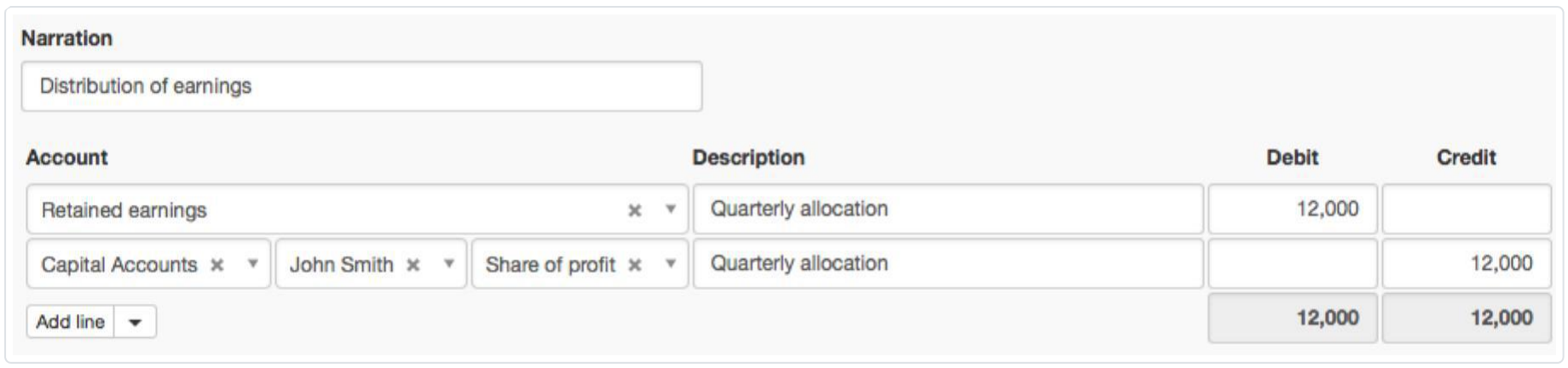
Funds contributed

Funds contributed tracks money a member has contributed to the business. When a member deposits personal funds into a business cash account, the transaction should be posted to the *Funds contributed* subaccount.



Share of profit

Share of profit is used to allocate net profit from *Retained earnings* to *Capital accounts*. Only certain types of legal entities are required to distribute profit to owners. Such distributions are often done by an accountant at the end of a financial period using journal entries:



They prevent earnings from accumulating endlessly in *Retained earnings*. Such distributions show that funds are no longer available for general business operations, but have been earmarked for the capital account owner.

2.3 Common Business Situations

2.3.1 Simplify equity accounting for sole traders / proprietors

Many small businesses are owned by a single person, often called a sole trader or sole proprietor. But BILLBOOKS's default account structure accommodates other, more intricate business organizations. So it may encourage more complexity in the chart of accounts than necessary.

Every new business created in BILLBOOKS automatically includes a *Retained earnings* account, essentially the net of all inflows and outflows, adjusted for various transfers, dividends, etc., since creation of the business. In many cases, the `Capital Accounts` tab is also enabled, where members (owners of capital accounts) are designated, investment contributions and draws are recorded, and so forth. Frequently, journal entries transfer amounts between *Retained earnings* and various subaccounts of *Capital accounts*. And both *Retained earnings* and *Capital accounts* are included under the *Equity* heading on the Balance Sheet. But for the sole proprietor, things can often be simpler.

As sole owner of the business, a proprietor owns the *Retained earnings* account. So no real reason for separate capital accounting exists. *Retained earnings* can be renamed as *Owner's equity*, eliminating the need for other equity accounts. Benefits include fewer tabs enabled in BILLBOOKS and reduction of equity transfers with journal entries. Unnecessary reports disappear from `Reports` tab. Any transactions the
that might have involved *Capital accounts* can instead be allocated directly to *Owner's equity*, bypassing needless steps.

Eligibility for simple equity accounting

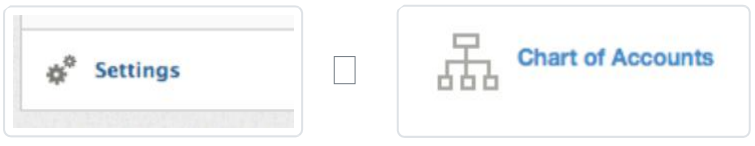
You must satisfy two requirements to use this simple equity accounting:

1. You must be the **sole owner** of the business, with no partners or shareholders involved.

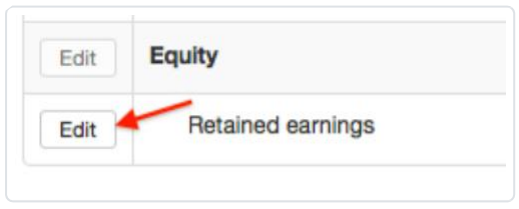
2. You must personally be **entitled to all profits** and **liable for all debts** of the business. (Loans are permissible, but outside investors with capital interests are not.)

Setting up simple equity accounting

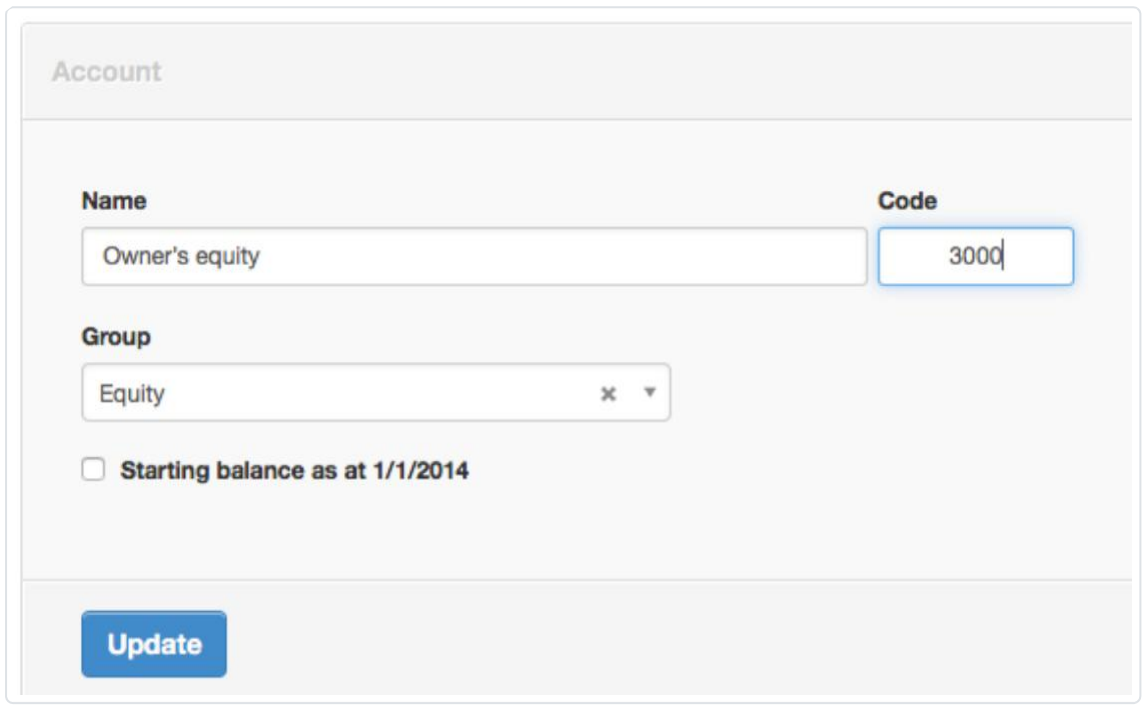
Rename *Retained earnings* under `Settings` □ `Chart of Accounts`:



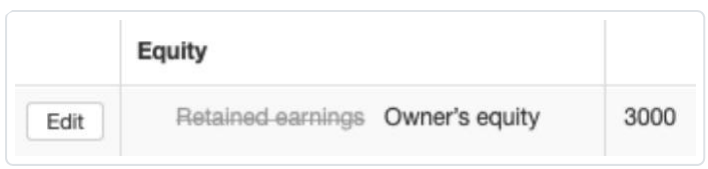
Click `Edit` to the left of the *Retained earnings* account name:



Rename the account as *Owner's equity*. Add an account code if desired. Click `Update` when finished.



Your chart of accounts will now show the new name, with the original, default name in gray strike-through text, revealing the automatic origin of the account:



Your Balance Sheet will show a very straightforward equity account structure:



In essence, *Owner's equity* shows how much value you have invested in your business at a given moment, taking into account all forms of assets and liabilities, including unbilled time and expenses, cash and equivalents, fixed assets, loans, accounts payable and receivable, and so forth.

Note
One characteristic of this simple equity structure is absence of a drawing account revealing how much you have drawn from the business since the previous accounting period closed. (Drawing accounts are normally zeroed out at the end of each period, requiring more transactions.) A drawing account is unnecessary because the information is more readily available in Manager in the **Statement of Changes in Equity** report. Follow three simple steps:

1. Post all draws to *Owner's equity*.
2. Enter the description *Draw* for withdrawal line items.
3. Create a Statement of Changes in Equity report in the `Reports` tab covering the full account period.

The sum of your draws to date during the accounting period will appear as a single total in the report. Current information will always be just a few clicks away.

2.3.2 Set up business as a self-employed services provider

Many self-employed individuals primarily provide services to their customers or clients. They maintain no inventory, have no employees, pay for purchases as they are made, and operate as sole traders or proprietors (that is, they have no partners or other shareholders). Yet they need to keep accurate records of time spent and materials purchased for completion of jobs, may need to collect and remit taxes assessed on their services, and want to submit professional quotes and invoices to their customers. Examples of such individuals include:

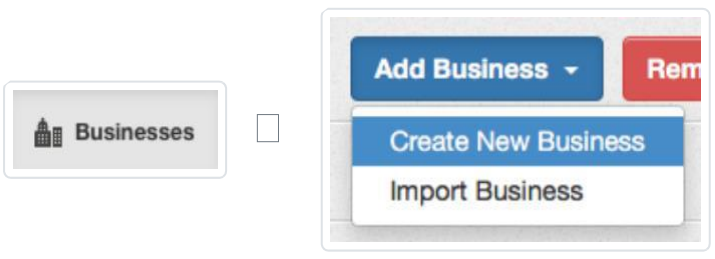
- Accountants, lawyers, and others providing professional services
- Carpenters, plumbers, and repair technicians
- Consultants
- Freelance artists, web developers, and media developers

This Guide outlines **basic steps for setting up business as a self-employed services provider**. Rather than furnishing detailed instructions at every phase, it links to other BILLBOOKS Guides. Suggestions are offered for accommodating additional needs and for further simplification.

> **Note**
> If the setup described closely meets your needs, you can download a version of it following instructions in another Guide.

Create the business

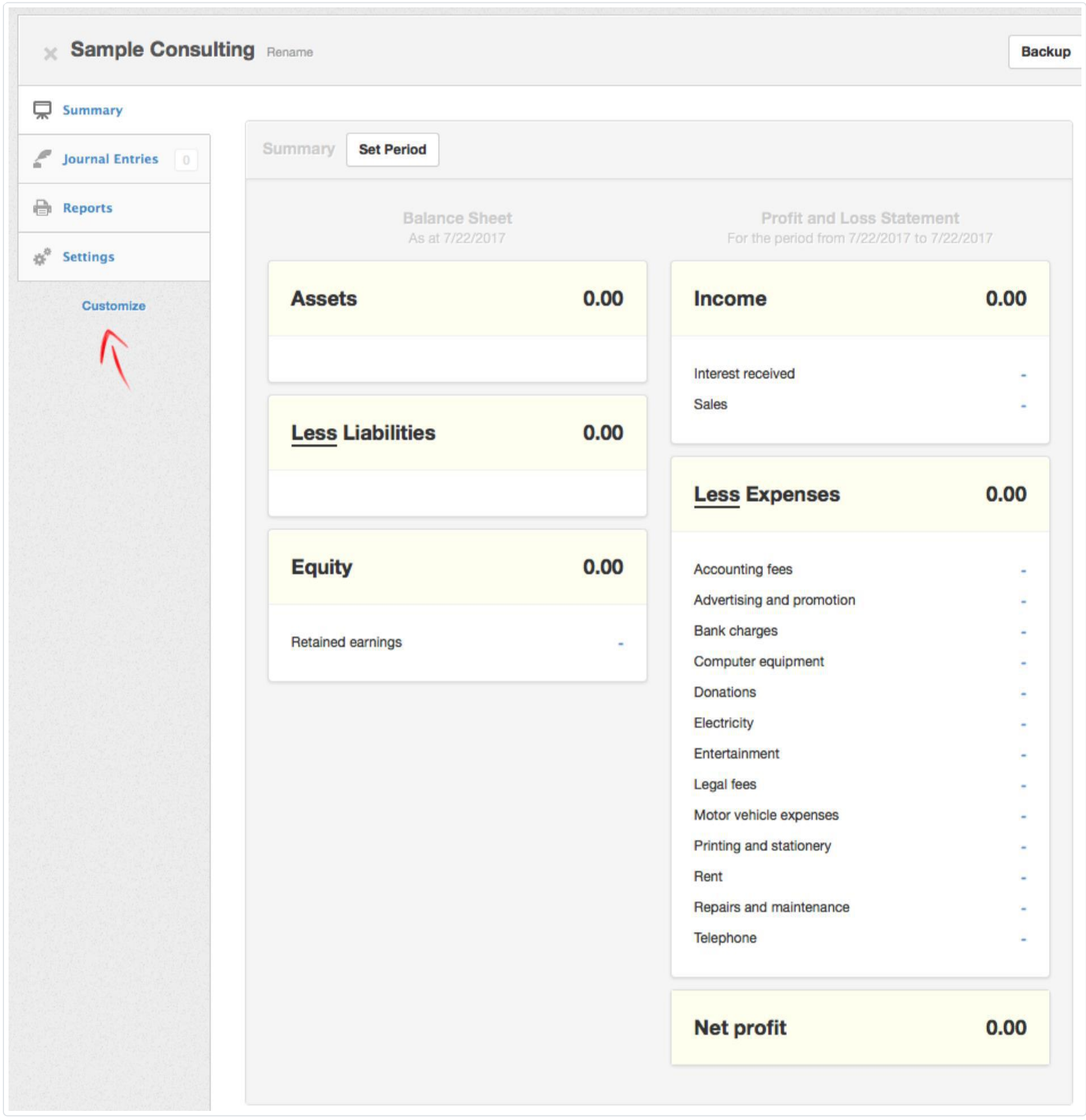
Create your business on the `Businesses` page, which functions as the home page of the BILLBOOKS application. Click `Add Business` and select *Create New Business*:



For purposes of illustration, this Guide will follow creation of a business named *Sample Consulting*. The first step is to enter the name of the business:



Once the business has been created, a `Summary` page will appear showing four, default functional tabs and several default accounts:



Click on the `Settings` tab and enter business details. If you have one, add a business logo.

Customize functional tabs

Now enable additional functional tabs you will need for your business. Click `Customize` below the left navigation pane and enable these additional tabs:

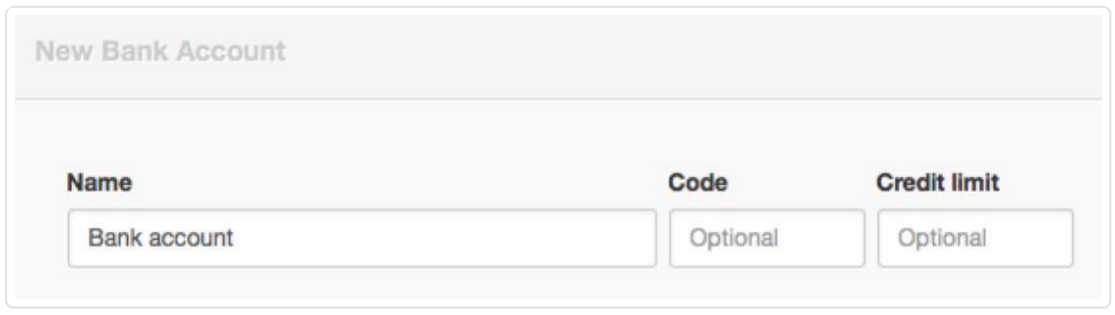
- `Bank Accounts` (if you will make any transactions through a financial institution of any type)
- `Cash Accounts` (if you will deal with any physical coins or bills)
- `Receipts & Transactions`
- `Inter Account Transfers` (**only** if you enable multiple bank or cash accounts and believe you will sometimes need to transfer money between them)
- `Expense Claims`
- `Customers`
- `Sales Quotes`

- `Sales Invoices`
- `Billable Time`
- `Billable Expenses`
- `Fixed Assets`

If all your work will come without needing to give customers quotes, proposals, or bids, do not enable `Sales Quotes`. If you will, for some reason, be buying from suppliers on credit, add `Purchase Invoices` to the list. If you are not sure, leave both those tabs off the list. They can easily be added later. Likewise, if you are not sure whether you will own depreciable fixed assets, do not enable that tab unless you need it later.

Add bank and cash account(s)

Every business needs at least one bank or cash account, even if that means your own pocket. So add one or more now so the business can spend and receive money. The illustration below is for a bank account, but a petty cash account is set up the same way:



If you will have a business credit card, set it up now. (This example does not include one.)

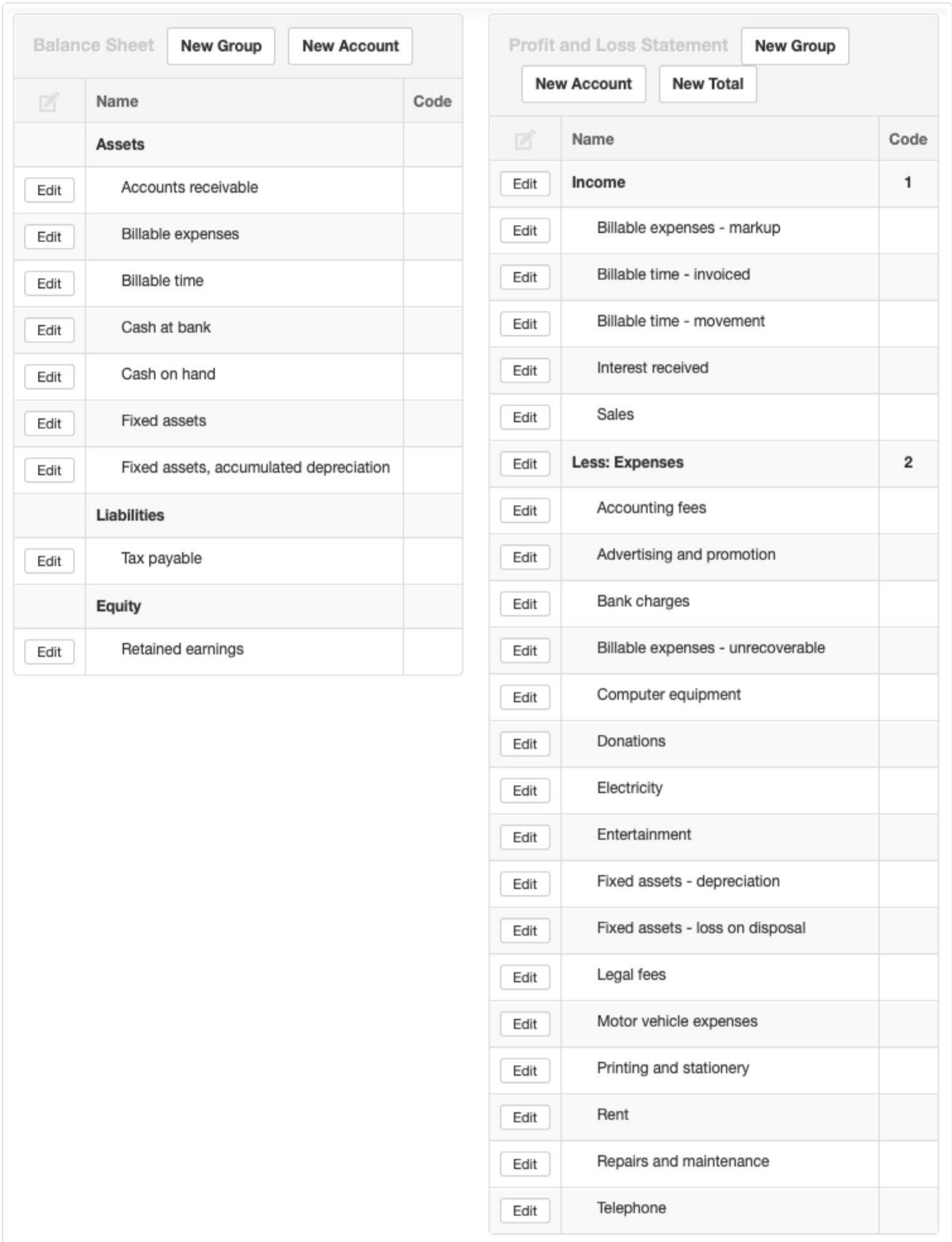
Set up your chart of accounts

Several accounts in BILLBOOKS are activated automatically only when needed. So you can see these, make the following setup entries:

- In the `Customers` tab, create a customer called *Setup Customer*. Leave all fields blank except `Name`.
- In the `Billable Time` tab, create a billable time entry. Choose *Setup Customer*, but leave all other fields in their default states.
- In the `Fixed Assets` tab, create a fixed asset. Fill in `Item name` as *Setup Fixed Asset*. Leave all other fields blank.
- Under `Settings` → `Tax Codes`, activate or create a tax code that will apply to your services.

> **Note**
> If your business will own no property qualifying as fixed assets or your services are not taxable in your jurisdiction, omit one or both of the last two setup entries above.

Now click on `Settings`, then `Chart of Accounts`, where all active accounts will be listed:



Balance Sheet | New Group | New Account

	Name	Code
	Assets	
Edit	Accounts receivable	
Edit	Billable expenses	
Edit	Billable time	
Edit	Cash at bank	
Edit	Cash on hand	
Edit	Fixed assets	
Edit	Fixed assets, accumulated depreciation	
	Liabilities	
Edit	Tax payable	
	Equity	
Edit	Retained earnings	

Profit and Loss Statement | New Group | New Account | New Total

	Name	Code
Edit	**Income**	1
Edit	Billable expenses - markup	
Edit	Billable time - invoiced	
Edit	Billable time - movement	
Edit	Interest received	
Edit	Sales	
Edit	**Less: Expenses**	2
Edit	Accounting fees	
Edit	Advertising and promotion	
Edit	Bank charges	
Edit	Billable expenses - unrecoverable	
Edit	Computer equipment	
Edit	Donations	
Edit	Electricity	
Edit	Entertainment	
Edit	Fixed assets - depreciation	
Edit	Fixed assets - loss on disposal	
Edit	Legal fees	
Edit	Motor vehicle expenses	
Edit	Printing and stationery	
Edit	Rent	
Edit	Repairs and maintenance	
Edit	Telephone	

Click `Edit` next to *Retained earnings*. Change the name of this account to *Owner's equity*. This built-in account will function in the same way, but the default title was more appropriate to corporate ownership structures.

Click `Edit` buttons next to income accounts to rename or delete them. Automatically created accounts cannot be deleted while their tabs are enabled. But they can be renamed. Their default names show in grey strike-through text when editing. Add any additional income accounts you think you will need.

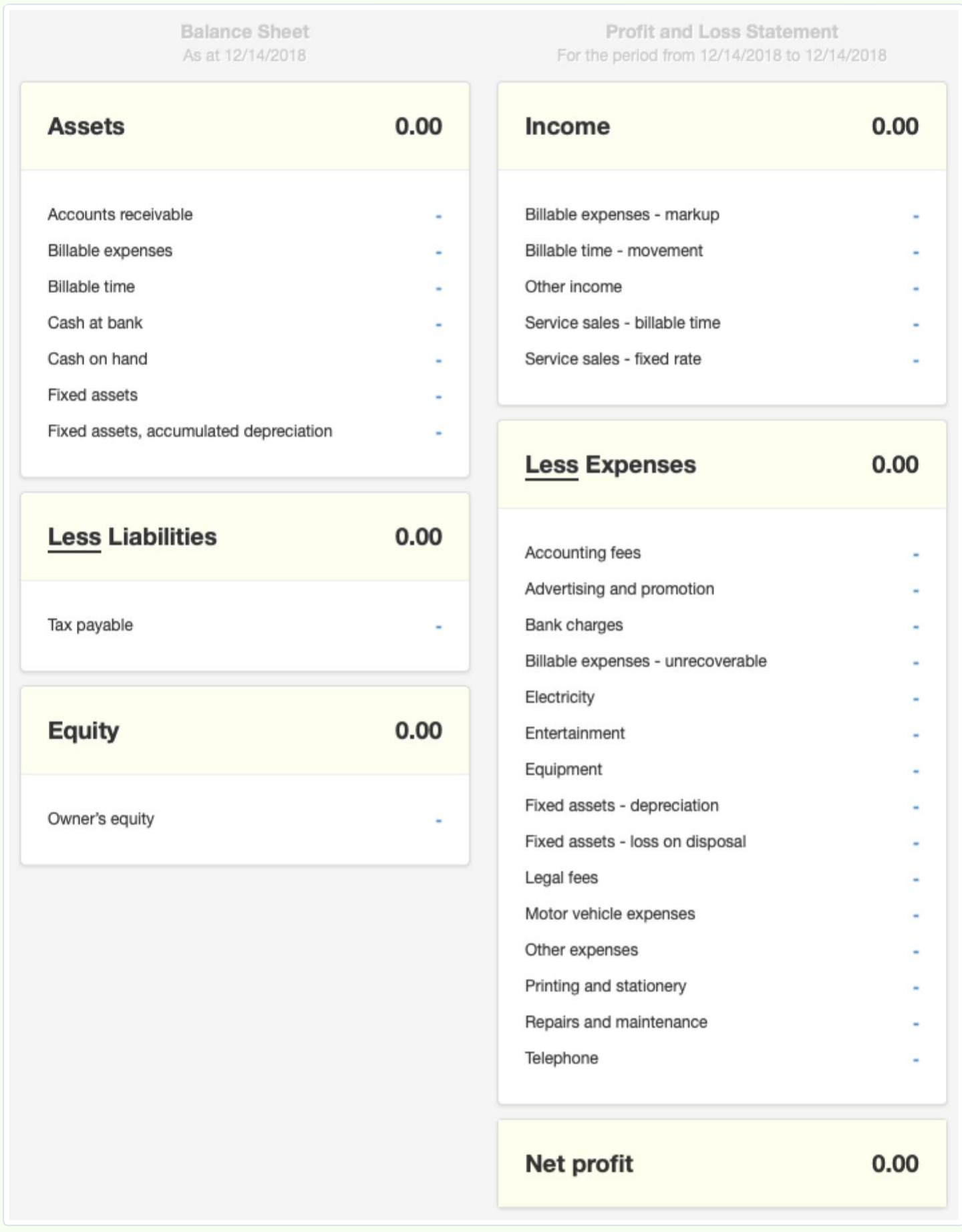
Example
Because Sample Consulting expects to perform some work on an hourly basis and some on a fixed price basis, we will rename *Billable time - invoiced* to *Service sales - billable time* and *Sales* to *Service sales - fixed rate*. Since no interest-bearing accounts or investments are anticipated, we will change the *Interest received* account to *Other income*, providing a place to post miscellaneous income items.

Lastly, `Edit` expense accounts to rename or delete them. Good practice is to match required expense reporting categories for tax filing in your jurisdiction. Add accounts if necessary.

Note
Default expense accounts are only placeholders. When their names are edited, original names are no longer visible in the `Settings` tab. This behavior is different from other account categories.

Example
Donations are not allowable business expenses in Sample Consulting's jurisdiction, so we will delete the *Donations* account. Computer equipment is not treated differently from other tools and equipment, so we will rename *Computer equipment* as *Equipment*. The owner of Sample Consulting plans to work from home, so we will change *Rent* to *Other expenses*.

With all changes mentioned, Sample Consulting's chart of accounts is complete. It's `Summary` page now looks like this:



Clear setup entries

Although they have no financial impact on your records, you should clear the setup entries. (These were only made so you could see and edit all accounts.)

- Delete the billable time entry by clicking `Edit` in the `Billable Time` tab.
- Delete *Setup Customer*. (You will not be able to delete this customer unless you have first deleted the billable time entry above.)
- Delete *Setup Fixed Asset* by clicking `Edit` in the `Fixed Assets` tab.

Some accounts will temporarily disappear from your `Summary` and chart of accounts. They will return when real entries are made.



Note
As long as your setup tax code was one you will actually use, leave it in place.

Begin operations

BILLBOOKS is now configured to handle your business. Among other things, you will be able to:

- Send sales quotes
- Purchase or record fixed assets
- Record and invoice billable time and expenses
- Send sales invoices
- Issue customer statements
- Make payments and receive money
- Generate accounting reports

The next step is to enter any expected customers. Others will hopefully follow. Enter other transactions as they occur.

2.4 Tracking Codes

2.4.1 Use tracking codes

Tracking codes are optional. You can apply them to income and expense line items. They were originally intended to support monitoring profitability by division within a single financial entity. But BILLBOOKS users also find them helpful for monitoring financial performance on major projects, at different geographic locations, or on business brought in by individual sales representatives. You can employ tracking codes selectively. That is, you can apply them only to certain types of transactions or those you want to include in a specific analysis. Different tracking codes can be applied for different purposes, as well.



Example 1
Brilliant Industries wants to monitor profitability of its incandescent and LED lamp manufacturing divisions. It sets up two tracking codes: *INC* and *LED*. All income and expenses are designated with one code or the other. At the end of each financial period, Profit and Loss Statements are generated separately for the two divisions. Combined Profit and Loss Statements can also be created comparing performance of the two divisions.

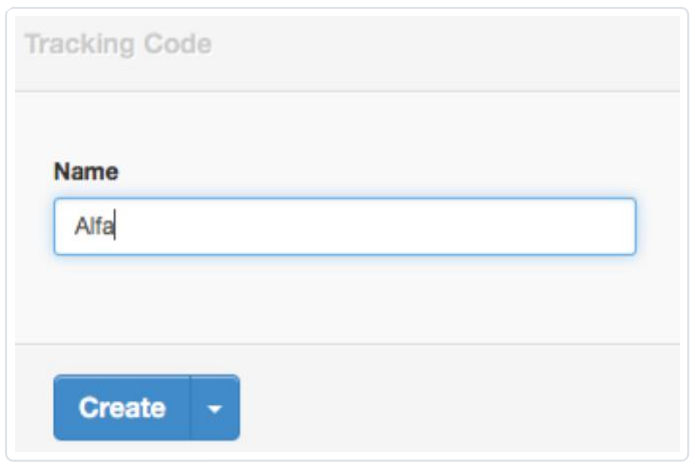
Example 2
Atlas Construction assigns tracking codes to each building project by year: *2016-1*, *2016-2*, *2017-1*, etc. Transactions related to a single project are tagged with appropriate tracking codes. Those pertaining to the business in general are left uncoded. Profit and Loss Statements can be generated for individual projects or the entire company. If necessary, Atlas could designate separate lists of expenses and accounts on which tracking codes would be used for distinct project types. Concrete projects might have tracking codes applied on subcontractor labor, while internally performed electrical projects might have tracking codes applied on wages.

Creating tracking codes

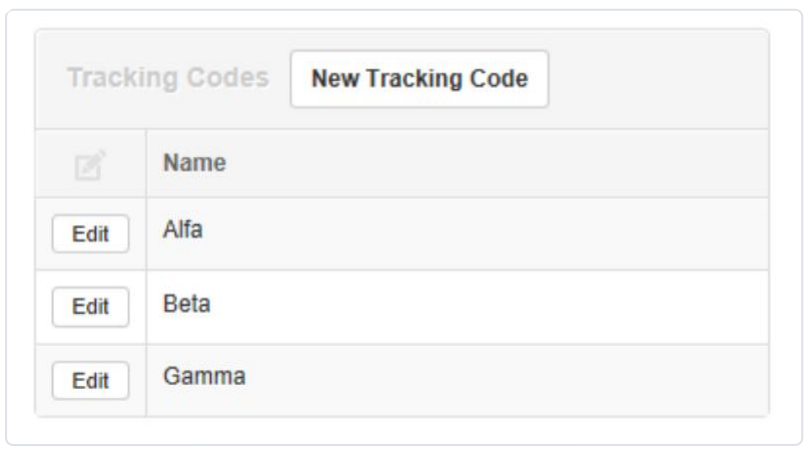
In the `Settings` tab, click on `Tracking Codes`, then `New Tracking Code`:



For purposes of illustration, asume you want to track three divisions: Alfa, Beta and Gamma. Enter the name of the first code and click `Create`:

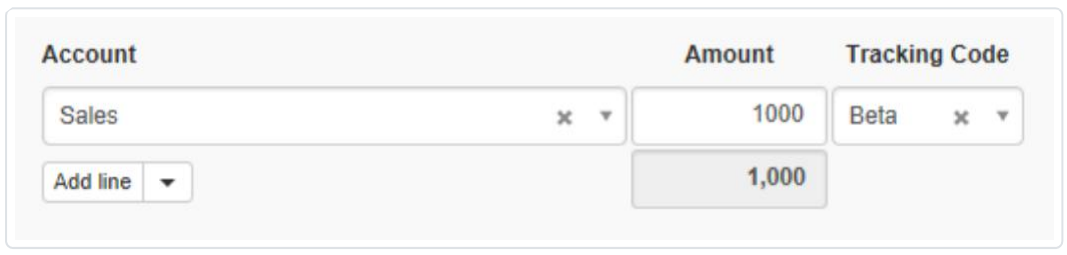


Repeat for the other two divisions:



Applying tracking codes to transactions

When you record income, you will be able to select which division the income should be allocated to.

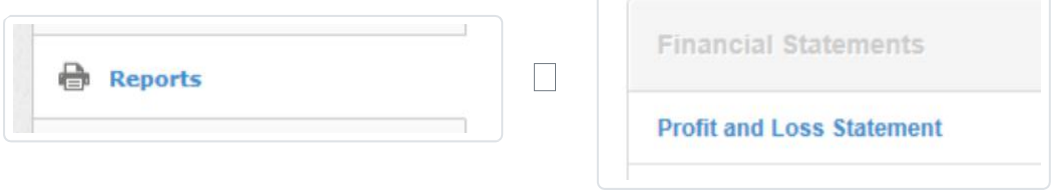


The same applies to expenses. If an expense should be spread across multiple divisions, you can split the expense to allocate the appropriate amount to each division.

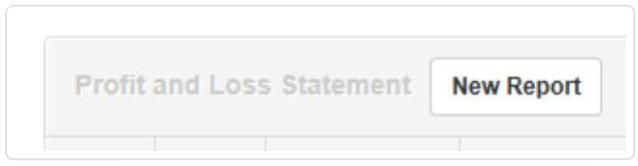


Viewing profitability by tracking code

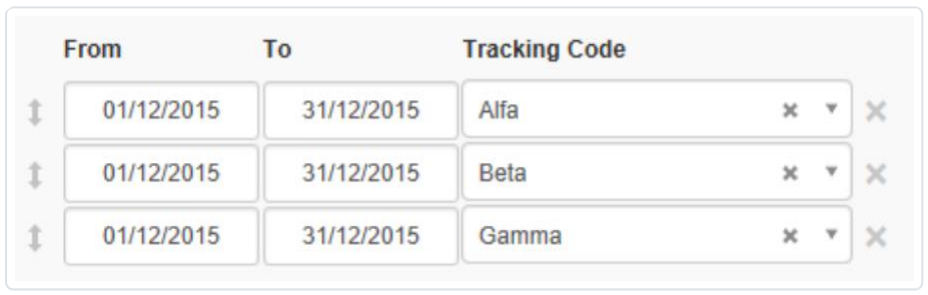
In the `Reports` tab, click `Profit and Loss Statement`:



Create a new report by clicking the `New Report` button.

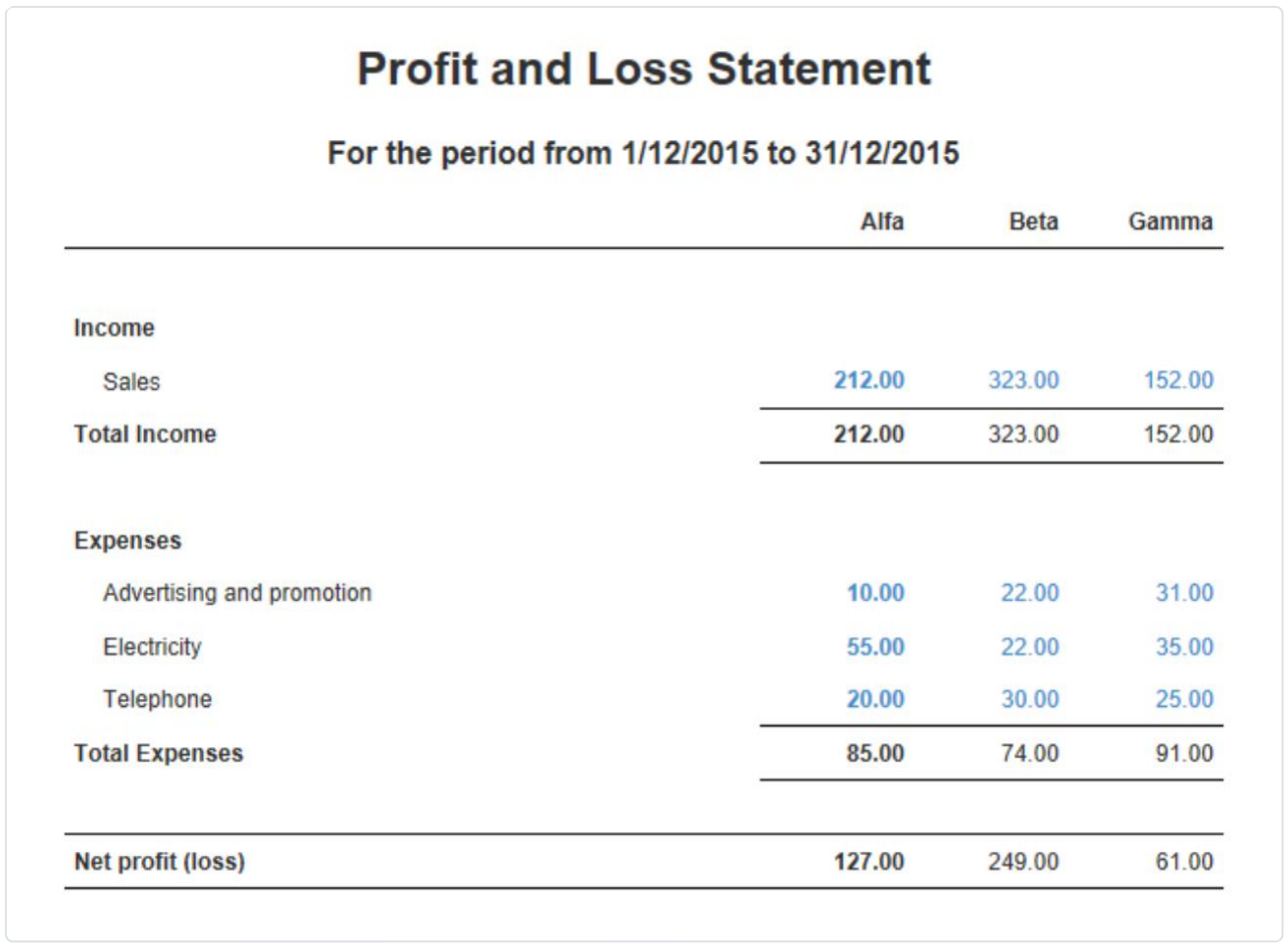


Define the new report by entering a date range and selecting the desired code in the `Tracking Code` field. (Leave the selection as *Any* to see all transactions.) You can add comparative columns for other tracking codes:



Click `Create` to save the report.

`View` the report so see income, expenses and profitability of selected tracking codes side by side for the specified period:



Profit and Loss Statement

For the period from 1/12/2015 to 31/12/2015

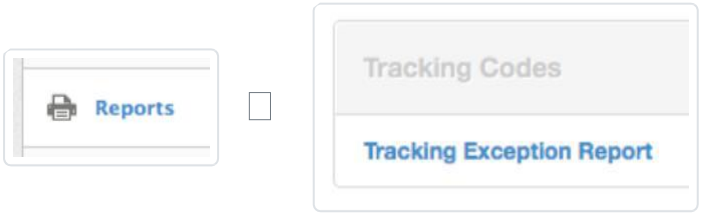
	Alfa	Beta	Gamma
Income			
Sales	212.00	323.00	152.00
Total Income	**212.00**	323.00	152.00
Expenses			
Advertising and promotion	10.00	22.00	31.00
Electricity	55.00	22.00	35.00
Telephone	20.00	30.00	25.00
Total Expenses	**85.00**	74.00	91.00
Net profit (loss)	**127.00**	249.00	61.00

> **Caution**
> Tracking code Profit and Loss Statements only show amounts with tracking codes applied to them. You can check the Tracking Exception Report under the `Reports` tab to view transactions that do not have tracking codes. This can help you determine whether tracking codes were accidentally forgotten.

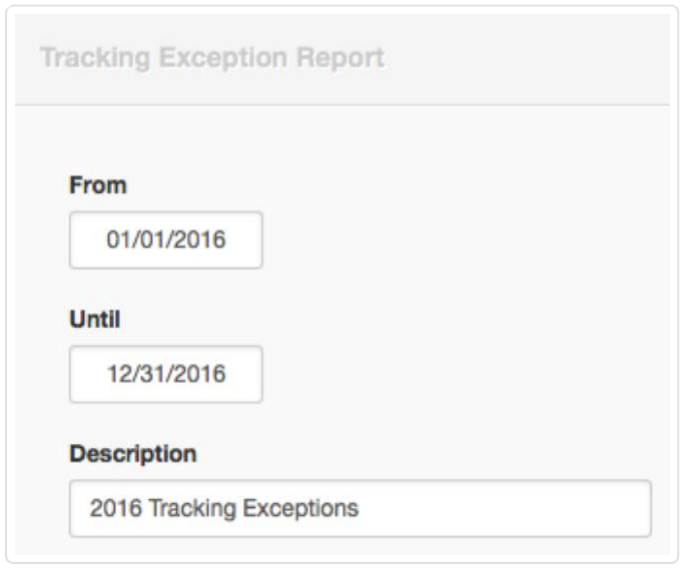
2.4.2 Correct missing tracking codes

When tracking codes are used to separate income and expenses for different divisions, locations, or projects, it is important that tracking code designations not be accidentally omitted from transactions. To review and **correct missing tracking codes**, use the Tracking Exception Report.

In the `Reports` tab, select `Tracking Exception Report` :



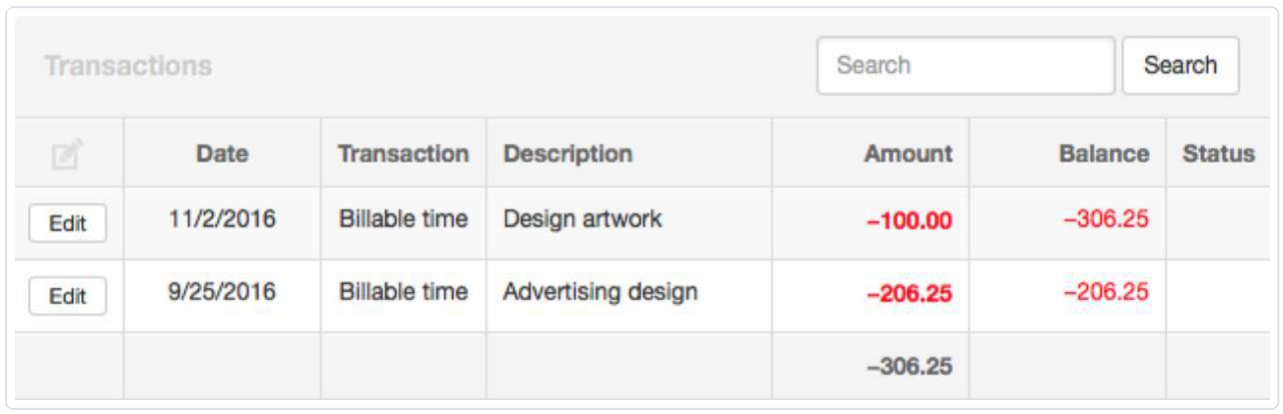
If a report for the desired time period has already been created, click `View`. If a report has not yet been created, click `New Report` and define the desired report:



Click `Create` to save the report. The resulting report lists all income and expense accounts, by group, that have transactions without assigned tracking codes:



Drill down on an individual account by clicking its balance:



`Edit` transactions to add tracking codes. Be sure to click `Update` to save changes.

> **Note**
> Of course, Manager cannot determine whether assigned tracking codes are correct. It only knows when they are missing. Confirmation that assigned tracking codes are correct is a management activity.

2.5 Special Accounts

2.5.1 Use special accounts

Special accounts are custom subsidiary ledgers. In BILLBOOKS, subsidiary ledgers are used to record related transactions, such as those pertaining to a single customer, supplier, or type of asset or liability. They are summarized in a general ledger control account. Only the control account is reported on the Balance Sheet to reduce complexity. The balance of a control account equals the sum of balances of its constituent subsidiary ledger accounts.

BILLBOOKS includes several in-built control accounts that are activated as various functional tabs are enabled.

Examples
Accounts receivable is an in-built control account, where customer accounts are the subsidiary ledgers or subaccounts, and the sum of all customers' balances equals the balance of the *Accounts receivable* account on the Balance Sheet.

Inventory on hand is another in-built control account. Its subsidiary ledgers or subaccounts are the various inventory items. A Balance Sheet would be too long if the value of every item in inventory appeared individually.

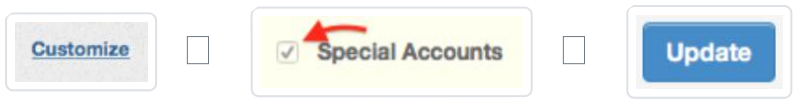
Some businesses may require special accounts because the in-built control accounts with their subsidiary ledgers are not suitable.

Examples
A real estate manager might require custom subsidiary ledgers to manage trust accounts for various properties in a portfolio. Rather than every property's trust account being displayed separately in financial reports, they can be summarized in a control account named *Trust funds payable*. Yet funds associated with different properties are separately identified in their own special accounts.

A designer and manufacturer of robotic fabrication equipment receives large advance deposits with sales orders. Because delivery of its customized products typically takes 18 to 24 months, the company prefers more visibility into customers' deposits than is furnished by Manager's normal handling under *Accounts receivable*. So it creates a custom control account, *Customer deposits* in the *Liabilities* group and uses special accounts as subsidiary ledgers for various customers' deposits. No matter how many customer deposits are received and eventually consumed, the Balance Sheet structure remains fixed from year to year, with only the one control account showing.

Enable the `Special accounts` tab

To create a custom subsidiary ledger, first enable the `Special Accounts` tab. Below the left navigation pane, click `Customize`, check the box for `Special Accounts`, and click `Update`:



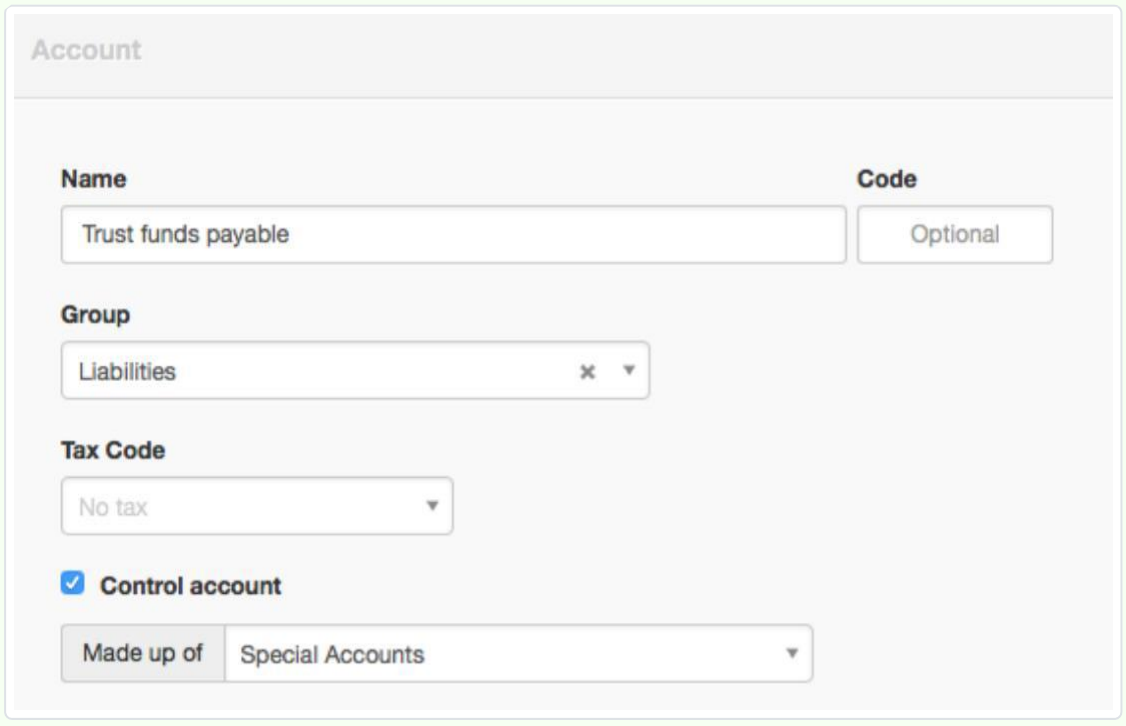
Create the control account

While special accounts will automatically be assigned to a default control account named *Special accounts*, you should normally create a new control account on the Balance Sheet for every new category of special account. Go to `Settings`, click on `Chart of Accounts`, then `New Account` on the Balance Sheet (left) side of the screen:



When defining the new account, check the box to indicate it is a control account. A `Made up of` dropdown box will appear. Choose *Special Accounts*.

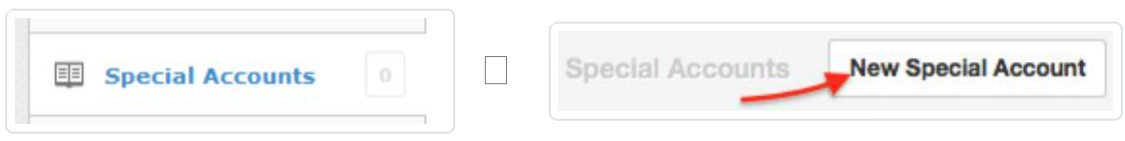
Example
The real estate property manager creates a control account named *Trust funds payable*:



You can have multiple control accounts made up of special accounts. This is useful if you require more than one category of custom subsidiary ledgers.

Create special accounts

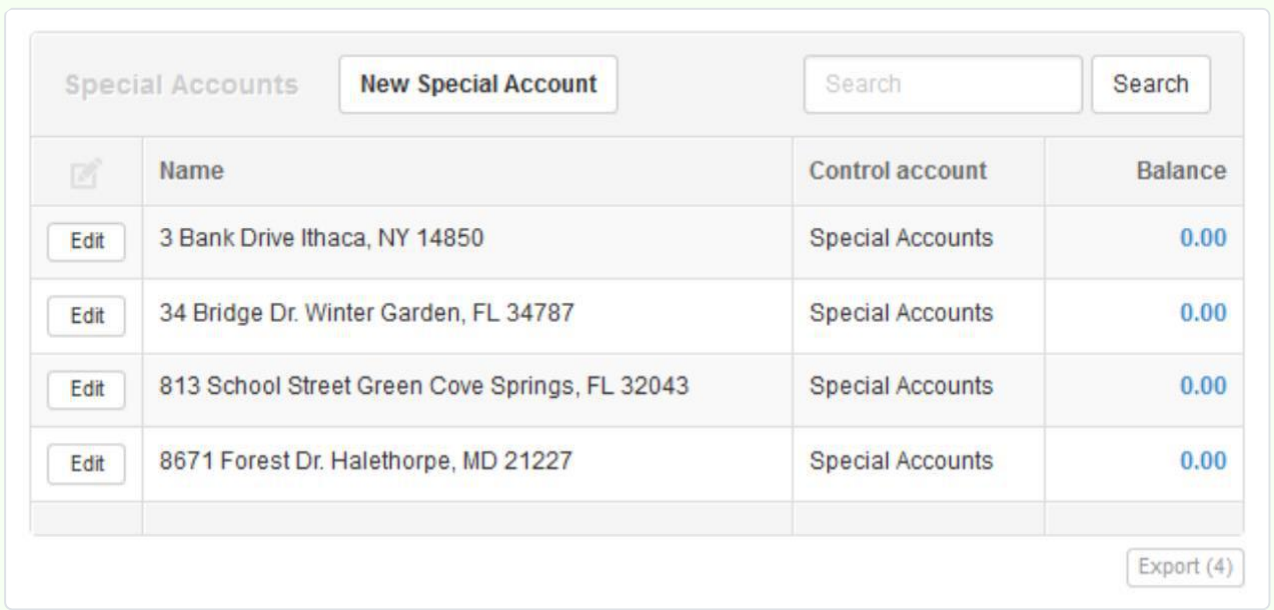
Return to the `Special Accounts` tab and click `New Special Account`:



As you define each special account, select your newly created control account in the `Control account` field:



Example
The property manager creates a new special account for each property she manages. These all show under the `Special Accounts` tab:

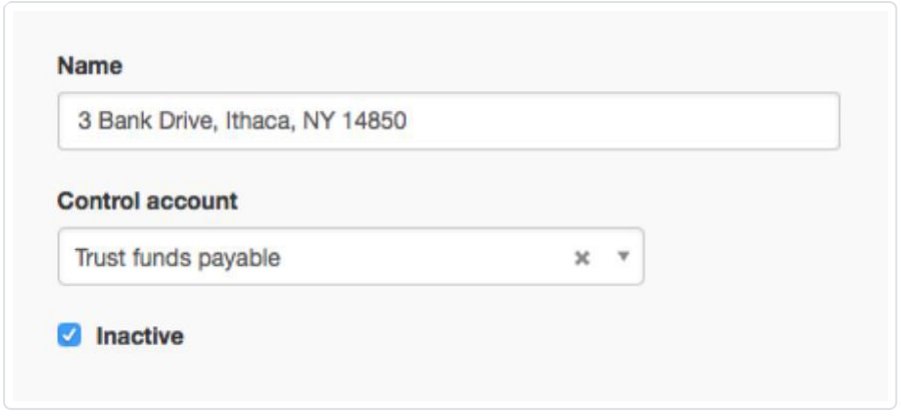


Special accounts can be used for most transactions as if they are regular accounts. When the control account is selected for a line item on a transaction entry form, another field appears for the particular special account.

Example
The property manager receives rent from a tenant and records the transaction under the `Receipts & Payments` tab:

Inactivate special accounts

If special accounts become obsolete, they cannot simply be deleted, because there are transactions that reference them. Instead, make them inactive by editing them and checking the `Inactive` box:



Inactive special accounts appear in gray at the end of the `Special Accounts` list. They can be reactivated after clicking the `Edit` button.

Other applications

Special accounts can be used for many purposes. If you have numerous loan accounts, rather than show them individually on a balance sheet, you can create all loans as special accounts within their own subsidiary ledgers, summarizing them in a single control account named *Loans*. This keeps your Balance Sheet concise enough to be easily analyzed, but lets you track what you owe on every loan.

You could also use custom subsidiary ledgers to track store credits given to customers (*e. g.*, gift cards or customer loyalty program bonuses). When a customer wants to use store credit, you can easily check the available balance in the `Special Accounts` tab, then apply it to a receipt.

Example
John Smith buys a $500 item, but has a $400 gift card, entered as a special account under a *Store credit* custom control account. Even though John forgot to bring the gift card with him, the store can look up his balance and apply it on a sales receipt:

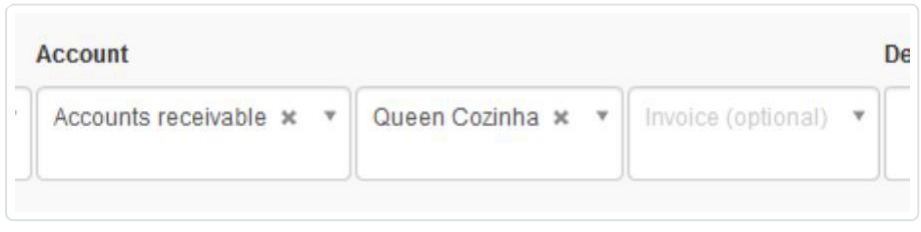


If John later brings the gift card to the store, trying to use the balance again, no credit will be available.

Note
Special accounts cannot be used for income or expense accounts on the Profit and Loss Statement side of the chart of accounts. They can only be used for Balance Sheet accounts in the *Assets*, *Liabilities*, or *Equity* groups.

2.5.2 Avoid automatic credit allocations with special accounts

By design, BILLBOOKS automatically applies receipts from customers or payments to suppliers to the sales or purchase invoice with the oldest due date if a specific invoice is not chosen during account selection:



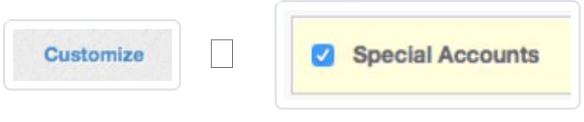
If there is no unpaid invoice, the receipt or payment amount is posted to *Accounts receivable* (for a customer) or *Accounts payable* (for a supplier) and automatically applied to the next sales or purchase invoice issued for the customer or supplier involved. This automatic credit allocation is the default process for handling deposits from customers or advance payments to suppliers.

You can **avoid automatic credit allocations** by creating a special account for the customer or supplier to hold credits until they are eventually allocated manually. This way, you can be sure receipts and payments are applied only to specific invoices.

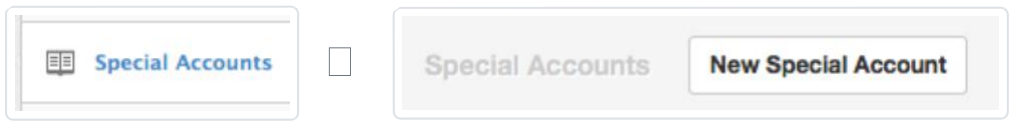
Note
The process described in this Guide is totally optional. Advances, deposits, and refunds are handled automatically during normal operation of Manager. But some users prefer to track them separately from ordinary *Accounts receivable* or *Accounts payable*, either for improved visibility in accounting records or for contractual reasons.

Set up the special account

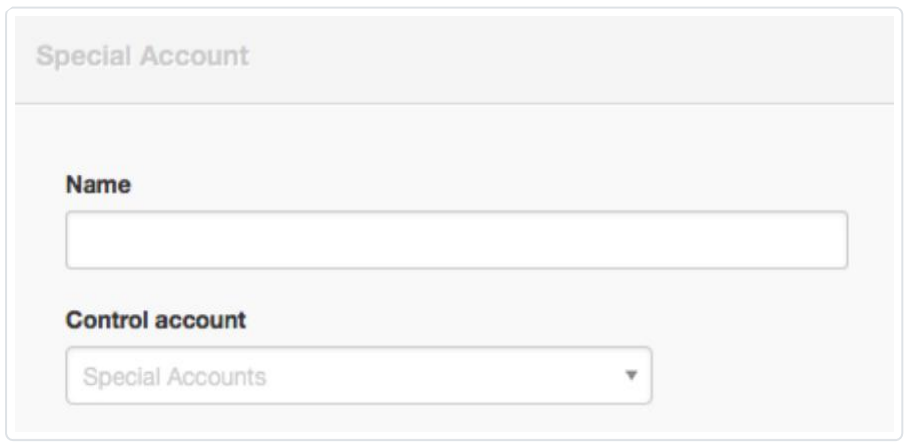
Enable the `Special Accounts` tab by clicking `Customize` below the left navigation pane, checking the box for `Special Accounts`, and clicking `Update` below the list:



Go back to the `Special Accounts` tab and click `New Special Account`:



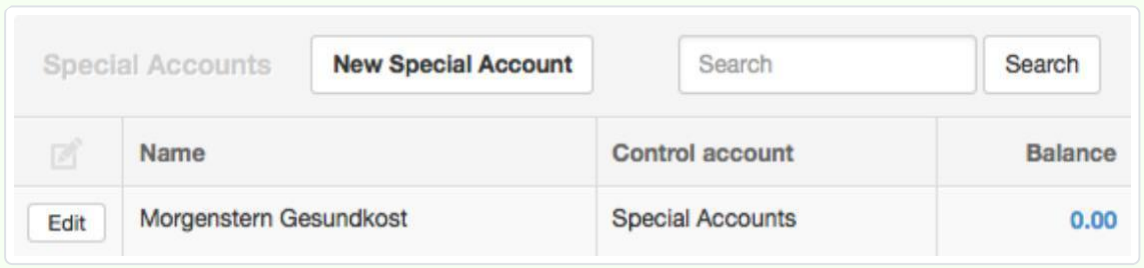
`Name` the account to match the customer or supplier. Leave the default `Control account` as *Special Accounts*:



Click `Create`.

Example

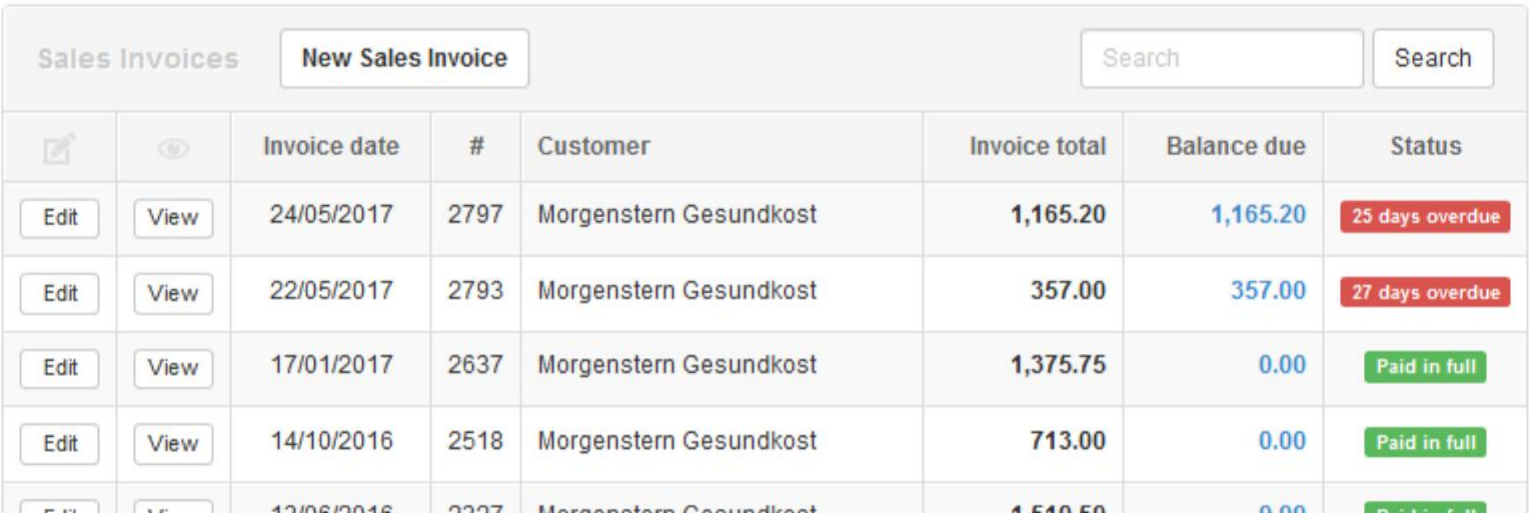
Northwind Traders has a customer named Morgenstern Gesundkost. Because Northwind expects deposits to be paid with orders, it establishes a special account for Morgenstern Gesundkost. The initial balance of the account is zero:



Use the special account

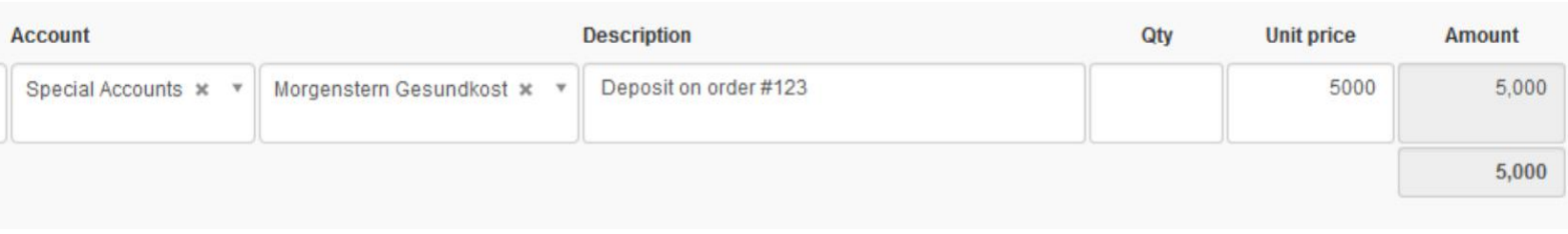
To avoid automatic credit allocations, post transactions to the special account instead of *Accounts receivable* or *Accounts payable* as you normally would.

Example
Morgenstern Gesundkost currently has two unpaid invoices:

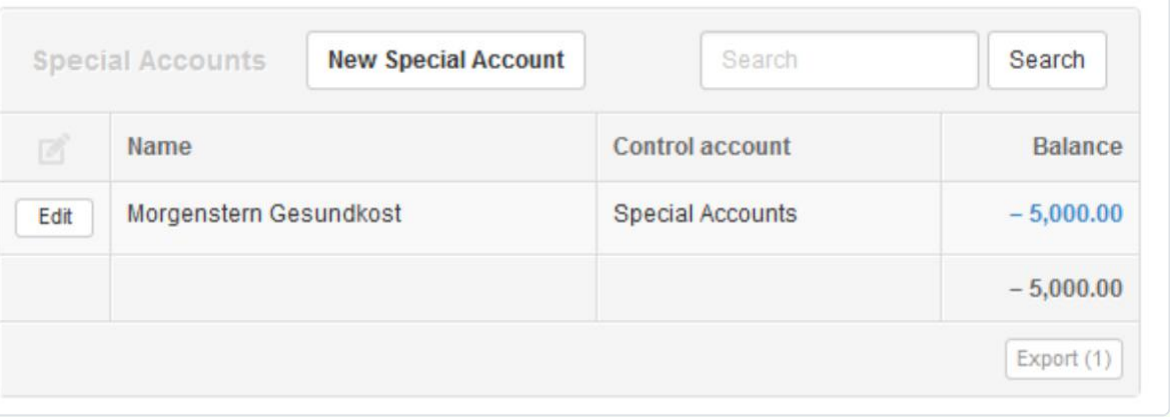


Morgenstern pays Northwind Traders a deposit of $5,000 on a new order. If Northwind posted money received from them to their ordinary customer account, $5,000 would be instantly applied to their two outstanding invoices, leaving a credit balance in *Accounts receivable*.

Instead, Northwind allocates $5,000 to Morgenstern's special account:



After the transaction is created, Morgenstern's invoices remain unpaid and their balance under the `Special Accounts` tab shows a credit of $5,000:

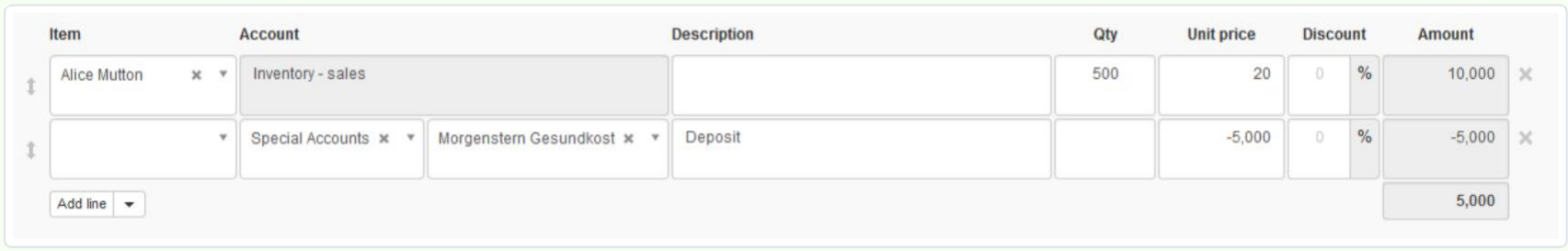


Allocate the credit manually

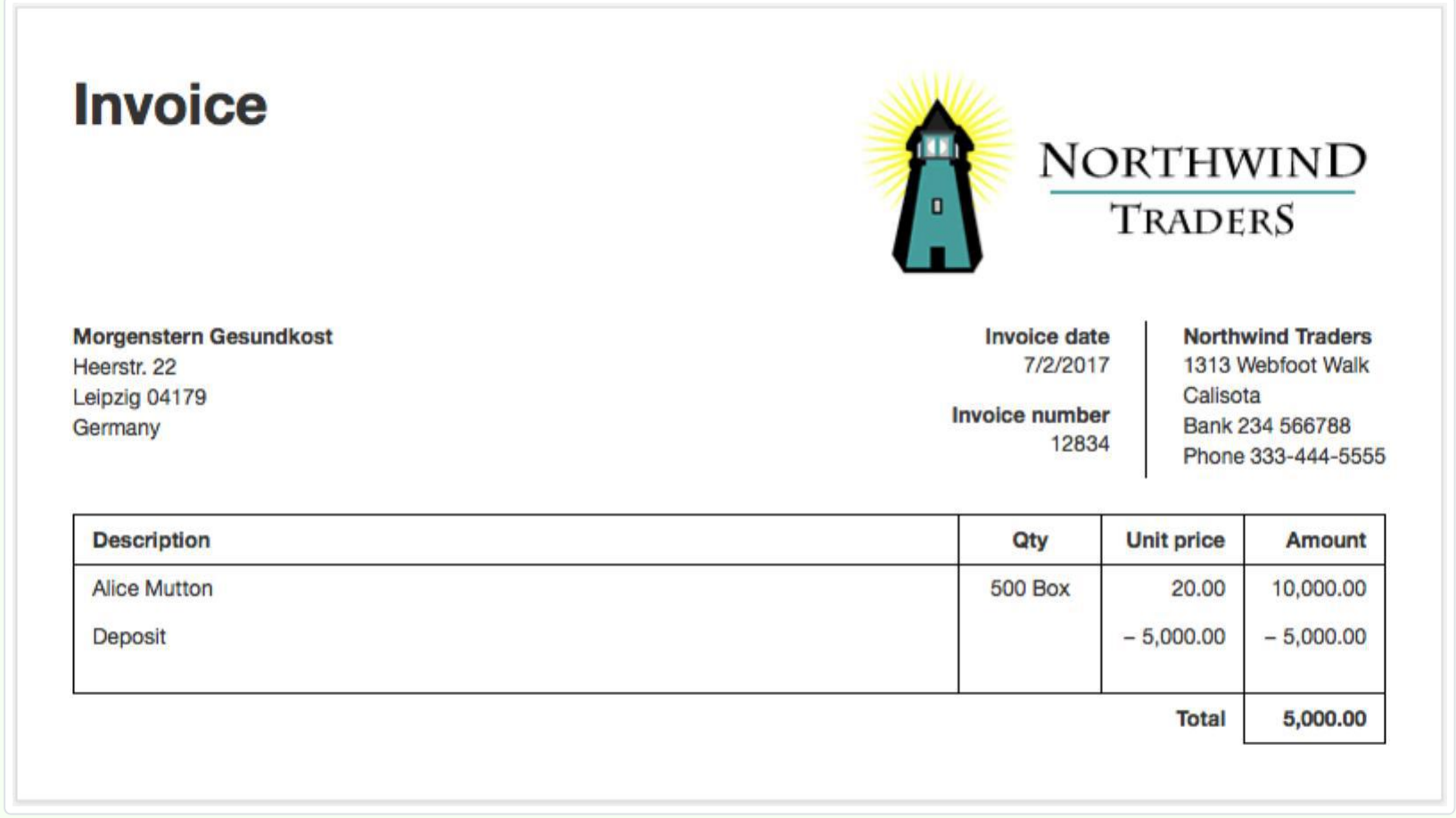
To apply the credit manually to an invoice, simply add a new line item with a negative amount equal to the deposit in the special account.

Example

When Northwind raises a sales invoice for the order to which the deposit applies, it adds a new line item as described above:



This results in a new invoice for the difference between purchased items and the earlier deposit. The balance under `Special accounts` goes to zero:



Invoice

NORTHWIND TRADERS

Morgenstern Gesundkost
Heerstr. 22
Leipzig 04179
Germany

Invoice date
7/2/2017

Invoice number
12834

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Description	Qty	Unit price	Amount
Alice Mutton	500 Box	20.00	10,000.00
Deposit		– 5,000.00	– 5,000.00
		Total	**5,000.00**

Notes

By default, *Special accounts* appears in the *Assets* group of the Balance Sheet when the first special account is created. Customer deposits of the type illustrated in the examples above contribute to the account balance as negative amounts. Deposits paid to suppliers appear as positive amounts. If your *Special accounts* balance is usually negative, you may want to move it to the *Liabilities* group by editing the account under `Settings` `Chart of Accounts`.

The examples shown illustrate a deposit by a customer and application to a sales invoice. Procedures for deposits to suppliers and application to purchase invoices are similar, but the initial payment is a `New Payment` rather than a `New Receipt` transaction.

2.6 Starting Balances

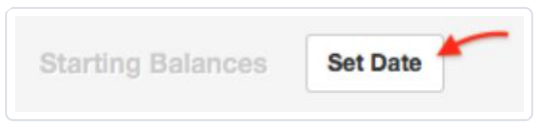
2.6.1 Set start date

A **start date** should be set only when migrating an ongoing business to BILLBOOKS. The purpose of a start date is to allow closing balances from the previous accounting system to be entered as starting balances in BILLBOOKS. When BILLBOOKS is used from the beginning of business activities, a start date is not necessary.

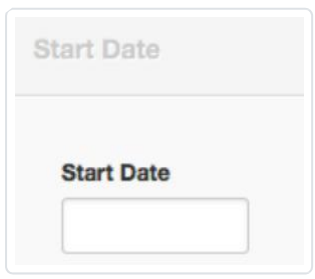
Go to the `Settings` tab and click `Starting Balances`:



Click on `Set Date`:



Enter the desired `Start Date` and click `Update`:



Notes
Transactions dated prior to the start date will be ignored by Manager, except those used to establish starting balances.

2.6.2 Enter starting balances

Starting balances are used when migrating accounting for an entity to BILLBOOKS from a prior accounting system. They can be set only for balance sheet accounts or, when appropriate, for their subsidiary ledgers. (See information below.) They are not used for new businesses just beginning operation. Starting balances on the start date for BILLBOOKS should equal ending balances for equivalent accounts in the old accounting system.

Note
Starting balances cannot be set for accounts on the profit and loss statement, because balances of such accounts depend only on transactions during the current financial period.

Set a start date

Starting balances cannot be entered unless a start date is set. To set a start date, following procedures in this Guide.

Enter starting balances

To enter starting balances, go to the `Settings` tab and select `Starting Balances`:



A list of current balance sheet accounts will appear.

Example

Sample Consulting, a sole trader, switches its accounting to Manager at the beginning of calendar year 2018. It sets its start date accordingly, and its balance sheet accounts are listed. All starting balances are initially zero:

Starting Balances | Set Date

	Account	Debit	Credit
	Assets		
	Accounts receivable	0.00	
Edit	Billable expenses	**0.00**	
Edit	Billable time	**0.00**	
	Cash at bank	0.00	
	Cash on hand	0.00	
	Fixed assets	0.00	
	Fixed assets, accumulated depreciation	**0.00**	
	Liabilities		
	Accounts payable		0.00
Edit	Tax payable		**0.00**
	Equity		
Edit	Owner's equity		**0.00**

Note

Starting balances are initially listed in `Debit` or `Credit` columns according to account types. For more information about whether an account is a debit or credit account, see this Guide. If a balance later changes to the other category, Manager will move it to the opposite column.

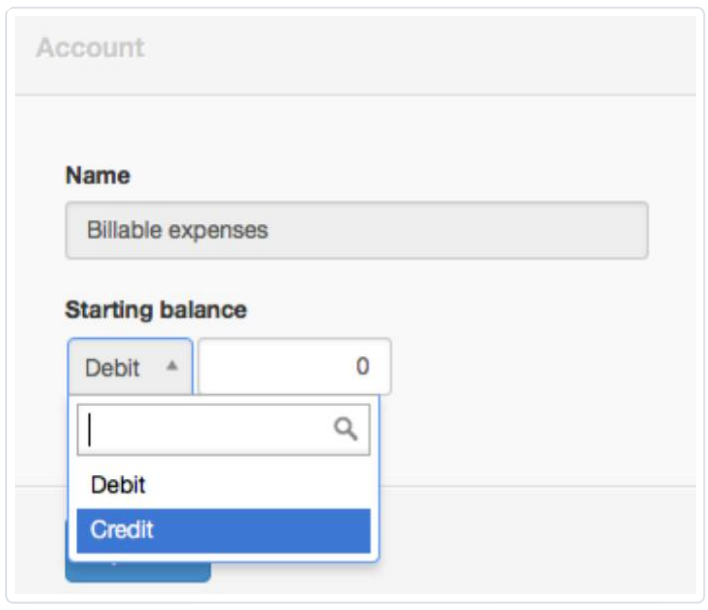
Once the list appears, there are two methods for entering starting balances, depending on the nature of the account:

- By clicking `Edit` for ordinary accounts
- By clicking on the blue starting balance figure for control or special accounts

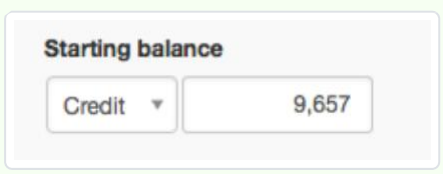
BILLBOOKS allows only one method for any account, so you cannot choose incorrectly. A few automatically created contra accounts, such as *Fixed assets - accumulated depreciation*, allow neither option. This is because starting balances for these accounts are entered on the same screen as their corresponding ordinary accounts. (See the second Example below.)

Starting balances for ordinary accounts

For accounts with an `Edit` button, click the button. Select whether the starting balance is a debit or credit from the dropdown list, enter the balance (always as a positive number), and click `Update`:



Example
On its start date, Sample Consulting has a liability in its *Tax payable* account for VAT collected from customers but not yet paid to the tax authority. So it enters a starting balance credit:



Starting balances for control or special accounts

For accounts with a blue starting balance link, click the link. A list of subsidiary ledgers or accounts will appear. Accounts of this type include:

- *Accounts receivable* and *Accounts payable*
- *Cash at bank* and *Cash on hand*
- *Fixed assets* and *Intangible assets*
- *Inventory on hand*
- *Employee clearing account*
- *Capital accounts*
- Custom control accounts
- Special accounts

Depending on the exact nature of the subsidiary ledgers, they may offer either `Edit` buttons, additional blue links, or both. Steps for entering starting balances should be intuitive. Always remember to click `Update` when finished.

Example

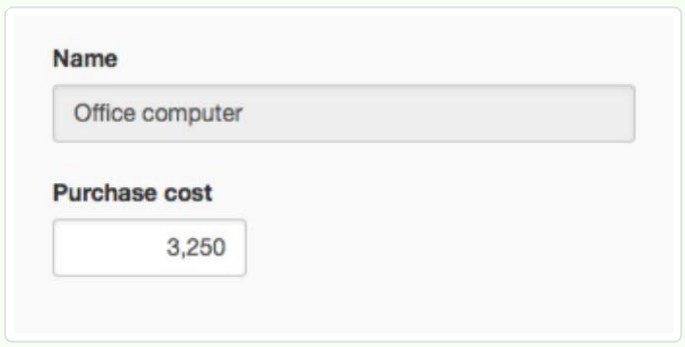
Sample Consulting has one fixed asset, its office computer. So two companion accounts are included on its balance sheet, *Fixed assets* and *Fixed assets - accumulated depreciation*. Fixed assets all have their own subsidiary ledgers, so no `Edit` button appears for either account:



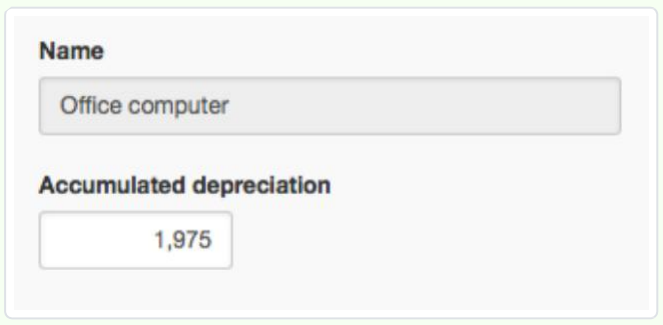
When the balance for *Fixed assets* is clicked, the computer asset is listed:



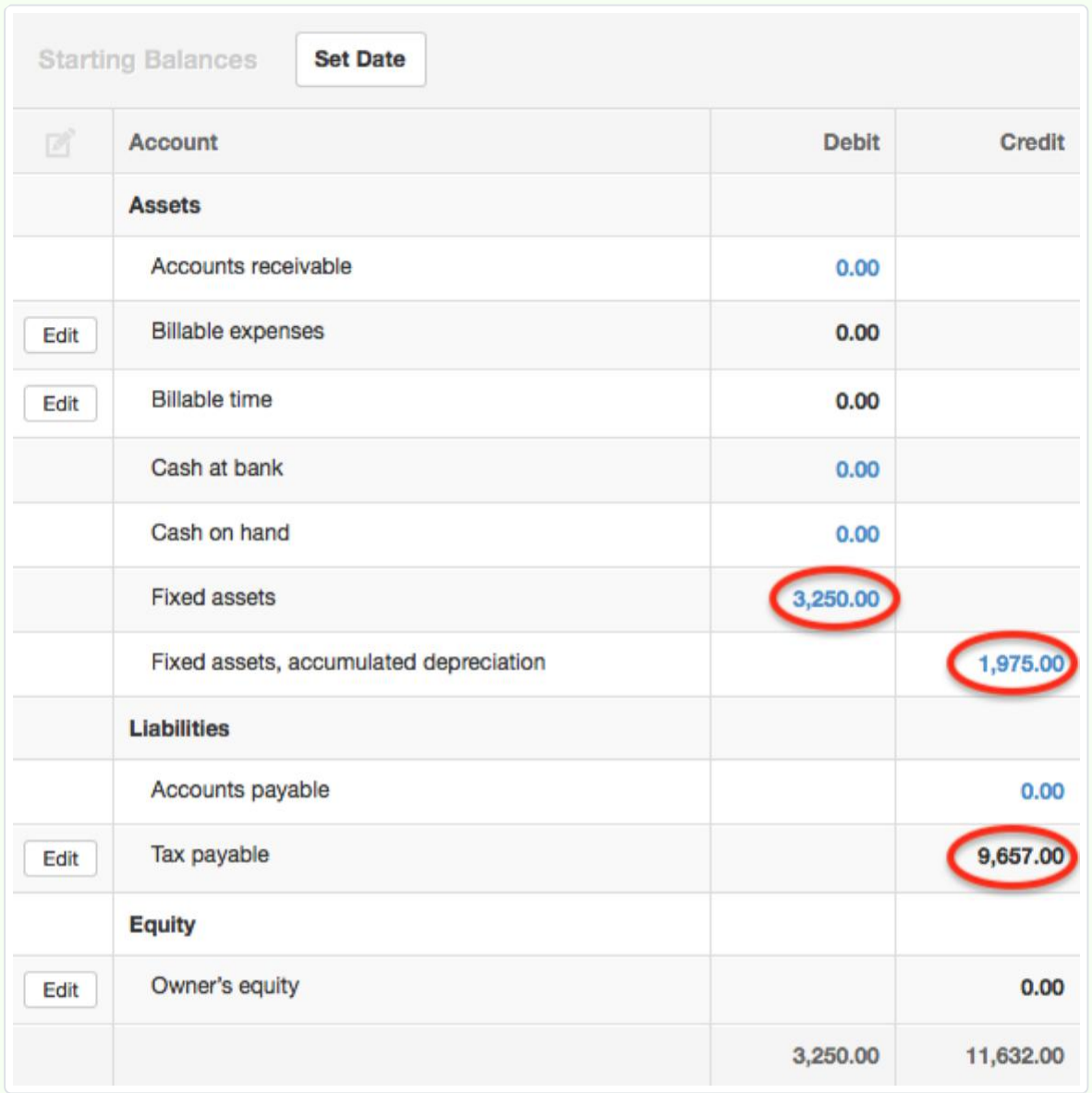
When the `Edit` button is clicked, Sample Consulting enters the original purchase cost of the computer from its old accounting system:



Returning to the Starting Balances list, Sample clicks the balance for *Fixed assets, accumulated depreciation*, then `Edit` for the computer, and enters the accumulated depreciation to date from the old accounting system:



After `Update` is clicked, all three modified accounts show their correct starting balances:



Pending invoices and bank transactions

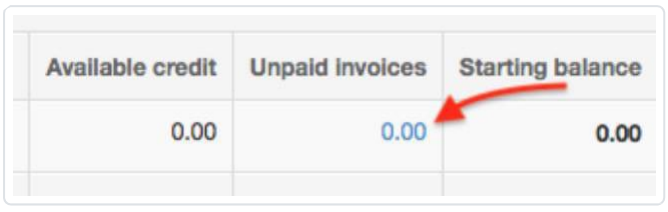
Some starting balances in the second category above (control and special accounts) require additional steps. A simple, summary balance at the subsidiary ledger level would not be sufficient, because future transactions or events (after the start date) may be linked to prior ones (before the start date). Therefore, the prior transactions must be entered, with transaction dates before the start date.

BILLBOOKS uses these pre-start-date transactions only to establish starting balances. It ignores them for reporting during the current financial period. Such transactions include:

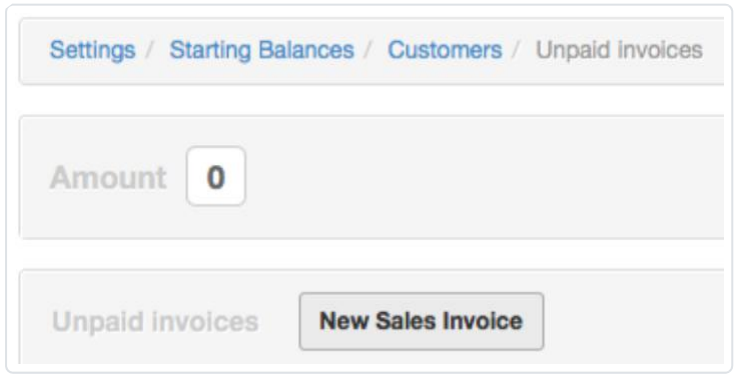
- Unpaid sales and purchase invoices
- Pending bank transactions

Unpaid invoices

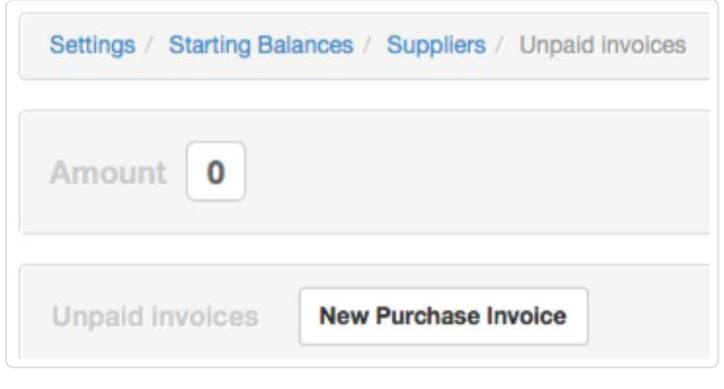
Unpaid sales and purchase invoices are entered after first clicking the blue balance of *Accounts receivable* or *Accounts payable*, respectively, then clicking on the `Unpaid invoices` balance:



Buttons appear for creating new invoices:



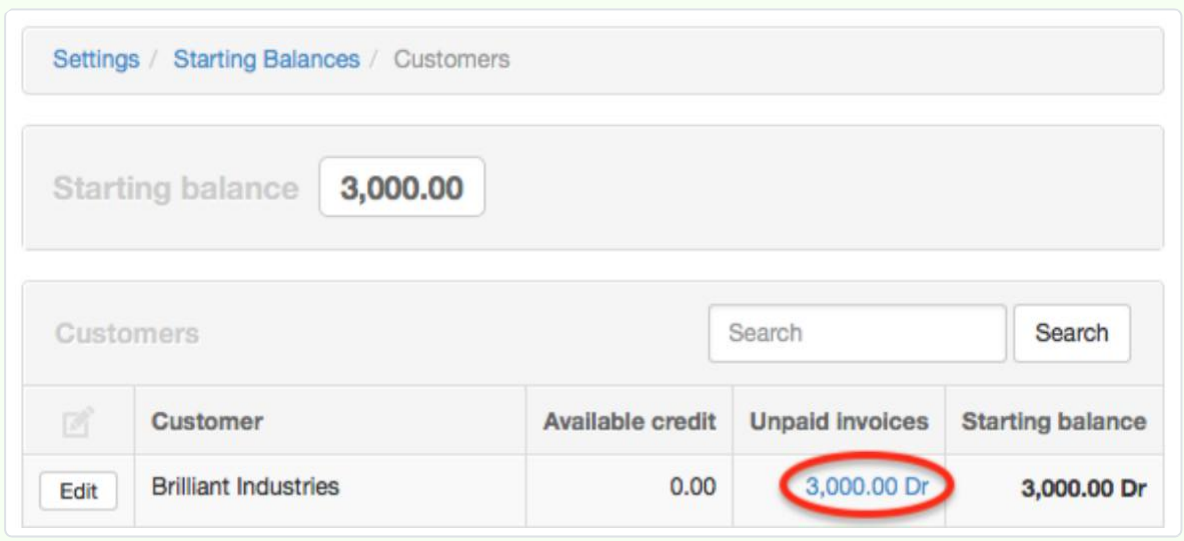
OR



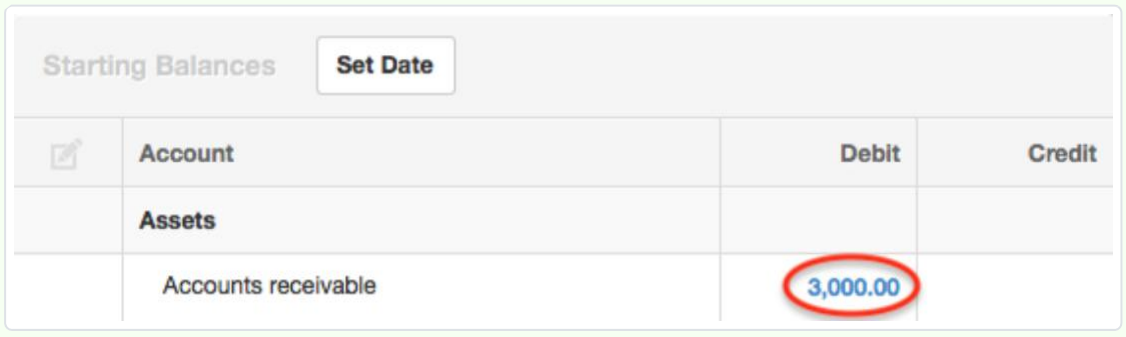
The invoices are created exactly as usual, but with dates before the start date, as they were entered in the prior accounting system.

Example

On its start date, Sample Consulting has an overdue sales invoice issued to Brilliant Industries last year. It enters the invoice using the process described. The unpaid invoice shows in the `Unpaid invoices` starting balance ledger for Brilliant Industries:



The starting balance for the *Accounts receivable* control account also reflects the change:

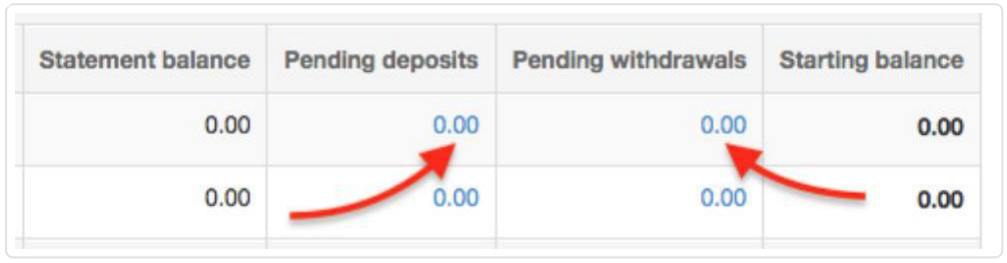


Note

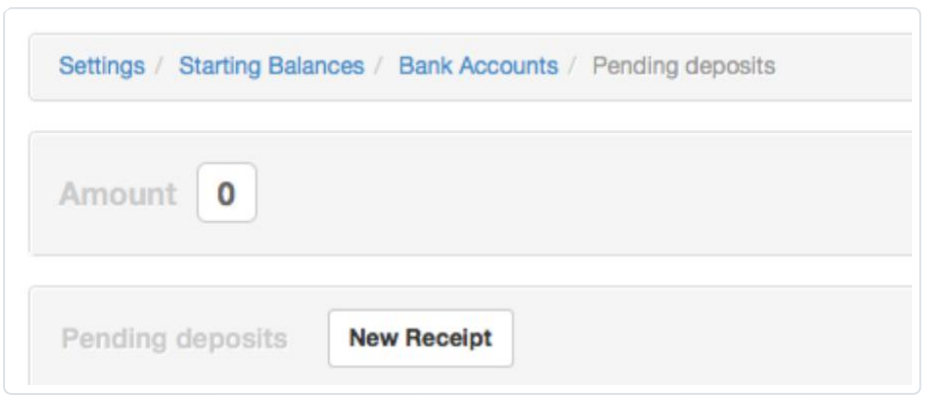
More information about starting balances for customers is here. More information on suppliers is here.

Pending bank transactions

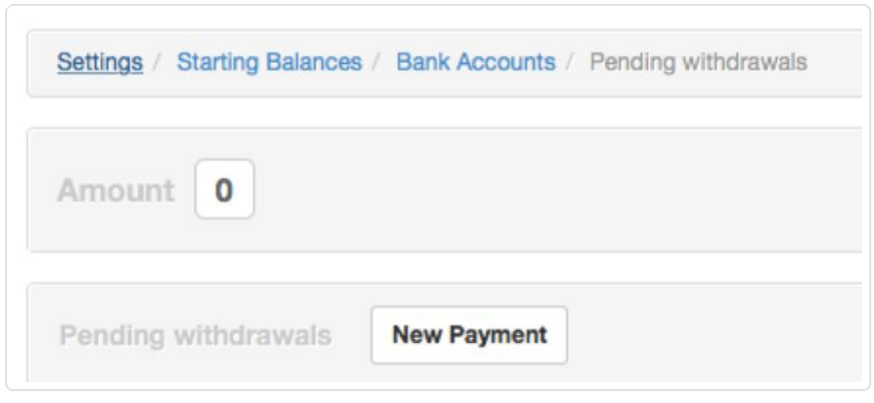
Pending bank transactions are entered after first clicking the blue balance of *Cash at bank* (or the relevant control account if bank accounts have been set up under different reporting accounts), then clicking on the blue balances for `Pending deposits` or `Pending withdrawals`:



Buttons appear for creating new bank transactions:



OR



Again, transactions are entered as usual, with dates from before the start date.

Chapter 3: Customizing a Business

BILLBOOKS includes many features for customizing your business' look to the outside world. It also allows customization of inputs and displays to streamline your internal workload.

3.1 Business Logo

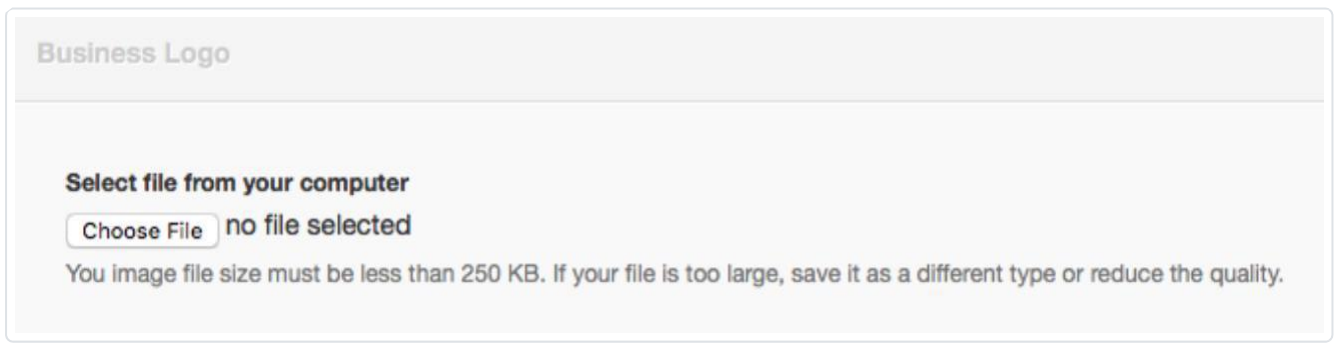
3.1.1 Add or change a business logo

Add a logo

To **add a logo** to transaction forms, go to the `Settings` tab and click `Business Logo`:



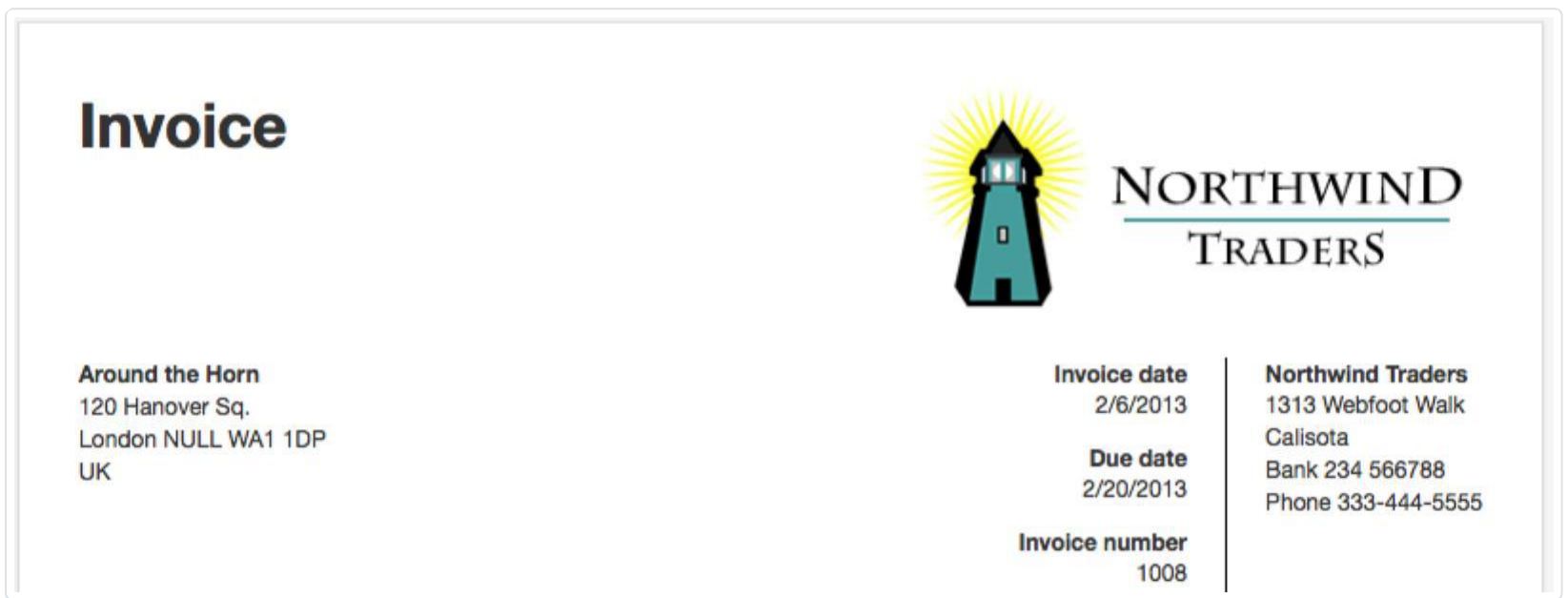
Browse to the graphic file containing your logo and select it. BILLBOOKS will accept most standard graphic file formats:



Click `Update` when your file has been selected. The logo in use will be displayed on the `Business Logo` screen:



It will appear on all forms in the default theme and wherever included in coding for other in-built or custom themes:



Change a logo

To **change a logo**, go to the `Settings` tab and click `Business Logo`. Click `Delete`.

If you want to replace the logo, add the new one as described above.

3.2 Custom Fields

3.2.1 Use custom fields

Custom fields help tailor BILLBOOKS to specific needs of your business, accounting workflow, and local laws and customs. They can be added to forms, accounts, definitions, and displays to record and present information not essential to operation of the program.

Custom fields can be added for most functional tabs enabled in the left navigation pane:

- Bank and cash accounts
- Receipts and payments
- Inter account transfers
- Expense claims
- Customers and suppliers
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices
- Delivery notes and goods receipts
- Credit and debit notes
- Inventory items
- Inventory transfers
- Inventory write-offs
- Production orders
- Employees
- Payslips
- Billable time entries
- Fixed assets
- Capital accounts
- Journal entries
- Folders

They can also be added for several categories in the `Settings` tab:

- Inventory kits
- Non-inventory items
- Withholding taxes (for tax withheld at source, **not** payroll withholding, which is set up as a payslip deduction item)



Notes
Custom fields for individual line items can also be created for some transaction forms. Those are explained in another Guide.

Earlier versions of BILLBOOKS included many non-essential fields on transaction entry forms. This practice took up unnecessary screen space and added needless complexity to the program. Upon update to the current version, any non-essential fields with content are converted automatically to custom fields with the same labels. So no data is lost. Now, entry screens can contain only information you desire or the program requires. And you have the option to purge unnecessary data from old records.

Custom fields are unique to the tab, form, account, or item for which you create them. Fields created for one form are not automatically available on other forms. This separation helps you customize forms without unnecessarily cluttering others. On the other hand, fields created for accounts and items may be available on multiple forms or displays where those accounts or items are used. Regardless of where they are created, though, custom fields are not available in situations where they would be pointless.

Just as custom fields do not automatically appear on other forms, contents entered in a field for one transaction do not automatically appear in a field for a related transaction, even if the fields have the same label. However, if a transaction containing custom fields is copied to another type transaction for which custom fields with identical labels have been created, contents of the custom fields will be transferred.

Note
If default content for the destination form has been set under `Form Defaults` in the `Settings` tab, content from the source form will override default content.

Example 1
You create a custom field, `Delivery route`, for sales invoices to help plan daily delivery schedules. You also create a custom field labelled `Delivery route` for delivery notes.

You next create a sales invoice and enter *Route #1* into the custom field. The content of this field will not carry forward to a delivery note created in the ordinary way in the `Delivery Notes` tab. But if you use the `Copy to` button to create a delivery note from the sales invoice, *Route #1* will transfer.

Example 2
You add a custom field, `Point of contact`, for your customers, and set it to show on printed documents. This field will be visible for every form where customers are included, such as sales quotes, sales orders, sales invoices, delivery notes, etc. The field is unique to the customer, not any single form. Note, however, that because the field is not associated with any form, it does not appear on the input screen for a sales-related transaction, only on the completed form when it is viewed.

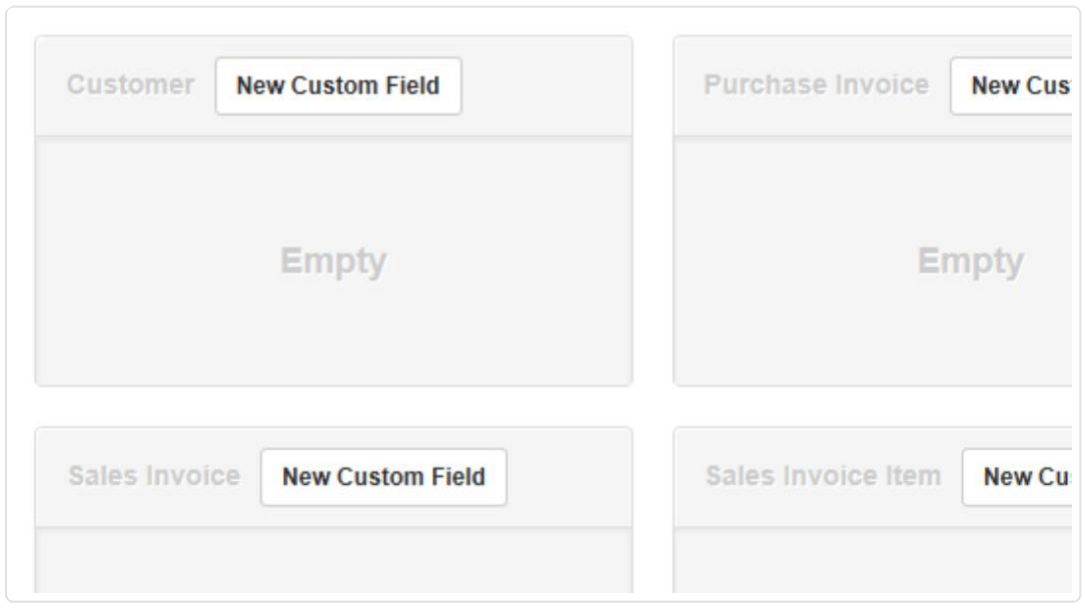
Example 3
You define a custom field for inventory items, `Country of origin`. This field can appear in the `Inventory Items` tab listing, and shows when editing individual inventory items. But it does not appear when inventory items are entered as line items on forms. (If you want country of origin to appear on sales invoices, for example, you must include that information in the `Description` field or a line-item custom field.)

Creating custom fields

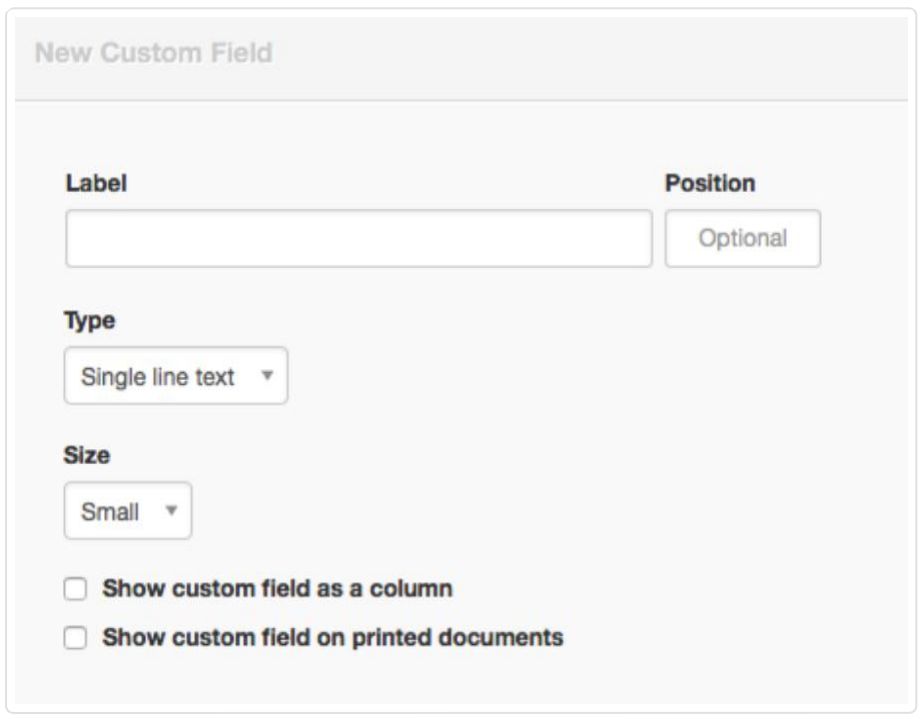
To create a custom field, go to the `Settings` tab and click `Custom Fields`:



The screen will show a `New Custom Field` button for each form, account, or item you have enabled.



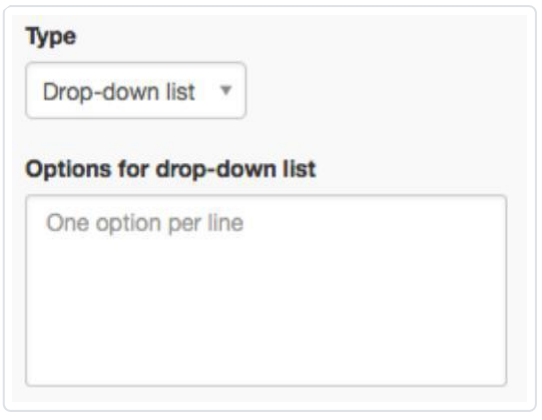
Click the relevant `New Custom Field` button and complete the definition:



- `Label` is your assigned name for the custom field. This label will appear where appropriate on forms or displays to designate the field. So it should be something you are willing for customers and suppliers to see.

- `Position` controls the order in which custom fields appear. Enter a number, if desired.

- `Type` lets you choose *Single-line text*, *Paragraph text*, *Dropdown list*, *Image*, *Date*, or *Number* as the nature of the field. *Dropdown list* in the `Type` field brings up a new window, `Options for drop-down list`, where you can enter fixed choices for the list:

- `Size` allows a choice of *Small*, *Medium* or *Large* for either text type. Your selection will alter the size of the field on the entry screen so you know how much text will fit.

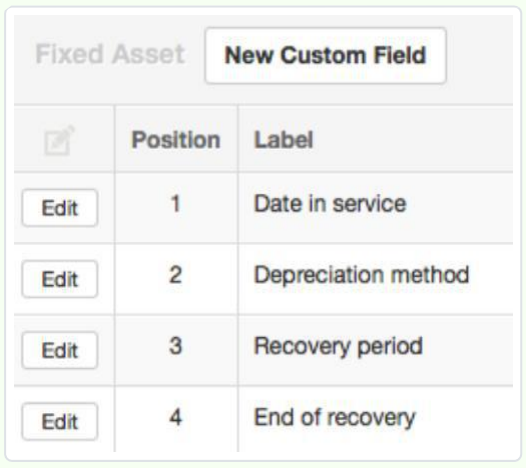
- Check `Show custom field as a column` if you want the field to be included in listings of the relevant tab.

- Check `Show custom field on printed documents` to display the field on forms.

Click `Create` to save the custom field. Later, the field can be edited. Be sure to click `Update` after editing.

Example 4

Roger, the accounting BILLBOOKS at Northwind Traders, wants to closely monitor depreciation and disposition of fixed assets to be certain the company follows prescribed accounting standards. He creates four custom fields for the `Fixed Assets` tab. All are single-line text and designated to show as columns:



When Roger views the `Fixed Assets` tab, he sees a more complete picture of the company's fixed assets:

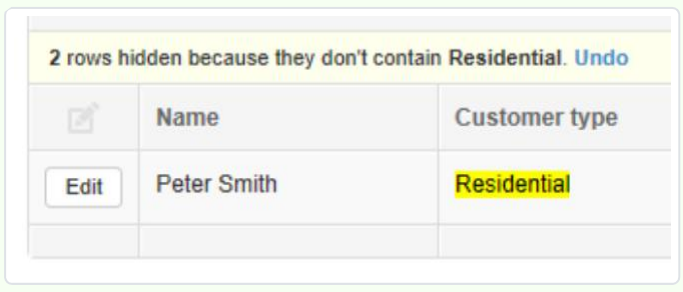


Example 5

Anastasia sells her glass artwork both to wholesale corporate distributors and directly to residential customers. To remind herself of discount rates and payment terms, and to simplify marketing campaigns, she establishes a custom field, `Customer type`, in the `Customers` tab. She sets it to show as a column:



Before mailing a new brochure targeting residential customers, she uses the `Search` function to filter her customer list:



Example 6

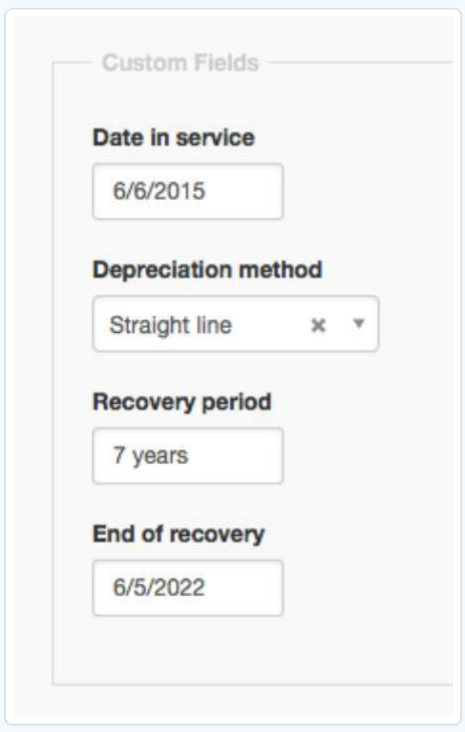
ModTek Design Associates wants its customers to know which partner has reviewed and approved billings. It creates a

custom field for the `Sales Invoices` tab, labelling it `Approved by`. The field will show at the bottom of the sales invoice:



Notes

Entry screens always show custom fields, labelled as such. For example:



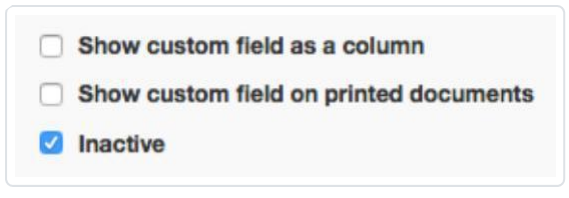
But fields show on completed forms and as display columns only when they contain an entry **and** the field has been defined to show on the relevant form or display.

Field type applies only to the form on which the entry is first made. When forms containing custom fields are copied to other forms with identical labels, the type of field does not matter. So for example, an entry in a single-line text field will be copied to a custom field of the dropdown list type, regardless of the options normally available in the dropdown list.

Lastly, default text that you want to appear in a custom field on all new forms should be entered under Form Defaults for that transaction form.

Making custom fields inactive

BILLBOOKS will not allow custom fields to be deleted if they have already been used. If a field outlives its usefulness, check the box to make it inactive (the box does not appear when custom fields are first being created):



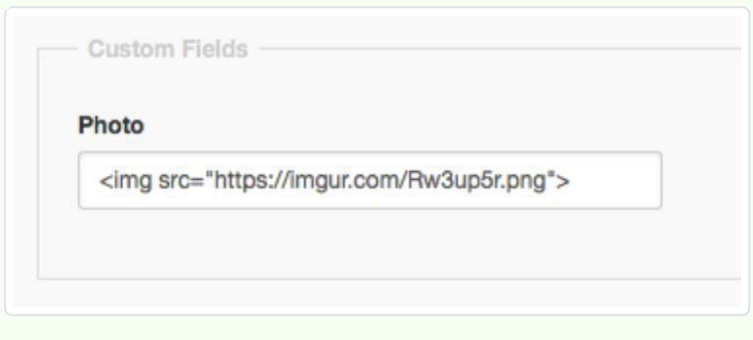
Inactive custom fields appear in gray at the end of lists. They can be reactivated by clicking `Edit` and unchecking the box. Always click `Update` after editing.

3.2.2 Add an image to a custom field

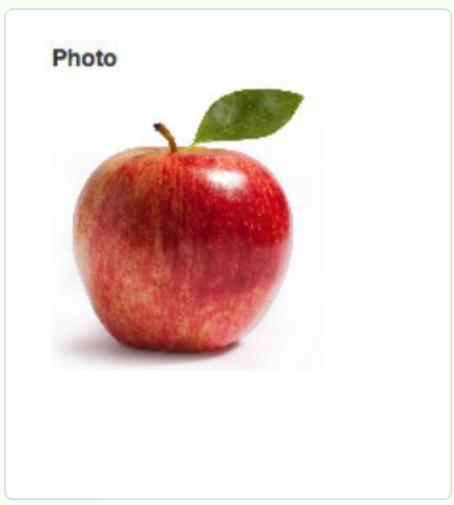
One of the field types allowed for custom fields is ***Image***. After the field is defined under `Settings`, image content can be added on the relevant transaction form or under `Form Defaults` for the form for which you have created the custom field.

Rather than incorporate the image itself into BILLBOOKS's business data file, the image must be stored at a web-accessible location. HTML code is entered into the custom field referencing the URL of the stored image.

Example
A custom field for sales invoices is defined, with a `Label` of *Photo*. The custom field is defined to show on printed documents. On a sales invoice, the following HTML code is inserted, referencing a photograph of an apple:



The resulting sales invoice shows the custom field with the photograph:



Notes
Resize large images before storing them.

Custom fields will accept additional HTML style attributes.

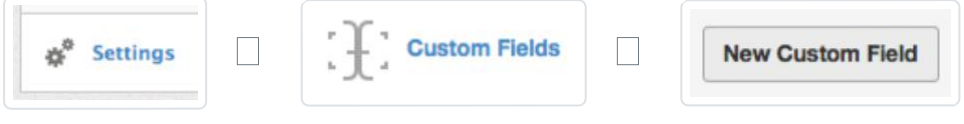
3.2.3 Add custom fields for individual line items

You can **add custom fields for individual line items** in addition to those created for various transaction forms. This capability is supported for line items on:

- Sales and purchase invoices
- Sales and purchase orders
- Sales quotes
- Credit and debit notes
- Delivery notes
- Goods receipts

Caution
Although line-item custom fields and their contents are replicated when a transaction is cloned, they **do not** carry over to line items on other forms, even when the `Copy to` function is used. This is because transferring information in custom fields to different circumstances would rarely be desirable. However, line-item custom fields with identical names can be created for more than one form, providing locations for manual information transfer when appropriate.

To create a line-item custom field, go to the `Settings` tab, click `Custom Fields`, then find the list with `-Line` appended to its name for the form to which you are adding the field. Click `New Custom Field` for that list:



- Give the custom field a `Label`, which will appear as a column heading.
- Enter an optional, numerical `Position`. All custom fields appear after `Description` and before `Qty`.
- Unless the custom field is for internal purposes only, check the box to `Show custom field on printed documents`.

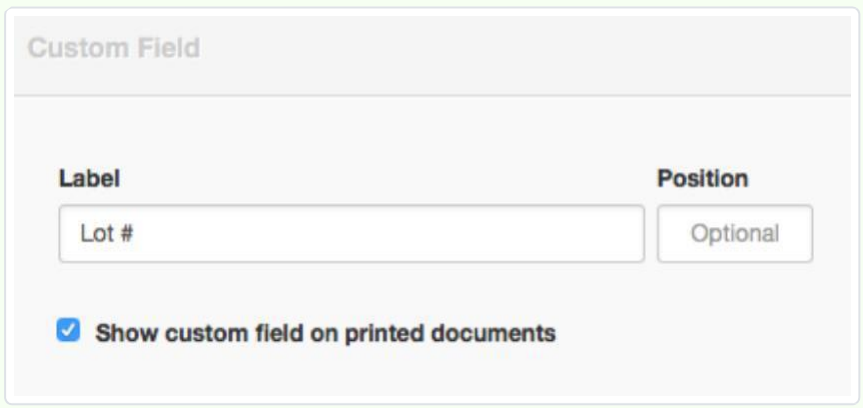
Click `Create` to save the custom field.

Note
Multiple lines of text can be entered in line-item custom fields. Simply hit the `Return` key to add another line.

Example

Northwind Traders sells caviar and needs to include lot numbers on sales invoices for warranty purposes, but doesn't want to include them in descriptions of inventory items. So Northwind creates a line-item custom field under `Custom Fields`:

Northwind labels this custom field *Lot #* and checks the box to show it on documents:



`Lot #` is now an editable column when Northwind enters sales invoices:



Item	Account	Description	Lot #	Qty	Unit price	Amount
Röd Kaviar	Inventory - sales		123-456-789	1	15.00	15

It will show on the invoice as a custom column, too:



Description	Lot #	Qty	Unit price	Amount
Röd Kaviar	123-456-789	1	15.00	15.00
			Total	**15.00**

This feature is automatically supported across all custom themes



3.2.4 Move a custom field on transaction forms

By default, custom fields appear near the bottom of completed transaction forms. You can **move a custom field** so it appears somewhere else using a custom theme.

> **Note**
> This Guide applies to custom fields for transaction forms. It does not cover line-item custom fields, which appear on individual lines of the form and cannot be moved using techniques described here.

Create a custom field

First, create a custom field for the desired form, following instructions in another Guide. Make sure the custom field is marked to `Show on printed documents`. For purposes of illustration, a custom field labelled `Some Custom Field` will be used below. The field will show on the relevant transaction entry screen, and content can be entered by default or manually:



Create a new theme

Then go to `Themes` under `Settings` and create a new custom theme. You can create one from scratch after clicking the `New Theme` button or `View` an existing theme and `Copy to` *New Theme*.

Let's adapt the built-in, default theme and call our new theme *Plain (custom)*. When opened for editing, notice how lines 18-21 contain the following code:

```
{% for field in fields %}
<div style="font-weight: bold">{{ field.label }}</div>
<div style="margin-bottom: 10px">{{ field.text }}</div>
{% endfor %}
```

These 4 lines are responsible for showing transaction dates, reference numbers, etc., all of which are elements of an array named `fields` that is separately defined for each transaction type. If you want to show content of your custom field below these basic fields, insert the following two lines **after** `{% endfor %}`:

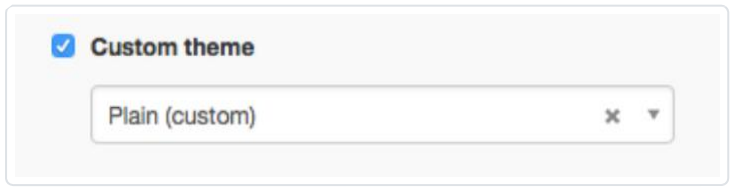
```
<div style="font-weight: bold">Some Custom Field</div>
<div style="margin-bottom: 10px">{{ custom_fields["Some Custom Field"] }}</div>
```

You will end up with:

```
{% for field in fields %}
<div style="font-weight: bold">{{ field.label }}</div>
<div style="margin-bottom: 10px">{{ field.text }}</div>
{% endfor %}
<div style="font-weight: bold">Some Custom Field</div>
<div style="margin-bottom: 10px">{{ custom_fields["Some Custom Field"] }}</div>
```

> **Note**
> When adding lines, substitute the actual label of your custom field for `Some Custom Field`.

`Create` or `Update` your custom theme. Edit the transaction form to which you want to apply your custom theme by checking the `Custom theme` box and selecting your theme:



When you view your transaction, your custom field will show below the basic fields in the header:

Suppress the duplicate custom field

You will notice your custom field now shows twice. The first place is in the heading, where you just added it. The second is at the bottom of the form where custom fields normally appear. To hide the second appearance, go back to edit your custom theme and find the following lines:

```
{% for field in custom_fields %}
    <tr>
        <td colspan="99">
            <div style="font-weight: bold; padding-top: 20px">{{ field.label }}</div>
            <div>{{ field.text | newline_to_br }}</div>
        </td>
    </tr>
{% endfor %}
```

After `{% for field in custom_fields %}` insert this line:

```
{% if field.label == 'Some Custom Field' %}{% continue %}{% endif %}
```

So you will have:

```
{% for field in custom_fields %}
{% if field.label == 'Some Custom Field' %}{% continue %}{% endif %}
    <tr>
        <td colspan="99">
            <div style="font-weight: bold; padding-top: 20px">{{ field.label }}</div>
            <div>{{ field.text | newline_to_br }}</div>
        </td>
    </tr>
{% endfor %}
```

This will cause the program to bypass your custom field when looping through and displaying any others you may have in the `custom_fields` array.

Note
When adding the line, substitute the actual label of your custom field for `Some Custom Field`.

Add conditional logic

If customization is to be applied only in certain situations, you need to add conditional logic to your theme. For example, suppose you have defined two custom fields, one for a `Customer Reference` number on sales invoices, the other for a `Supplier Reference` number on purchase invoices. But you want to insert whichever is appropriate for a transaction at hand using the same custom theme. You can insert the following code in the appropriate section of the theme:

```
{% if custom_fields["Customer Reference"] %}
<div style="font-weight: bold; padding-top: 10px">Customer Reference # : {{ custom_fields["Customer Reference"]
}}</div>
{% endif %}

{% if custom_fields["Supplier Reference"] %}
<div style="font-weight: bold; padding-top: 10px">Supplier Reference # : {{ custom_fields["Supplier Reference"]
}}</div>
{% endif %}
```

The program will test all custom fields incorporated in the form as it loops through them to see if they are `Customer Reference` or `Supplier Reference`. If one is present, its label and field content will be displayed. Otherwise, execution of theme code will continue without action.

3.3 Themes

3.3.1 Change the look of forms with themes

Themes change the overall design and presentation of forms and documents displayed or printed by BILLBOOKS. They provide a unified look for:

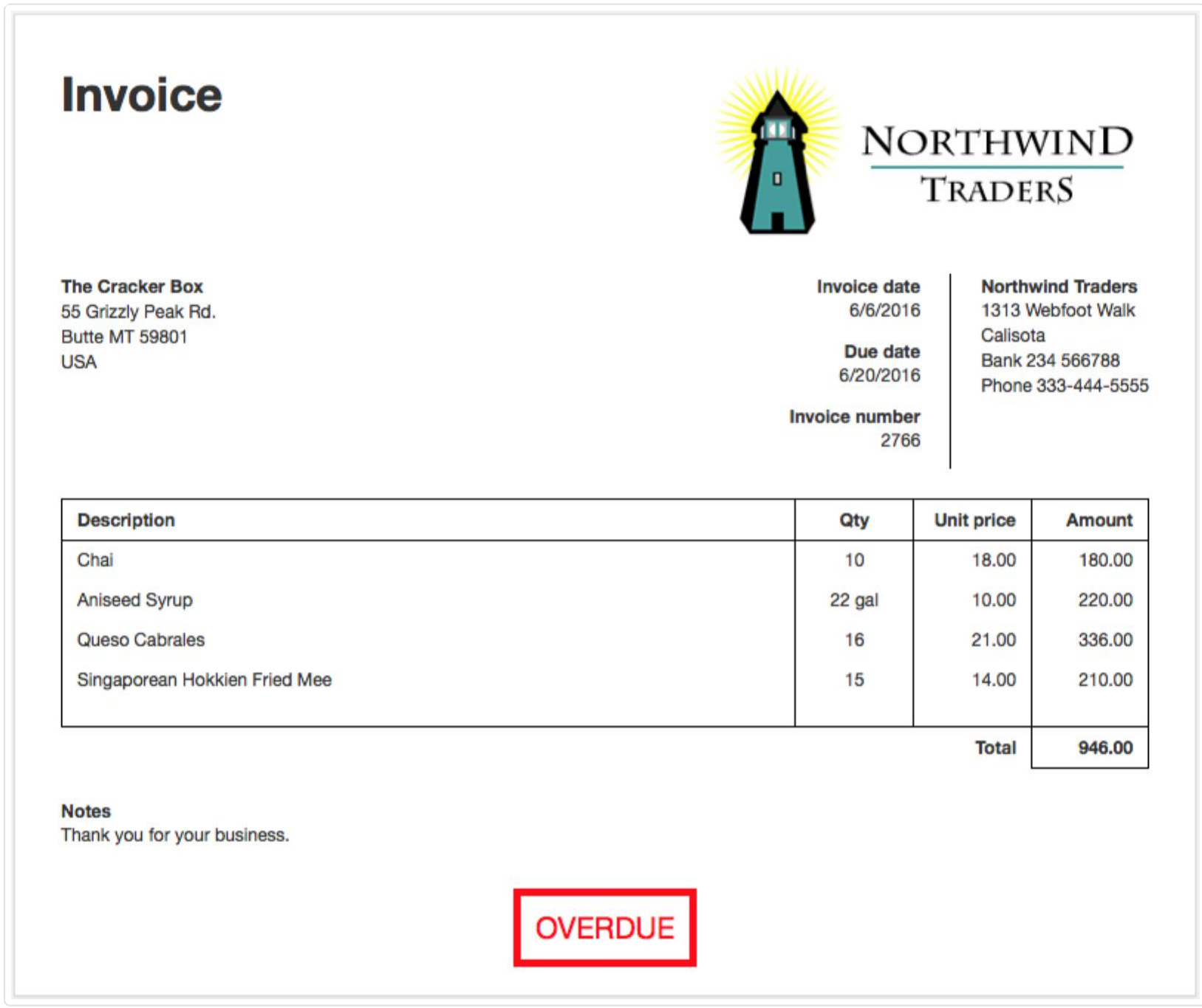
- Payments, receipts, and transfer vouchers
- Expense claims
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices
- Debit and credit notes
- Delivery notes and goods receipts
- Inventory transfers and write-offs
- Production orders
- Payslips
- Journal entries
- Customer and supplier statements



Note
Other than customer and supplier statements, themes do not affect the layout or design of reports.

Built-in, default theme

BILLBOOKS includes a built-in, default theme named *Plain*. This theme cannot be edited or deleted. But it can be tailored with unique business details and a logo. The title of the particular transaction form being displayed or printed appears at the upper left, as in this sales invoice:



Invoice

NORTHWIND TRADERS

The Cracker Box
55 Grizzly Peak Rd.
Butte MT 59801
USA

Invoice date
6/6/2016

Due date
6/20/2016

Invoice number
2766

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Description	Qty	Unit price	Amount
Chai	10	18.00	180.00
Aniseed Syrup	22 gal	10.00	220.00
Queso Cabrales	16	21.00	336.00
Singaporean Hokkien Fried Mee	15	14.00	210.00
		Total	**946.00**

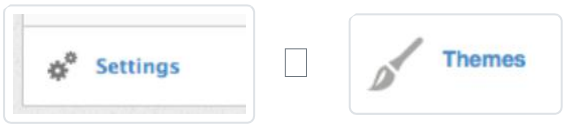
Notes
Thank you for your business.

OVERDUE

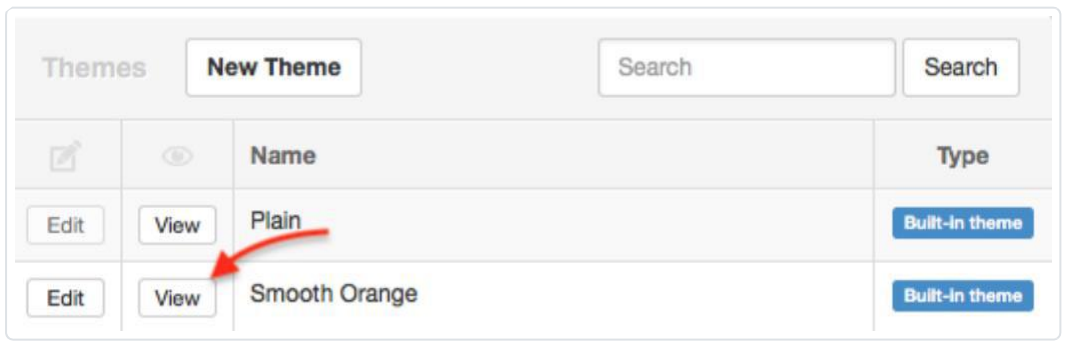
By design, BILLBOOKS minimizes displayed information. So fields not populated do not show. For example, in the illustration above, inventory codes are not present, so the `Code` column is not displayed. The *Plain* theme also incorporates Paid in Full and Overdue "stamps" that display at the bottom of sales invoices when appropriate.

Activating other built-in themes

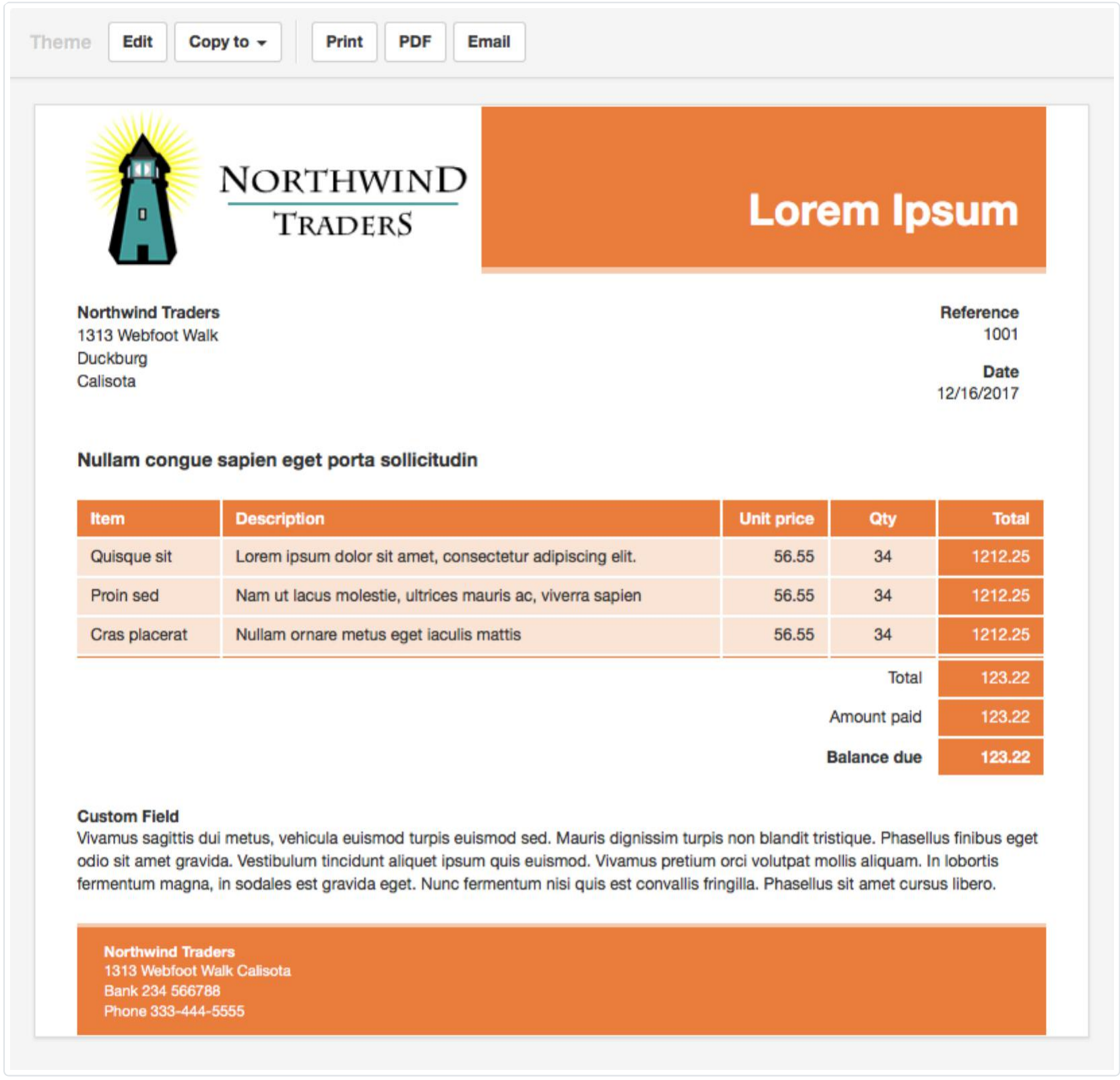
BILLBOOKS includes other built-in themes, too. New themes will continue to be added with future releases of the program. These are available under the `Settings` tab by clicking `Themes`:



To preview a theme, click `View` beside its name:



A large screenshot of the theme, populated with representative data, will appear:



Note
Theme previews do not represent any specific transaction form. They only display the general look of the theme and location of your logo and business details. Their content does not match what appears when using the theme.

To activate (or deactivate) the theme, click `Edit` and check (or uncheck) the box:



Note
All features of Manager are not supported by all built-in themes. Most do not include the Paid in Full and Overdue stamps for sales invoices without further modification. Be sure any theme you choose meets all your needs before committing to use it. (The built-in *Plain* theme supports all features.)

Adding custom themes

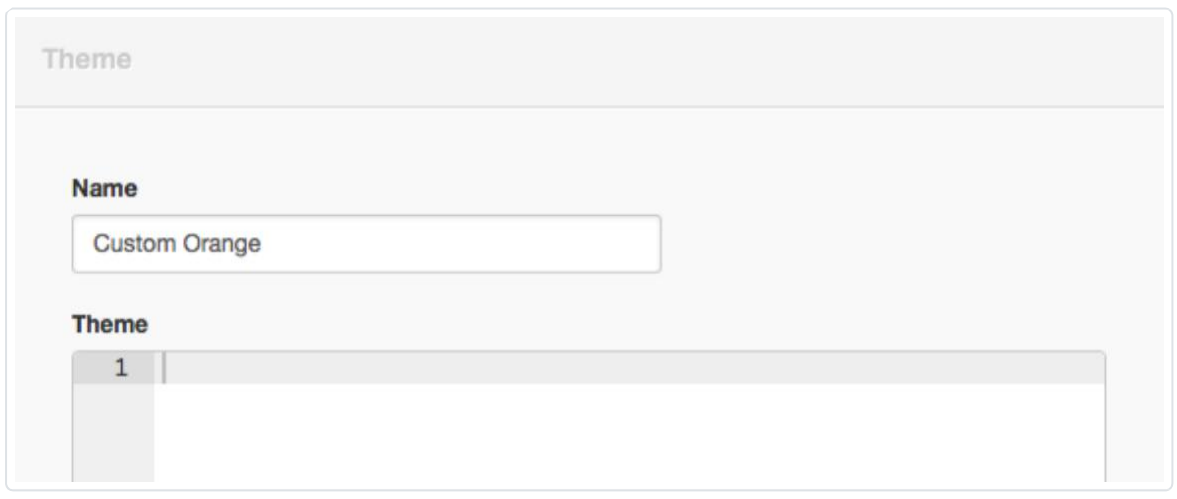
You can add your own custom themes. Themes are coded in the Liquid templating language. If you are not familiar with Liquid, check one of many educational web sites on the internet, such as https://shopify.github.io/liquid/. There are two methods for adding a custom theme:

- Write code from scratch
- Copy and modify a built-in theme

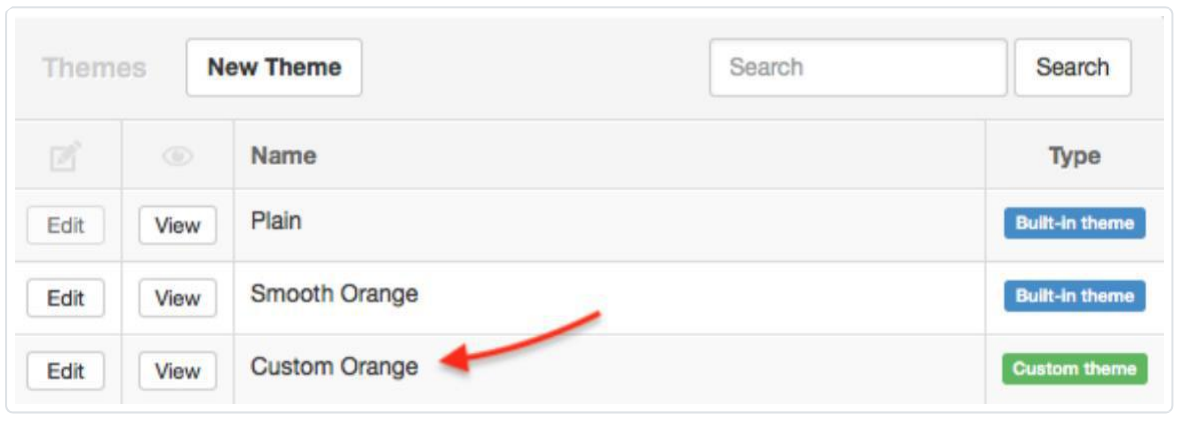
Write code from scratch

To write your own theme, select the `Settings` tab, then `Themes` and `New Theme`:

Give your new theme a `Name` and write code directly in the `Theme` code box:

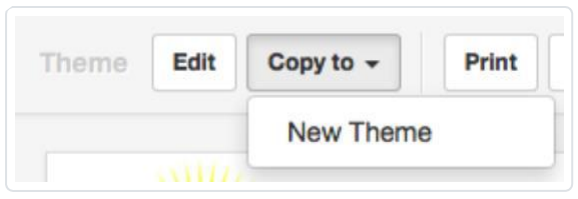


Click `Create`. Your theme will automatically become active and visible in the list of themes:

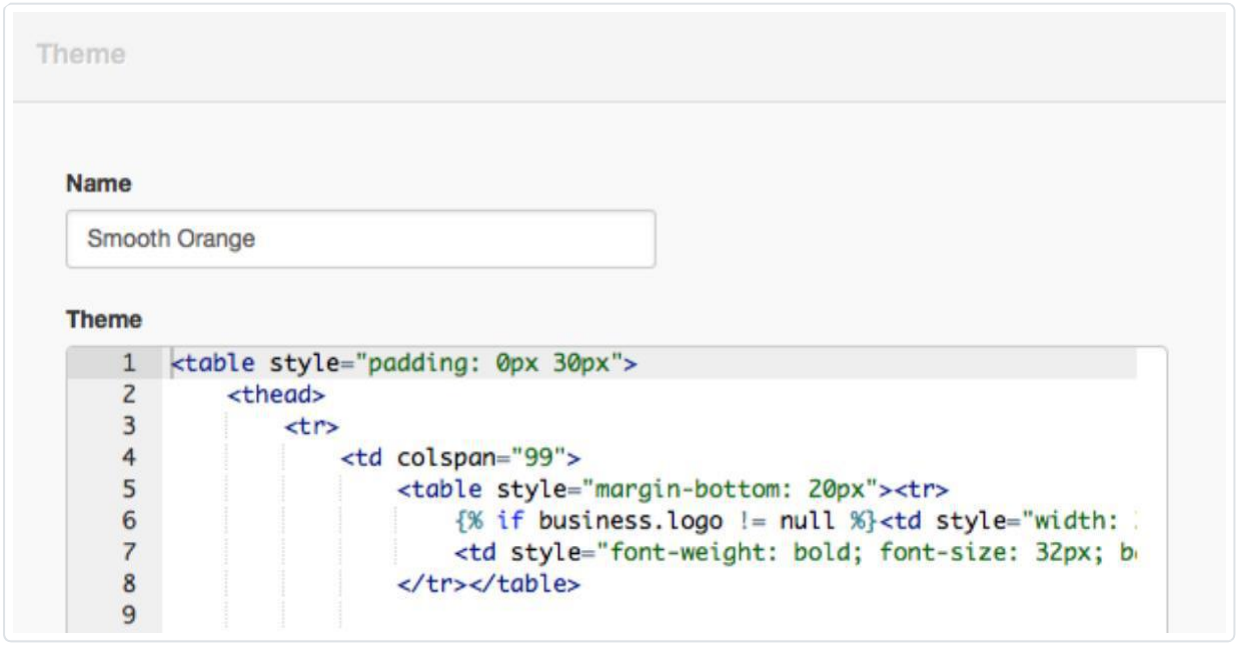


Copy and modify a built-in theme

An easier approach is to modify a built-in theme similar to what you need. While viewing that theme, click on the `Copy to` button and select *New Theme*:



The Liquid code for the built-in theme will appear in a code box:

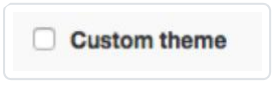


Rename the theme, modify the code, and click `Create`. Your new theme will become active.

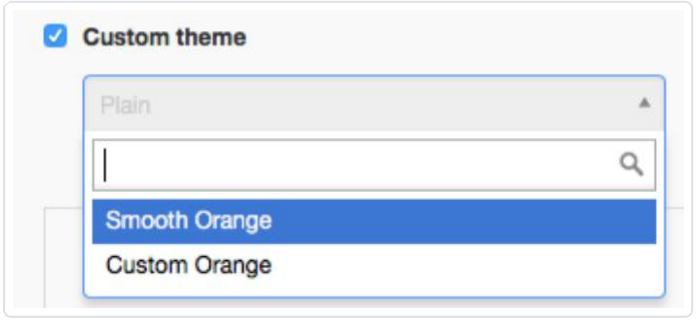
Note
Unlike built-in themes, custom themes cannot be deactivated except by deleting them.

Using themes

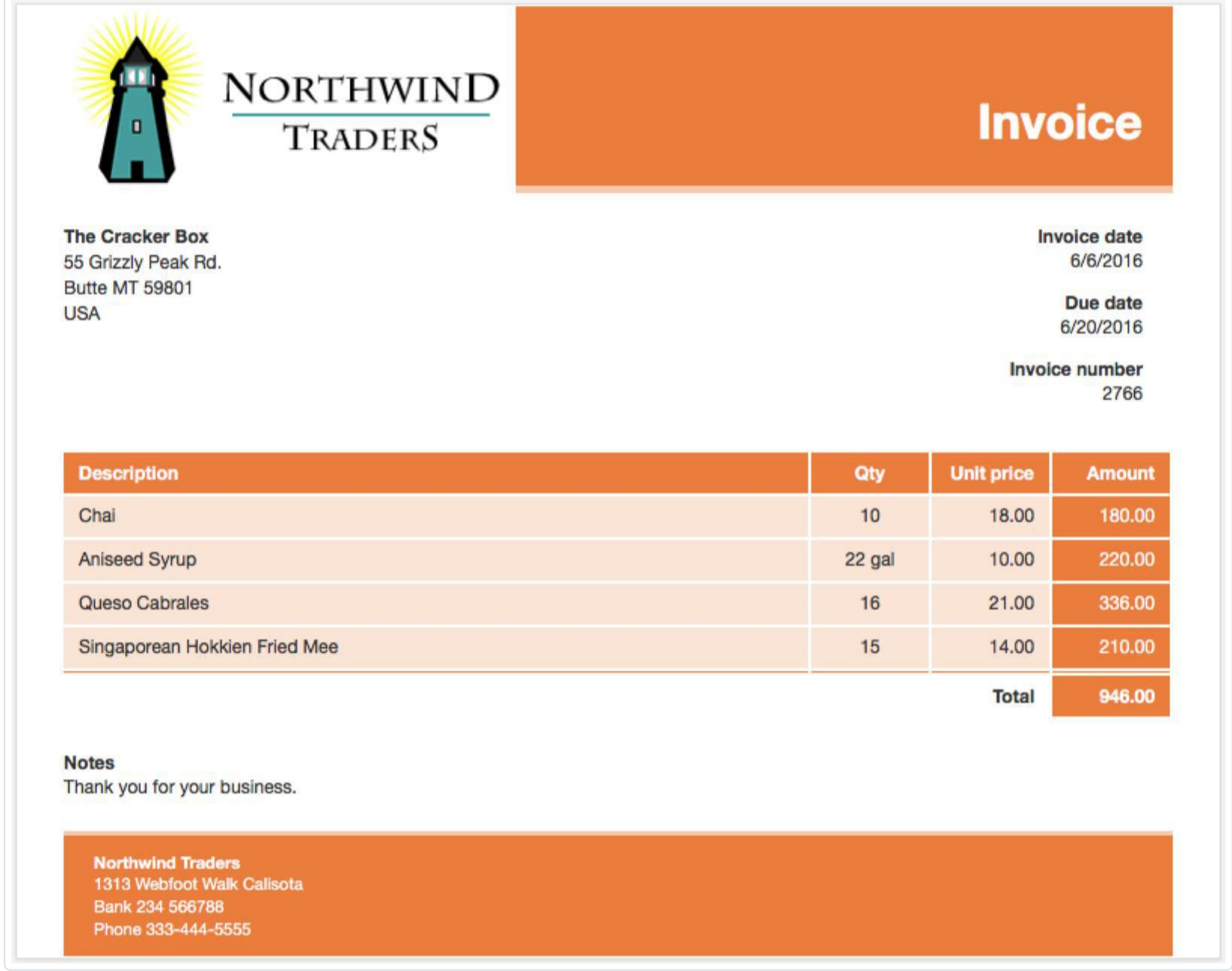
When at least one built-in or custom theme besides the *Plain* theme is active, transaction entry forms include a `Custom theme` checkbox:



To use a theme, check the box. A dropdown list of active themes will appear:



Select a theme, and the form will display with the new look:


NORTHWIND TRADERS

Invoice

The Cracker Box
55 Grizzly Peak Rd.
Butte MT 59801
USA

Invoice date
6/6/2016

Due date
6/20/2016

Invoice number
2766

Description	Qty	Unit price	Amount
Chai	10	18.00	180.00
Aniseed Syrup	22 gal	10.00	220.00
Queso Cabrales	16	21.00	336.00
Singaporean Hokkien Fried Mee	15	14.00	210.00

Total 946.00

Notes
Thank you for your business.

Northwind Traders
1313 Webfoot Walk Calisota
Bank 234 566788
Phone 333-444-5555

BILLBOOKS will remember the theme you have chosen for a particular form. However, all new forms will use the themes chosen for their form types in `Form Defaults` under `Settings` unless you change them.

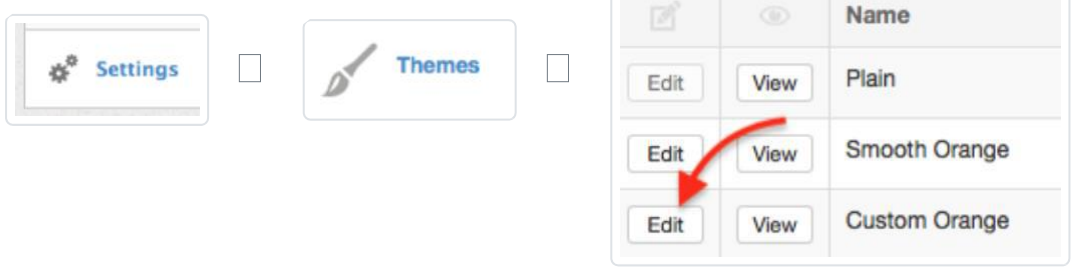
3.3.2 Customize themes

Themes can be customized in BILLBOOKS to include, exclude, or modify features or change placement of information. First, however, a custom theme must be added under `Settings`. Usually, the easiest approach is to copy one of the built-in themes and edit it. Themes can, however, be coded from scratch. Either way, new themes are added according to instructions in another Guide.

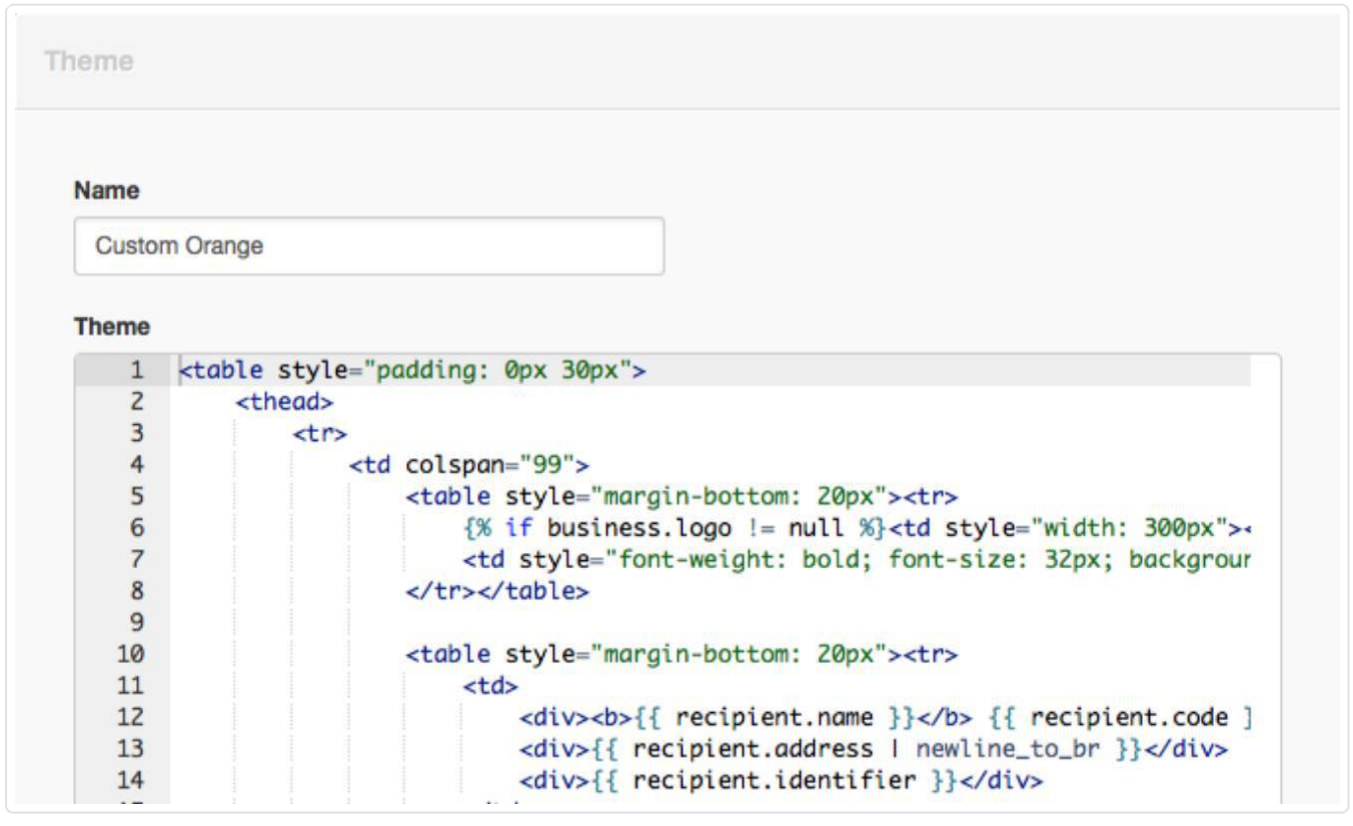
Editing a theme

> **Note**
> Built-in themes cannot be edited. Only custom themes can be edited.

To edit a theme, go to `Settings` → `Themes` and click `Edit` next to the theme you want to customize:



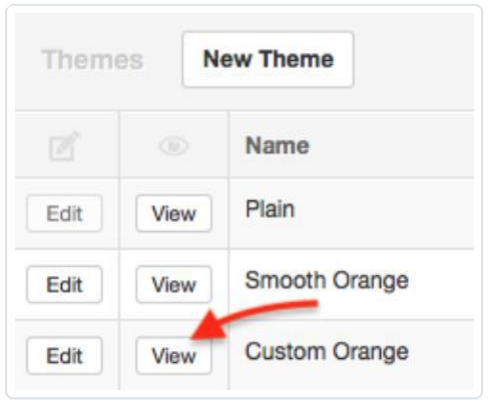
The Liquid computer code for the theme will appear:



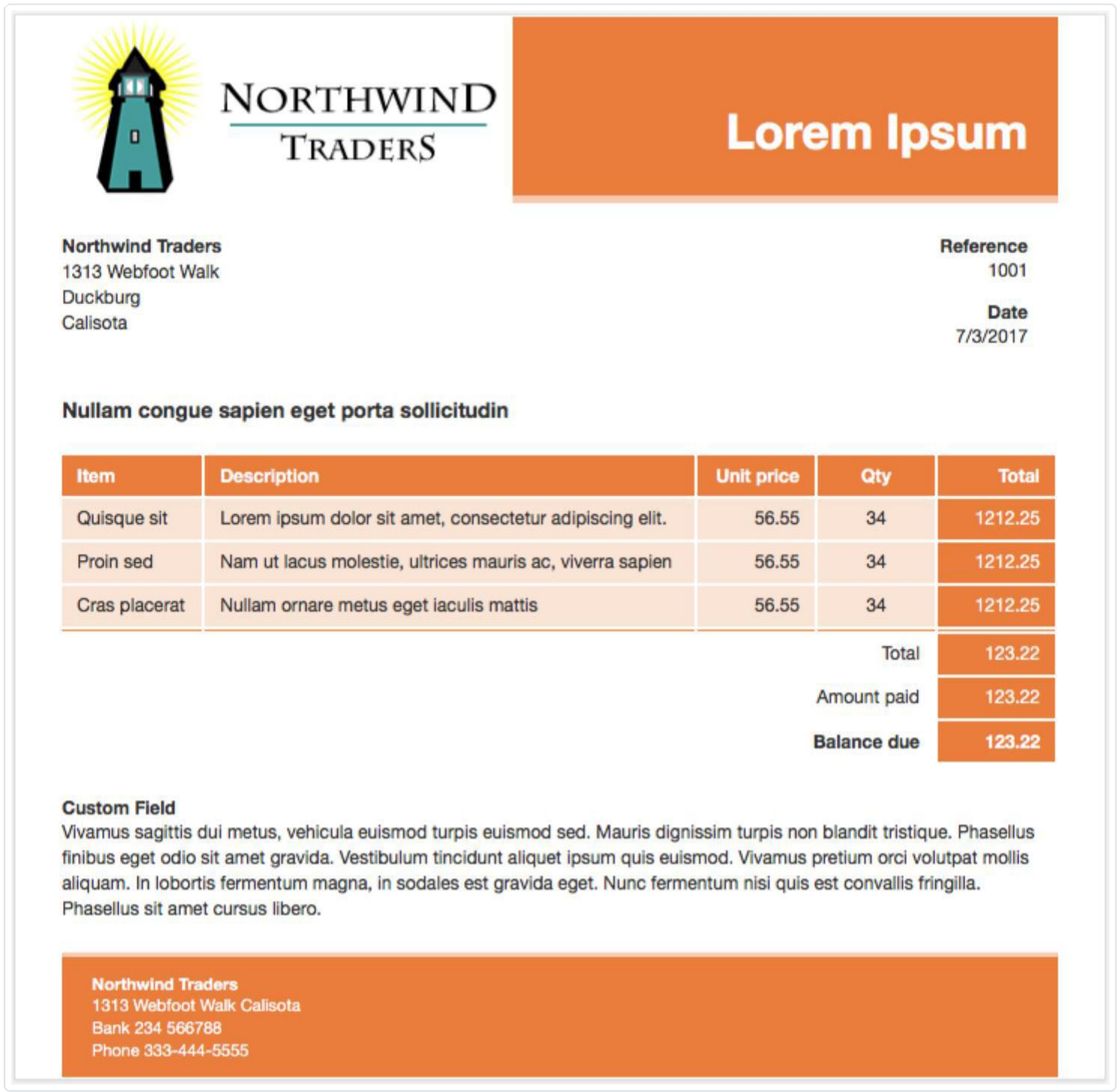
Edit the code directly in the window. Click `Update` below the editing window to save changes. If you are not familiar with the Liquid language, numerous educational websites can be found on the internet, including at https://shopify.github.io/liquid/.

Viewing a theme

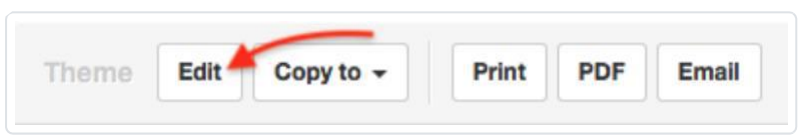
To see the results of your editing, return to the `Themes` list and click `View`:



A generic image of your theme will be displayed, with representative content:

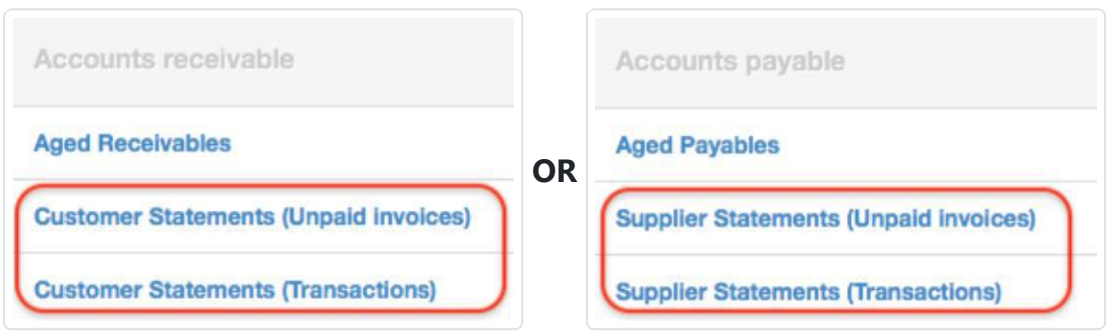


To further customize the theme, click `Edit` above the image:



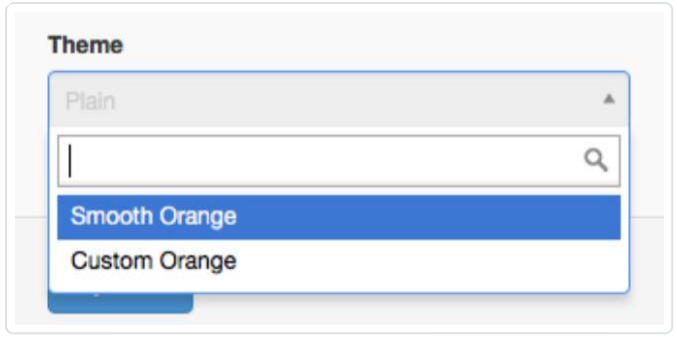
3.3.3 Set a theme for customer or supplier statements

To **set a theme for customer or supplier statements**, go to `Reports` and click on the type of statement you want to issue. For both customers and suppliers, there are two types:



Unpaid invoices type

To set a theme for an *Unpaid invoices* statement, click `Set Date` and choose an active theme from the dropdown list:



Click `Update`. The theme will apply to all statements of that particular type until changed.

Transactions type

To set a theme for *Transactions* type statements, click `Set Period` and choose an active theme from the dropdown list. Click `Update`. The theme will apply to all statements of that particular type until changed.

3.3.4 Change a form title

A **title** is the name of a particular transaction form in BILLBOOKS. Titles appear near the top of forms in many themes, but can be placed elsewhere. They include:

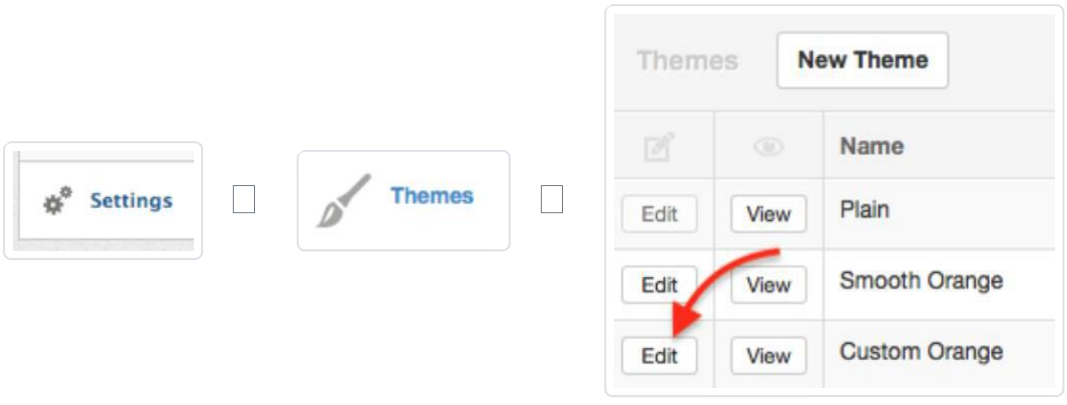
- Payments, receipts, and transfers
- Expense claims
- Sales and purchase invoices
- Sales quotes
- Sales and purchase orders
- Credit and debit notes
- Delivery notes and goods receipts
- Payslips
- Production orders
- Journal entries
- Customer and supplier statements

Sales invoices and sales quotes include the ability to set a custom title directly from the transaction entry screen. Modification of titles for those two forms are common, sometimes even being required by law.

> **Note**
> When known regulations require, built-in tax codes automatically change *Invoice* on sales invoices to *Tax Invoice*. In some cases, other form titles are similarly modified. If a requirement in your jurisdiction is not already incorporated into Manager, you can change titles as described below.

Any other form's title can be changed by modifying a custom theme. (You cannot modify built-in themes.) If you have not created a custom theme yet, follow instructions in another Guide, then these steps:

- Under the `Settings` tab, click `Themes`. Then click `Edit` next to the custom theme you want to modify:



- When the custom theme's computer code appears, locate the following segment of code: `{{title}}`. (You may have to scroll to the right to see complete lines.)

- Replace that code with `{{title | replace: "Old Title", "New Title"}}`. Preserve all other code in the same line. "Old Title" must be the name of the form you want to change, exactly as it appears when using the default theme. "New Title" is the text you wish to substitute. **Both are case sensitive, and the quotation marks must be included.**

- Click `Update`.

Any time forms are viewed in the particular custom theme, old title text will be replaced by new title text.

Example
An *Expense Claim* could be turned into a *Travel Expense Report* with this substitution:

```
{{title | replace: "Expense Claim", "Travel Expense Report"}}
```

producing:



CAUTION
Beware of unintended consequences. Any place old title text appears in the title of any form, it will be replaced with new title text. So you may wish to limit usage of custom themes to specific forms or create additional themes. You might also use more sophisticated conditional tests in your code. Those are beyond the scope of this Guide.

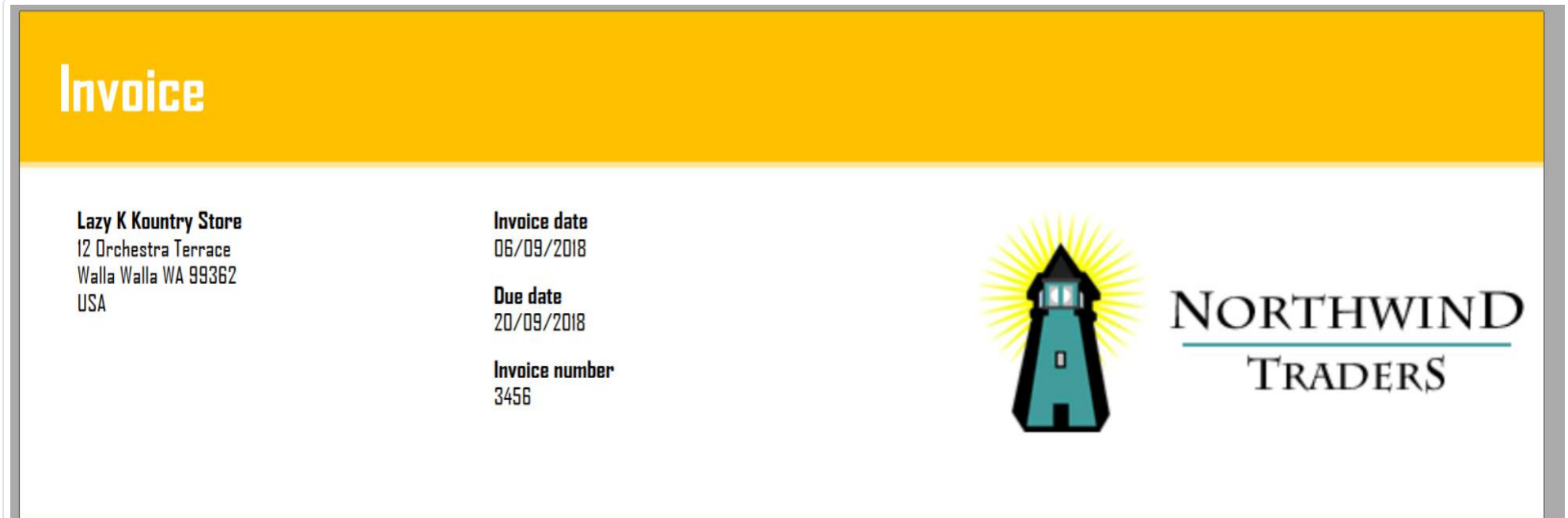
3.3.5 Change fonts in custom themes

BILLBOOKS supports **custom font families** for screen viewing, PDF generation, and printing using custom themes. The custom fonts must be installed on your machine. No external font loading is currently allowed.

For example, you can change the built-in theme, *Bold Yellow*, to use the *Agency FB* font. While viewing the theme, copy it to a new theme and set the `style` attribute in the first line of Liquid code to `font-family: Agency FB`:



A sales invoice using the new custom theme will look like this:



Of course, you can have multiple fonts within single PDF document. You just need to set the `font-family` attribute on relevant tags.

> **Caution**
> Substitution of custom fonts may be different for PDFs and printed documents, because printing occurs through your operating system. Printed documents may require insertion of the `font-family` attribute at multiple places in the Liquid code of a theme. Experiment with your custom theme to be sure you have the desired font showing in all the right places.
>
> **Because custom fonts must be installed on your machine, they will not be used for emailed transaction forms. If you want to email a form with a custom font, you must first create a PDF and then email the PDF.**

3.3.6 Include calculations in custom themes

To **include calculations in custom themes**, particularly using numbers entered in custom fields, use arithmetic filters available in the Liquid templating language:

- `abs` — returns the absolute value of a number
- `at_least` — limits a number to a minimum value
- `at_most` — limits a number to a maximum value
- `ceil` — rounds the input up to the nearest whole number
- `divided_by` — divides a number by the specified number
- `floor` — rounds a number down to the nearest whole number
- `minus` — subtracts a number from another number
- `modulo` — returns the remainder of a division operation
- `plus` — adds a number to another number
- `round` — rounds an input number to the nearest integer or, if a number is specified as an argument, to that number of decimal places
- `times` — multiplies a number by another number

Example 1

Let's say you have two custom fields defined for sales invoices. Both are number type fields:

- `Field 1`

- `Field 2`

and you want to also show on invoices the sum of `Field 1` and `Field 2`. You do not need to define a third custom field and enter content into it. Instead, inject the following lines into your custom theme at the appropriate place, following the code that displays the `custom_fields` array:

```
<div style="font-weight: bold; padding-top: 20px">Field 1 + Field 2</div>
<div>{{ custom_fields["Field 1"] | plus: custom_fields["Field 2"] }}</div>
```

The first line displays a label for your calculated result. The second includes the Liquid arithmetic filter that adds your two custom fields' values. The result is:



Example 2

You can also code a custom theme to perform calculations involving built-in fields. For instance, if you want to add the value of `Field 1` to the total or balance due on your invoice, inject one of the following lines into your theme:

```
{{ table.totals["Total"] | plus: custom_fields["Field 1"] }}
```

or:

```
{{ table.totals["Balance due"] | plus: custom_fields["Field 1"] }}
```

> **Note**
> This Guide is not a comprehensive tutorial on arithmetic filtering, and certainly not on Liquid coding in general. It is meant only to illustrate the concept of using filters to perform calculations in custom themes. Additional Liquid code will probably be necessary to obtain desired results. Users are responsible for the performance of their own custom themes and should consult online syntax guides or hire competent programming support if necessary.

3.3.7 Add line numbers to themes

Line numbers can be added to sales invoices and other transaction forms with a custom theme. Below is Liquid code for a modified version of the default (*Plain*) BILLBOOKS theme that includes a column with sequential line numbers. You can copy the code and use it to create your own custom theme. You can use similar code to modify other built-in themes after activating them, too.

```
    <table style="padding: 30px">
        <thead>
            <tr>
                <td colspan="99">
                    <table style="margin-bottom: 20px"><tr>
                        <td style="font-weight: bold; font-size: 32px">{{ title }}</td>
                        {% if business.logo != null %}<td style="text-align: right"><img src="{{ business.logo }}"
style="max-height: 150px; max-width: 300px"></td>{% endif %}
                    </tr></table>

                    <table style="margin-bottom: 20px"><tr>
                        <td>
                            <div><b>{{ recipient.name }}</b> {{ recipient.code }}</div>
                            <div>{{ recipient.address | newline_to_br }}</div>
                            <div>{{ recipient.identifier }}</div>
                        </td>
                        <td style="border-right-width: 1px; padding-right: 20px; text-align: right">
                            {% for field in fields %}
                            <div style="font-weight: bold">{{ field.label }}</div>
                            <div style="margin-bottom: 10px">{{ field.text }}</div>
                            {% endfor %}
                        </td>
                        <td style="padding-left: 20px; width: 1px; white-space: nowrap">
                            <div style="font-weight: bold">{{ business.name }}</div>
                            <div>{{ business.address | newline_to_br }}</div>
                            <div>{{ business.identifier }}</div>
                        </td>
                    </tr></table>

                    <div style="font-size: 14px; font-weight: bold; margin-bottom: 20px">{{ description }}</div>
                </td>
            </tr>
            <tr>
                <td style="font-weight: bold; padding: 5px 10px; text-align: center; border-left-width: 1px;
border-bottom-width: 1px; border-top-width: 1px; width: 1px">#</td>
                {% for column in table.columns %}
                <td style="font-weight: bold; padding: 5px 10px; text-align: {{ column.align }}; border-left-width:
1px; border-bottom-width: 1px; border-top-width: 1px{% if forloop.last == true %}; border-right-width: 1px{% endif
%}{% if column.nowrap %}; white-space: nowrap; width: 80px{% endif %}">{{ column.label }}</td>
                {% endfor %}
            </tr>
        </thead>
        <tbody>
            {% for row in table.rows %}
            <tr>
                <td style="padding: 5px 10px; text-align: center; border-left-width: 1px; width: 1px">{{
forloop.index0 | plus:1 }}</td>
                {% for cell in row.cells %}
                <td style="padding: 5px 10px; text-align: {{ table.columns[forloop.index0].align }};
border-left-width: 1px{% if forloop.last == true %}; border-right-width: 1px{% endif %}{% if
table.columns[forloop.index0].nowrap %}; white-space: nowrap; width: 80px{% endif %}">{{ cell.text | newline_to_br
}}</td>
                {% endfor %}
            </tr>
            {% endfor %}
            <tr>
            <td style="border-bottom-width: 1px; border-left-width: 1px"> </td>
            {% for column in table.columns %}
                <td style="border-bottom-width: 1px; border-left-width: 1px{% if forloop.last == true %};
border-right-width: 1px{% endif %}"> </td>
            {% endfor %}
            </tr>
            {% for total in table.totals %}
            <tr>
                <td colspan="{{ table.columns | size }}" style="padding: 5px 10px; text-align: right{% if
total.emphasis == true %}; font-weight: bold{% endif %}">{{ total.label }}</td>
                <td style="border-left-width: 1px; white-space: nowrap; border-right-width: 1px;
border-bottom-width: 1px; padding: 5px 10px; text-align: right{% if total.emphasis == true %}; font-weight: bold{%
```

```
endif %}">{{ total.text }}</td>
            </tr>
            {% endfor %}

            {% for field in custom_fields %}
            <tr>
                <td colspan="99">
                    <div style="font-weight: bold; padding-top: 20px">{{ field.label }}</div>
                    <div>{{ field.text | newline_to_br }}</div>
                </td>
            </tr>
            {% endfor %}

            {% if emphasis.text != null and emphasis.positive %}
            <tr><td colspan="99"><div style="text-align: center; margin-top: 40px"><span style="color: #006400;
border-width: 5px; border-color: #006400; padding: 10px; font-size: 20px">{{ emphasis.text | upcase
}}</span></div></td></tr>
            {% endif %}

            {% if emphasis.text != null and emphasis.negative %}
            <tr><td colspan="99"><div style="text-align: center; margin-top: 40px"><span style="color: #FF0000;
border-width: 5px; border-color: #FF0000; padding: 10px; font-size: 20px">{{ emphasis.text | upcase
}}</span></div></td></tr>
            {% endif %}

        </tbody>
    </table>
```

3.3.8 Add page numbers to PDFs of custom themes

Page numbers can be added to PDFs of multi-page transaction forms and statements by including appropriate code in a custom theme. This is in addition to repetition of transaction header information included by default on PDFs of all themes.

> **Notes**
> The purpose of this Guide is to furnish basic information about how the page number feature is implemented. We will not furnish detailed coding instructions on how to control placement and style of page numbering. Users are responsible for coding and debugging their own custom themes. This Guide offers only a couple examples to get you started.
>
> Page numbers are automatically included on PDFs of multi-page reports, which are not affected by themes. (Customer and supplier statements are exceptions, because they are displayed according to the theme selected.)

When generating a PDF, BILLBOOKS looks for the exact HTML comment tag, `<!--Page Counter-->`, in your theme. By incorporating this tag in your Liquid theme, you can control where the page numbers will be positioned and how they will be presented (colors, font size, alignment etc.) The page numbers will appear in the format *Page X of Y*.

For example, you can customize the default, *Plain*, theme by adding the following three lines between the `</tbody>` and `</table>` tags near the end of the theme code:

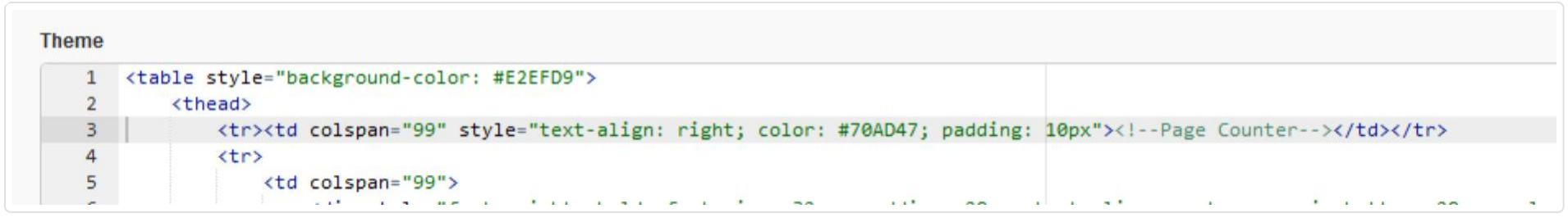
```
    <tfoot>
        <tr><td colspan="99" style="text-align: center"><!--Page Counter--></td></tr>
    </tfoot>
```

The theme code would look like this:

```
75
76      </tbody>
77      <tfoot>
78          <tr><td colspan="99" style="text-align: center"><!--Page Counter--></td></tr>
79      </tfoot>
80  </table>
```

Resulting transaction forms using the custom theme will not show page numbers on screen, because lengthy forms are not paginated on screen. But when you generate a PDF, the page counter will show at the bottom center of each PDF page:

Likewise, if you are using the *Glossy Green* theme and want to show the page counter in the top right corner in a green color, you could add the `<!--Page Counter-->` comment tag to the beginning of the theme:



3.3.9 Adjust recipient information to fit windowed envelopes

BILLBOOKS's completed forms can be customized so recipient information fits a windowed envelope. Recipient information includes, among other things:

- Customer name and address on sales invoices and credit notes
- Supplier name and address on purchase invoices and debit notes
- Employee information on payslips
- Expense claims payers' information on expense claims

Since there is no standard for window location, this will require some simple customization of a theme.

Example
Customize the default theme, named *Plain*, by finding the following code:

```
<td>
<div><b>{{ recipient.name }}</b> {{ recipient.code }}</div>
<div>{{ recipient.address | newline_to_br }}</div>
<div>{{ recipient.identifier }}</div>
</td>
```

Replace the first line:

```
<td>
```

with:

```
<td style="padding-left: 20px; padding-top: 10px">
```

This will move recipient details 20px to the right and 10px toward the bottom of the page. Adjust these numbers as required until the address fits your envelope window exactly.

3.4 Form Defaults

3.4.1 Set form defaults

Form defaults are optional. They can be used to set:

- Standard content for almost any field, including custom fields
- Standard checkbox options
- Unique custom themes

Form defaults apply only to the form for which they are defined, but they can be set for forms in every BILLBOOKS tab except `Billable Expenses` (because there is no separate form), including recurring versions (where available):

- Bank accounts
- Cash accounts
- Payments or receipts
- Inter account transfers
- Expense claims
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices (ordinary and recurring)
- Credit and debit notes
- Delivery notes and goods receipts
- Inventory transfers and write-offs
- Production orders
- Payslips (ordinary and recurring)
- Billable time entries
- Journal entries (ordinary and recurring)

Form defaults can also be set for subsidiary ledgers:

- Customers
- Suppliers
- Employees
- Inventory items
- Fixed and intangible assets
- Capital accounts
- Special accounts

Note
Form defaults can only be set for transaction forms and subsidiary ledgers related to functional tabs already enabled through the `Customize` link.

Examples
Standard terms and conditions can be set up in a custom field for sales invoices. These will appear on every new sales invoice.

If only one bank or cash account exists, or is most regularly used, it can be pre-selected as a form default for receipt and payment forms.

If a sole proprietorship only enters expense claims by its owner, the owner can be selected as the expense claim payer.

Late payment fees on sales invoices can be set up in advance.

The `Title` of sales quotes can be changed for all future quotes by entering a new one as a form default.

Currencies can be chosen in advance for specific transaction types.

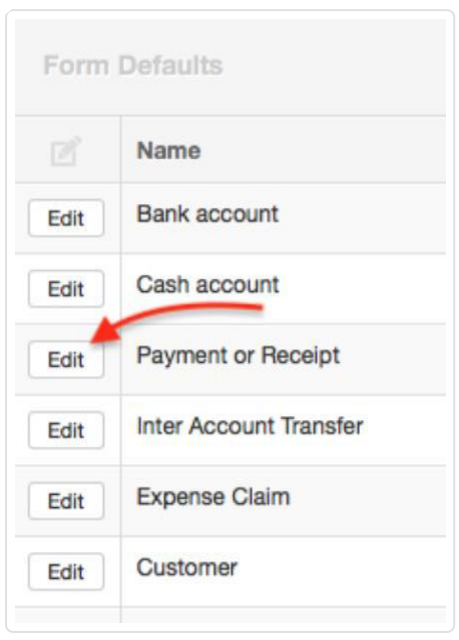
Inventory write-offs can be set up to always debit a specific expense account.

Setting or modifying form defaults

To set or modify a form default, click `Settings`, then `Form Defaults`:

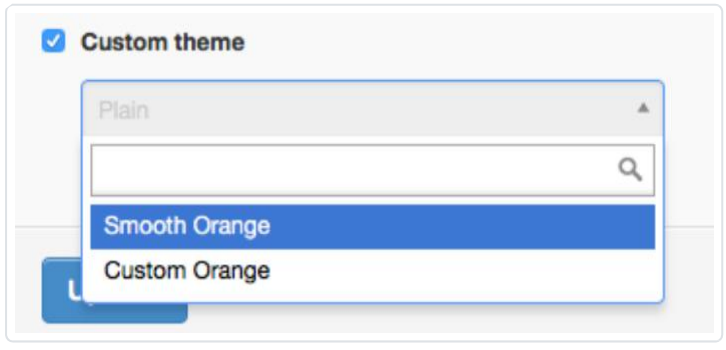


Click `Edit` beside the form or ledger category for which you want to set or modify default content or custom theme:



A copy of that form or ledger entry appears. Enter content in any field except `Date` (on any form) or `Type`(on the receipt or payment form). Both will be overridden. Check any option box. Add lines, if available and necessary. (Visible fields and options depend upon tabs you have enabled and settings you have entered elsewhere in the program, just as they would when entering a normal accounting record.)

You can set a default `Custom theme` for a transaction form if you have activated at least one theme besides the automatically activated *Plain* theme. Check the box and choose an active theme in the dropdown list:



Click `Update` to save your new defaults.

Applying form defaults

Form defaults are applied automatically. Exact behavior depends on the specific action:

- Whenever a new transaction form is created, the default content and custom theme appear. Both can be edited or augmented, either before clicking `Create` or afterwards by editing. If no default custom theme is designated, new transaction forms appear in the built-in, *Plain*, theme.
- When a form is cloned, content of the source form is carried forward, overriding default content.
- When a form is copied to another type, content of the source form is also carried forward, overriding default content of the destination form type.
- Whether generated by cloning or copying, a new destination form appears in the custom theme (if any) set as default for that form type. If no custom theme has been set as default, all forms appear in the *Plain* theme.
- When a new ledger entry is created, default content will appear. (Custom themes do not apply.) Content can be edited or augmented, either before clicking `Create` or afterwards by editing the ledger entry.

Note
Form defaults affect only new transactions and ledger entries. They do not modify content or theme selection retroactively.

Chapter 4: Program Features

Many features of BILLBOOKS appear consistently throughout the program or draw upon several functional modules. These make the program fairly intuitive to use.

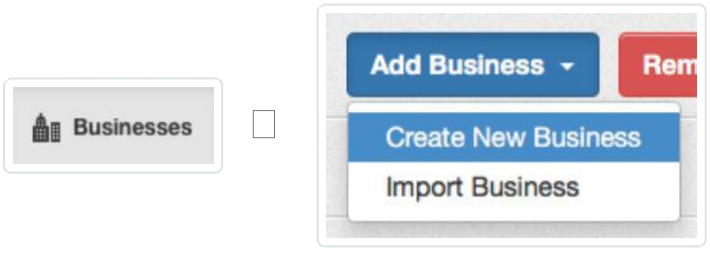
4.1 Learn the Program

4.1.1 Experiment with a test business

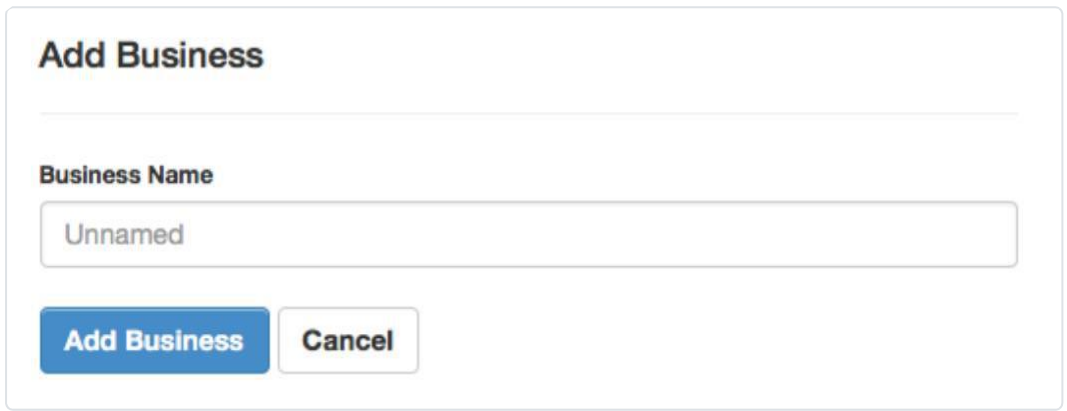
Whether you are brand new to BILLBOOKS or a seasoned user, consider creating a test business. Rather than risk mistakes with your real accounting records, experiment first with a test business to try out new features. You can create as many businesses as you want in BILLBOOKS, regardless of whether you are using the desktop, server, or cloud editions. You will never be charged extra for more companies.

Setting up the test business

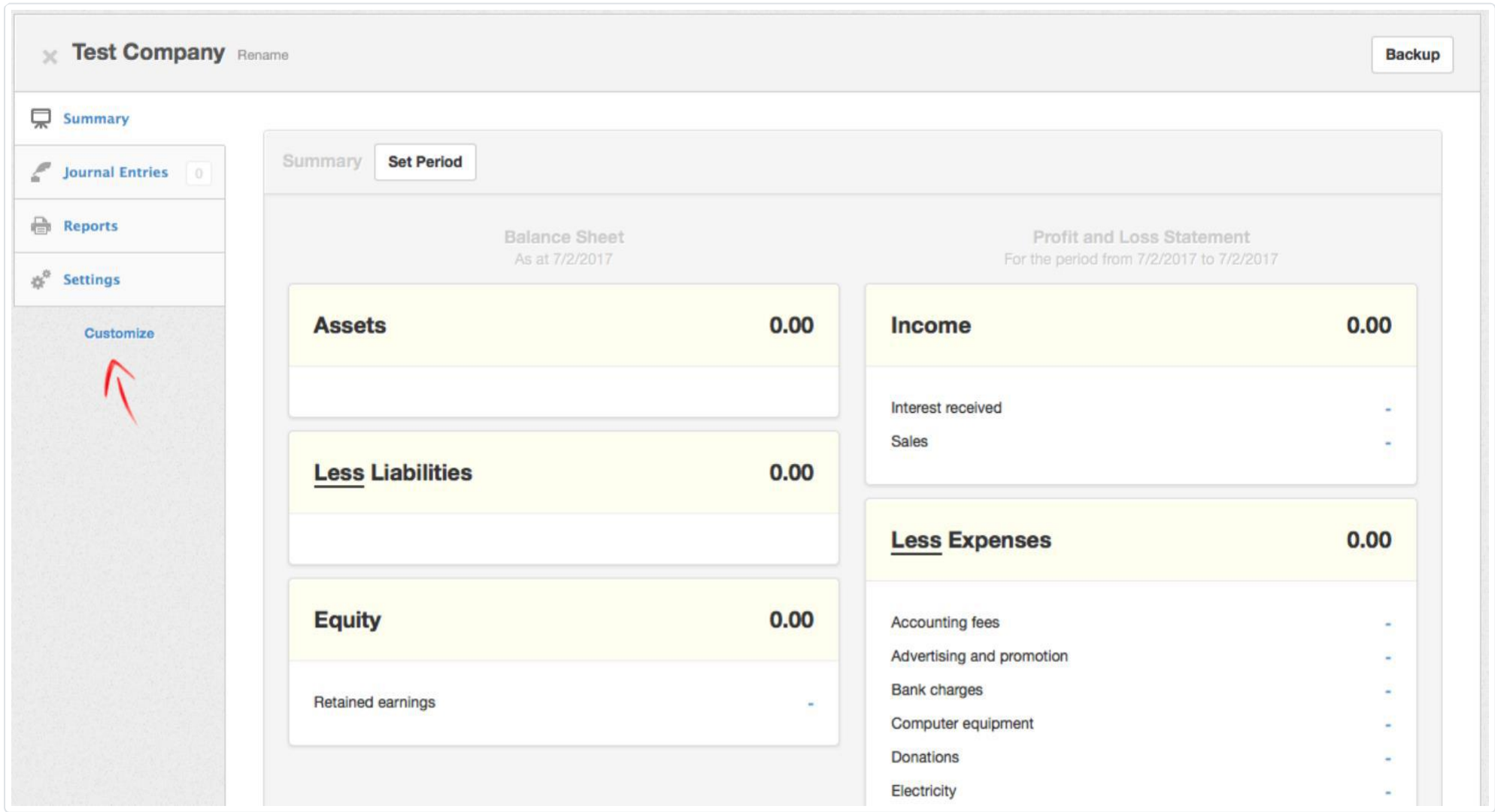
On BILLBOOKS's home page, click on the `Businesses` button in the top menu bar. Then click `Add Business` and select `Create New Business` in the dropdown box:



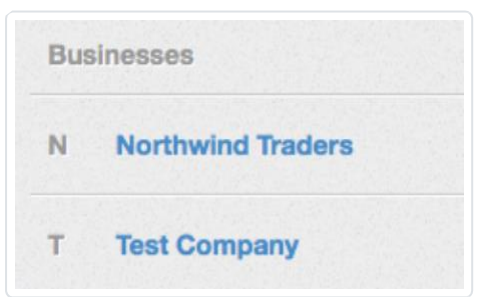
Enter the name of your test business and click `Add Business`:



A `Summary` page for your test business will appear with a minimal set of tabs enabled and a few sample income and expense accounts:



The test business will also appear on the home page with any others you have created:



Note
An alternative to setting up your own test business is to import one already set up. Follow the procedure outlined in another Guide.

Using the test business

Your test business will be maintained in a completely separate data file from any other business. Nothing you do in the test business will affect anything in your real business(es). But your `Preferences` will apply to all businesses. With a test business, you can:

- Explore new tabs to decide whether to enable them for a real business
- Learn how automatically created accounts (such as *Billable time - movement* or *Fixed assets - loss on disposal*) function
- Enter test transactions to see which accounts are affected
- Create sample reports to determine which formats are most useful
- Switch between accrual and cash basis accounting to see their effects
- Investigate complex charts of accounts, incorporating groups, special accounts, custom control accounts, etc.
- Test the utility of custom fields
- Develop new custom themes
- Practice backup and restore operations

When using your test business, here are some helpful tips:

- Check your `Summary` frequently to understand effects of individual actions

- Keep the number of transactions small so results are easier to spot
- Consider deleting all transactions in a tab or entries in a field to see how BILLBOOKS handles the absence of data

Of course, there is no danger of making mistakes as there would be if you experimented with a real business. In the worst case, you can get rid of the test business by deleting its file. And you can always create another test business.

4.1.2 Import a sample business

If you'd like to experiment with a sample business already containing a broad range of transactions, you can import a fictitious company called Northwind Traders. Northwind is a trading company selling food to customers all over the world. BILLBOOKS has a lot of modules and the way Northwind is using BILLBOOKS is just one of the many examples of how BILLBOOKS can suit custom business requirements.

Northwind is using BILLBOOKS to:

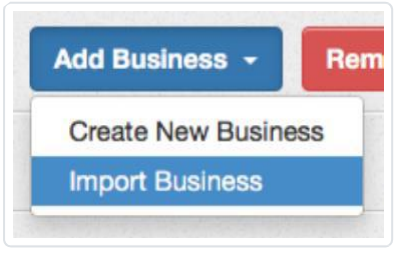
- Track supplier invoices to know how much it owes to suppliers
- Issue invoices to customers and track how much customers owe to *Northwind*
- Monitor stock levels and measure profit margins on all inventory items
- Generate financial statements

Import Northwind

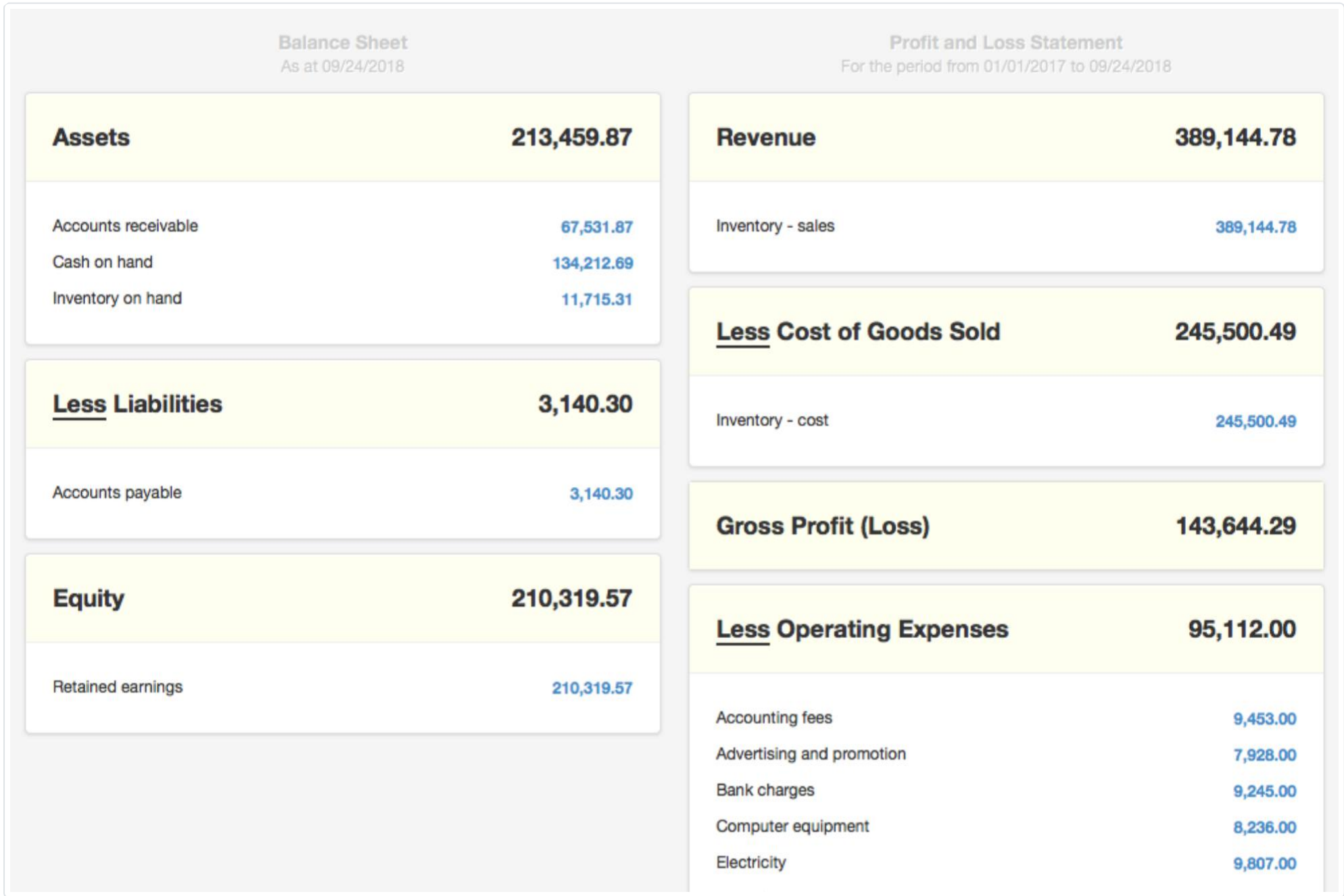
To download the fictitious company, Northwind Traders, and add it to your application data folder, click on the link below:

https://d2ap5zrlkavzl7.cloudfront.net/Northwind.BILLBOOKS

Launch the BILLBOOKS application. On the `Businesses` page, click `Add Business` and select *Import Business*:



Navigate to the downloaded file, `Northwind.BILLBOOKS`, and click `Import Business`. You will be taken to the `Summary` screen for Northwind:



The business will also appear on your `Businesses` page:



Points of interest

- You can click on each tab to see how invoices and other transactions have been created.
- Have a look at financial statements such as *Profit and Loss Statement* or *Balance Sheet* under the `Reports` tab.
- Have a look at customer or supplier reports such as *Aged Receivables*, *Aged Payables*, *Customer Statements* or *Supplier Statements*, also under the `Reports` tab.
- Enter new transactions or edit existing transactions to see how those actions affect individual balances on reports.

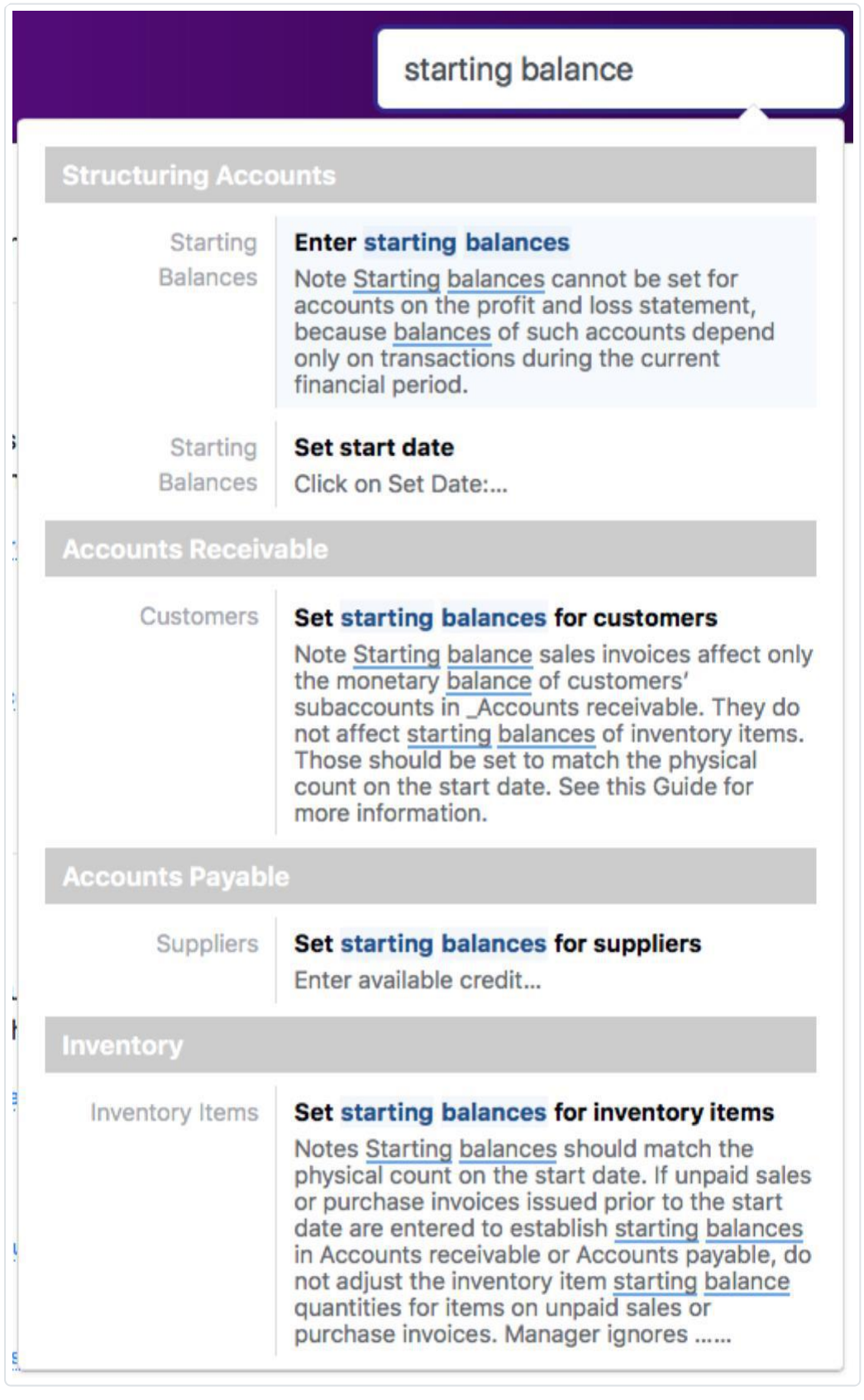
Note
You can always delete a sample business and re-import a new one or have multiple sample businesses side by side.

4.1.3 Search the Guides

BILLBOOKS's instructional **Guides can be searched** from their dedicated web page. A search box is located in the upper right corner of the page:



Begin typing in the box. Titles and contents of all Guides are searched progressively as text is added. Results appear below the search box:



Matching text is underlined in text excerpts. Link to a Guide by clicking anywhere within the excerpt.

4.1.4 Download a PDF version of the BILLBOOKS Guides

For users without consistent internet access, a PDF (Portable Document Format) version of a book containing all instructional *BILLBOOKS Guides* can be downloaded and stored on a local drive or printed. The book has a number of convenient features:

- Chapters correspond to major categories of the online Guides index.
- Sections match subcategories of the index.
- All illustrations, notes, and caution statements are included.
- The book is updated daily.
- The table of contents is hyperlinked to individual sections.
- All hyperlinks in the online Guides are functional in the PDF file.

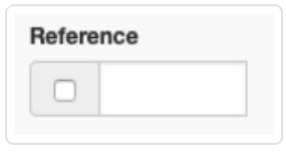
To download the book, go to the Guides page on the BILLBOOKS web site. In the introductory paragraph, click on `PDF book`. The PDF file will open in a browser tab according to your selected preferences. From there, it can be saved to any drive as a standalone file.

Note
The PDF file is about 16 MB. The resulting book is almost 440 A4-sized pages. Users should consider printing only selected portions, especially when taking into account the daily update cycle.

4.2 Common Procedures

4.2.1 Use reference numbers

Most transaction forms in BILLBOOKS allow you to enter a **reference number** to identify individual transactions. In general, this field is labeled simply as `Reference`:



In two cases, it is given a label more in keeping with traditional accounting usage. Following is a list of forms that include the `Reference` field. Where a different label is used, this is shown in parentheses:

- Receipts and payments
- Inter account transfers
- Expense claims
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices (Invoice number)
- Credit notes and debit notes
- Delivery notes and goods receipts
- Inventory transfers and inventory write-offs
- Production orders
- Payslips
- Journal entries

BILLBOOKS provides two methods for entering reference numbers.

Free text

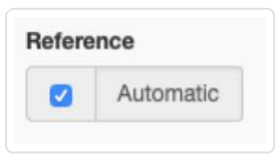
The default mode allows entry of any alphanumeric content as free text. Possibilities include:

- Externally generated sequence numbers
- Customer or supplier reference numbers, such as purchase order or sales invoice numbers
- Bank transaction or cheque numbers
- Informative prefixes combined with sequence numbers

You have complete control. And, using Form Defaults, you can prefill portions of the `Reference` field on a form-by-form basis.

Automatic numbering

BILLBOOKS can also assign sequential reference numbers for you. Just check the box within the `Reference` field:



When the form is created or updated, BILLBOOKS will find the highest number among **existing forms of the same type** and add 1 to its reference number. Automatic reference numbers can also be set under Form Defaults. In that case, the `Reference` field will show the checkbox ticked and *Automatic*. BILLBOOKS will assign the number when you click `Create`. Afterwards, only the assigned number shows if the transaction is edited. Regardless of how references are originally set, they can be overridden by editing a transaction.

Warnings
When searching for existing reference numbers, Manager ignores alphabetic content and punctuation marks. For example, if the highest-numbered sales invoice includes a prefix, such as *INV2018-45*, the next automatically assigned number will be *201846*.

If a form with an existing reference number is edited to assign an automatic sequence number, that form is included in Manager's search. So, if sales quote *347* is edited to include an automatic reference number, it will become *348* when `Update` is clicked.

Because of these features, mixing free text and automatic reference numbers is seldom advisable. Your free-text entries will become the criteria for determining automatic number assignments. However, the search process for each transaction type is separate from all others. So using free-text invoice numbers on purchase invoices and automatic ones on sales invoices would be perfectly acceptable.

4.2.2 Perform calculations in number fields

BILLBOOKS can **perform calculations** in built-in number fields as quantities or prices are entered. The result of the calculation is stored, not the calculation itself.

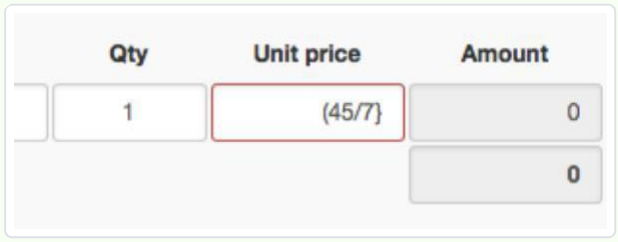
When entering a transaction, simply include an arithmetic expression in a number field. Allowed characters include:

- Numerals 0, 1, 2, 3, 4, 5, 6, 7, 8, and 9
- Operators +, -, *, and /
- Parentheses and braces (,), {, and } in matching pairs

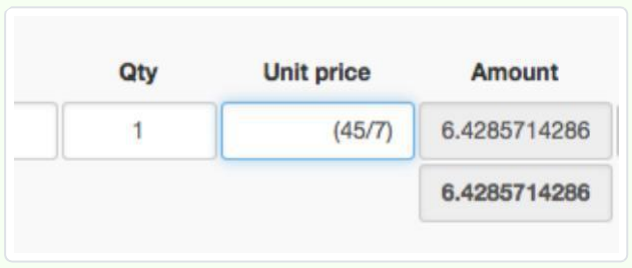
Do not include an equal sign (=) in the field. While entering the calculation, BILLBOOKS will display the entered characters. If the expression is incomplete or unallowable, the field is outlined in red. When a valid expression has been entered, its result is shown in real time and included in other calculations performed by the program.

Examples

The following entry is invalid because of mismatched parenthesis and brace. Note how the `Amount` field remains zero:



When the expression is corrected, its results are used in the transaction:

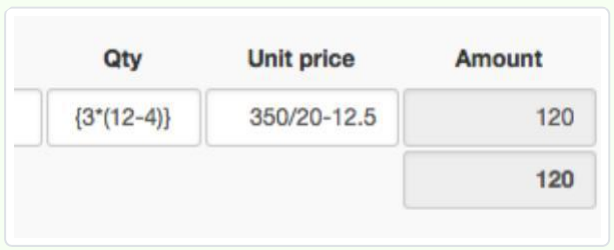


and flow through to the completed form:



	Qty	Unit price	Amount
	1	6.428571428571429	6.43
		Total	6.43

Calculations can be entered into multiple fields in the same line. They can also be quite elaborate. The following calculations:

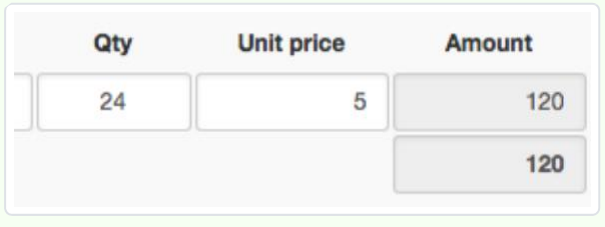


produce:



	Qty	Unit price	Amount
	24	5.00	120.00
		Total	120.00

When returning to the entry screen by clicking `Edit`, the results of the calculation have been stored:



Note
Calculations cannot be performed in number-type custom fields. If an arithmetic expression is entered in such a field, the program ignores it.

4.2.3 Create non-inventory items

Non-inventory items are shortcuts for entering line items in many sales- and purchase-related transaction forms in BILLBOOKS. They are completely optional. Unlike inventory items, they are not required for any transaction entry. But once defined, they help:

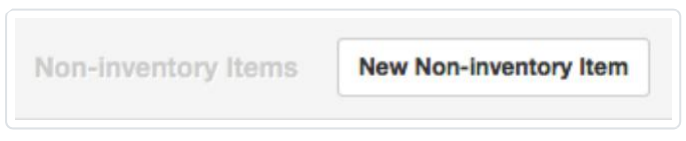
- Standardize terminology by always referring to a product or service with identical language
- Improve accounting accuracy by always posting similar income or expense items to the same accounts
- Store and apply consistent prices to commonly sold or purchased goods or services
- Speed up entries by automatically filling information on forms

Note
Non-inventory items can be used for sale and purchase of physical goods, but they do not support counting quantities on hand, monitoring stock movement, or calculating profitability. For those functions, use inventory items.

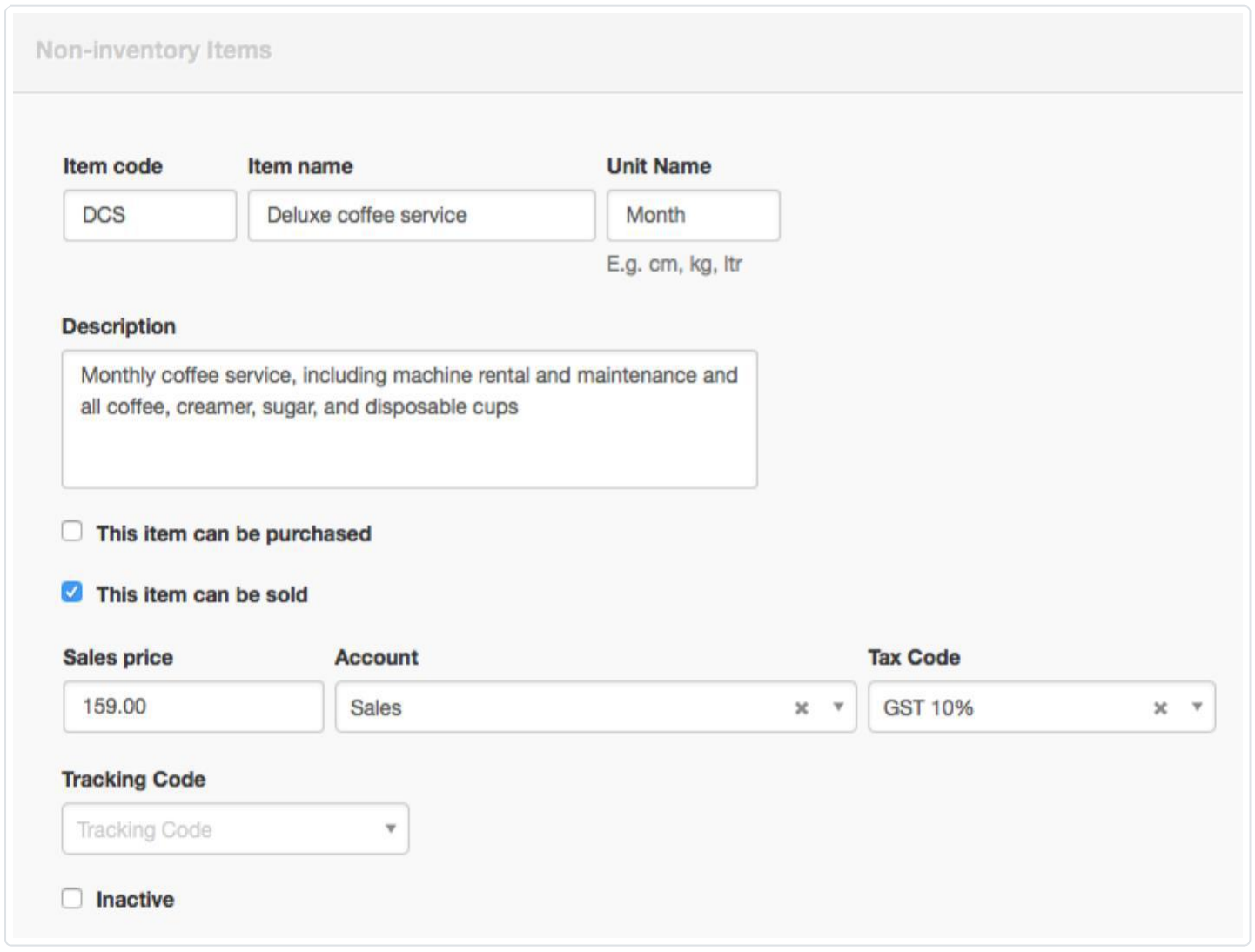
Creating non-inventory items

Before non-inventory items can be used, they must be created. Under the `Settings` tab, click on `Non-inventory Items`, then `New Non-inventory Item`:





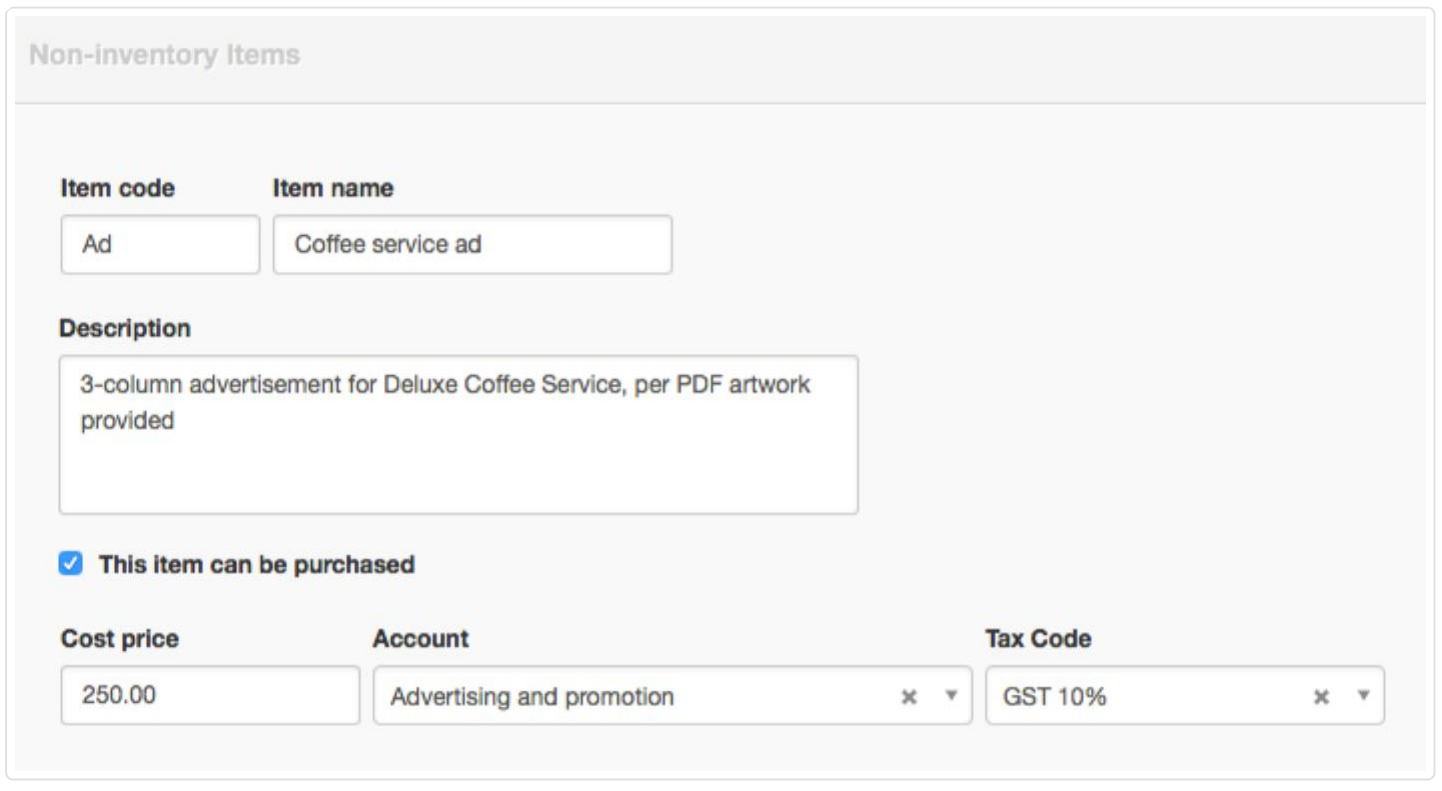
Complete the definition:



- `Item code` can be anything that helps find, sort, or categorize the item. If used, `Item code` will appear on forms.
- `Item name` will appear when searching for a non-inventory item to complete a line item. If no further description of the item is entered, `Item name` will appear in the `Description` field on completed forms, such as sales invoices.
- `Unit Name` is optional, but can be used to specify units by which the item will be sold or purchased. Only one unit name is allowed; if goods or services are purchased and sold in different units, either apply conversions before making entries or create separate non-inventory items.
- The `Description` field is for more comprehensive information. Its contents will appear on finished forms in place of `Item name`. Anything a customer or supplier should see can be placed into this field.
- Two checkboxes are used to indicate whether the non-inventory item can be purchased or sold (or both). When these are checked, fields appear for additional information. The illustration above is for a service that can be sold, but not purchased. The `Sale price`, `Account` to which a sale will be posted, and applicable `Tax Code` are entered. A `Tracking Code` can also be selected. Notice that only the `Sale price` is free text. The other three fields must be selected from previously defined accounts, tax codes, or tracking codes. This information will be prefilled whenever this non-inventory item is added to a form.
- Check the `Inactive` box to prevent accidental use of obsolete items.

Click `Create` to save the non-inventory item.

The second illustration shows a non-inventory item created for advertising purchased frequently in local publications:



> **Note**
> Non-inventory items cannot be assigned to control accounts because Manager has no way to determine in advance which subaccount is applicable, so the transaction would be posted to *Suspense*. For example, a non-inventory item cannot be assigned to *Billable expenses*, because the required customer would be unknown.

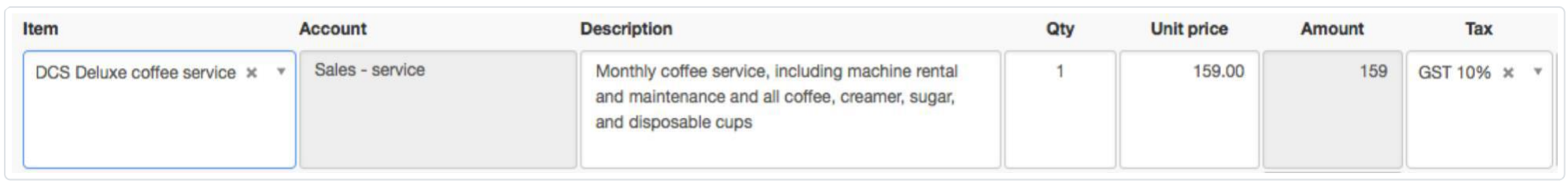
Using non-inventory items

Non-inventory items can be used for:

- Receipts and payments
- Expense claims
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices
- Credit and debit notes
- Delivery notes and goods receipts

When completing any of these forms, an `Item` field will appear at the left end of line items whenever any inventory or non-inventory items have been defined that are applicable. For example, if no inventory items are defined, but non-inventory items for sales of services have been, all sales-related forms will include the `Item` field. But unless non-inventory items for purchases have been defined, forms like purchase invoices will not include the `Item` field.

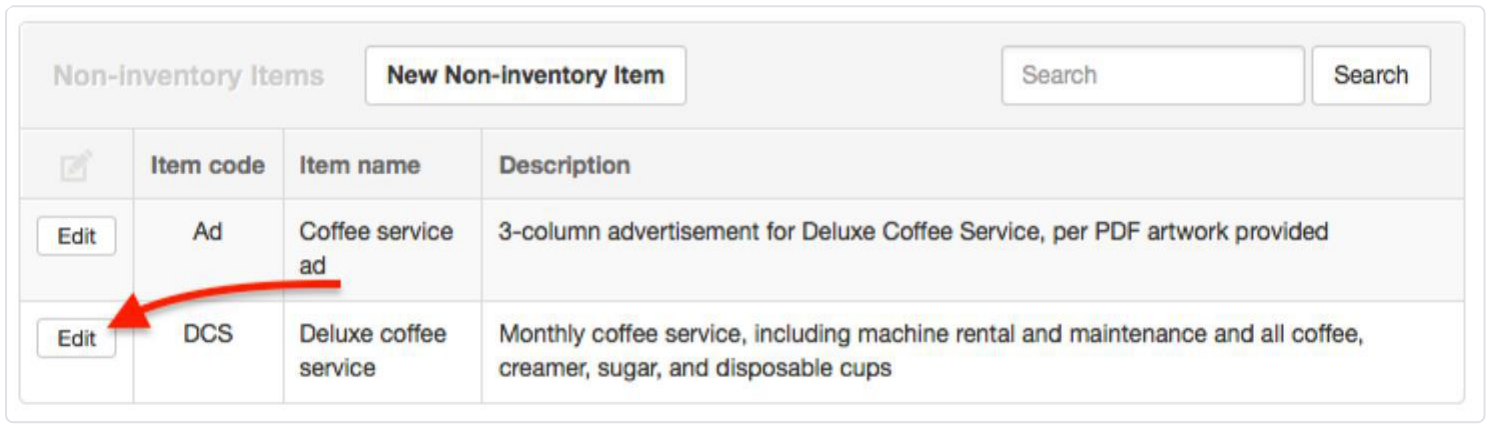
To use a non-inventory item, click on the dropdown box of the `Item` field. Or, begin typing the `Item code` or `Item name` in the field to take advantage of the autosearch capability. When a non-inventory item has been selected, all its parameters will automatically be filled for the line. Anything can be edited except the account to which the item is posted:



> **Note**
> Although only applicable type (sale or purchase) non-inventory items are normally available when creating a form manually, items already included on a form **will** be copied to new forms when the `Copy to` function is used.

Updating non-inventory items

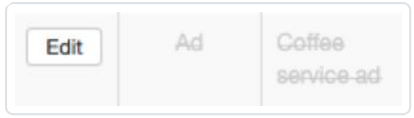
Non-inventory items can be updated when required, such as when a service description is altered or a price change occurs. Go to `Settings` → `Non-inventory Items` and click `Edit` for the item to be changed:



Edit the item as desired and click `Update`. **Existing transactions using the non-inventory item will not be modified**. Only future forms will be affected.

If the non-inventory item is no longer needed, it can be deleted as long as it has never been used. But BILLBOOKS will not allow non-inventory items to be deleted if they have been used. In that case, check the Inactive box, and the non-inventory item will no longer be available.

If an inactive non-inventory item becomes useful again, scroll to the bottom of the non-inventory items list, where you will see the item's name in light grey text with strike-through markings:



Click `Edit` next to the item's name. Uncheck the Inactive box and the item will once again be available. Remember to click `Update` when finished editing.

4.2.4 Choose between tax-exclusive and tax-inclusive prices

Tax-exclusive prices do not include tax. Taxes calculated according to any tax codes applied are added to the `Sub-total` of a transaction to obtain a `Total`. **Tax-inclusive prices** already have any applicable taxes included in their line item `Amount` fields. BILLBOOKS can handle either situation with selection of the same tax code. But tax amounts calculated will, necessarily, be different. So will effective unit prices for the same entry in the `Unit price` field.

The basics

The election of tax-exclusive versus tax-inclusive pricing can be made on:

- Receipts and payments
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices
- Credit and debit notes

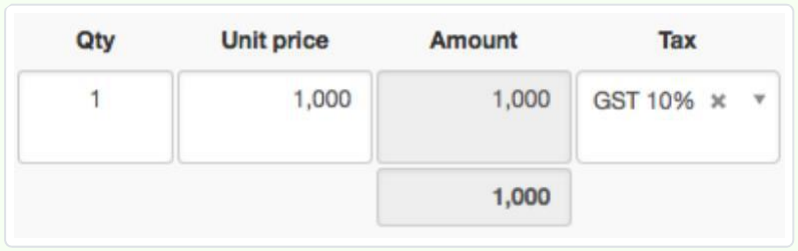
Default choices can be made for each form type in `Form Defaults` under `Settings`. Such defaults can edited on a transaction-by-transaction basis. When a form has a financial impact, such as a receipt, sales invoice, or debit note, amounts contributing to the untaxed sub-total are posted to appropriate income or expense accounts. Calculated taxes are posted to *Tax payable*, where they offset one another according to whether they are being paid or received.

> **Caution**
> If the tax scheme in your jurisdiction does not offset taxes paid against taxes collected, **do not use tax codes on your purchases**. Include tax in the unit price of every line item, where it will add to the expense of the item.

Tax methodology for tax-exclusive pricing

Tax-exclusive pricing is the most intuitive. A sub-total is calculated for all line items subject to a specific tax code; then, the sub-total is multiplied by the appropriate percentage to obtain the tax amount. The tax amount is added to the sub-total to give the total. If more than one tax code is applied on a transaction, separate calculations are performed before adding together all sub-totals and tax amounts for a total.

Example
You buy an item for 1,000 plus 10% goods and services tax. If the amount of 1,000 is tax-exclusive, 10% tax is added to it, increasing the total to 1,100. The tax shows as an addition when you create a purchase invoice:





	Qty	Unit price	Amount
	1	1,000.00	1,000.00
		Sub-total	1,000.00
		GST 10%	100.00
		Total	**1,100.00**

Since the transaction is a purchase, 100.00 is debited to *Tax payable*, where it offsets amounts you have collected from customers on behalf of your tax authority. The 1,000.00 sub-total is debited to the designated expense account. The entire 1,100 is credited to *Accounts payable*.

If this were a sales invoice instead of a purchase invoice, entries would be similar, but results would be reversed. Manager would credit 100.00 to *Tax payable* and 1,100 to an income account. It would debit *Accounts receivable* by 1,100.

Tax methodology for tax-inclusive pricing

When entering tax-inclusive prices, the situation is opposite. BILLBOOKS calculates what tax-exclusive unit price would have produced the tax- inclusive amount **after** tax was added. The program does this for every line item. This calculation is:

```
Tax-exclusive price = Tax-inclusive price / (1 + Tax rate)
```

Thus, both effective unit prices and calculated taxes are lower for tax-inclusive pricing, assuming identical inputs.

Example
You make the same purchase as in the previous example, using a payment form, but pricing is tax-inclusive. The resulting `Total`, calculated tax, and presentation change:



	Qty	Unit price	Amount
	1	1,000.00	1,000.00
		Total	**1,000.00**
		Includes GST 10%	90.91

Manager debits only 90.91 to *Tax payable*, 909.09 to the designated expense account, and credits 1,000.00 to the bank or cash account where the transaction is entered.

Were this a receipt, Manager would credit 90.91 to *Tax payable* and 909.09 to the designated income account. It would debit a bank or cash account by 1,000.00

Choosing tax methodology

You can make unit prices tax-inclusive by checking a box. The choice applies to the entire form:



You can set your choice as default using `Form Defaults`.

> **Caution**
> When purchase or sales prices have been defined for inventory or non-inventory items, choosing a different tax methodology does not modify the unit price entered automatically as the item is selected. So you should always be aware of how your inventory and non-inventory prices were determined and choose the matching tax methodology.

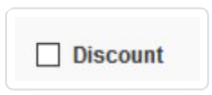
4.2.5 Apply a discount

Discounts can be applied or indicated on transaction forms related to sales, purchases, and refunds. These include:

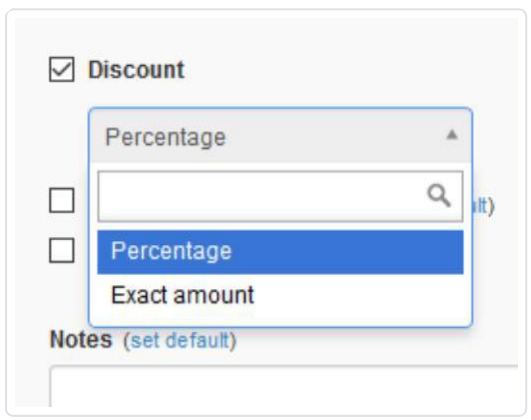
- Sales quotes
- Sales orders
- Sales invoices
- Credit notes
- Purchase orders
- Purchase invoices
- Debit notes

The option lets you show customers discounts you are extending. It also lets you record how much of a discount, if any, a supplier has extended to you.

The `Discount` column is not normally displayed to save space. Where discounts can be applied, a checkbox appears on the entry form:



If the checkbox is activated, you can choose between *Percentage* or *Exact amount* options:



Selecting the *Percentage* option will add a `Discount` column where you will be able to enter the percentage.



Choosing the *Exact amount* option allows you to enter a fixed amount.

> **Note**
> Although the checkbox activates the column for the entire form, discounts must be entered line item by line item.

4.2.6 Use Copy to function

Several transaction forms and reports in BILLBOOKS relating to customers and suppliers offer `Copy to` button in their headers, allowing a one transaction or report to be converted directly to a new transaction in a workflow. This feature carries over important information, such as customer or supplier name, reference numbers of various types, and details of line items. Copying to a new transaction form:

- Saves time
- Prevents mistakes

When a form or report is copied, a new entry screen for the destination form appears, but the new transaction is not immediately created. All entries can be edited, deleted, or augmented first. The destination form is finalized only when the `Create` button is clicked.

The table below shows which original forms and reports can be copied to various destination forms:

Original Form Or Report	Available Destination Forms												
	Sales Quote	Sales Order	Sales Invoice	Recurring Sales Invoice	Purchase Order	Purchase Invoice	Recurring Purchase Invoice	Goods Receipt	Debit Note	Delivery Note	Credit Note	Receipt	Payment
Sales Quote		✓	✓		✓	✓				✓			
Sales Order			✓		✓	✓				✓			
Sales Invoice	✓	✓		✓	✓	✓				✓	✓		
Credit Note										✓			
Purchase Order						✓		✓					
Purchase Invoice			✓				✓	✓	✓				
Goods Receipt						✓							
Debit Note								✓					
Customer Statement (Unpaid invoices)												✓	
Supplier Statement (Unpaid invoices)													✓

Notes

`Copy to` options appear only for tabs that are enabled. If no tabs are enabled except the one for the original form, the `Copy to` button itself will not appear.

No report can be copied to another report, because reports are generated from numerous individual transactions.

When both original and destination forms include custom fields with identical labels, content of original custom fields will copy to the destination custom fields, **overriding any default content for the destination form** set under Form Defaults. However, if an original custom field is empty, default destination content will be used.

When a purchase-related form is copied to a sales-related form or vice versa, the customer or supplier does not carry over.

When inventory or non-inventory items are included on a form, posting accounts and prices change to those appropriate for the destination form.

4.2.7 Use HTML code in fields

Almost all fields in BILLBOOKS accept **Hypertext Markup Language (HTML) code**. This allows you to control appearance of text content and show images on documents like invoices or quotes. Any online HTML syntax guide will provide guidance.

Example
A description in a sales invoice line item such as:

```
<img src="https://imgur.com/Rw3up5r.png" style="float: right">
- Species: Malus domestica
- Parentage: Cox's Orange Pippin x Oldenburg
- Originates from: Germany
- Introduced: 1930
- Developed by: Kaiser Wilhelm Institute
- Orange Pippin Cultivar ID: 1147
- UK National Fruit Collection accession: 1972-026
```

will produce the following output:

Description	Qty	Unit price	Amount
• Species: Malus domestica • Parentage: Cox's Orange Pippin x Oldenburg • Originates from: Germany • Introduced: 1930 • Developed by: Kaiser Wilhelm Institute • Orange Pippin Cultivar ID: 1147 • UK National Fruit Collection accession: 1972-026 	10	2.55	25.50
		Total	25.50

Note
To keep your data file size small, Manager does not store images directly. Note the reference to the image in the example above is a URL where the image is stored.

You can also use HTML for greater control over how custom fields are displayed.

Example
You would like to show a box for a signature on a sales invoice. Enter the following code into a custom field named `Signature`:

```
<div style="border: 1px solid #000; width: 200px; height: 40px"></div>
```

On an invoice, this will be presented as:

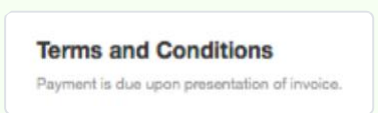


Finally, you can also control the appearance of text.

Example
You want to list your terms and conditions in unobtrusive fine print on sales invoices, but do not want the trouble of creating a custom theme. So you create a custom field for sales invoices, labelled *Terms and Conditions*. In it, you enter the following default text:

```
<span style="font-size: 8px; color: #999999">Payment is due upon presentation of invoice.</span>
```

The following appears near the bottom of all new sales invoices:



4.2.8 Export lists and reports

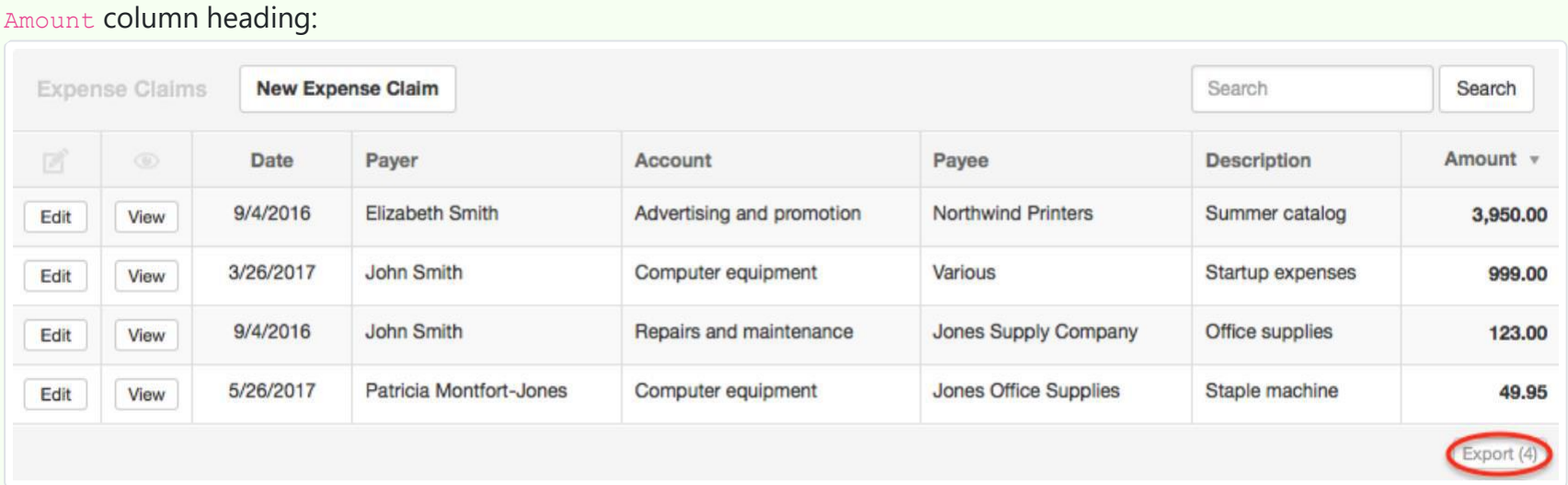
You can **export lists and reports** from BILLBOOKS to use in word processing documents or spreadsheets. Rather than export in formats unique to any specific application, BILLBOOKS makes data available in tab-separated-value (TSV) format. TSV-formatted data can be imported or pasted into virtually all word-processing and spreadsheet programs on the market.

Note
Completed transaction forms, such as sales invoices, expense claims, journal entries, or purchase orders, cannot be exported. These forms are not data files, but presentations of data from files. Customer lists, cash account registers, or fixed asset ledgers, on the other hand, are data lists and can be exported.

Export from the screen display

Any list or report that can be exported has an `Export (X)` button at the lower right corner. The *X* is a number showing how many rows of data will be exported following a row of column headings. The export function preserves any search or sort operations performed on the data prior to export.

Example
Northwind Traders wants to create a spreadsheet of expense claim information to support a monthly management review. The main listing of the `Expense Claims` tab can be exported. It is sorted according to claim amount by clicking on the `Amount` column heading:



Copy the data

Click on the `Export (X)` button to view the TSV data. Click within the grey data window to select all the data, or click and drag to select only a portion of it. Copy the selected data.

Example

Expense Claims

Date	Payer	Account	Payee	Description	Amount
9/4/2016	Elizabeth Smith	Advertising and promotion	Northwind Printers	Summer catalog	3,950.00
3/26/2017	John Smith	Computer equipment	Various	Startup expenses	999.00
9/4/2016	John Smith	Repairs and maintenance	Jones Supply Company	Office supplies	123.00
5/26/2017	Patricia Montfort-Jones	Computer equipment	Jones Office Supplies	Staple machine	49.95

Paste data into destination document

Open a word-processing or spreadsheet document and paste in the data. Depending on your purpose, TSV-formatted data is usually best pasted into a pre-formatted table in a word-processing document. It can usually be pasted into the first cell of a spreadsheet, where it will automatically be parsed into individual cells. (Exact behavior in the destination document depends on your operating system, application, and version. TSV formatting is used by BILLBOOKS because it is the most flexible.

Example

	A	B	C	D	E	F
1	Date	Payer	Account	Payee	Description	Amount
2	9/4/16	Elizabeth Smith	Advertising and promotion	Northwind Printers	Summer catalog	3,950.00
3	3/26/17	John Smith	Computer equipment	Various	Startup expenses	999
4	9/4/16	John Smith	Repairs and maintenance	Jones Supply Company	Office supplies	123
5	5/26/17	Patricia Montfort-Jones	Computer equipment	Jones Office Supplies	Staple machine	49.95

Functions available in the destination application can be applied to the exported data for analysis or presentation.

4.2.9 Set lock date

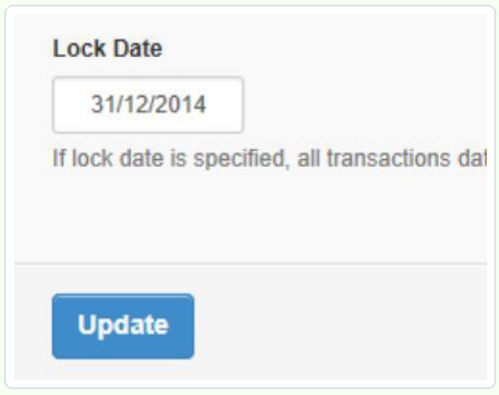
In BILLBOOKS, closing an accounting period is not required, but a **lock date** can be set to prevent any changes on or before a desired date.

Go to the `Settings` tab and click `Lock Date`:

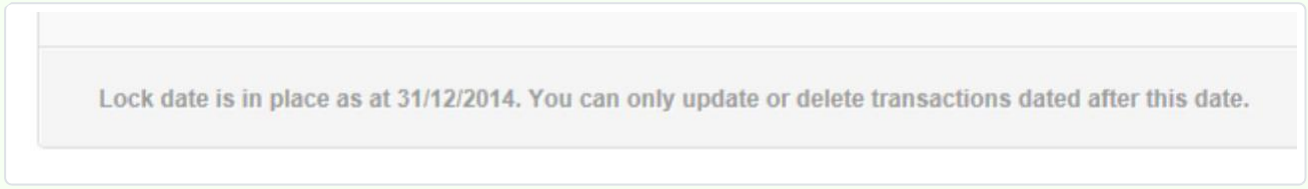


Enter the desired lock date and click `Update`.

Example
Maria wants to prevent any changes to accounting transactions before 1 January 2015. She sets the lock date to 31 December 2014:



Now, if she tries to edit or delete any transaction dated on or before 31 December 2014, she will see the following notice:



You can temporarily remove the lock date if you need to edit or delete a transaction. Enter the lock date again when you have completed the changes to previously locked transactions.

Note
`Lock Date` is useful in multi-user editions of Manager to prevent restricted users from modifying locked transactions. Ensure the `Lock Date` feature is disabled for restricted users to prevent them from unlocking restricted data. For administrators or unrestricted users, the feature will act as a reminder to prevent accidental data modification.

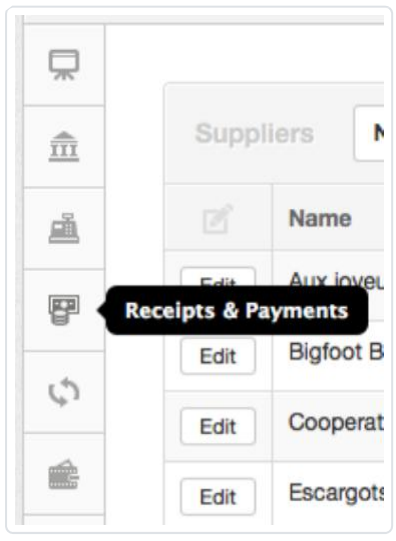
4.2.10 Use compact mode on small screens

Accounting data must often be displayed in rows and columns to be comprehensible. Unfortunately, as the amount of information about individual entries grows, displays often exceed screen width. And that sometimes means a lot of scrolling back and forth to enter, edit, or read data.

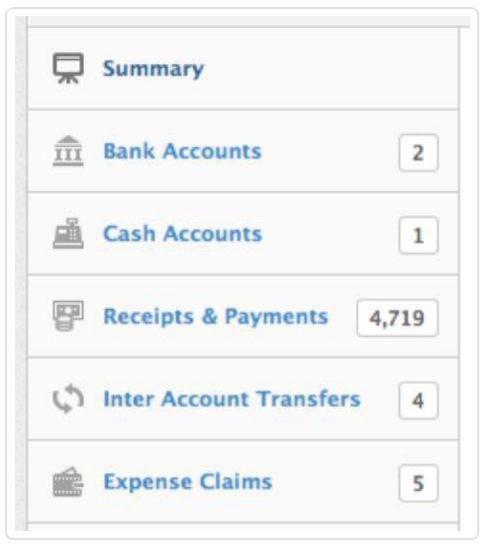
If your screen width is limited, BILLBOOKS's left navigation pane can be minimized to gain valuable space by clicking the symbol at the bottom left corner of the BILLBOOKS window, eliminating tab names and record count windows and leaving only icons:



As you scroll over the icons, the tab names will be visible:



Click again to restore to full width:



4.2.11 Open a data file directly

Any BILLBOOKS business **data file can be opened directly** if the desktop edition is properly installed on a computer.

Rather than first launching BILLBOOKS and selecting a business from the list of businesses in tab, open the data file using the `Businesses`
the computer's operating system features. This action will launch the BILLBOOKS application; the business file will be active.

Thus, copies or backups of a business can be stored remotely, transmitted electronically, transported on portable media, and opened by accountants or coworkers who do not have access to your applications data folder. The business does not need to be imported into an application data folder.

> **Caution**
> Opening a file directly does not add it to the application data folder, so it will not appear in the list in the `Businesses` tab. If a version of the business remains in the application data folder (appearing in the `Businesses` tab), be aware that these are two separate accounting records, even if they have the same name. Changes made in a directly opened file are not picked up by the version in the application data folder. Nor will changes to a version listed in the `Businesses` tab appear in the directly opened file. To avoid confusion and potential, accidental recording of accounting transactions in the wrong file, consider removing a business from the application data folder if you make a remote copy for someone else to open.

4.3 Journal Entries

4.3.1 Make journal entries

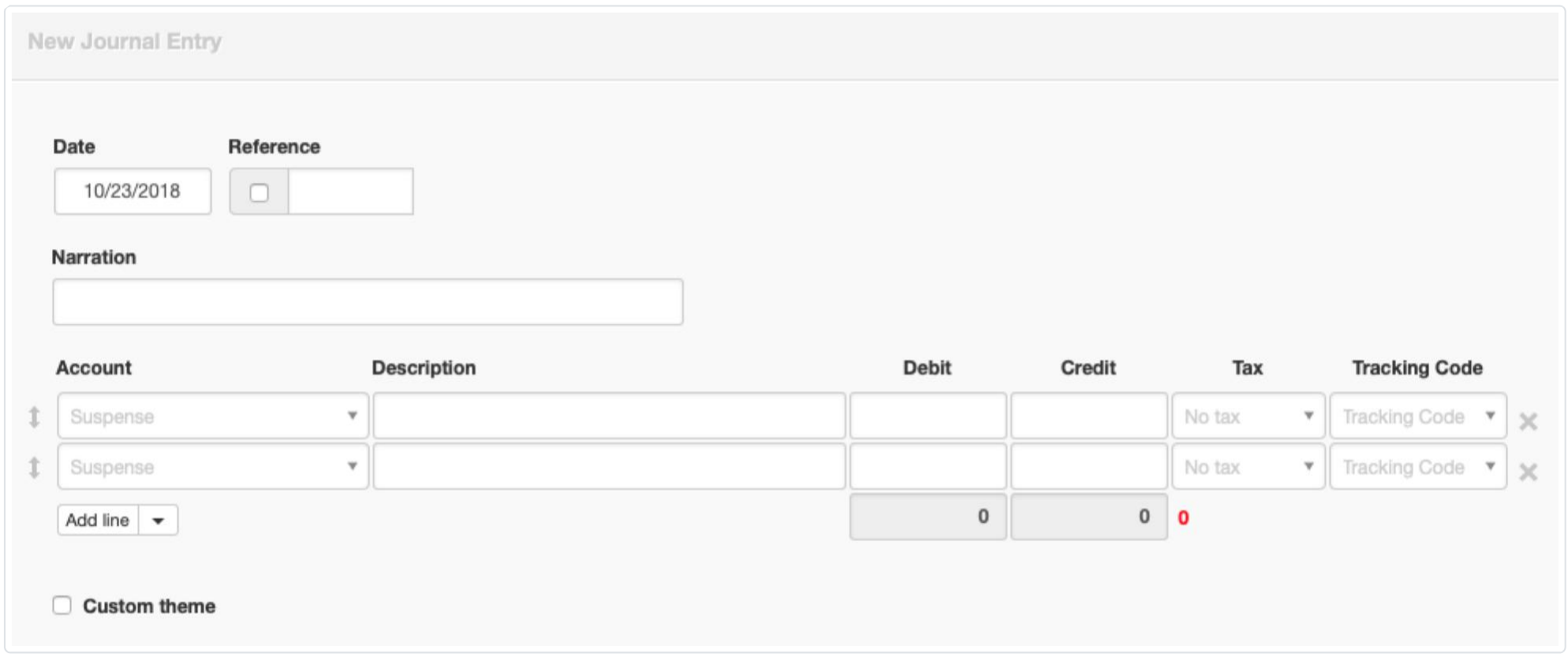
Journal entries record accounting transactions of a business. The terminology refers to the days of hand-written accounting records, when daily transactions were were entered in a journal and later posted to individual account ledgers.

In BILLBOOKS, most transactions are entered in other functional tabs, thereby automating many decisions about account posting and reducing errors. So journal entries are relatively few; most record transfers between accounts. In fact, no transaction involving the actual receipt or payment of funds by a business can be recorded via a journal entry.

The `Journal Entries` tab is always enabled for every business. To make a journal entry, go to that tab and click `New Journal Entry`:



Complete the entry:



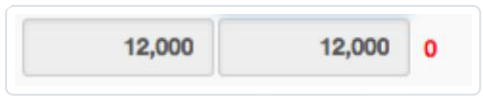
- `Date` is prefilled with today's date, but can be edited.
- `Reference` can be used for any form of identifier. If the box within the field is checked, BILLBOOKS will add a sequence number automatically when the journal entry is created. BILLBOOKS finds the highest `Reference` among existing journal entries and adds 1.
- `Narration` should be a brief description of the overall transaction being entered.

The journal entry form initially opens with fields for two line items, and every journal entry must include lines for at least two accounts. More can be entered, as long as the sum of all debits equals the sum of all credits. Click `Add line` if more lines are needed. In the illustration above, a line has been added for a second `Credit` amount, because the overall distribution included two elements. For each line:

- `Account` indicates which account the line will post to. If necessary, subaccount fields appear and must be completed.
- `Description` accepts information about the individual line item.
- Enter debit amounts under the `Debit` column and credit amounts under `Credit`.
- Select `Tax` codes and `Tracking Codes` if applicable. Frequently they are not for journal entries. (These fields do not appear unless tax codes and tracking codes have been defined under `Settings`.
- A `Custom theme` can be selected if any are active.

Caution
If a journal entry requires a tax code, enter the gross amount, including tax. The amount debited or credited to the selected account is automatically reduced, proportionate to the tax code. The reduction is debited or credited to *Tax payable* (or another account designated in the tax code's definition). **See the example below.**

Because debits and credits must balance for all journal entries, BILLBOOKS calculates the difference between their sums as inputs are made. The difference shows in red to the right of the totals. A red zero indicates a balanced transaction:



Order of lines can be changed by dragging the arrow symbols to their left. Lines can be deleted by clicking `x` to their right.

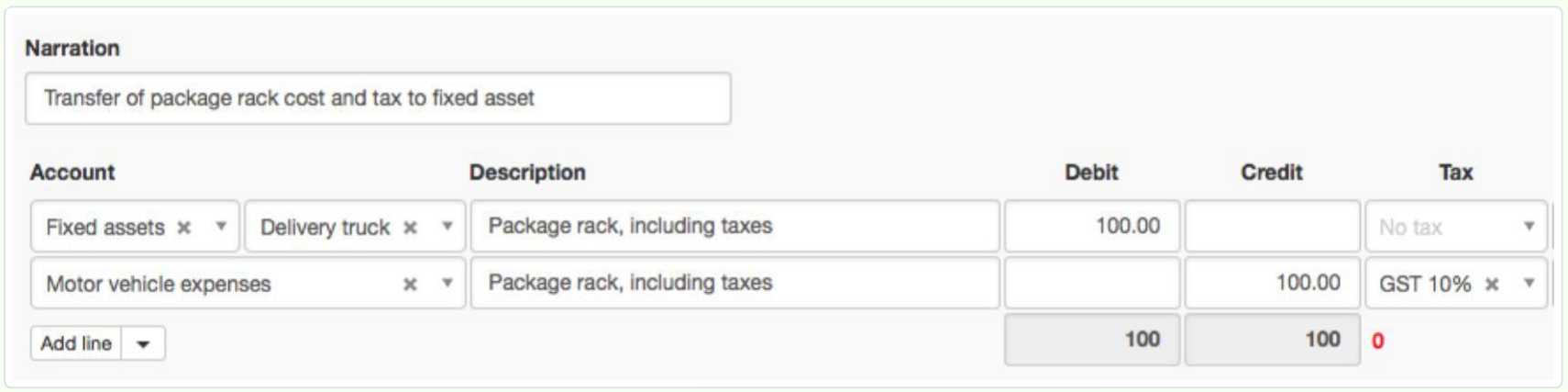
Note
By long tradition in accounting, debits in a transaction are entered first, followed by credits. But the order has no financial impact.

Click `Create` to save the entry.

Example
Brilliant Industries purchases a delivery truck and records it as a fixed asset. At the same time, it buys and installs a package rack in the truck. The rack costs 100.00, inclusive of 10% tax. Brilliant posts the tax-inclusive payment to its *Motor vehicle expenses* account, applying the 10% tax code.

Brilliant's accountant later determines that local tax law requires the cost of the rack, including tax, to be capitalized and depreciated as part of the cost of the truck, not taken as a current operating expense. So the rack's full cost, including tax, must be shifted to the *Fixed assets* account. And since the tax can no longer be counted as an offsetting input tax, it must be removed from the *Tax payable* account.

This oversight is corrected with a single journal entry. The transaction records a 100.00 debit to *Fixed assets* and the subaccount for the truck. No tax code is selected. To balance this, a 100.00 credit is posted to *Motor vehicle expenses* with a 10% tax code applied:



When the journal entry is created, the book value of the truck in *Fixed assets* goes up by 100.00. But the balance of the *Motor vehicle expenses* account only goes down by 90.91. The remaining 9.09 is added to *Tax payable* to compensate for the input tax that can no longer be claimed. The accuracy of the *Motor vehicle expenses* account is preserved because, when the rack was originally recorded as a tax-inclusive payment, only 90.91 was posted to the expense account. (90.91 x 1.10 = 100.00)

4.3.2 Set up and manage recurring journal entries

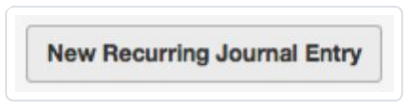
Recurring journal entries are useful when you make journal entries on a regular schedule and most details are identical from one period to the next. BILLBOOKS can track when these journal entries are due, remind you to create them, yet give you the opportunity to edit details.

Note
Procedures for making regular journal entries are described in another Guide. Read it first. Recurring journal entries are very similar.

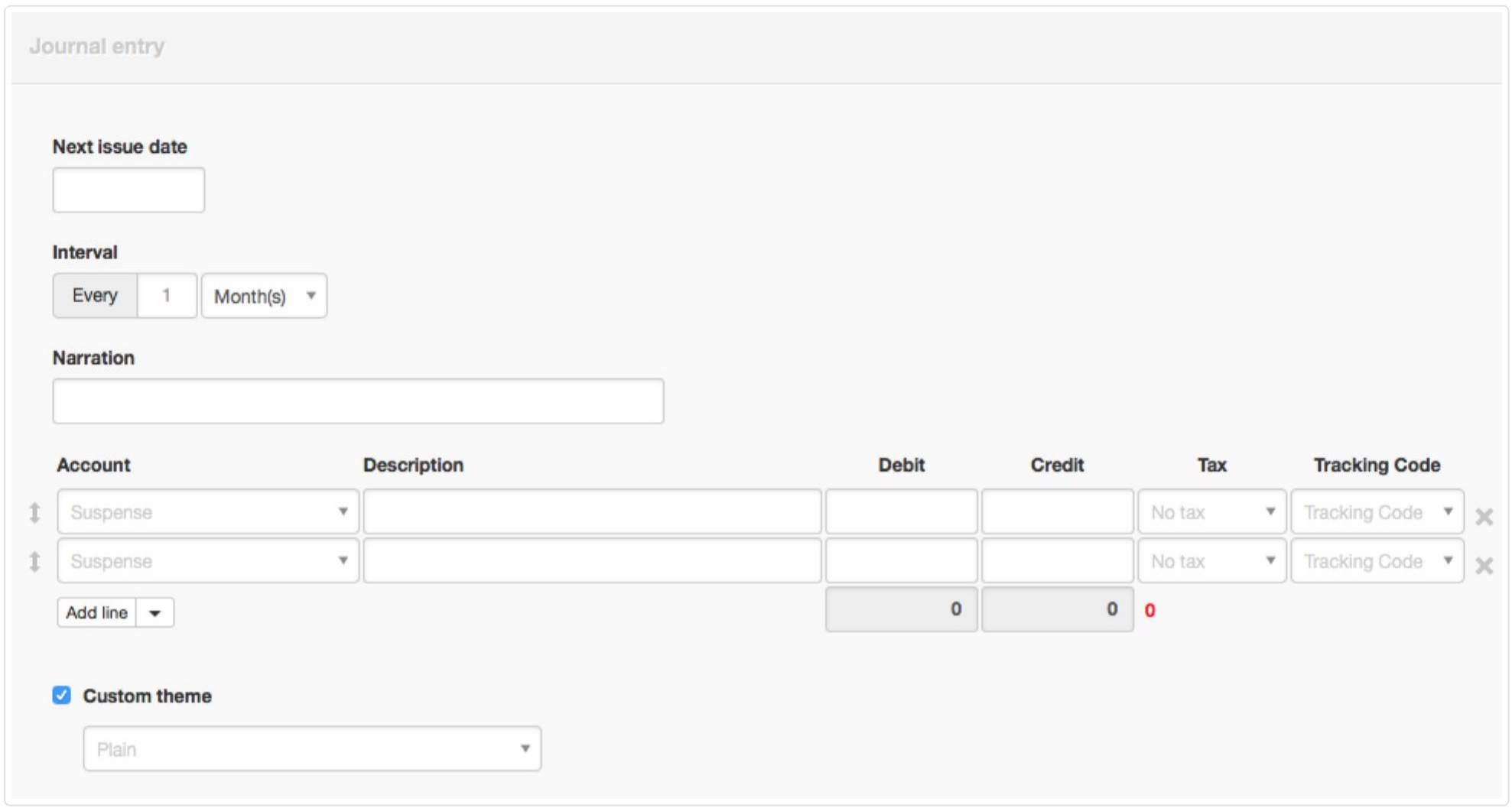
Set up a recurring journal entry

To set up a recurring journal entry, go to `Settings` → `Recurring Journal Entries` and click `New Recurring Journal Entry`:



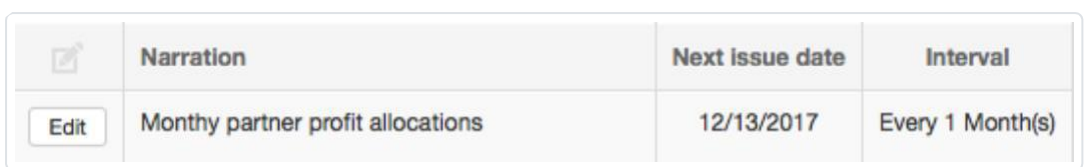


Complete the entry form as you would a regular journal entry, with the following changes:



- `Next issue date` is the date of the next recurring journal entry. You should enter a date that is the same day of the week or month you want future journal entries to be recorded. This field replaces the `Date` field of a regular journal entry.
- `Interval` must include the number of weeks or months between recurring journal entries. Future entries will be on the same day of the week or month.

Click `Create` to save the recurring journal entry, which will be visible in the `Recurring Journal Entries` listing under `Settings`:



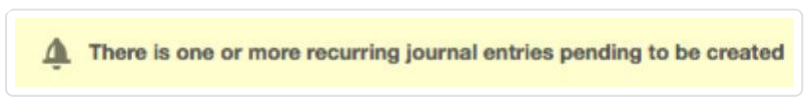
Create recurring journal entries

When one or more recurring journal entries are due (or past due) to be issued, two notifications are provided. The first is a yellow counter window in the left navigation pane showing the number of recurring journal entries for which journal entries are pending (not the number of pending journal entires, which could be higher if you have not kept up by creating journal entries that are due).

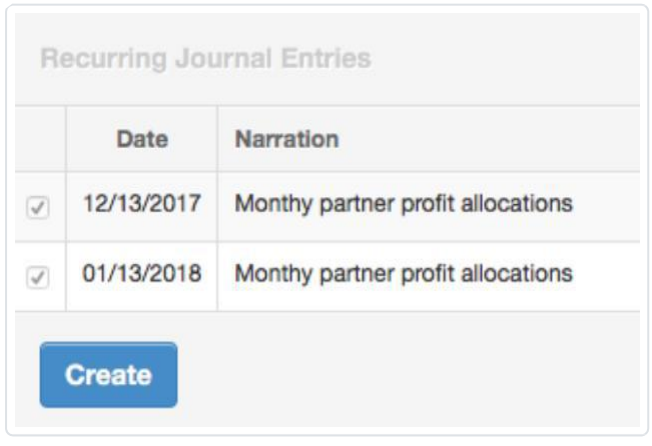
Example
One recurring journal entry has at least one journal entry pending:



The second notification occurs any time you go to the `Journal Entries` tab. You will see a yellow notice that at least one journal entry is pending:



Click the yellow bar to see a list of journal entries due:



Click `Create` to enter all pending recurring journal entries. Necessary edits (if any) can be made after the journal entries are created.

Manage recurring journal entries

If a recurring journal entry should be skipped, modified in frequency, or changed in amounts, simply `Edit` it under `Settings`. Frequently, this involves only changing the `Next issue date`. But any field can be edited.

If the recurring journal entry ceases to be useful, `Delete` it in the `Settings` tab. Since a recurring journal entry is a template, not an actual transaction, BILLBOOKS will allow you to delete recurring journal entries that have already been used.

4.3.3 Write off bad debts

Despite your best efforts to pre-qualify loan recipients, check customer credit references, and vigorously pursue collection, it may become necessary to **write off bad debts**. Debts can include loans you have made to others, balances due on sales invoices under *Accounts receivable*, or other assets recording money owed to you. Underlying reasons might include:

- Bankruptcy of the customer or debtor
- Legal disputes over contract terms
- Death or disappearance of a customer
- Termination of a business without payment of obligations

Whatever the reason, a debt should only be written off when there is a reasonable and sincere belief it cannot be recovered.

> **Note**
> Standards may exist in your jurisdiction for when bad debts can be written off and what evidence may be required to justify the write-off. Check with a local accountant or tax authority for accurate information.

Write-offs of bad debts do not include credits for return of merchandise, price adjustments for faulty or damaged items, or warranty refunds. Those should be handled with credit notes, as described in another Guide.

Establish a *Bad debts* account

When a bad debt is written off, an asset that previously had the potential to generate income is converted to an expense. So you must choose an expense account for the write-off. Good practice is to add an account to the *Expenses* category of your chart of accounts, naming it something like *Bad debts*. But any suitable expense account can be used.

Write off a bad debt

Use a journal entry to write off a debt. Debit the *Bad debts* account by the amount being written off. Credit the asset account where the bad debt is recorded by the same amount.

Example

Quick Computer Repair previously invoiced Brilliant Industries 350.00 for computer repair services. No taxes were applied:

Invoice

Brilliant Industries
P. O. Box 283
8562 Fusce Rd.
Frederick 20620

Invoice date
02/20/2018

Due date
02/20/2018

Invoice number
1

Quick Computer Repair
1313 Webfoot Walk
Duckburg
Calisota

Description	Amount
Computer diagnosis and repair	350.00
Total	**350.00**

Brilliant Industries has gone out of business without paying for the work, so Quick Computer Repair must write off the bad debt. It makes a journal entry, debiting 350.00 to *Bad debts* and crediting the same amount to *Accounts receivable*, Brilliant's subaccount, and the specific sales invoice:

Journal entry

Date
02/20/2018

Reference
1

Quick Computer Repair
1313 Webfoot Walk
Duckburg
Calisota

Write off bad debt

Account	Debit	Credit
Bad debts	350.00	
Accounts receivable — Brilliant Industries		350.00

If the original debt was the result of a sales invoice, the journal entry leaves the income in the income account where it was first posted. This preserves a record of the economic activity. But that income is offset by the expense in the *Bad debt* account.

Adjust taxes

If the debt being written off was the result of a taxable transaction, things are more complex. You must first determine whether, under local tax law:

- Tax is payable to the authority because taxable goods or services were delivered, regardless of whether they were paid for, **OR**
- Tax is not payable because the goods or services were not paid for.

Tax is payable

In the first case, debit *Bad debts* for the gross amount of the debt, including taxes. Credit the asset account where the debt is recorded by the same amount. But **do not apply any tax codes**.

Example

The services in the prior example are subject to a 10% goods and services tax. The original sales invoice was entered as follows:

Item	Account	Description	Qty	Unit price	Amount	Tax
	Service sales - fixed rate	Computer diagnosis and repair		350	350	GST 10%
Add line					350	

showing this on the completed sales invoice:

Description	Amount
Service sales - fixed rate	350.00
Sub-total	350.00
GST 10%	35.00
Total	**385.00**

Since the tax is payable regardless of collection status, the debt is written off with the following journal entry. Note the absence of tax codes:

Account	Description	Debit	Credit	Tax
Bad debts		385		No tax
Accounts receivable / Brilliant Industries / Invoice #1			385	No tax
Add line		385	385	0

After the journal entry is made, *Service sales - fixed rate* still records the sale at 350.00. *Bad debts* records the full write-off at 385.00. And 35.00 remains in *Tax payable*. Thus, Quick Computer Repair incurs a loss on the transaction of 35.00, equal to the tax it must pay on behalf of its defunct customer.

Tax is not payable

In the second case, not only must the full debt be transferred to expenses, the tax liability must also be eliminated. So apply the relevant tax code to the *Bad debt* debit.

Example

The journal entry includes gross amounts and applies the tax code only to the debit line:

Account	Description	Debit	Credit	Tax
Bad debts		385		GST 10%
Accounts receivable / Brilliant Industries / Invoice #1			385	No tax
Add line		385	385	0

Tax is removed from *Tax payable*. Both *Service sales - fixed rate* and *Bad debts* include 350.00. The final result is no tax owed to the authority and no net profit on the transaction. But both sales activity and the bad debt are recorded.

Reverse a write-off

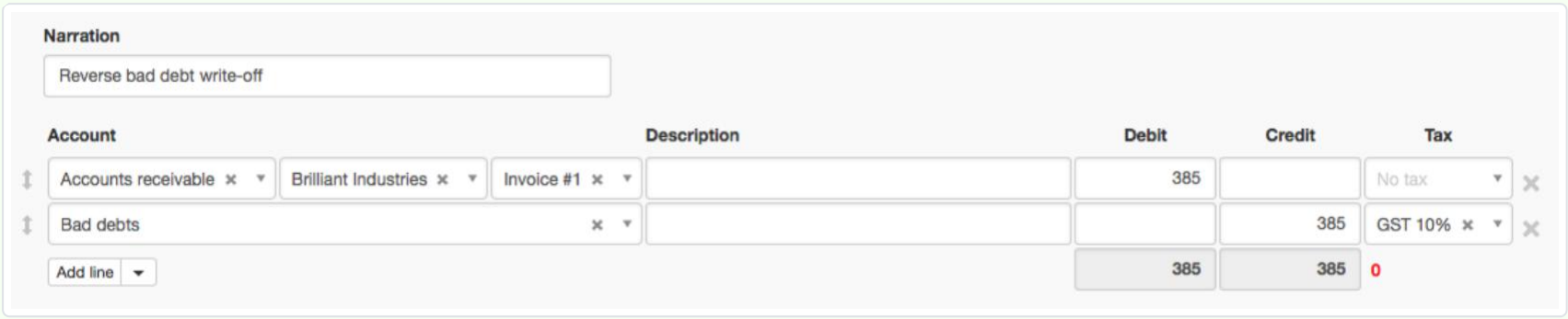
Occasionally, a bad debt legitimately thought to be unrecoverable becomes recoverable, such as when:

- A lost customer is located
- A customer or debtor emerges from bankruptcy and makes good on its former debts

Do not delete the write-off journal entry. Instead, place the formerly bad debt back into your assets with a reverse journal entry. This time, debit the asset account where the debt was lodged and credit *Bad debts*.

Example

Brilliant Industries resumes business and notifies Quick Computer Repair it will honor its former obligations. A second journal entry is made:



(This illustration is for the second tax situation, where tax is not payable unless it is collected. In the opposite case, where tax is payable regardless, apply no tax code to *Bad debts* on the credit side of the journal entry.)

The reversal leaves 35.00 in *Tax payable*, 350.00 in *Service sales - fixed rate*, and removes the debt amount from *Bad debts*. *Accounts receivable* shows 385.00 due from Brilliant Industries, just as though the unfortunate circumstances had never occurred.

4.4 Tax Codes

4.4.1 Create tax codes

Tax codes are used by BILLBOOKS to calculate and record taxes invoiced, collected, paid, and owed. They can be used for sales taxes, goods and services taxes, value added taxes, and other taxes imposed by a country or regional tax authority. They are applied (separately and distinctly, if necessary) to individual line items on:

- Sales and purchase invoices
- Payments and receipts
- Debit and credit notes
- Sales quotes
- Purchase and sales orders
- Expense claims
- Journal entries



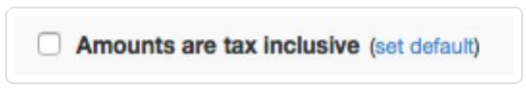
Tax amounts calculated from tax codes are posted to the *Tax payable* liability account, which activates automatically in your chart of accounts when a tax code is created. *Tax payable* is a control account, keeping separate track of each tax code used, even though all are aggregated on the Balance Sheet.

Note
The *Tax payable* account offsets taxes collected or received under a tax code against taxes paid under the same tax code, regardless of transaction type. Whether taxes are collected from customers, paid to suppliers, refunded by or remitted to tax authorities, they all post to the same account and offset one another. This has important ramifications for how tax codes are applied on forms. The determining principles are whether and how the particular transaction affects the amount you owe to a tax authority.

Example 1
Johanna charges and collects VAT from customers on architectural design services. For tax filing, VAT she collects from customers is offset by VAT she pays to her suppliers. So she must use the same VAT tax code on sales and purchase invoices. Johanna's *Tax payable* balance will be the difference between VAT collected and VAT paid. When she remits that amount to her tax authority, the *Tax payable* balance will drop to zero.

Example 2
Roberto collects sales tax from customers at his coffee shop. But local law does not permit him to offset sales tax he pays to suppliers. (In some jurisdictions, Roberto would not be assessed sales tax by his suppliers on items he will resell.) Roberto should apply the sales tax code on receipts and sales invoices. But when he purchases taxable supplies, he should include sales tax paid to his suppliers in the price of the supplies and apply no tax code on purchase invoices or payments. His *Tax payable* balance will reflect only sales tax collected until he remits that amount to his tax authority, dropping his *Tax payable* balance to zero. Sales tax he pays to suppliers will be included as an expense in the cost of supplies, reducing net income. But it will not reduce the amount he must remit to his tax authority.

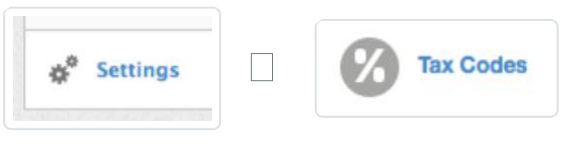
On some transaction forms, an option is available as to whether amounts are tax-inclusive or tax-exclusive:



When tax-inclusive, BILLBOOKS calculates effective prices that, when combined with tax at the specified rate, equal the amount entered. In other words, the tax amount is effectively backed out of the total. When tax-exclusive, BILLBOOKS applies the tax rate to the entered amount and adds the resulting tax to obtain a higher total.

Adding a tax code

You can add as many tax codes as you need to use. In the `Settings` tab, click `Tax Codes`:

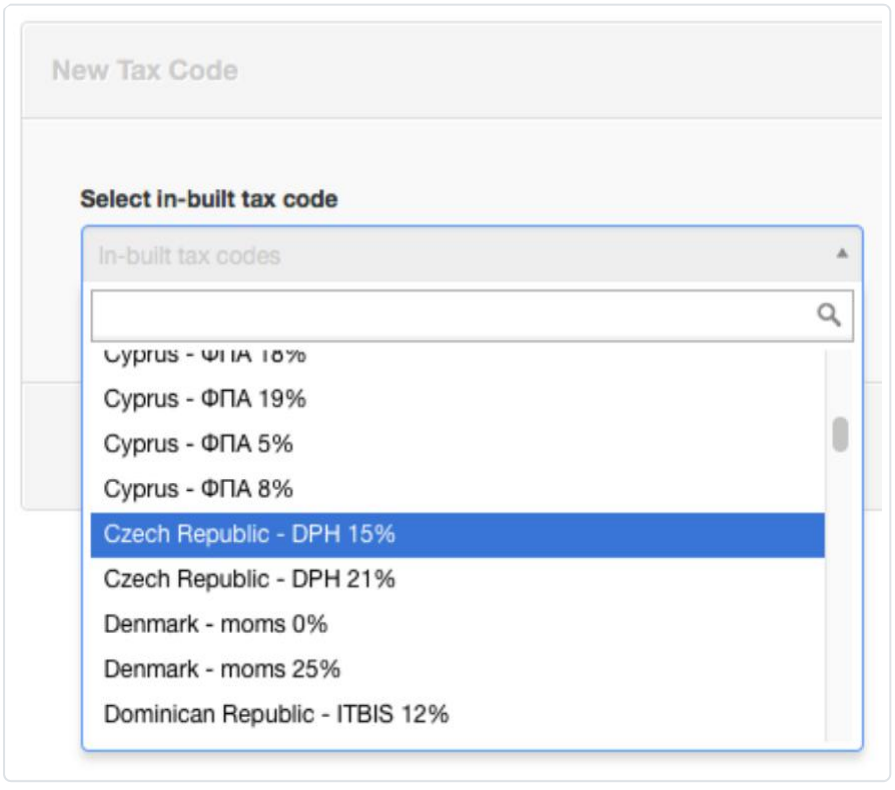


Click `New Tax Code`. Two options exist:

- In-built tax codes
- Custom tax codes

In-built tax codes

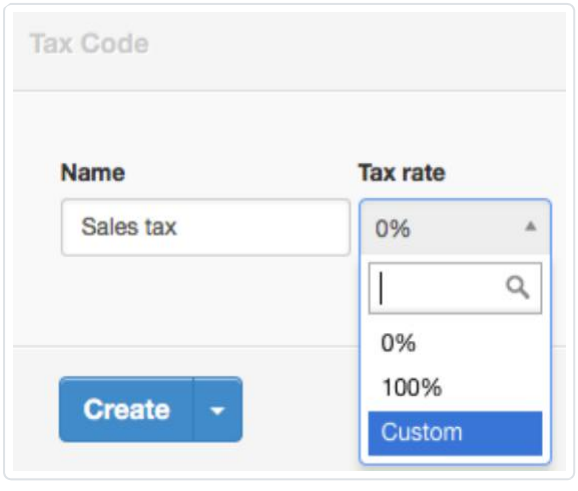
BILLBOOKS includes more than 270 in-built codes. These are always preferable if they meet your needs. In many cases, more than one tax rate or type is available for a country. Select a code relevant to your country and business operations:



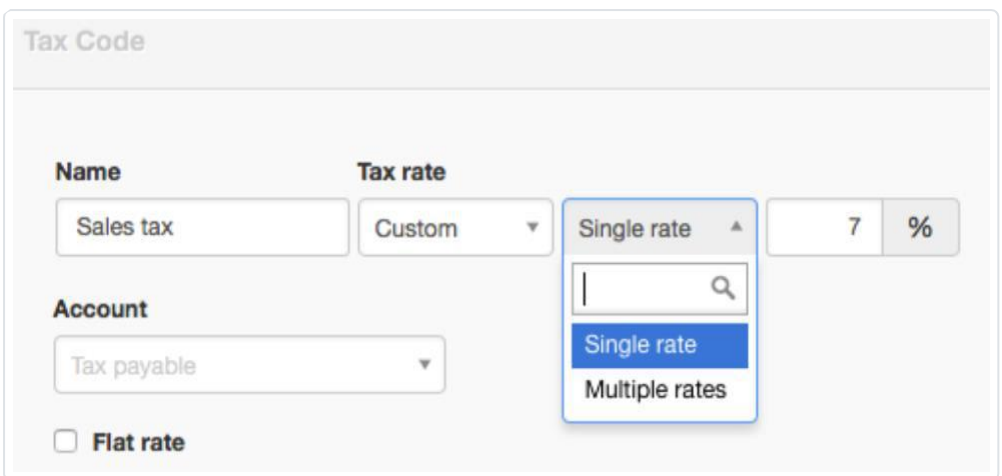
No other steps are necessary. Repeat the process if you need to use more codes. If your country or the specific tax type and rate you need are not on the list, you will need to create one or more custom tax codes.

Custom tax codes

BILLBOOKS provides a generic framework for creating simple or complex tax codes to handle almost any tax scenario. To set up a custom tax code, go to the `Settings` tab, click `New Tax Code`, then `New custom tax code`. Enter a name for the custom tax code. Three rate options are available in the dropdown box that appears:

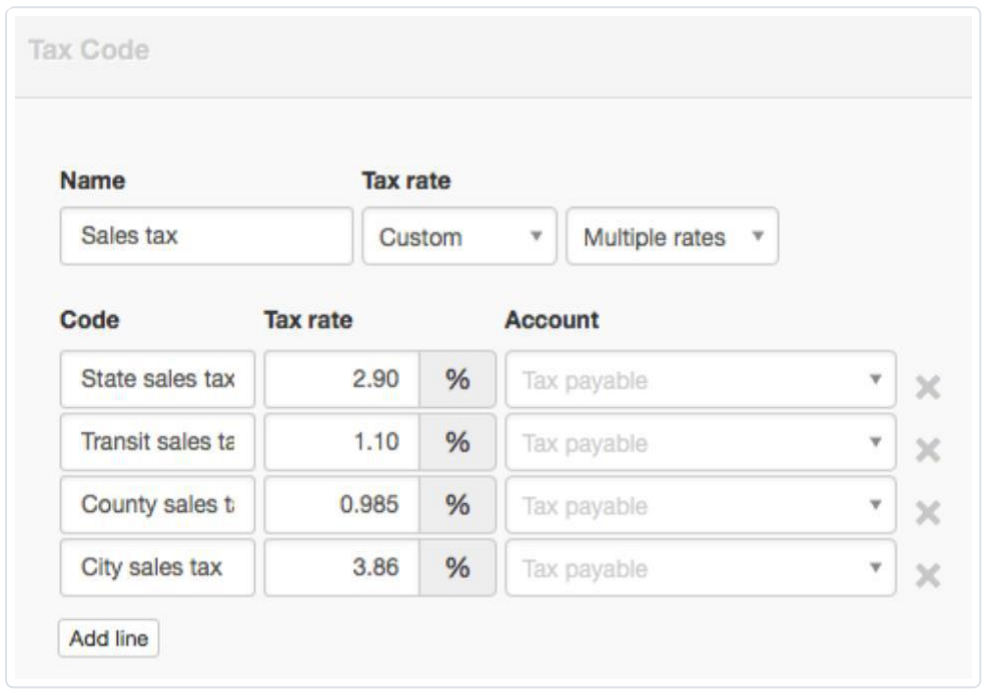


- Choose `0%` to create a tax code for tax exempt transactions where it may be necessary to show the tax-exempt status. No tax will be calculated, but forms will show the 0% rate is being applied.
- Choose `100%` to create a tax code for line items that are all tax. A common application is when a tax authority sends a bill for tax due on imported goods; the tax is paid to the tax authority instead of the supplier who sold you the goods. Forms will show the tax amount as a regular line item rather than an addition to the subtotal. The entire amount will post to *Tax payable*.
- For most custom tax codes, select `Custom`. If the custom tax code includes only one component, select `Single rate` in the next dropdown box that appears and enter the custom rate:



By default, all tax amounts are posted to the *Tax payable* liability account. Posting elsewhere requires creation of custom tax payable accounts and is discussed in another Guide.

If the custom tax code includes more than one component, select `Multiple rates` and enter each tax component on its own line. Use the `Add line` button to add additional components. If your tax code contains components subject to compounding, enter the compounded rate into applicable `Tax rate` fields.



Click `Create` to save the tax code. On sales invoices, your tax components will be shown separately:

Qty	Unit price	Amount
1	1,400.00	1,400.00
	Sub-total	$ 1,400.00
	State sales tax	$ 40.60
	Transit sales tax	$ 15.40
	County sales tax	$ 13.79
	City sales tax	$ 54.04
	Total	**$ 1,523.83**

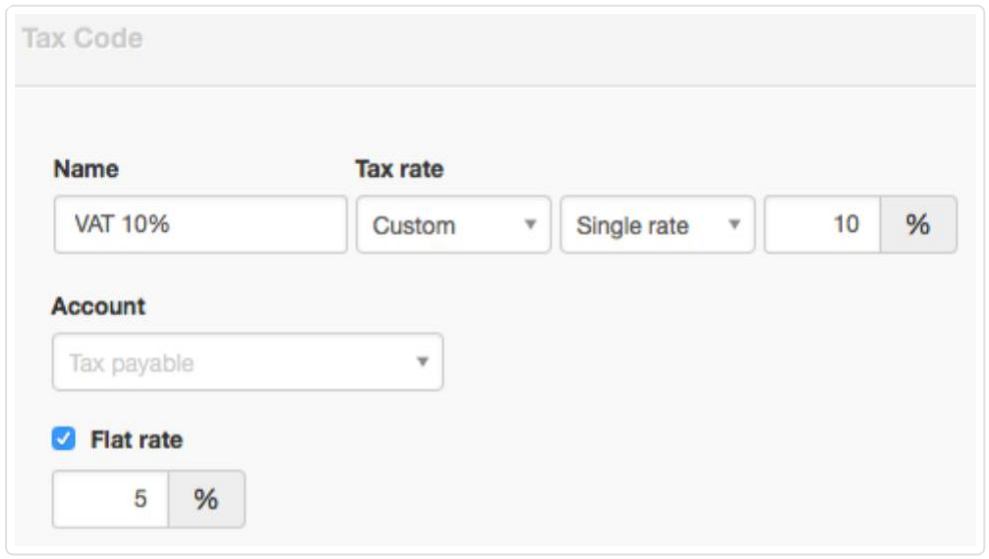
Caution

Taxes from custom tax codes are not included in figures computed by tax calculation worksheets in the `Reports` tab. Only in-built tax codes associated with the country for which a worksheet was developed are taken into account. Therefore, if you create any custom tax codes and want to use one of the tax calculation worksheets, you must manually adjust values from the worksheet for all taxes collected or paid under all custom tax codes when filing information with your tax authority.

Flat rate tax schemes

Some jurisdictions use what are known as flat rate schemes, usually to simplify record-keeping and tax filing. Such schemes free a business from the need to record and offset taxes paid against those collected. Under such schemes, a standard tax rate is applied on sales, but a lower rate is remitted to the tax authority. This lower rate is calculated on the total amount for a line item, *including standard tax*. The difference is kept by the business as additional income. Often, flat tax rates vary by business type and size, based on assumptions of average tax paid to suppliers by businesses with certain characteristics. So they must be set up as custom tax codes in BILLBOOKS.

To add a flat rate tax code, follow the same procedure as for any other single-rate custom tax code. (Flat rate schemes cannot be used with multi-component tax codes.) Name the tax code as you want customers to see it, normally with the standard tax rate. Check the `Flat rate` box and enter the lower rate you will pay to the tax authority:



Customers will see the standard tax rate on sales invoices, and *Accounts receivable* will show the full amount as being due. But *Tax payable* will show a lesser amount. The difference will be added to the income account where the particular line item on the sales invoice is posted.

Caution
When operating under a flat rate tax scheme, no tax code should be applied on purchases, because tax paid cannot be used to offset tax owed. Unit prices of purchased items should include tax paid. In the case of purchased inventory items, tax paid will be included in average cost, just as if it were a shipping charge or other cost of purchasing the item.

4.4.2 Work with multi-component custom tax codes

Multi-component custom tax codes present several accounting challenges. Individual tax components may be:

- Levied by different tax authorities
- Payable to tax authorities on different dates
- Subject to rate changes at different times
- Applicable to different customers
- Effective only for certain categories of goods or services

Basic instructions for creating multi-component custom tax codes are contained in another Guide. Those instructions are adequate for simple situations where all components:

- Apply simultaneously to goods or services
- Are payable to the same authority at the same time
- Are not expected to change

If any of these criteria does not apply, read on.

An example

This Guide uses a custom tax code with four components as an example. The overall tax code is named *Sales Tax 8.845%*. Components are levied by the state, a special transit district, the county, and the city. Percentage tax rates are as shown:

Tax Code

Name	Tax rate	
Sales tax 8.845%	Custom	Multiple rates

Code	Tax rate		Account
State sales tax	2.90	%	Tax payable
Transit sales ta	1.10	%	Tax payable
County sales t	0.985	%	Tax payable
City sales tax	3.86	%	Tax payable

In the simple situation outlined above, all components can be assigned to the default *Tax payable* account, which BILLBOOKS creates automatically when the first tax code is entered. On a sales invoice with a line item to which this tax code applies, the applicable tax code is selected:

Item	Account	Description	Qty	Unit price	Discount		Amount		Tax
	4200 Service sales - fixed rate	Window repair	2	50	0	%	100	USD	Sales tax 8.845%

The resulting sales invoice lists the individual tax component amounts rather than the overall tax code:

Description	Qty	Unit price	Amount
Window repair	2	50.00	100.00
		Sub-total	$ 100.00
		State sales tax	$ 2.90
		Transit sales tax	$ 1.10
		County sales tax	$ 0.99
		City sales tax	$ 3.86
		Total	**$ 108.85**

Assuming no other taxable transactions have been recorded yet, the `Summary` shows all taxes payable in a single account:

Tax payable	8.85

The various tax reports in the `Reports` tab also group all components together. For example, the Tax Summary report includes just one line:

Northwind Traders

Tax Summary

For the period from 1/1/2016 to 12/31/2016

Accrual basis

	Net Sales	Tax Collected	Total Sales	Net Purchases	Tax Paid	Total Purchases
Sales tax 8.845%	100.00	8.85	**108.85**	-	-	-
	100.00	8.85	**108.85**	0.00	0.00	**0.00**

If it is necessary to determine how much of each component was collected, a calculation must be made outside BILLBOOKS. For example, the state component of tax collected in the report above is the ratio of that component to the total tax rate multiplied by the tax collected, so:

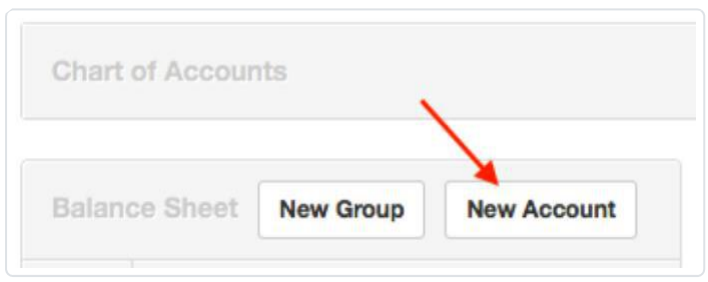
2.90 / 8.845 x 8.85 = 2.90

In this single-transaction example, that result matches the amount charged on the only sales invoice. (When more taxable transactions are recorded, the prorated portion is not so obvious, of course.) But this is cumbersome. BILLBOOKS can streamline the process.

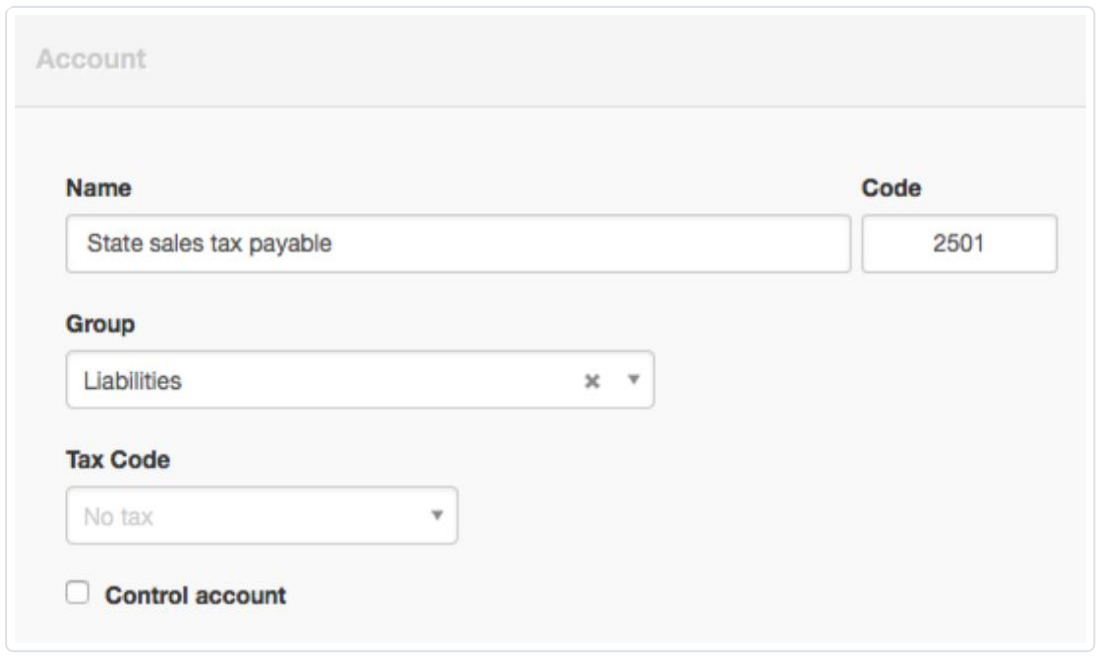
Establishing separate tax payable accounts

To keep track of individual tax components when they are payable to different authorities or on different schedules, create separate tax payable accounts for each. In the `Settings` tab, select `Chart of Accounts`:

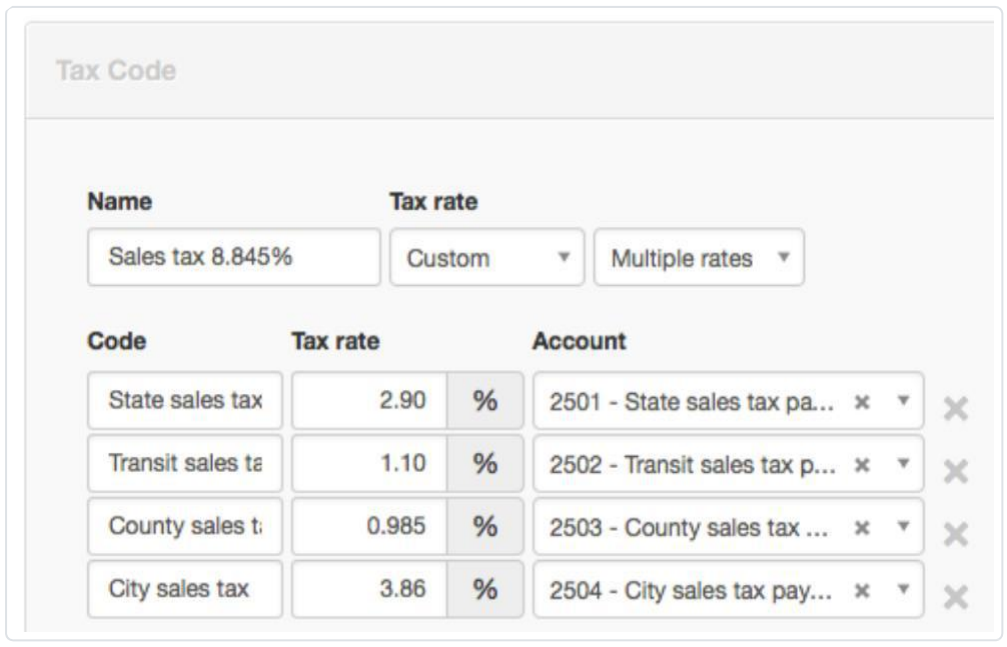
On the Balance Sheet side, click `New Account`:



Enter a name for a tax payable account for the first tax component. In this example, account codes are used to order accounts. The default *Tax payable* account has the code 2500, so the state sales tax component is given 2501. Place the account in the *Liabilities* group (or a subgroup under that). Leave the `Tax Code` field and `Control account` checkbox blank. Click `Create` to finish:



Repeat the process for the other tax components. Then return to `Settings` `Tax Codes` and edit the tax code by assigning each component to its matching tax payable account:



Now, the `Summary` shows a breakdown of how much tax is owed to each authority:

Tax payable	-
State sales tax payable	2.90
Transit sales tax payable	1.10
County sales tax payable	0.99
City sales tax payable	3.86

Although the default *Tax Payable* account remains empty, it cannot be deleted. It is a control account created when the first tax code was defined, but is now functioning as a pass-through account. Required payments to various tax authorities can now be determined from their appropriate accounts, eliminating the need to calculate prorated shares of the overall tax code.

At the present time, tax reports in BILLBOOKS cannot break out individual components.

Handling different taxable situations

For situations where all tax components do not apply, create new tax codes to match. In the example, goods and services delivered outside the city are exempt from city sales tax, but still subject to the other three. And food sales are exempt by law from the transit sales tax. So two new tax codes are created in the same manner as the first:

- City-exempt sales tax 4.985%
- Transit-exempt sales tax 7.745%

Component account assignments are made to the same four tax payable accounts, as applicable. Codes would also be created for any other feasible combinations of customer, location, and applicability. Every tax code is, in effect, a subset of the basic, four-component code originally created. Transactions can be designated for proper tax treatment based on identity or location of the customer, type of goods, etc. If necessary, tax codes can be selected on a line item basis within any transaction form.

After the new tax codes are in place, a second sales invoice for the same services to a customer outside the city is summarized on a new line on the Tax Summary, reflecting the lower tax rate:

Northwind Traders

Tax Summary

For the period from 1/1/2016 to 12/31/2016

Accrual basis

	Net Sales	Tax Collected	Total Sales	Net Purchases	Tax Paid	Total Purchases
City-exempt sales tax 4.985%	100.00	4.99	**104.99**	-	-	-
Sales tax 8.845%	100.00	8.85	**108.85**	-	-	-
	200.00	13.84	**213.84**	0.00	0.00	**0.00**

But the various components are posted to the same tax payable accounts as before (reflecting the two transactions entered so far):

Tax payable	-
State sales tax payable	5.80
Transit sales tax payable	2.20
County sales tax payable	1.98
City sales tax payable	3.86

Changing component tax rates

When a component of a tax code changes, a completely new tax code must be created. Good practice is to archive the obsolete tax code.

> **Caution**
> Never edit components of a tax code that has already been used for any transaction. All previous transactions using that code would be retroactively modified.

Returning to the example, assume the state sales tax component increases to 3.5% mid-year. A new tax code is created and the obsolete one renamed and archived. Subsequently, a third sales invoice for identical services to a customer within the city is issued. The resulting Tax Summary shows all three rates used during the accounting period:

Northwind Traders

Tax Summary

For the period from 1/1/2016 to 12/31/2016

Accrual basis

	Net Sales	Tax Collected	Total Sales	Net Purchases	Tax Paid	Total Purchases
City-exempt sales tax 4.985%	100.00	4.99	**104.99**	-	-	-
Old sales tax 8.845%	100.00	8.85	**108.85**	-	-	-
Sales tax 9.445%	100.00	9.45	**109.45**	-	-	-
	300.00	23.29	**323.29**	0.00	0.00	**0.00**

Paying individual tax authorities

Rather than paying off all or a portion of a single *Tax payable* account, payments can be made to tax authorities for a single component, posting the bank or cash transaction to the appropriate component's tax payable account. Assume, for example, the transit tax is remitted. Only the relevant account need be zeroed out. The Balance Sheet shows the amounts remaining to be paid to other tax authorities:

Tax payable	-
State sales tax payable	9.30
Transit sales tax payable	-
County sales tax payable	2.97
City sales tax payable	7.72

4.4.3 Reverse charge VAT (Value Added Tax)

Reverse charged VAT is used in some territories to collect tax on purchases from suppliers who are not subject to the tax authority's jurisdiction. Usually, that means reverse charged VAT applies to imported goods or services that do not pass through customs.

Often, this is justified by explaining that foreign entities will be spared the need to register or make tax filings with the authority. But the method also eliminates the need for a tax authority to obtain filings and remittances from entities outside its control. Thus, reverse charged VAT improves tax collection.

Basically, reverse charging of VAT transfers responsibility for assessing and collecting VAT from a seller to a purchaser. Instead of being assessed VAT by and paying VAT to your supplier, you assess VAT on yourself and remit it directly to the tax authority.

However, since typical VAT regimens offset VAT paid on purchases against VAT collected on sales, the result is no tax actually paid on goods or services subject to reverse charged VAT. Think of this as simultaneously claiming the tax you would have paid the supplier and reporting the same tax the supplier would have received from you in a normal situation. Since those amounts are the same, no money changes hands for VAT.

So why implement such a scheme? And if no money is due to anyone, why not use a regular, zero-percent tax code? As mentioned above, reverse charged VAT improves tax compliance. But data submitted to the tax authority in connection with reverse charged VAT is also used to track the volume of trade with other jurisdictions for:

- Revenue sharing
- Tax treaty enforcement and compliance
- Economic performance monitoring
- Tax rate analysis and adjustment

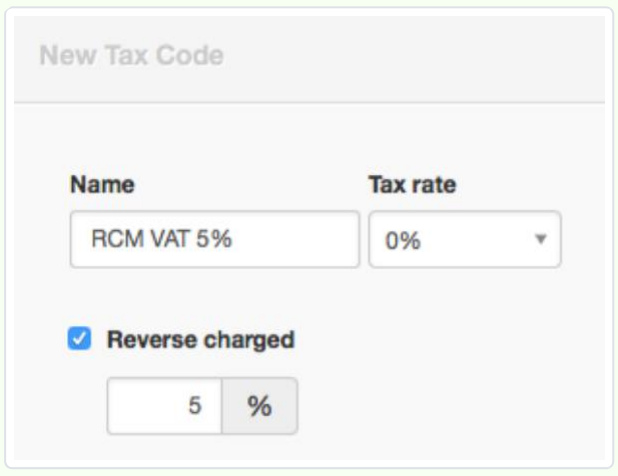
The use of reverse charged VAT tax codes ensures that total sales volumes are still reported and can be categorized according to their proper tax codes.

Set up a reverse charged VAT tax code

Reverse charged VAT is accounted for in BILLBOOKS using a custom tax code. General procedures for creating custom tax codes are contained in another Guide. Read it first.

When creating the new custom tax code, give it an informative name and select *0%* in the dropdown `Tax rate` field. Check the box for `Reverse charged`. When the percentage field appears, enter the rate of the VAT tax to be reverse charged. Click `Update`.

Example
Sample Manufacturing Company needs to reverse charge 5% VAT on purchases from outside the country. It creates a new custom tax code, named *RCM VAT 5%* (for Reverse Charge Method), as follows:



Apply a reverse charged VAT tax code

Reverse charged VAT tax codes are applied the same way as other tax codes. While applicability of the code to a line item is shown, they do not affect the balance of the transaction.

Example
Sample Manufacturing purchases an annual subscription for accounting software from ACME Services. The subscription costs 1,000.00, and 5% VAT is due on the purchase. But, because the supplier is foreign, local tax regulations require the tax to be reverse charged. Sample applies its *RCM VAT 5%* tax code on the purchase invoice, with the following results:

Purchase Invoice

ACME Services Company
4321 South Avenue
Anytown
Another Country

Invoice date
05/19/2018

Due date
06/18/2018

Invoice number
4673

Sample Manufacturing Company
1313 Webfoot Walk
Duckburg
Calisota

Description	Tax	Amount
Annual accounting software fee	RCM VAT 5%	1,000.00
	Total	**1,000.00**

Sample pays ACME 1,000.00.

Reverse charged VAT accounting

If no reverse charged VAT amount shows on a purchase transaction form, what happens to the tax? The answer is found on two tax reports in the `Reports` tab.

A Tax Summary report for a time period including the transaction shows **both** the VAT amount that would have been collected by the supplier on its sale in an ordinary situation **and** the VAT you would have paid the supplier on your purchase in such a case. These offset, leaving a net tax liability of zero for the transaction. Note that for reverse charged VAT tax codes, figures on the Tax Summary are effective amounts, although they do not reflect the actual transaction.

Example
Sample Manufacturing creates a Tax Summary for the first half of its financial year. (For purposes of illustration, only the single, reverse charged VAT transaction in the examples above is included.)

Sample Manufacturing Company

Tax Summary

For the period from 01/01/2018 to 06/30/2018

Accrual basis

	Net Sales	Tax Collected	Total Sales	Net Purchases	Tax Paid	Total Purchases	Tax liability
RCM VAT 5%	-	**50.00**	-	1,000.00	**50.00**	1,050.00	-
	0.00	**50.00**	0.00	1,000.00	**50.00**	1,050.00	**0.00**

A Tax Transactions report will include every reverse charged VAT transaction during the period covered. On this report, actual transaction amounts are shown.

Example
Sample Manufacturing creates a Tax Transactions report for the same period. The only figure that appears is the 1,000.00 total purchase amount:

Sample Manufacturing Company

Tax Transactions

For the period from 01/01/2018 to 06/30/2018

Accrual basis

	Total Sales	Tax Collected	Total Purchases	Tax Paid
RCM VAT 5%				
05/19/2018 — ACME Services Company — 4673			1,000.00	-
Total RCM VAT 5%	0.00	0.00	1,000.00	0.00
	0.00	0.00	1,000.00	0.00

Because both the purchaser's and supplier's sides of the reverse charged VAT transaction are reflected in the tax reports, all figures typically necessary for proper tax filing are available.

4.4.4 Archive tax codes

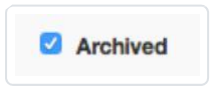
Tax codes no longer in use can be **archived**. When archived, tax codes no longer appear in the `Tax` field dropdown list for line items on transaction forms. But they are not deleted from BILLBOOKS.

Note
Tax codes that have been used cannot be deleted, because doing so would compromise existing transactions. However, if a tax code has not yet been applied in any transaction, it can be deleted.

To archive a tax code, go to the `Settings` tab and click `Tax Codes`:



Click `Edit` next to the obsolete tax code and check the `Archived` box:

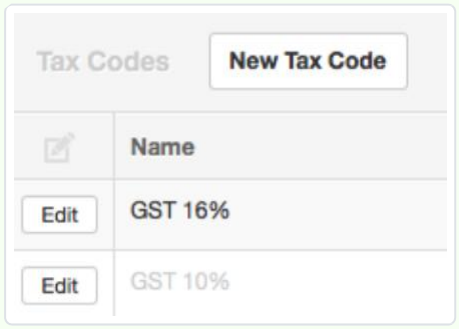


Click `Update`. The archived tax code will be listed in gray text. It can reactivated, if necessary, by clicking `Edit` and unchecking the box, then clicking `Update` again.

An archived custom tax code can also be renamed to highlight its former purpose. Record such changes in your business files to support future questions or audits. Potentially useful name changes include:

- Adding a date indication, such as *Pre-2017*
- Inserting an obvious prefix, such as *XXXX*
- Including a warning, such as *Do Not Use*

Example
Sales by Brilliant Industries are subject to a 10% goods and services tax. Brilliant has added an in-built tax code, GST 10%, for the country where it operates. The government increases the tax rate to 16%. So Brilliant adds the new tax code and archives the obsolete one. Both are now listed under `Settings`, but the archived tax code is distinguished by its gray text:



The archived GST 10% code does not appear as an option when entering transactions:



4.4.5 Adjust tax accounting for partial personal use

When you use tax codes, BILLBOOKS automatically calculates the tax amount based on the tax rate. But when an expense involves partial personal use, you may need to **adjust tax accounting**, because a portion of the expense is not a legitimate business expense. Therefore, a portion of the tax BILLBOOKS would normally calculate is not attributable to the business and cannot be used to offset amounts owed to your tax authority, as reported in the *Tax payable* account.

To properly adjust tax accounting, split a line item partially for personal use into two lines on the payment form. Apportion the `Unit price` by the percentage of business versus personal use. Apply the tax code only to the line for the business portion. Post the remainder to *Owner's equity* or *Capital accounts* (as a draw), depending on your form of organization. Include the applicable portion of tax paid on the personal-use line, but do not apply a tax code, since tax paid for personal use is not a business expense.

Example

John Smith, a partner in a business, spends $110 on fuel and oil for a business vehicle. The payment includes 10% tax. John would normally record the transaction like this (after checking the box to indicate `Amounts are tax-inclusive`):

Account	Description	Qty	Unit price	Amount	Tax
Motor vehicle expenses	Fuel and oil for company car		110	110	Tax 10%

$100 would be added to the *Motor vehicle expenses* account and $10 would be subtracted from the *Tax payable* liability account.

But 50% of this expense is for John's personal use of the company's car, so he can't claim the full $110 as having been paid by the business on *Motor vehicle expenses*. He can only claim half. John splits the transaction using the `Add line` button like this:

Account	Description	Qty	Unit price	Amount	Tax
Motor vehicle expenses	Fuel and oil for company car		55	55	Tax 10%
Capital Accounts / John Smith / Drawing	Personal portion of motor vehicle expenses		55	55	No tax
				110	

In the Tax Summary, this transaction is reported like this:

Tax Summary

For the period from 1/04/2016 to 3/05/2016

Accrual basis

	Net Sales	Tax Collected	Total Sales	Net Purchases	Tax Paid	Total Purchases
Tax 10%	-	-	-	50.00	5.00	**55.00**
	0.00	0.00	**0.00**	50.00	5.00	**55.00**

And John's *Capital accounts* balance is reduced by $55, just as though he had received a payment from the company from his share of profits.

4.4.6 Account for GST on goods imported to Australia

Goods and Services Tax (GST) is payable on most goods imported into Australia (taxable importations). GST on taxable importations is payable by businesses whether they are registered for GST or not. However, if you are a GST-registered business and you import goods as part of your activities, you may be able to claim a GST credit for any GST you pay on those goods.

If you will be importing taxable goods to Australia, you should add the in-built tax code named *Australia - GST on Imports*. Instructions for adding tax codes can be found in another Guide.

Recording taxable importations

When you purchase goods from an overseas supplier, you will receive the GST bill from Customs. This bill will be completely separate from any bill or sales invoice from your supplier. Since it will be paid to a different entity, it must be recorded as a distinct transaction. When you enter the payment or purchase invoice for the goods, do not select any tax code, because you are not paying any tax to the supplier:

Account	Description	Qty	Unit price	Amount	Tax
Printing and stationery	Company stationery		5,000	5,000	No tax

When you pay the GST bill from customs, post the payment to the same account used for the corresponding purchase and select the *GST on Imports* tax code:

Account	Description	Qty	Unit price	Amount	Tax
Printing and stationery	GST bill from Customs		500	500	GST on Imports

After you have the $5,000 paid to your overseas supplier and $500 in GST to Customs, they will show on your GST Calculation Worksheet as follows:

GST amounts the Tax Office owes you from purchases			
G10 Capital purchases (including any GST)	$	0	
G11 Non-capital purchases (including any GST)	$	5,500	
G12 G10 + G11			$ 5,500
G13 Purchases for making input taxed sales	$	0	
G14 Purchases without GST in the price	$	0	
G15 Purchases for private use or not income tax deductible	$	0	
G16 G13 + G14 + G15			$ 0
G17 Total purchases subject to GST (G12 minus G16)			$ 5,500
G18 Adjustments			$ 0
G19 Total purchases subject to GST after adjustments (G17 + G18)			$ 5,500
G20 GST on purchases			$ 500

Deferring payment of GST on imported goods

If you are an importer and are registered for GST, you may be able to defer payment of GST by participating in the deferred GST scheme. If you have been approved to participate in the deferred GST scheme, add the tax code named *Australia - GST 10% (Deferred)*.

When recording purchases from overseas subject to GST, select the *GST 10% (Deferred)* tax code:

Account	Description	Qty	Unit price	Amount	Tax
Printing and stationery	Company stationery		5,000	5,000	GST 10% (Deferred)

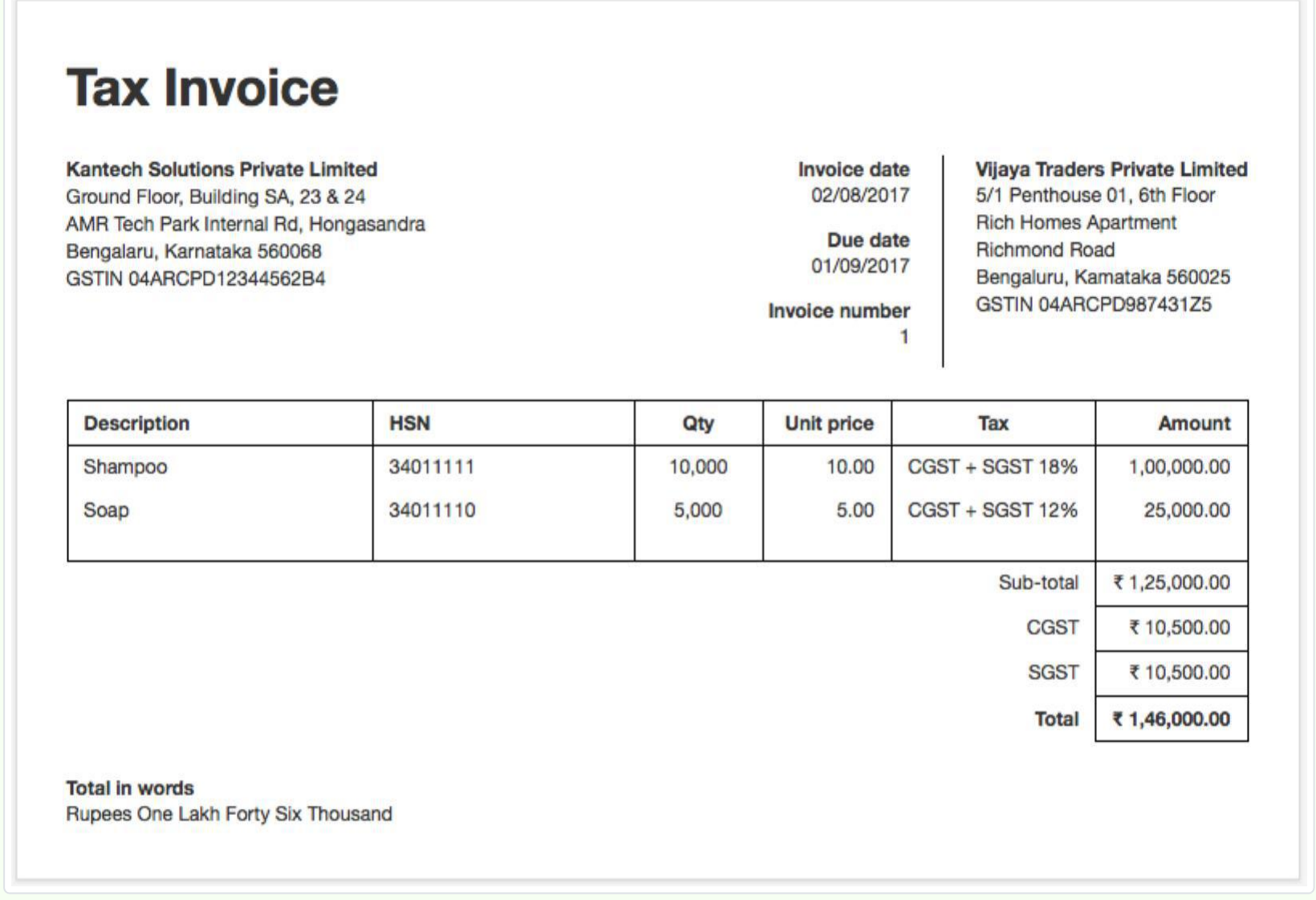
The deferred GST will be shown under 7A of the GST Calculation Worksheet:

Summary			
1A	GST on sales	$	0
7A	Deferred GST	$	500
8A	Total amount you owe the ATO (1A + 7A)	$	500
1B	GST on purchases	$	500
9	Your payment	$	0

4.4.7 Implement 2017 GST scheme for India

In mid-2017, **India introduced a new GST scheme** with several unique requirements for invoices. BILLBOOKS can handle this scheme, but several steps are required by the user. **No custom theme is necessary.**

Example
Below is an example of a sales invoice you can generate in Manager:



Tax Invoice

Kantech Solutions Private Limited
Ground Floor, Building SA, 23 & 24
AMR Tech Park Internal Rd, Hongasandra
Bengalaru, Karnataka 560068
GSTIN 04ARCPD12344562B4

Invoice date
02/08/2017

Due date
01/09/2017

Invoice number
1

Vijaya Traders Private Limited
5/1 Penthouse 01, 6th Floor
Rich Homes Apartment
Richmond Road
Bengaluru, Karnataka 560025
GSTIN 04ARCPD987431Z5

Description	HSN	Qty	Unit price	Tax	Amount
Shampoo	34011111	10,000	10.00	CGST + SGST 18%	1,00,000.00
Soap	34011110	5,000	5.00	CGST + SGST 12%	25,000.00

Sub-total	₹ 1,25,000.00
CGST	₹ 10,500.00
SGST	₹ 10,500.00
Total	**₹ 1,46,000.00**

Total in words
Rupees One Lakh Forty Six Thousand

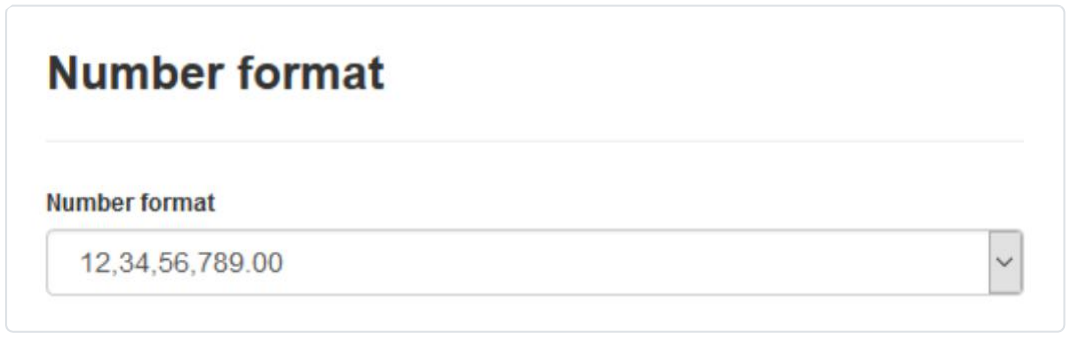
This invoice contains two different tax codes. The amounts are tax-exclusive, which means taxes are added to the sub-total. Other variations are supported, too.

Note
HSNs and tax rates applied in examples in this Guide are for illustration only. They are not necessarily correct for product types shown.

Here are instructions you must follow to properly implement Indian GST.

Number format

Enable the Indian numbering system under `Preferences`. See this Guide:



HSN column

Set up for showing HSN in one or both of two ways:

- **Free-text custom fields for line items.** This method by itself is simplest, but forces you to enter the HSN on every line item. It is

most useful when your line items vary from one transaction to another and do not include inventory items.

- **Pre-defined custom fields for inventory items or non-inventory items.** This method takes longer to set up, but saves time when entering line items. It is not well suited when line items frequently change.

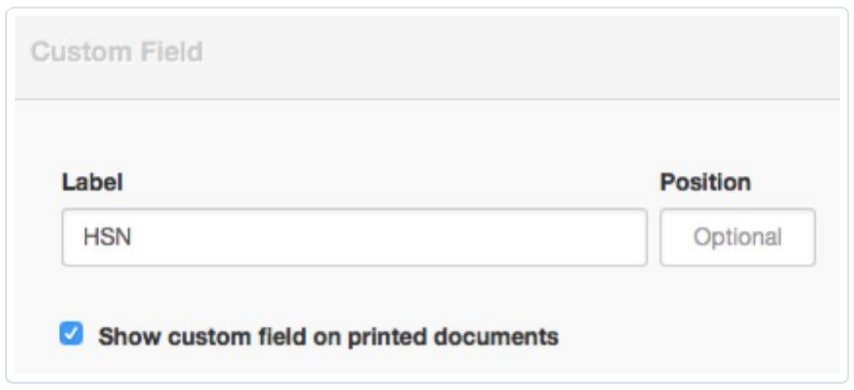
The two methods can be combined on a single form. HSNs entered by either method will show in a single column. Setup instructions for both methods follow.

Custom fields for line items

To add the capability to include HSN in a line item, go to `Settings` □ `Custom Fields` and find the list for `XXXXXXXX - Line`, where `XXXXXXXX` is the name of the form on which you want HSN to show. (Illustrations below are for sales invoices.) Click `New Custom Field`:



`Name` the field *HSN* and check the box to `Show custom field on printed documents`:

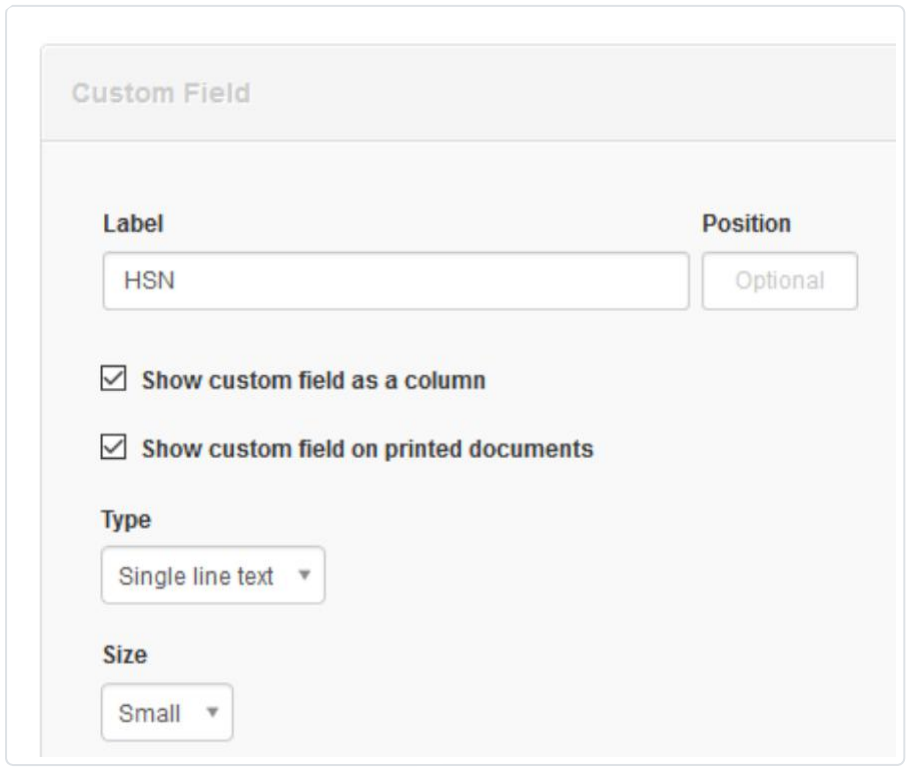


Click `Create`. When entering line items, the `HSN` field will appear:



Custom fields for inventory items or non-inventory items

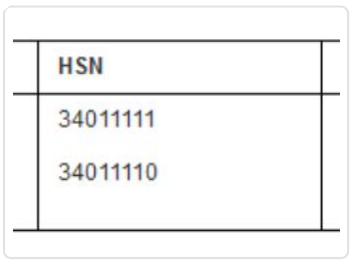
To show the same HSN every time an inventory item or non-inventory item is added to an invoice, define a custom field for `Inventory Items` or `Non-Inventory Items` (or both, if necessary) under `Settings` □ `Custom Fields`. Mark the custom field to show both as a column and on printed documents:



When a custom field `HSN` is created like this, you can then set the HSN value for your inventory items (in the `Inventory Items` tab and non-inventory items (under `Settings` □ `Non-Inventory Items`):



When items with HSNs are used on invoices, the numbers will automatically show in the `HSN` column:



Caution

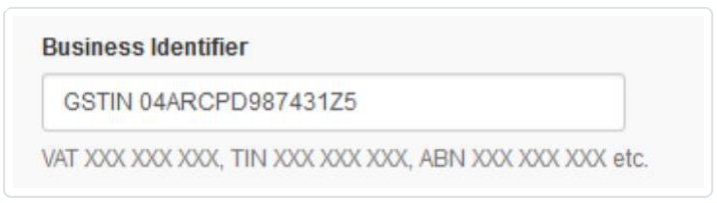
An HSN defined for an inventory or non-inventory item will not appear on the transaction entry screen. But it will appear when viewing the completed transaction form.

If you do not define the HSN for an inventory or non-inventory item, it will not appear on the completed document, because the custom field will be blank.

If you define a line-item custom field for HSN, that field will appear when entering relevant transactions. It will be blank, even though you may have defined an HSN for an inventory or non-inventory item entered. This is because you will be viewing the line-item custom field, not the item's custom field. However, an entry in the visible, line-item field will overwrite any defined entry in the item's custom field. This feature allows you to correct erroneous HSNs without editing the inventory or non-inventory item definition.

GSTIN identifier

GSTIN identifiers can be entered under `Settings` ☐ `Business Details` for your business and under `Customers` tab for individual customers:

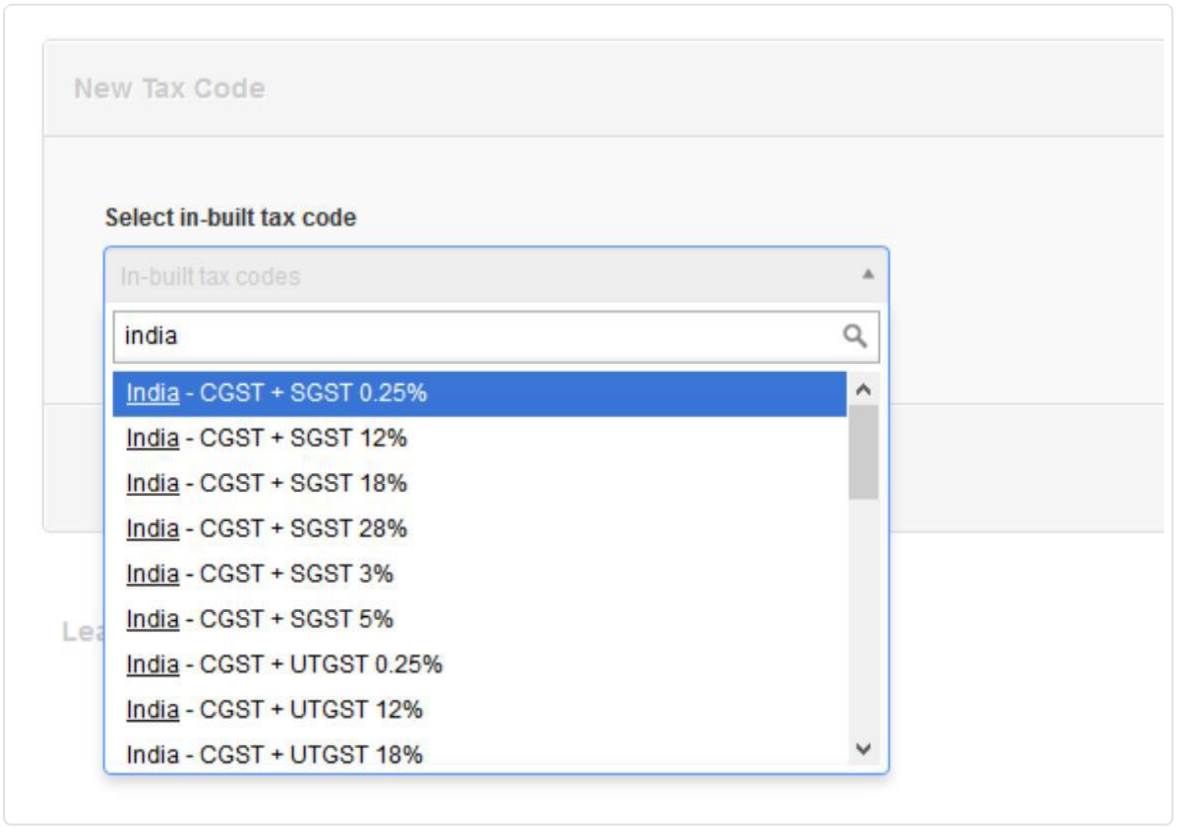


When a business identifier is entered, it will show under contact details like this:



Tax codes

BILLBOOKS contains in-built tax codes for India. Add tax codes relevant to your business so they can be chosen on transactions.



Tax codes will show as a column for every line item where one is selected:

Tax
CGST 14% + SGST 14%

> **Note**
> Some invoice examples for the new tax scheme on the Internet show tax amounts being individually calculated on each line item, but this is not legally required. What is important is to show the correct tax name for each line item, such as *CGST 14% + SGST 14%*.

Legal requirements are to show totals for each tax code. This is what you should see in BILLBOOKS:

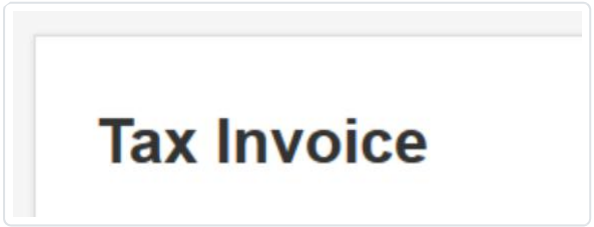
Sub-total	₹ 1,25,000.00
CGST	₹ 16,250.00
SGST	₹ 16,250.00
Total	**₹ 1,57,500.00**

Or if you are issuing invoices where amounts are tax-inclusive, you will see:

Total	**₹ 1,25,000.00**
Includes CGST	₹ 12,844.28
Includes SGST	₹ 12,844.28

Invoice heading

When charging GST on invoices, the invoice must say `Tax Invoice`. BILLBOOKS will modify the heading automatically if in-built tax code is used.



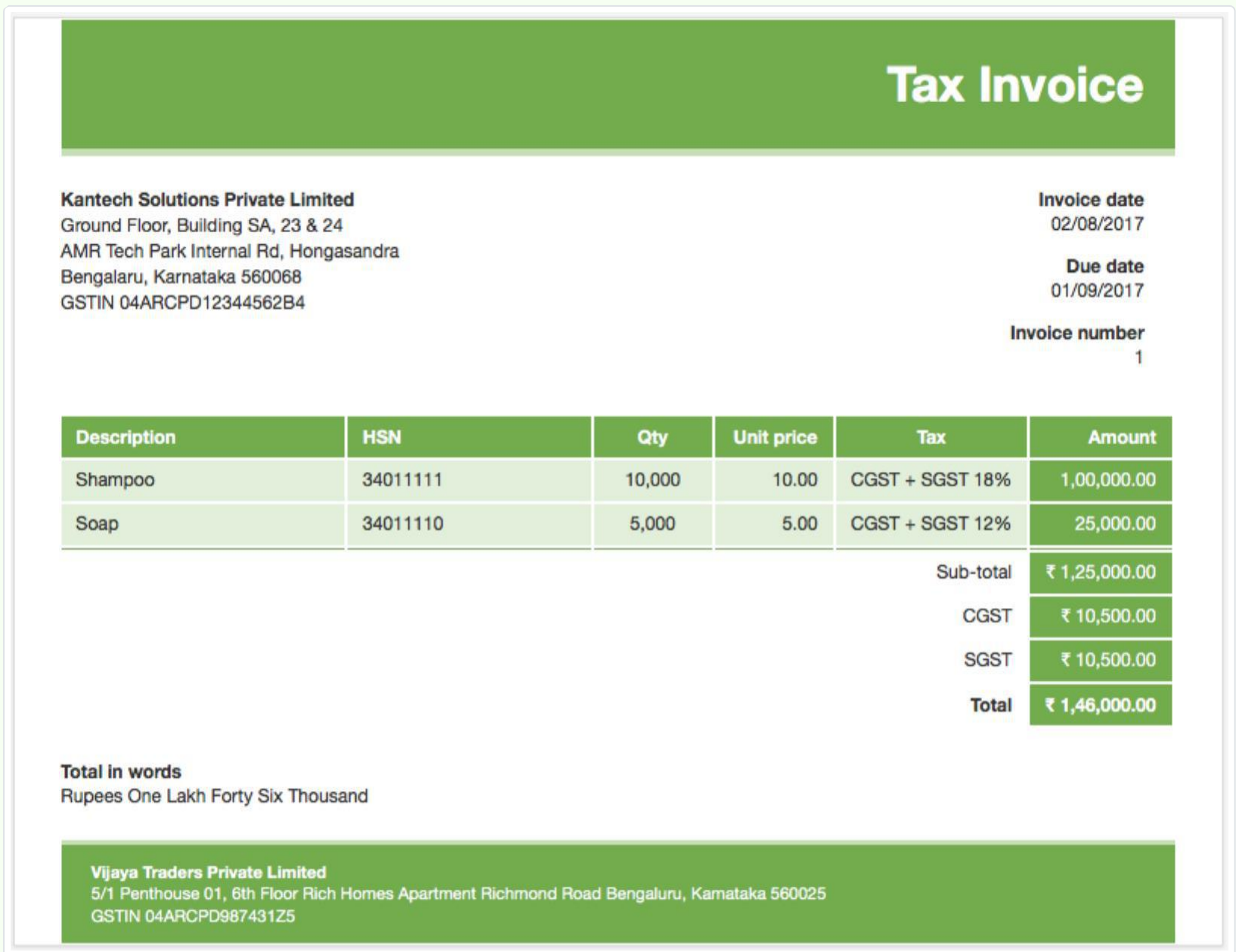
Total in words

Common Indian practice adds the total invoice amount in words. If you set your base currency under `Settings` → `Base Currency` to Indian Rupees, BILLBOOKS will automatically inject the spelled out total as a custom field.



Note
This guidance does not rely on custom themes. Custom themes are meant to vary presentation, not meet legal requirements. The advantage of this approach is that you are still free to use any of the built-in themes. None of those themes incorporate anything about Indian GST requirements, but you will still have everything in place.

Example
Below is the same invoice as in the first example above, but shown in a different theme. No additional coding or setup was necessary:



4.5 Batch Operations

4.5.1 Use Batch Create and Batch Update functions

`Batch Create` and `Batch Update` functions streamline large-scale creation and updating of information in BILLBOOKS. They can be used in all functional tabs **except**:

- `Billable Expenses`
- `Folders`
- `Emails`
- `Reports`

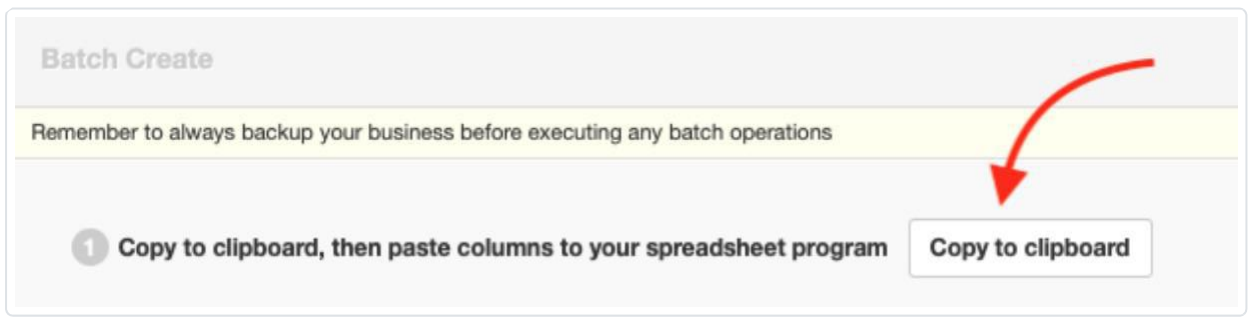
These batch operations can be used for some `Settings`, too:

- `Bank Rules`
- `Exchange Rates`
- `Inventory Kits`
- `Non-inventory Items`
- `Tracking Codes`

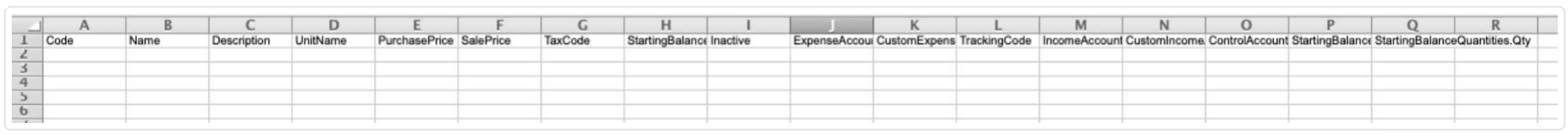
These batch operations are available whenever you see these buttons in the bottom-right corner of the BILLBOOKS window:

Batch Create

To add new items to a tab, regardless of whether others already exist, click `Batch Create`. Follow the instructions sequentially. First, copy the blank template by clicking `Copy to clipboard`:



Paste the template into your spreadsheet program:

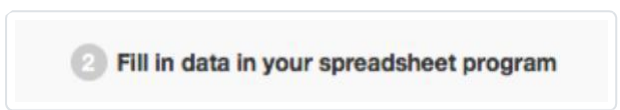


	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Code	Name	Description	UnitName	PurchasePrice	SalePrice	TaxCode	StartingBalanc	Inactive	ExpenseAccou	CustomExpens	TrackingCode	IncomeAccount	CustomIncome	ControlAccount	StartingBalanc	StartingBalance	Quantities.Qty
2																		
3																		
4																		
5																		
6																		

The template contains only column titles. It tells you what information is required for the batch operation.

Note
Illustrations in this Guide are for batch operations on inventory items, but procedures are the same wherever batch operations work. The blank template changes automatically.

Fill data into the empty spreadsheet template:

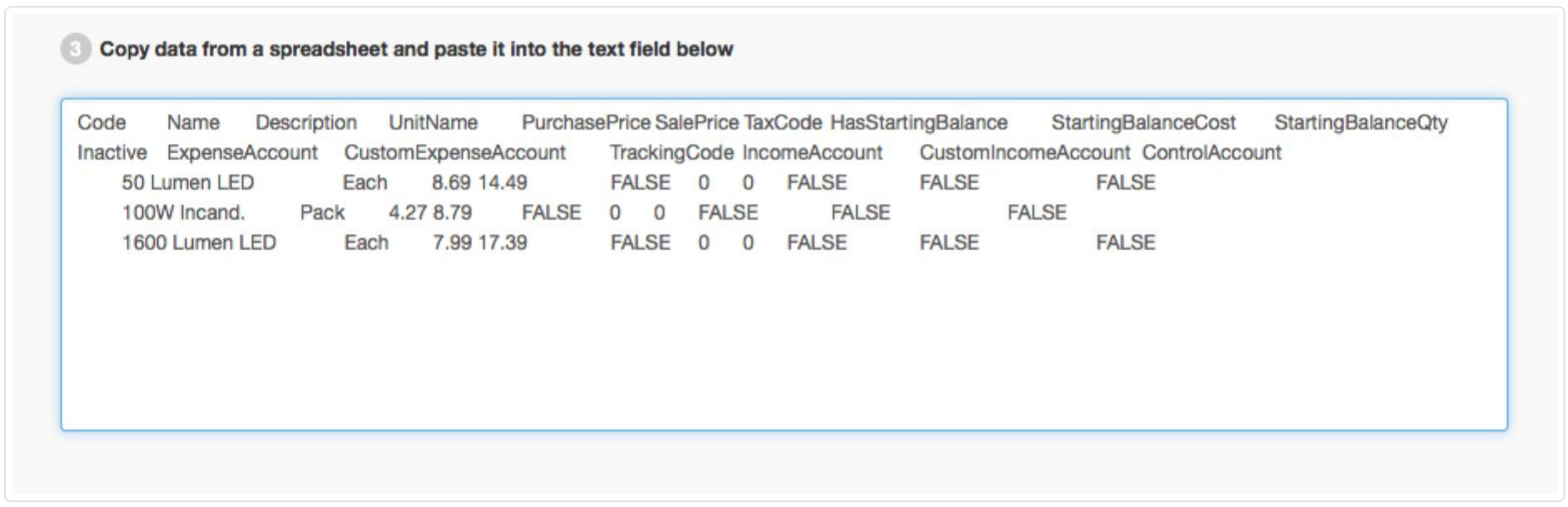


Example
Brilliant Industries enters information for some of its lighting products:

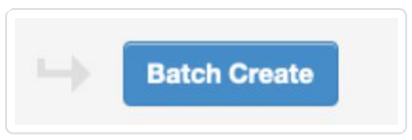
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	Code	Name	Description	UnitName	PurchasePrice	SalePrice	TaxCode	HasStartingBal	StartingBalanc	StartingBalanc	Inactive	ExpenseAccou	CustomExpens	TrackingCode	IncomeAccount	CustomIncome	ControlAccount
2		50 Lumen LED		Each	8.69	14.49		FALSE	0	0	FALSE		FALSE			FALSE	
3		100W Incand.		Pack	4.27	8.79		FALSE	0	0	FALSE		FALSE			FALSE	
4		1600 Lumen LED		Each	7.99	17.39		FALSE	0	0	FALSE		FALSE			FALSE	

Note
To understand each column, it may be helpful to first complete one entry of the type you are creating, filling all fields. Copy the resulting listing from the `Batch Update` window (see instructions below) and paste into a spreadsheet as an example. If columns are not understood, leave them blank. You can always edit them later.

Finally, copy and paste data for the newly created entries from the spreadsheet back into BILLBOOKS. **Be sure to copy and paste the column headings in addition to the data.**

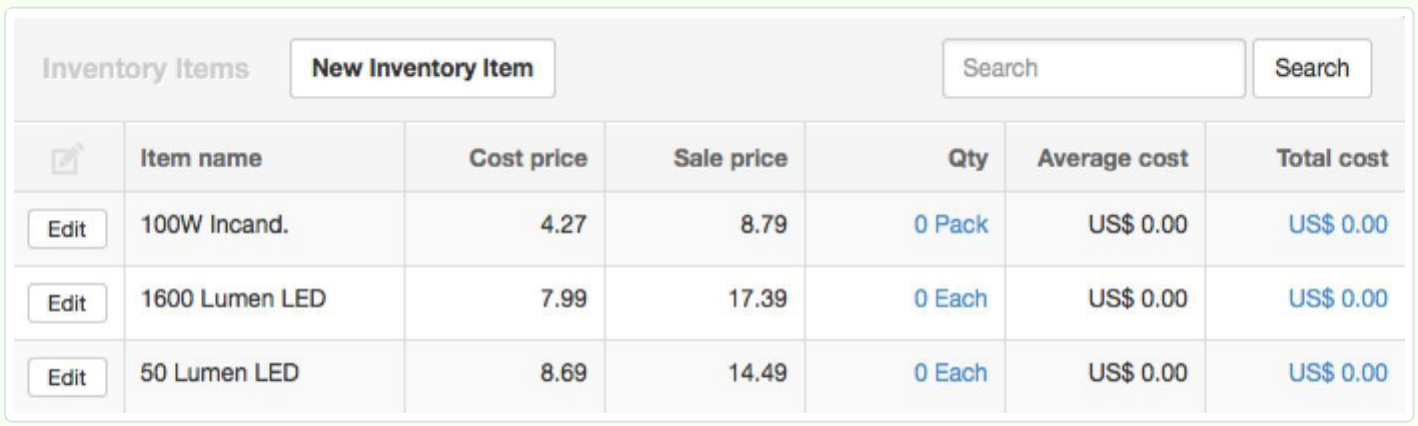


Click `Next` to review the information being added. If satisfactory, click `Batch Create` to enter the new items into BILLBOOKS:



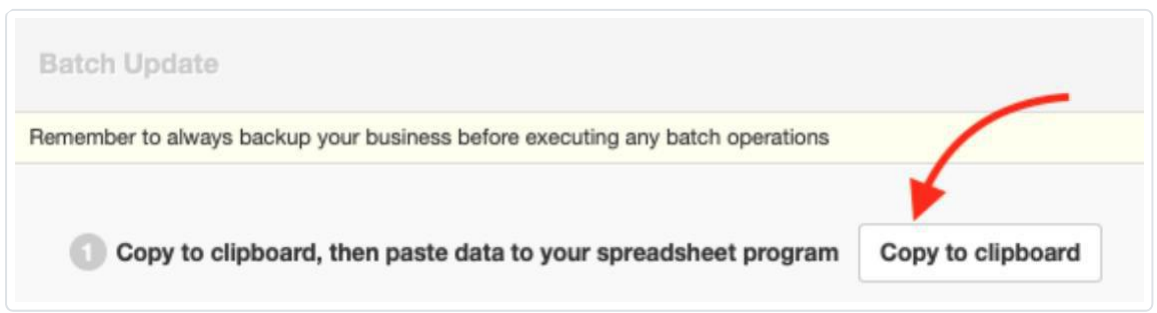
If not satisfactory click the `Back` button, modify the spreadsheet, and repeat the pasting process.

Example
Brilliant Industries' batch-created inventory items now appear in the `Inventory Items` tab:



Batch Update

Batch updates are used to modify already existing items in a tab. They are somewhat simpler than batch creation, because the structure of the database is more obvious. Click on `Batch Update`. Again, follow the sequential instructions:



Example

Brilliant Industries decides to raise prices on its LED products using the `Batch Update` function. It copies and pastes inventory item data into a blank spreadsheet:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Code	Name	Description	UnitName	PurchasePrice	SalePrice	TaxCode	HasStartingBal	StartingBalance	StartingBalance	Inactive	ExpenseAccou	CustomExpens	TrackingCode	IncomeAccount	CustomIncome	ControlAccount	Key		
2		50 Lumen LED		Each	8.69	14.49		FALSE	0	0	FALSE		FALSE			FALSE		6b85457e-9e8f-4306-b8a8-ede449564e9c		
3		100W Incand.		Pack	4.27	8.79		FALSE	0	0	FALSE		FALSE			FALSE		1cfea323-ccfb-4626-b15e-f3ed7c3cbb4b		
4		1600 Lumen LED		Each	7.99	17.39		FALSE	0	0	FALSE		FALSE			FALSE		97f4efa7-ed93-4dca-8d9d-2902b167cb56		

Note that each line in the spreadsheet now has a unique `Key`.

Use the spreadsheet program to update data:

2 **Update data in your spreadsheet program**

For convenience, you can remove any rows you don't need to update from the spreadsheet. You can also leave them in place, however. **Do not remove or modify any content in the `Key` column for rows you keep.**

Example

Brilliant Industries deletes the incandescent light bulb product, leaving only LED inventory items. It doubles their prices, using spreadsheet forumlae:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Code	Name	Description	UnitName	PurchasePrice	SalePrice	TaxCode	HasStartingBal	StartingBalance	StartingBalance	Inactive	ExpenseAccou	CustomExpens	TrackingCode	IncomeAccount	CustomIncome	ControlAccount	Key		
2		50 Lumen LED		Each	8.69	28.98		FALSE	0	0	FALSE		FALSE			FALSE		6b85457e-9e8f-4306-b8a8-ede449564e9c		
3		1600 Lumen LED		Each	7.99	34.78		FALSE	0	0	FALSE		FALSE			FALSE		97f4efa7-ed93-4dca-8d9d-2902b167cb56		
4																				

Copy and paste the updated data from the spreadsheet back into BILLBOOKS. **Be sure to copy and paste column headings in addition to the data**. Click `Next` to review changes being made. If satisfactory, click `Batch Update`.

Example

Brilliant Industries' updated `Inventory Items` list shows increased sale prices on LED products. The 100W incandescent bulb's listing has not changed:

Inventory Items | New Inventory Item | Search | Search

	Item name	Cost price	Sale price	Qty	Average cost	Total cost
Edit	100W Incand.	4.27	8.79	0 Pack	US$ 0.00	US$ 0.00
Edit	1600 Lumen LED	7.99	34.78	0 Each	US$ 0.00	US$ 0.00
Edit	50 Lumen LED	8.69	28.98	0 Each	US$ 0.00	US$ 0.00

Note

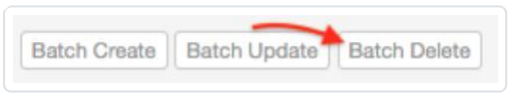
You cannot add elements when using `Batch Update`, because a key is required for every row in the database. These keys are generated when new elements are added. To add elements in groups, use `Batch Create`.

4.5.2 Use the Batch Delete function

`Batch Delete` removes selected entries in a tab, table, or list that have no records associated with them. The function is useful for such tasks as:

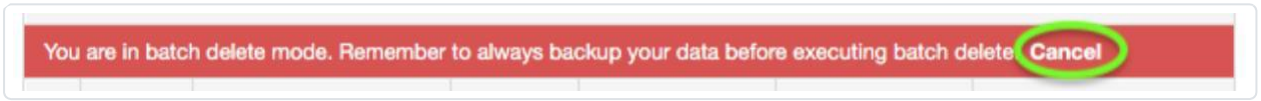
- Deleting erroneous bank statement imports with many transactions
- Emptying tabs of unneeded customers, suppliers, assets, and so forth when constructing a standard business "shell"
- Correcting systemic data entry errors

The operation is begun by clicking the button at the bottom right corner of any screen where it can be used:



Heed the warnings

When `Batch Delete` is clicked, BILLBOOKS displays a red warning banner that includes `Cancel` link (circled in bright green below):
a

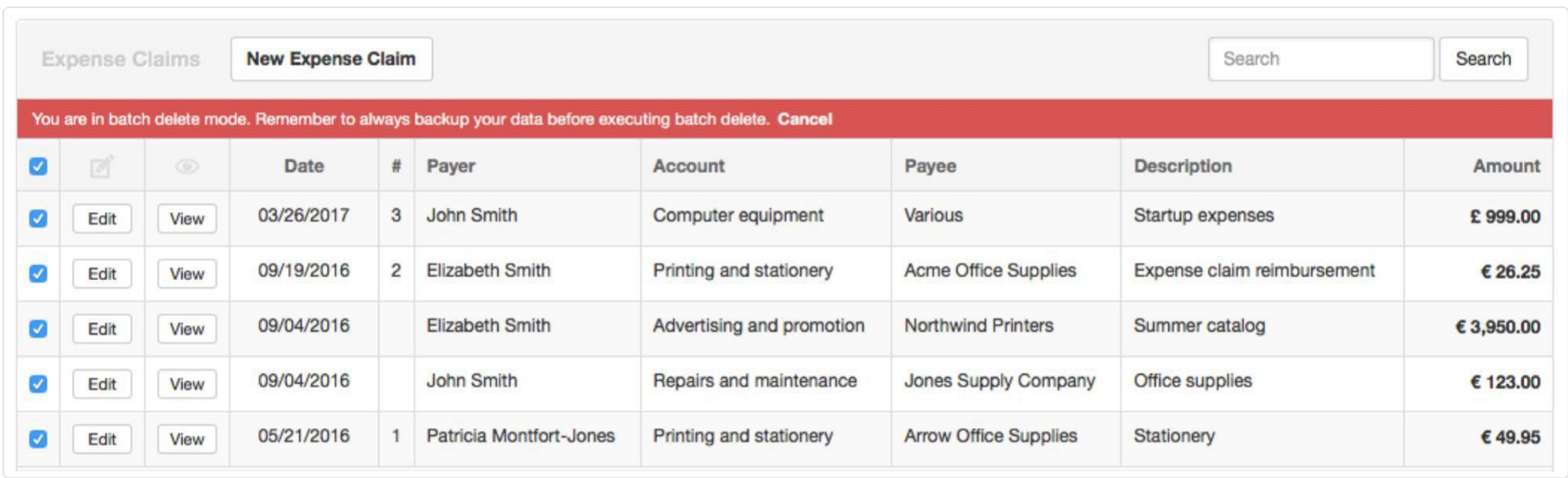


Click the link or the `Back` button at the top left corner of the BILLBOOKS window to abandon the operation without affecting any data.

> **Warning**
> The `Batch Delete` operation cannot be reversed. As with editing throughout Manager, the program will not allow you to delete anything that has already been referenced in a transaction. Still, `Batch Delete` is a brute-force tool. Use it cautiously. **Do not use it unless you are certain you want to permanently remove all data selected on the review screen.** And always back up your data before any batch operation.

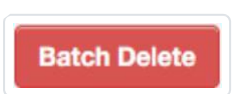
Select and delete data

Below the warning banner will be a list of all data in the table you were viewing, with individual and group checkboxes on the left. Check the boxes for all data entries you wish to delete. BILLBOOKS will not allow you to check the box of any element already referenced in a transaction:



			Date	#	Payer	Account	Payee	Description	Amount
☑	Edit	View	03/26/2017	3	John Smith	Computer equipment	Various	Startup expenses	£ 999.00
☑	Edit	View	09/19/2016	2	Elizabeth Smith	Printing and stationery	Acme Office Supplies	Expense claim reimbursement	€ 26.25
☑	Edit	View	09/04/2016		Elizabeth Smith	Advertising and promotion	Northwind Printers	Summer catalog	€ 3,950.00
☑	Edit	View	09/04/2016		John Smith	Repairs and maintenance	Jones Supply Company	Office supplies	€ 123.00
☑	Edit	View	05/21/2016	1	Patricia Montfort-Jones	Printing and stationery	Arrow Office Supplies	Stationery	€ 49.95

Elements of the list can be edited and viewed, if necessary, to correct or confirm their content while in batch delete mode. Just click the appropriate buttons. Entries can be unchecked if you decide not to delete them. When satisfied you wish to delete all remaining checked entries in the table, click the red button:



4.6 Search and Sort

4.6.1 Search for records

Almost every screen in BILLBOOKS showing a table or list includes a `Search` field `Search` button:
and

To conduct a search, enter the search argument in the `Search` field and click `Search`. The following guidelines apply to all searches:

- Searches cover information visible on screen, but not content of underlying subsidiary ledgers, items, registers, or transactions.
- Searches are conducted for literal matches of text strings, with numbers treated as text.
- All text strings in the search argument must be present somewhere in the record. (The Boolean logic applied is AND, not OR.)
- Negation (the Boolean NOT) cannot be used.
- Partial string searches work.
- Order of text strings in the search argument does not matter.
- Uppercase letters are ignored.
- When a table or list extends to more than one page, all pages are searched, including those not visible.
- Sort order in place before a search is preserved in search results. So both sort and search functions can be used simultaneously to find desired data.
- To restore a full list or table, click the `Undo` link in the yellow header bar of the search results.
- Searches cannot be narrowed from previous results. New searches cover the entire, original table or list.
- Quotation marks are not interpreted as demarcating a literal string consisting of the quoted characters as in many search engines. They are interpreted as characters within the search string, usually resulting in no search results.
- When the searched screen includes totals, search results include totals for the returned records.

Examples

Some examples from a list of sales invoices illustrate the search principles. All searches are conducted on this default listing:

Sales Invoices | New Sales Invoice | Search | Search

			Invoice date	#	Customer	Invoice total	Balance due	Status
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
	Edit	View	05/01/2018	11	Bob's Hardware	55.99	55.99	25 days overdue
	Edit	View	04/01/2018	10	Bob's Hardware	55.99	55.99	55 days overdue
	Edit	View	03/01/2018	9	Bob's Hardware	55.99	55.99	86 days overdue
	Edit	View	02/01/2018	8	Bob's Hardware	55.99	55.99	114 days overdue
	Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
						2,662.64	1,946.14	

A search for 2017 invoices yields:

Sales Invoices | New Sales Invoice | 2017 | Search

6 rows hidden because they don't contain **2017**. Undo

			Invoice date	#	Customer	Invoice total	Balance due	Status
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
						2,326.70	1,610.20	

After reverse sorting by date, a search for “OVERDUE” (note the uppercase letters) produces:

Sales Invoices | New Sales Invoice | OVERDUE | Search

2 rows hidden because they don't contain **OVERDUE**. Undo

		Invoice date ▾	#	Customer	Invoice total	Balance due	Status
Edit	View	05/01/2018	11	Bob's Hardware	55.99	55.99	25 days overdue
Edit	View	04/01/2018	10	Bob's Hardware	55.99	55.99	55 days overdue
Edit	View	03/01/2018	9	Bob's Hardware	55.99	55.99	86 days overdue
Edit	View	02/01/2018	8	Bob's Hardware	55.99	55.99	114 days overdue
Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
					2,006.65	1,990.15	

A search for “55” returns the invoice 55 days overdue, as well as all invoices including “55” in their balances:

Sales Invoices | New Sales Invoice | 55 | Search

3 rows hidden because they don't contain **55**. Undo

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
Edit	View	02/01/2018	8	Bob's Hardware	55.99	55.99	114 days overdue
Edit	View	03/01/2018	9	Bob's Hardware	55.99	55.99	86 days overdue
Edit	View	04/01/2018	10	Bob's Hardware	55.99	55.99	55 days overdue
Edit	View	05/01/2018	11	Bob's Hardware	55.99	55.99	25 days overdue
Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
					335.94	335.94	

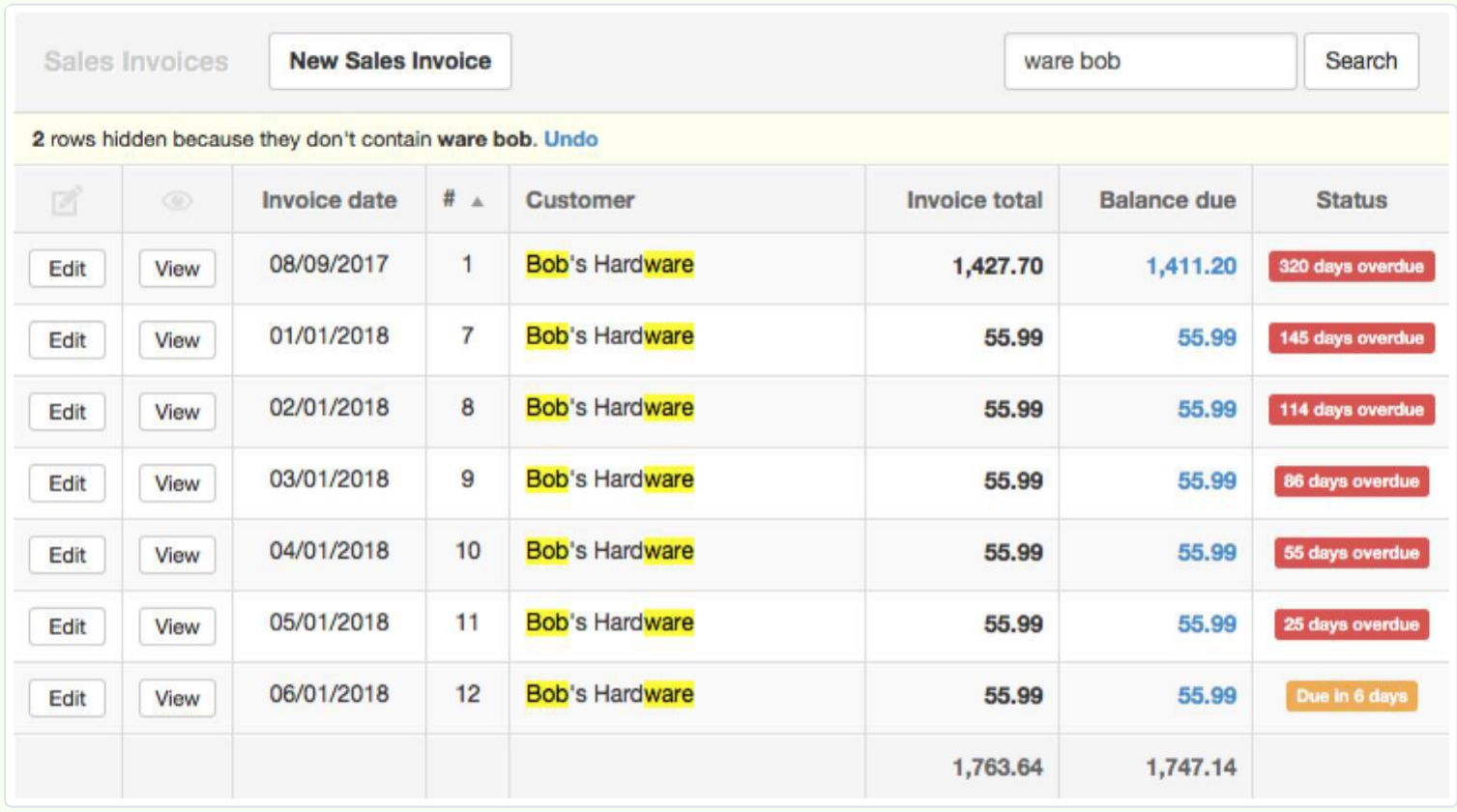
Reversing the order of words returns identical results. To illustrate, the search arguments “bob ware” and “ware bob” return:

Sales Invoices | New Sales Invoice | bob ware | Search

2 rows hidden because they don't contain **bob ware**. Undo

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
Edit	View	02/01/2018	8	Bob's Hardware	55.99	55.99	114 days overdue
Edit	View	03/01/2018	9	Bob's Hardware	55.99	55.99	86 days overdue
Edit	View	04/01/2018	10	Bob's Hardware	55.99	55.99	55 days overdue
Edit	View	05/01/2018	11	Bob's Hardware	55.99	55.99	25 days overdue
Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
					1,763.64	1,747.14	

AND


Sales Invoices | New Sales Invoice | ware bob | Search

2 rows hidden because they don't contain **ware bob**. Undo

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
Edit	View	02/01/2018	8	Bob's Hardware	55.99	55.99	114 days overdue
Edit	View	03/01/2018	9	Bob's Hardware	55.99	55.99	86 days overdue
Edit	View	04/01/2018	10	Bob's Hardware	55.99	55.99	55 days overdue
Edit	View	05/01/2018	11	Bob's Hardware	55.99	55.99	25 days overdue
Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
					1,763.64	1,747.14	

4.6.2 Sort lists and tables

You can **sort lists and tables** in BILLBOOKS to help find information as your accounting records expand. Every list or table has a default order, which can depend on parameters like:

- Issue date
- Clearance date
- Payment status
- Alphabetical order of names or descriptions

In most cases, the default order is most convenient, because it was designed with context in mind. But if it does not work for you, sorts can be performed on any column in the list or table. And they can be in ascending or descending order.

To sort a list or table, click on the heading for the column by which you want to sort. To reverse order, click the heading again. A small or symbol will appear beside the column heading to indicate an ascending or descending sort direction.

Sorts are preserved during searches. Likewise, search results can be sorted without disturbing the search results. So the sort and search functions can be used simultaneously to amplify the effectiveness of each.

Examples

All sort examples below are based on the following, default list of sales invoices. Notice that overpaid invoices are listed first, then coming due invoices, then overdue according to age:

Sales Invoices | New Sales Invoice | Search | Search

			Invoice date	#	Customer	Invoice total	Balance due	Status
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
	Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
						2,438.68	1,722.18	

Clicking on the Customer heading alphabetizes the list:

Sales Invoices | New Sales Invoice | Search | Search

			Invoice date	#	Customer ▲	Invoice total	Balance due	Status
	Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
	Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
						2,438.68	1,722.18	

Clicking the reference number symbol twice lists oldest invoices first:

Sales Invoices | New Sales Invoice | Search | Search

			Invoice date	# ▲	Customer	Invoice total	Balance due	Status
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
	Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
						2,438.68	1,722.18	

The invoices can also be sorted by balance due:

Sales Invoices | New Sales Invoice | Search | Search

			Invoice date	#	Customer	Invoice total	Balance due	Status
	Edit	View	08/09/2017	1	Bob's Hardware	1,427.70	1,411.20	320 days overdue
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
	Edit	View	06/01/2018	12	Bob's Hardware	55.99	55.99	Due in 6 days
	Edit	View	01/01/2018	7	Bob's Hardware	55.99	55.99	145 days overdue
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
						2,438.68	1,722.18	

A sort by invoice total, followed by search for “Lumen” producers an ordered list of invoices to Lumen Lighting:

Sales Invoices | New Sales Invoice | Lumen | Search

3 rows hidden because they don't contain **Lumen**. Undo

			Invoice date	#	Customer	Invoice total	Balance due	Status
	Edit	View	08/10/2017	6	Lumen Lighting	600.00	- 100.00	Overpaid
	Edit	View	08/10/2017	2	Lumen Lighting	299.00	299.00	319 days overdue
						899.00	199.00	

4.7 Attachments

4.7.1 Attach supporting documentation

Transactions in BILLBOOKS can be substantiated and documented with digital attachments. These can include:

- Word processing documents
- Spreadsheets
- Scanned invoices
- Scanned receipts

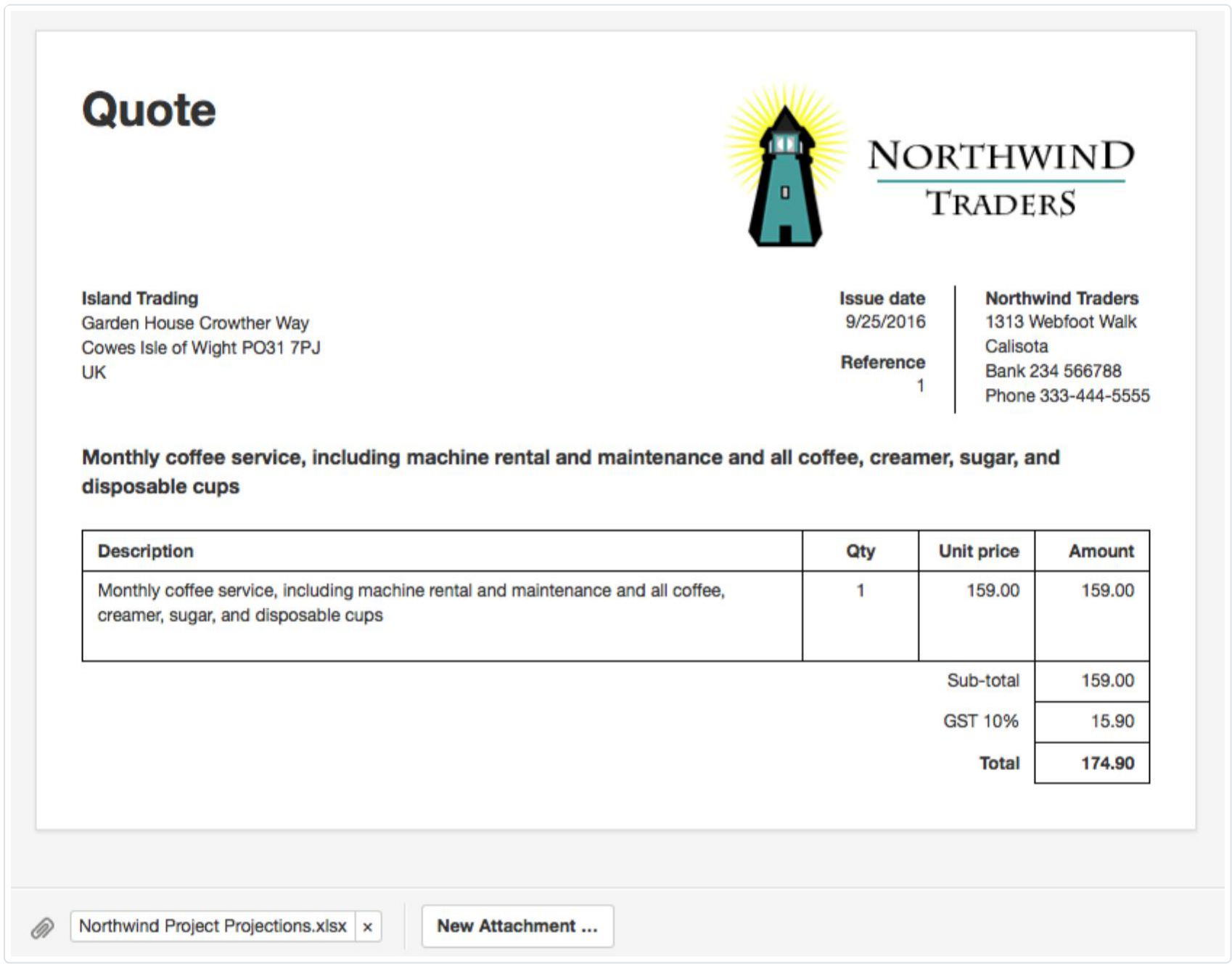
Note
Normally, an attachment is made to the specific transaction to which it relates. When attachments do not apply to individual transactions, but, for example, to entire projects or accounting periods, they can be organized in folders. See another Guide for instructions.

Add an attachment

Click `View` to see any transaction form in BILLBOOKS. Add an attachment to the transaction by either of two methods:

- Click `New Attachment` at the bottom of the page. Browse to the file you want to attach and select it according to normal procedures for your operating system.
- Drag and drop the attachment onto the form while you are viewing it.

In the illustration below, a spreadsheet file has been attached to a sales quote:



Quote

NORTHWIND TRADERS

Island Trading
Garden House Crowther Way
Cowes Isle of Wight PO31 7PJ
UK

Issue date
9/25/2016

Reference
1

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Monthly coffee service, including machine rental and maintenance and all coffee, creamer, sugar, and disposable cups

Description	Qty	Unit price	Amount
Monthly coffee service, including machine rental and maintenance and all coffee, creamer, sugar, and disposable cups	1	159.00	159.00
		Sub-total	159.00
		GST 10%	15.90
		Total	**174.90**

Northwind Project Projections.xlsx ×

New Attachment ...

Managing attachments

Attachments will be incorporated into the business' data file, not stored separately for independent file management. The attachment will not be deleted from its original location.

To view an attachment, click on its name while viewing the transaction. To delete an attachment, click `x` after its name. Deleting an attachment from a transaction only removes it from the business' accounting database. It does not delete it from wherever else it may be stored.

4.7.2 Organize attachments with folders

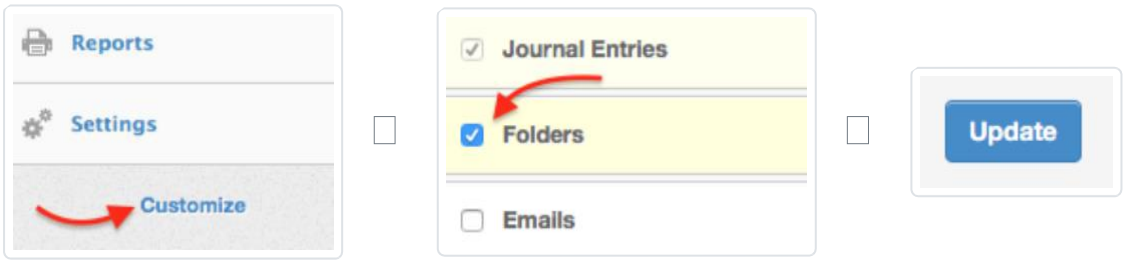
Transactions in BILLBOOKS can be supported and documented with digital attachments. These can include:

- Word processing documents
- Spreadsheets
- Scanned invoices
- Scanned receipts

Normally, the attachment is made to the specific transaction to which it relates. But sometimes, attachments do not apply to individual transactions, but to entire projects or accounting periods. In these cases, **organize attachments with folders**.

Create a folder

Below the left navigation pane, click `Customize`. Check the box for the `Folders` tab, then click `Update`:

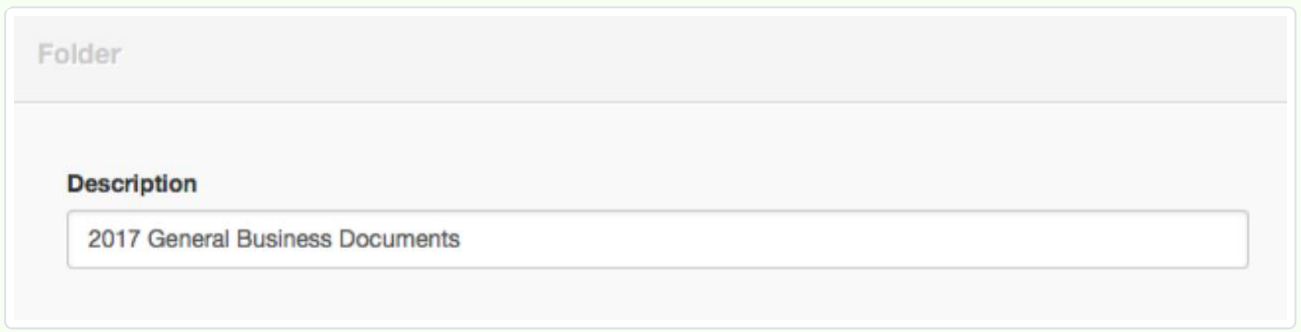


In the `Folders` tab, click `New Folder`:

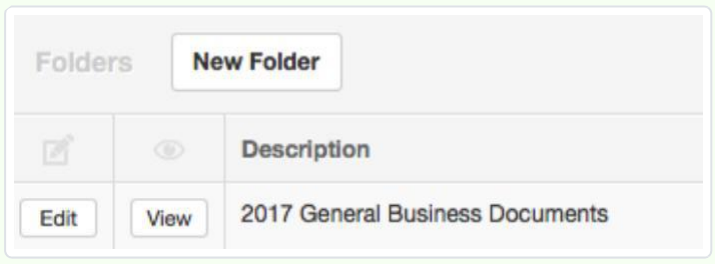


Enter a `Description` of the folder's contents. Be sure to click `Create` to save the folder.

Example
Northwind Traders creates a folder for general business documents:



The folder is listed in the `Folders` tab:



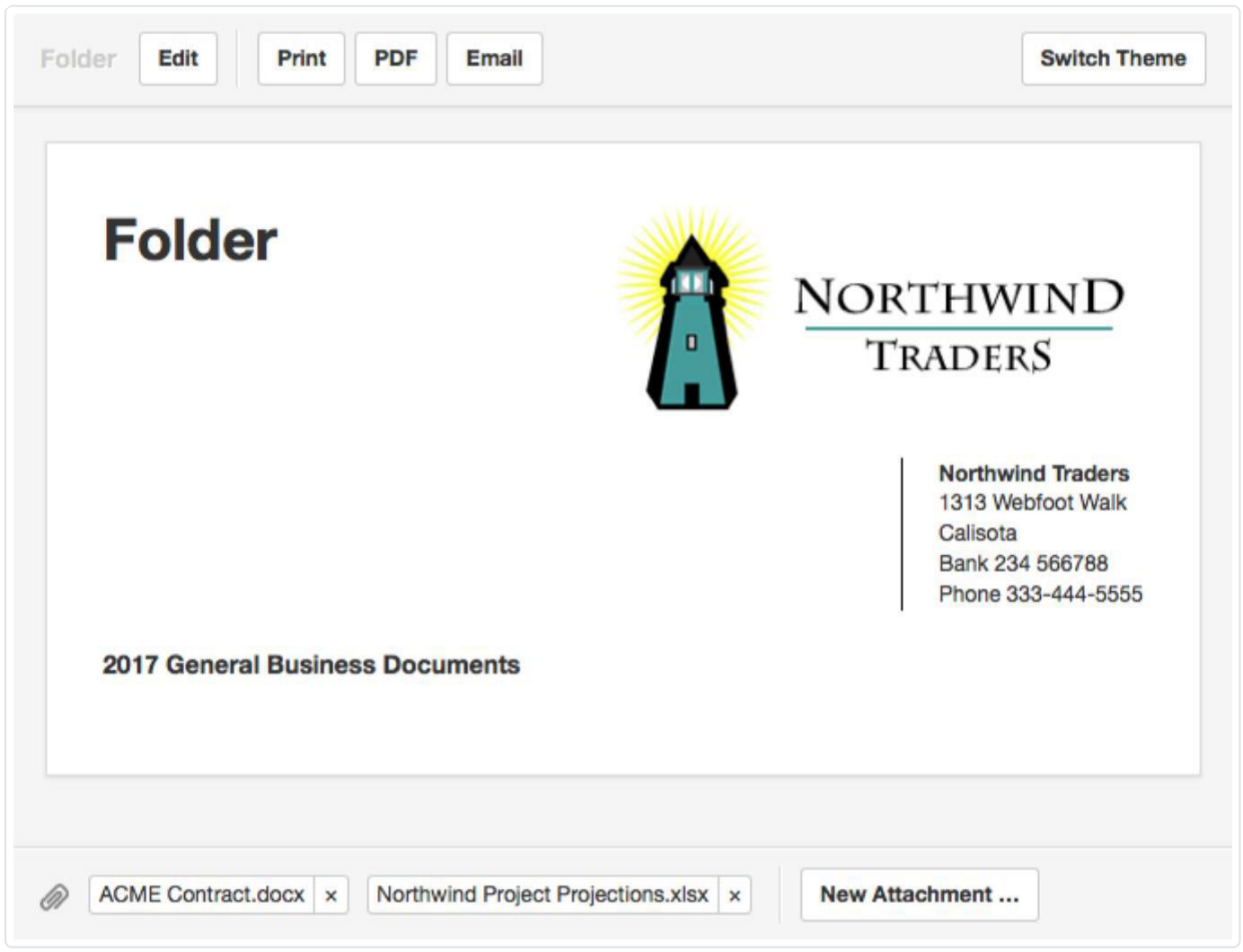
Add an attachment

Click `View` to see contents of a particular folder. The folder will display much like any BILLBOOKS transaction form. The display has no accounting function, but provides a way to add, list, and delete attachments consistent with other tabs in the program.

Add an attachment to the folder by either of two methods:

- Click `New Attachment` at the bottom of the page. Browse to the file you want to attach and select it according to normal procedures for your operating system.
- Drag and drop the attachment onto the folder form while you are viewing it.

In the illustration below, two files have been included in the folder:



Attachments will be incorporated into the business' data file, not stored separately for independent file management. The attachment will not be deleted from its original location. To view an attachment, click on its name while viewing the folder. To delete an attachment, click `x` after its name. Deleting an attachment from a folder only removes it from the business' accounting database. It does not delete it from wherever else it may be stored.

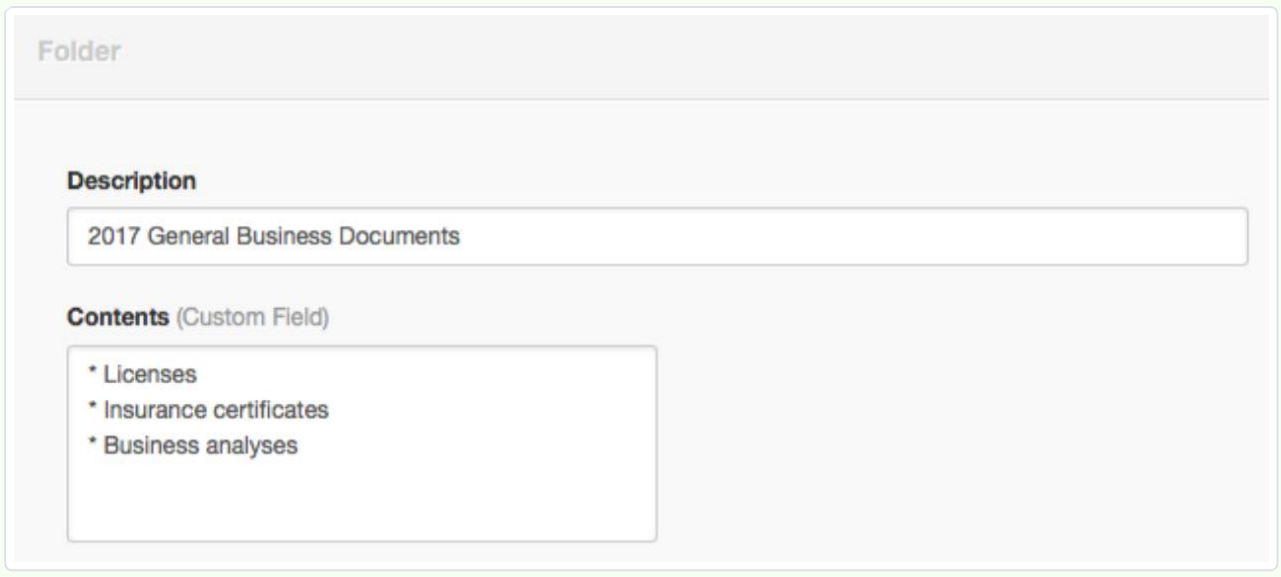
Include descriptive information

Descriptive information about a folder can be added using custom fields. Usually, you will want to check the boxes to show the custom field both as a column and on printed documents:

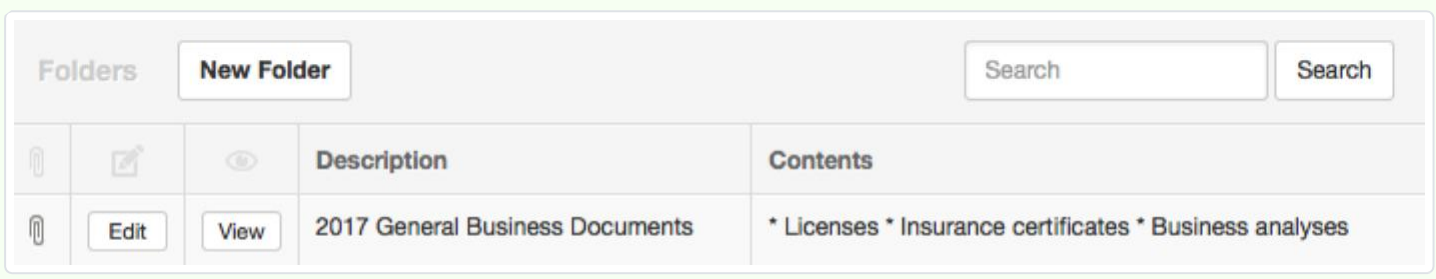


Example

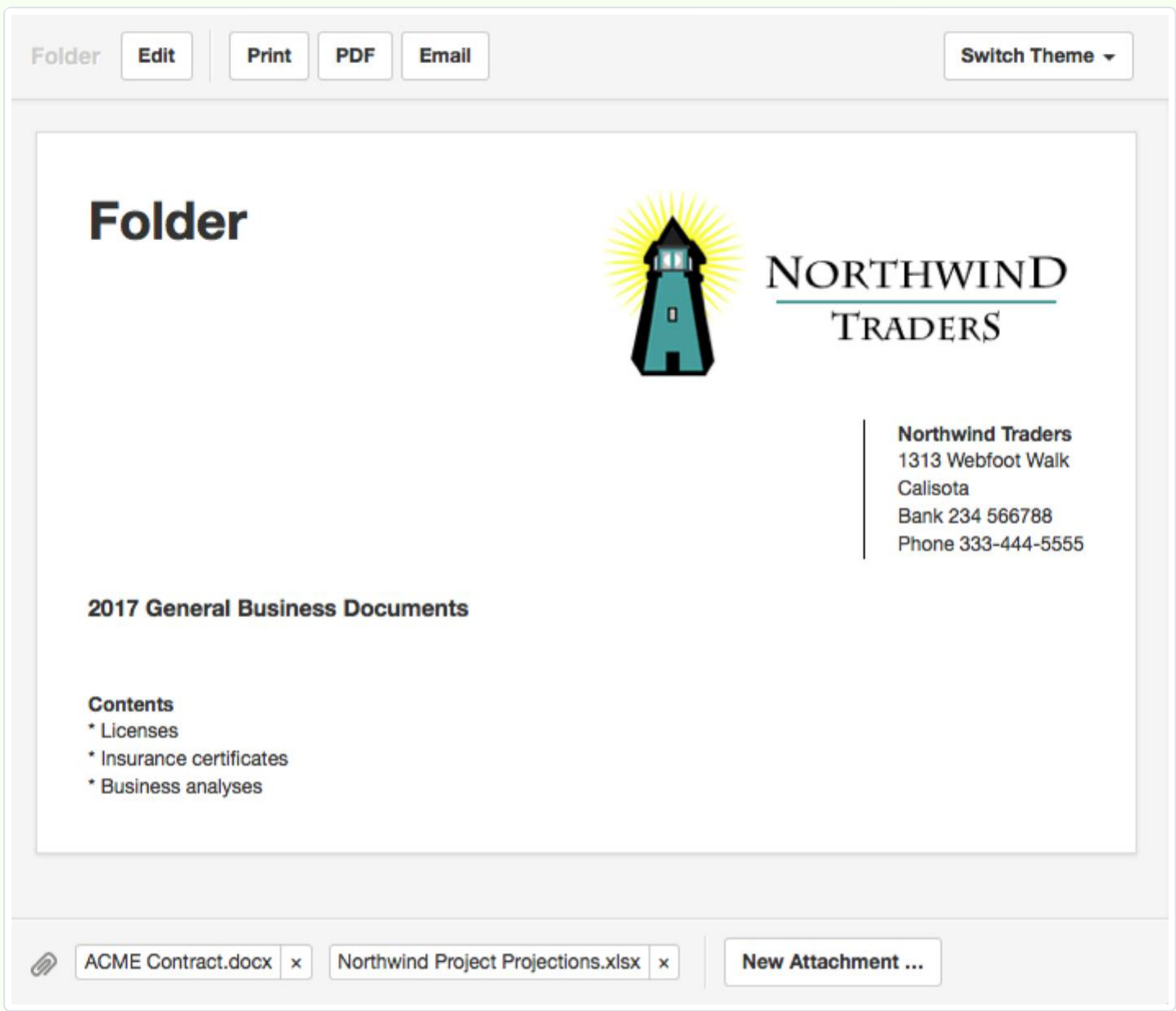
Northwind Traders creates a custom field is named *Contents*. Both boxes are checked, and the field type chosen is *Paragraph text*. The *2017 General Business Docments* folder is edited to include basic information about categories of documents within it:



The resulting `Folders` tab listing now includes searchable information about the folder:



And the `View` screen for the folder includes the same information:



4.8 Reports

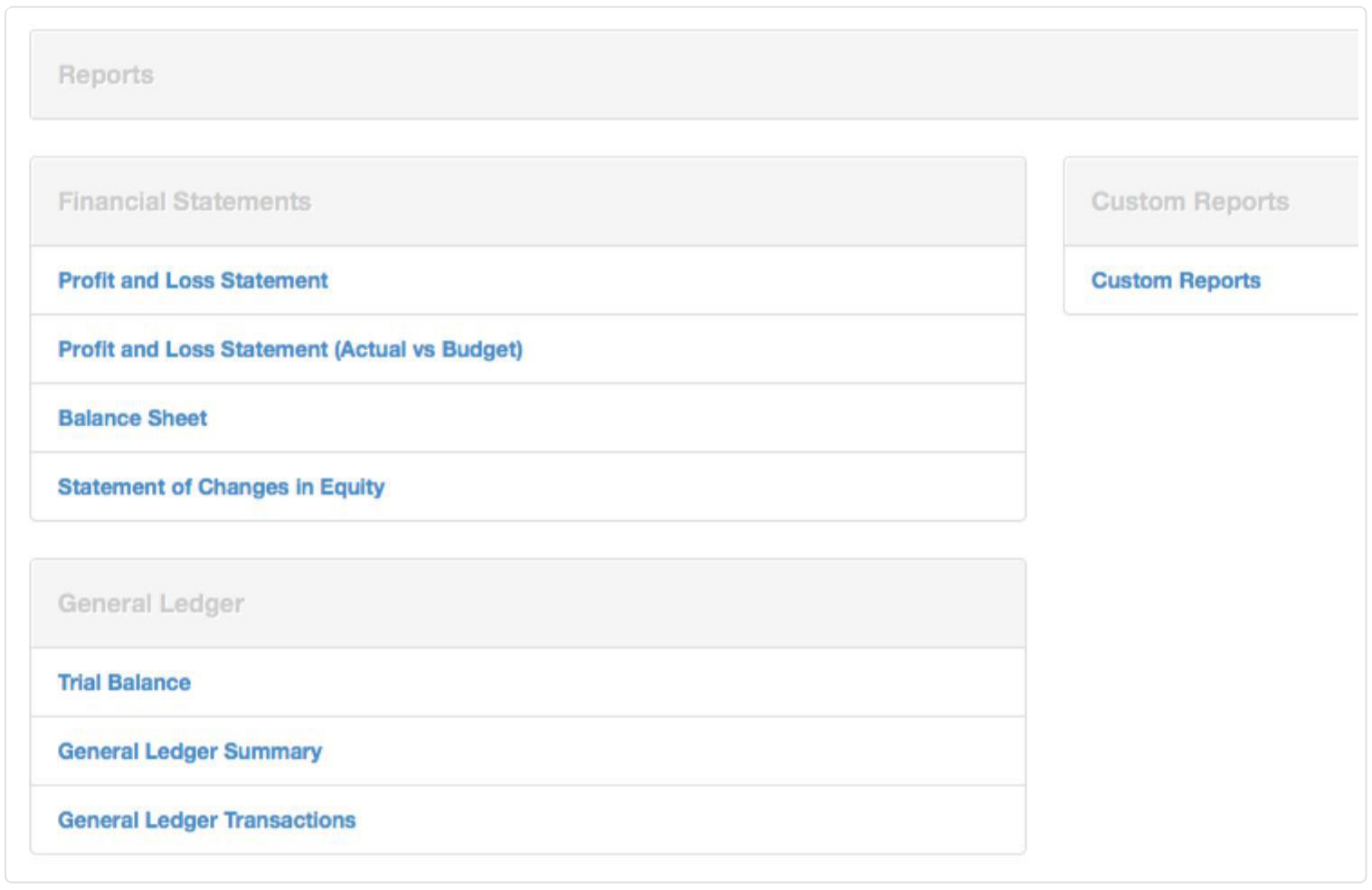
4.8.1 Create reports

BILLBOOKS includes many built-in **reports** to summarize, analyze, and present transaction data. Access them in `Reports` tab in the left the navigation pane:

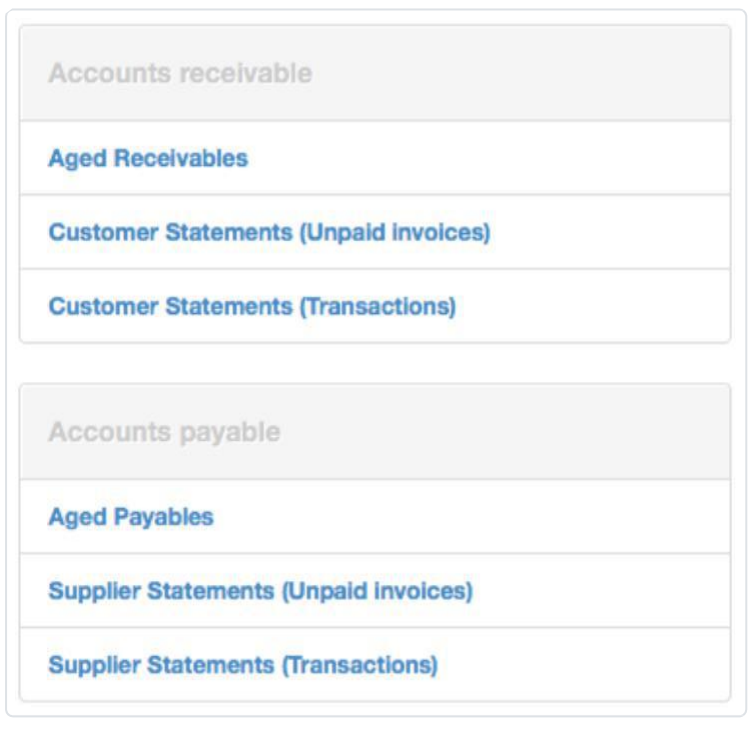


Enabling reports

In general, reports are available to users whenever tabs related to them are enabled. By default, when a new business is added in BILLBOOKS, a few tabs are already enabled, so a few reports common to all businesses can be generated:



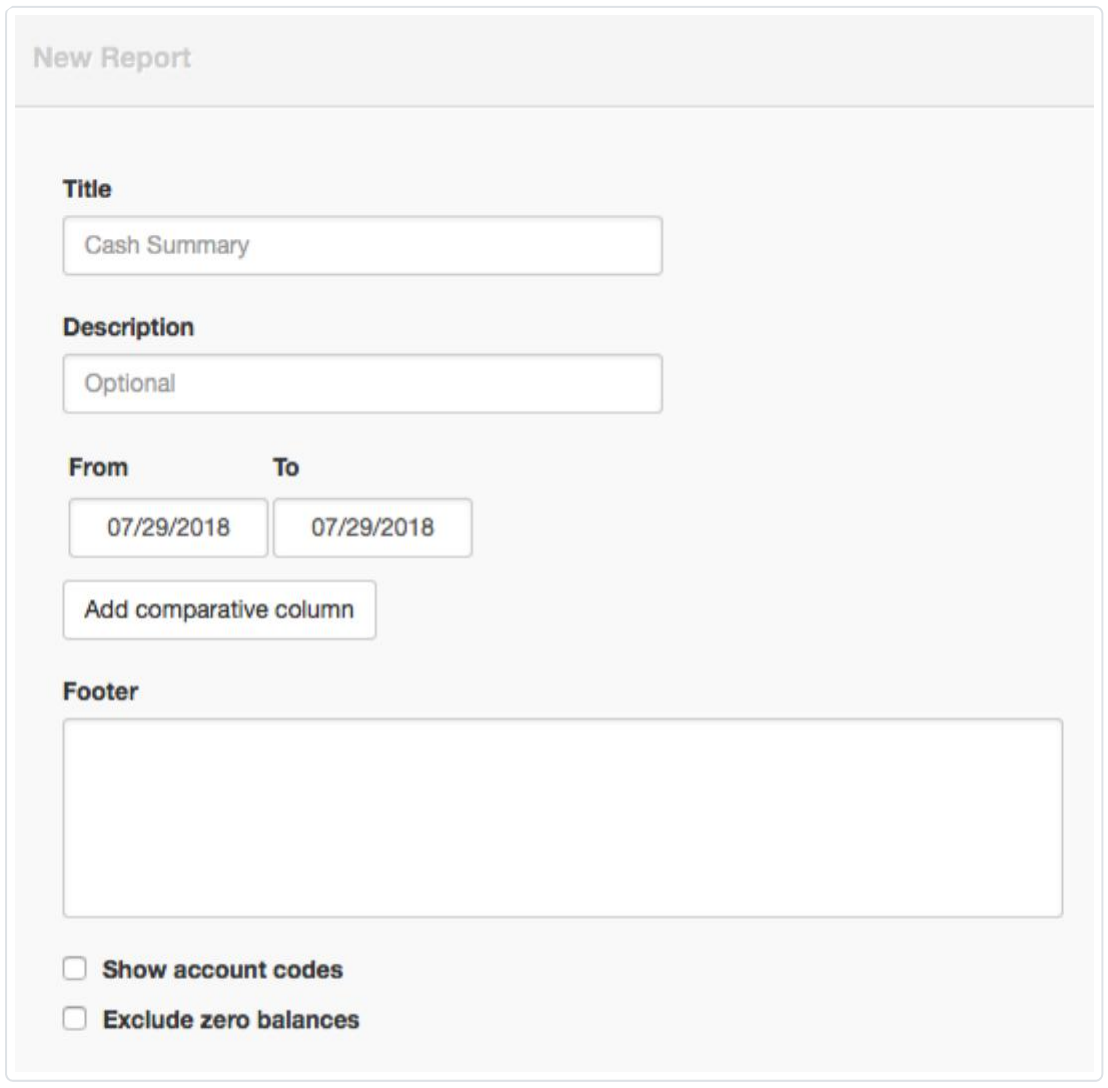
As more tabs are enabled, more reports are available. For example, when `Customers` and `Suppliers` tabs are enabled, aging reports and statements can be produced:



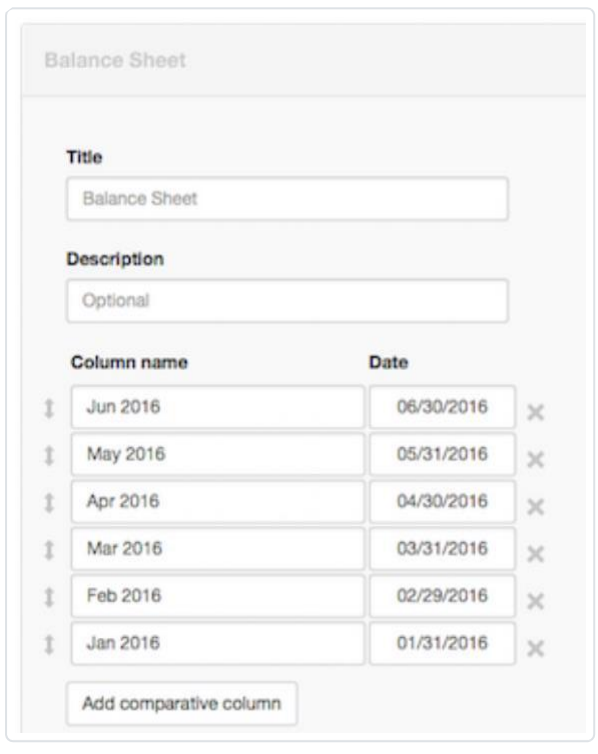
Reports are available related to tax codes, fixed assets, inventory, expense claims, capital accounts, and other aspects of accounting.

Creating reports

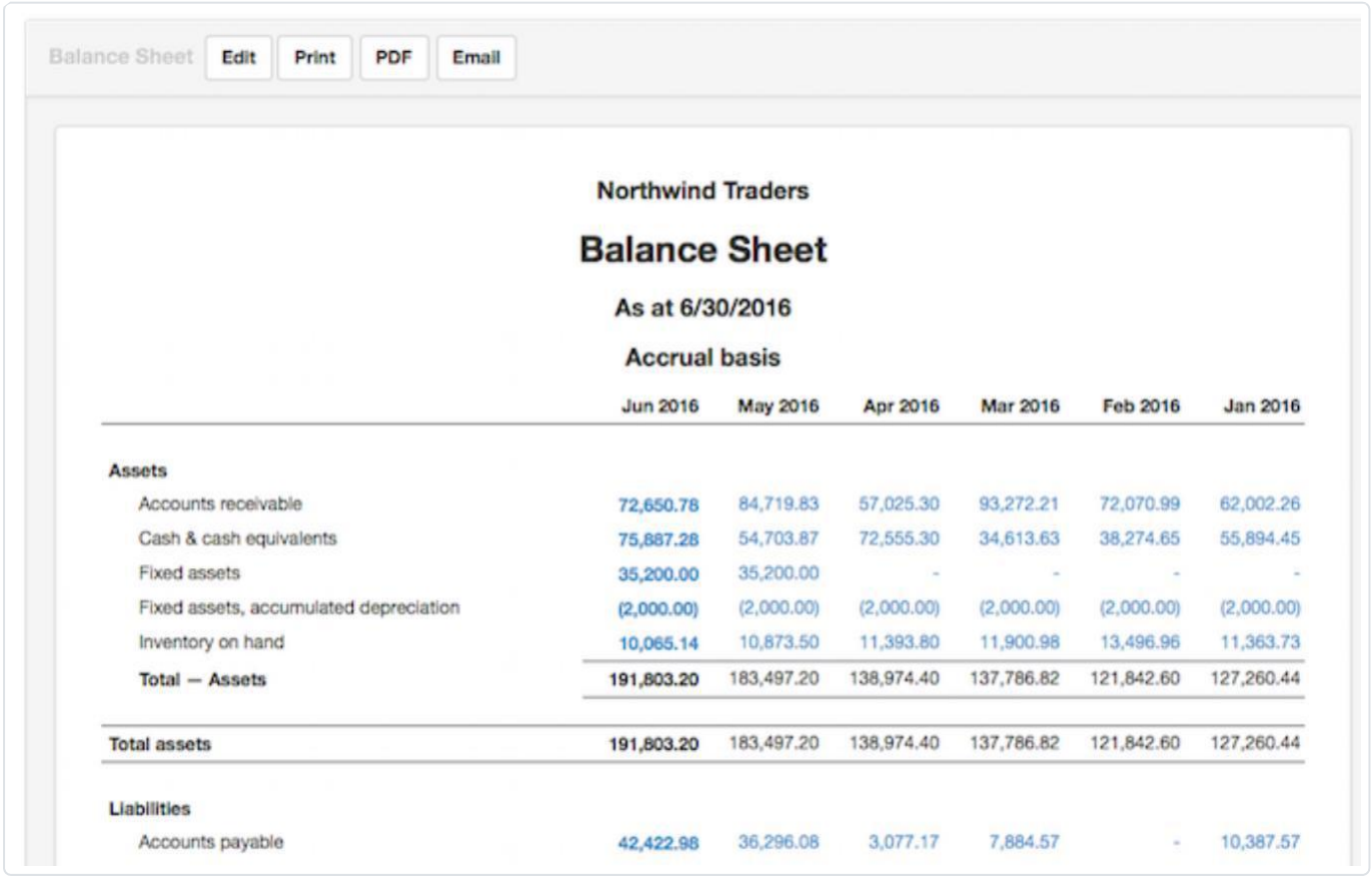
Begin creating a new report by clicking on the report's name under the `Reports` tab. Then, in most cases, click `New Report`. (One exception is `Custom Reports`, which is not covered by this Guide.) Depending on which report is being created, various fields will appear. Some have default content, shown in grey. This content can be overwritten to customize a report. Other fields, such as dates, may be required. Some reports offer options for adding explanatory information, showing account codes, or excluding zero balances. For example, a new Cash Summary entry screen is shown below:



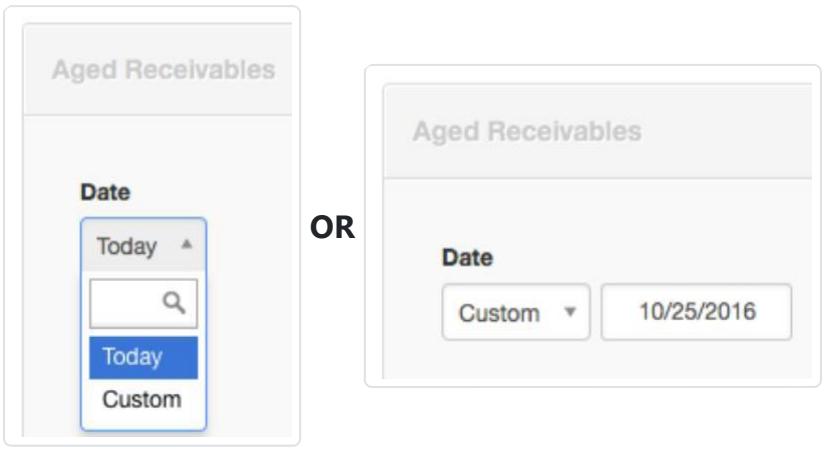
For some reports, comparative columns can be added. These can be useful for comparing current performance with past accounting periods. Note that columns can be named and their order adjusted by dragging the double-arrow symbols to the left of column names up or down. The top-listed column will appear at the left on the report in **bold type**. Other comparative columns will appear to the right of that column:



The foregoing setup produces the following Balance Sheet:



Occasionally, an option exists to set the end or as-of date as *Today*. When that choice is selected, the report will always be up to date when viewed. A custom date can also be entered:

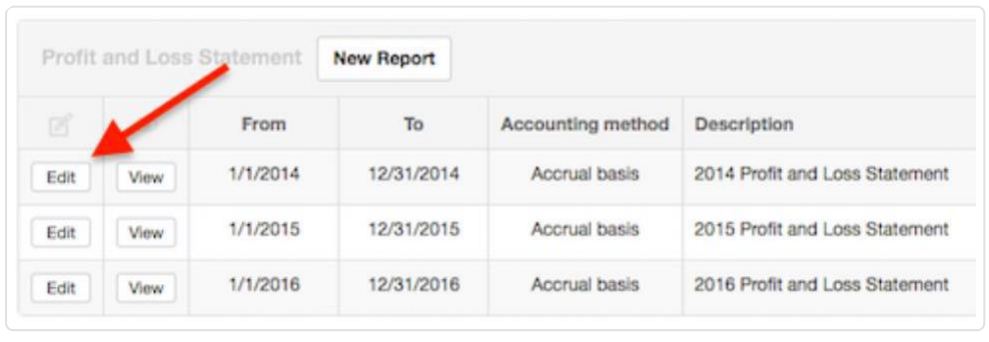


Reports that are simple lists can be exported for further manipulation in a spreadsheet by clicking `Export` at the bottom of the screen.

Saving and editing reports

Most reports can be saved. (Customer and Supplier Statements cannot, because they change according to the as-of date or period specified.) Every report that can be is automatically saved when `Create` is clicked. Frequently used reports are then readily available without creating new ones. In fact, it may be convenient to define common reports for a full accounting period (such as through the end of a year). A report defined that way will be accurate through the current date whenever viewed, until the end of the accounting period. Of course, the displayed end date may be wrong.

Saved reports can be edited after clicking the `Edit` button to the left of a report in the list:



Click `Update` after editing to save the revised report. Saved reports can also be deleted when no longer needed by clicking `Delete` at the bottom of the edit screen.

> **Note**
> Manager does not actually save reports as documents or files. It stores definitions of reports, including necessary dates, titles, column headings, etc. When a saved report is viewed, Manager actually creates it in real time from the stored definition. Therefore, a deleted report can always be recreated, because Manager never deletes the underlying transactions, only the information needed for a particular display. And if report formats are improved as Manager is updated, all saved reports will automatically be updated, too.

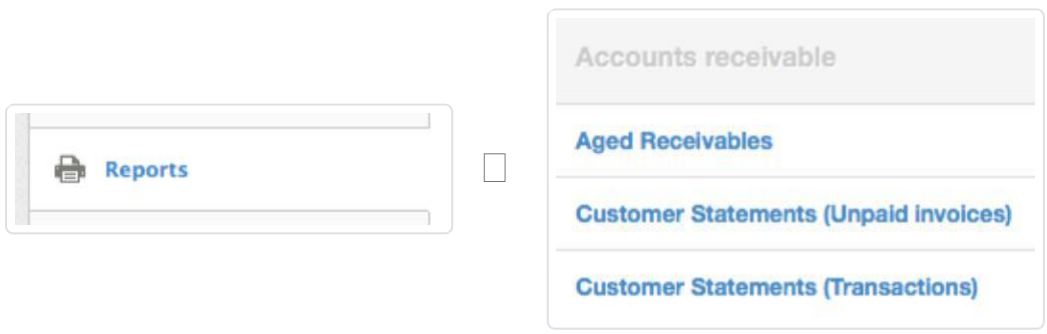
4.8.2 Issue customer statements

A **customer statement** summarizes the position of your customer. By itself, it does not create any obligation for the customer to pay you. That is the purpose of sales invoices. In fact, a customer statement has no direct financial impact on anything. Although some businesses use customer statements for billing, they are really more informational in nature. They can be used for several reasons, including:

- Sending reminders of amounts owed
- Listing opening balances, receipts, new charges, and closing balances during a billing period
- Summarizing aging of *Accounts receivable* (how long overdue payments might be)
- Answering customers' questions
- Troubleshooting account disputes
- Reviewing customer history

Creating customer statements

Customer statements are created in the `Reports` tab under `Accounts receivable`. The reports in this group become available automatically when you activate the `Customers` tab. BILLBOOKS can generate two types of customer statements. Click on the type you want:



Unpaid invoices statements

The *Unpaid invoices* option produces a classical customer statement based on sales invoices that have not been completely paid. When selected, it brings up a list of all customers with unpaid invoices as of the date last set. To change the date or choose a theme, click `Set Date:`

Enter the desired `Date`. Choices include *Today* or *Custom*, which adds a field where any date may be entered. Choose a `Theme` from the dropdown list and click `Update`:



The resulting list shows numbers of unpaid invoices and *Accounts receivable* balances:

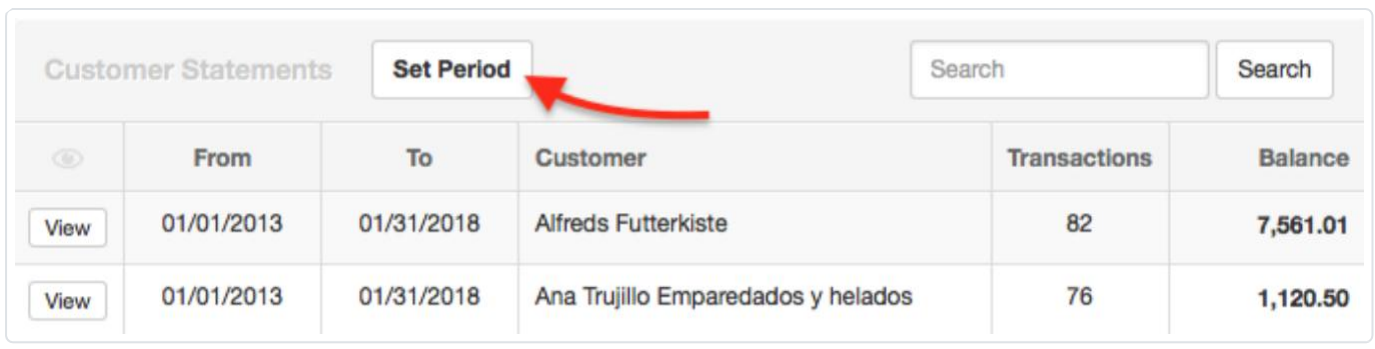


Click `View` to see a specific customer's statement, which can be printed or emailed:

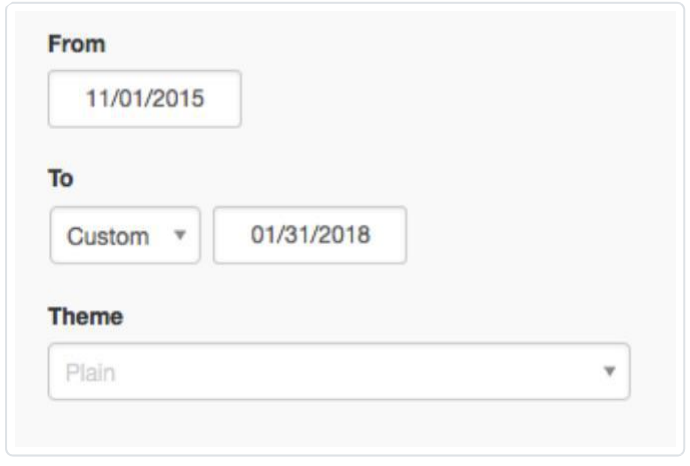


Transactions statements

The *Transactions* option provides the opportunity to specify both `From` and `To` dates and show individual transactions. When selected, it brings up a list of all customers with past transactions. By default, BILLBOOKS shows all transactions from your start date to the current date. To modify those dates or select a theme, click `Set Period` at the top of the list:



Modify dates or choose a theme from the dropdown list and click `Update`. The date range and theme apply to all customers:



Click `View` to see the desired customer's debits, credits, and running balance over the specified period:

Statement

NORTHWIND TRADERS

Ana Trujillo Emparedados y helados
Avda. de la Constitución 2222
México D.F. 05021
Mexico
TIN 123 456 78

From
11/01/2015

To
01/31/2018

Northwind Traders
1313 Webfoot Walk
Calisota

Date	Description	Debit	Credit	Balance
11/01/2015	Opening balance			2,748.43 Dr
11/20/2015	Bank Receipt		2,748.43	0.00
02/18/2016	Invoice 2603	2,493.50		2,493.50 Dr
02/23/2016	Bank Receipt		2,493.50	0.00
03/25/2016	Invoice 2654	2,083.65		2,083.65 Dr
04/05/2016	Bank Receipt		2,083.65	0.00
07/01/2016	Invoice 2803	1,120.50		1,120.50 Dr

Opening balance	2,748.43 Dr
Total debits	5,697.65 Dr
Total credits	7,325.58 Cr
Closing balance	**1,120.50 Dr**

This format lists transactions as debits or credits according to their impact on the balance of your *Accounts receivable*, **not** the balance of your bank or cash account. Thus, invoices are shown as debits and receipts as credits.

> **Note**
> Customer statements do not include any sales made as cash transactions (without sales invoices), because these are not processed through the *Accounts receivable* account and therefore do not involve the customer's subsidiary ledger.

4.8.3 Issue supplier statements

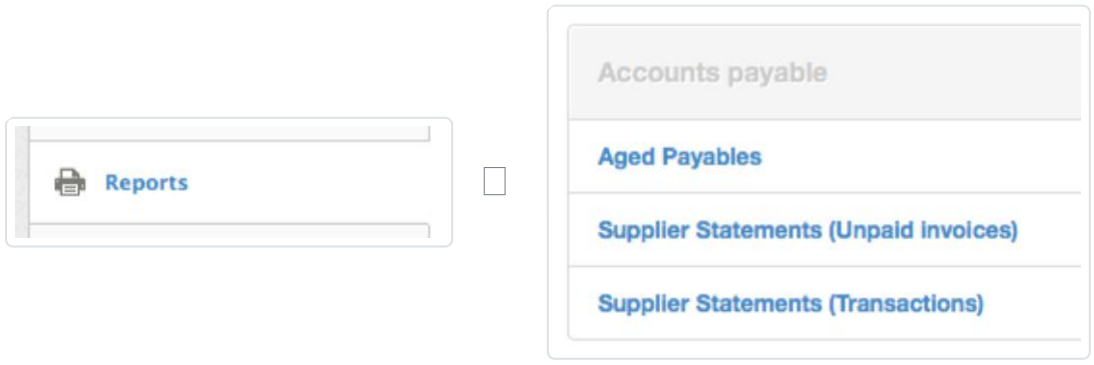
A **supplier statement** summarizes your position with a specific supplier. By itself, it does not record any obligation for you to pay the supplier. That is the purpose of purchase invoices. In fact, a supplier statement has no direct financial impact on anything. Supplier statements are informational in nature. They can be used for several reasons, including:

- Listing opening balances, payments, new purchases, and closing balances during a billing period
- Summarizing aging of *Accounts payable* (how long overdue payments might be)
- Sending inquiries to suppliers
- Troubleshooting account disputes
- Reviewing supplier history

Supplier statements are rarely sent to suppliers, but are often used internally.

Creating supplier statements

Supplier statements are created in the `Reports` tab under `Accounts payable`. The reports in this group become available automatically when you activate the `Suppliers` tab. BILLBOOKS can generate two types of supplier statements. Click on the type you want:



Unpaid invoices statements

The *Unpaid invoices* option produces a classical supplier statement based on purchase invoices you have not yet completely paid. When selected, it brings up a list of all suppliers with unpaid invoices as of the date last set. To change the date or select a theme, click `Set Date`:

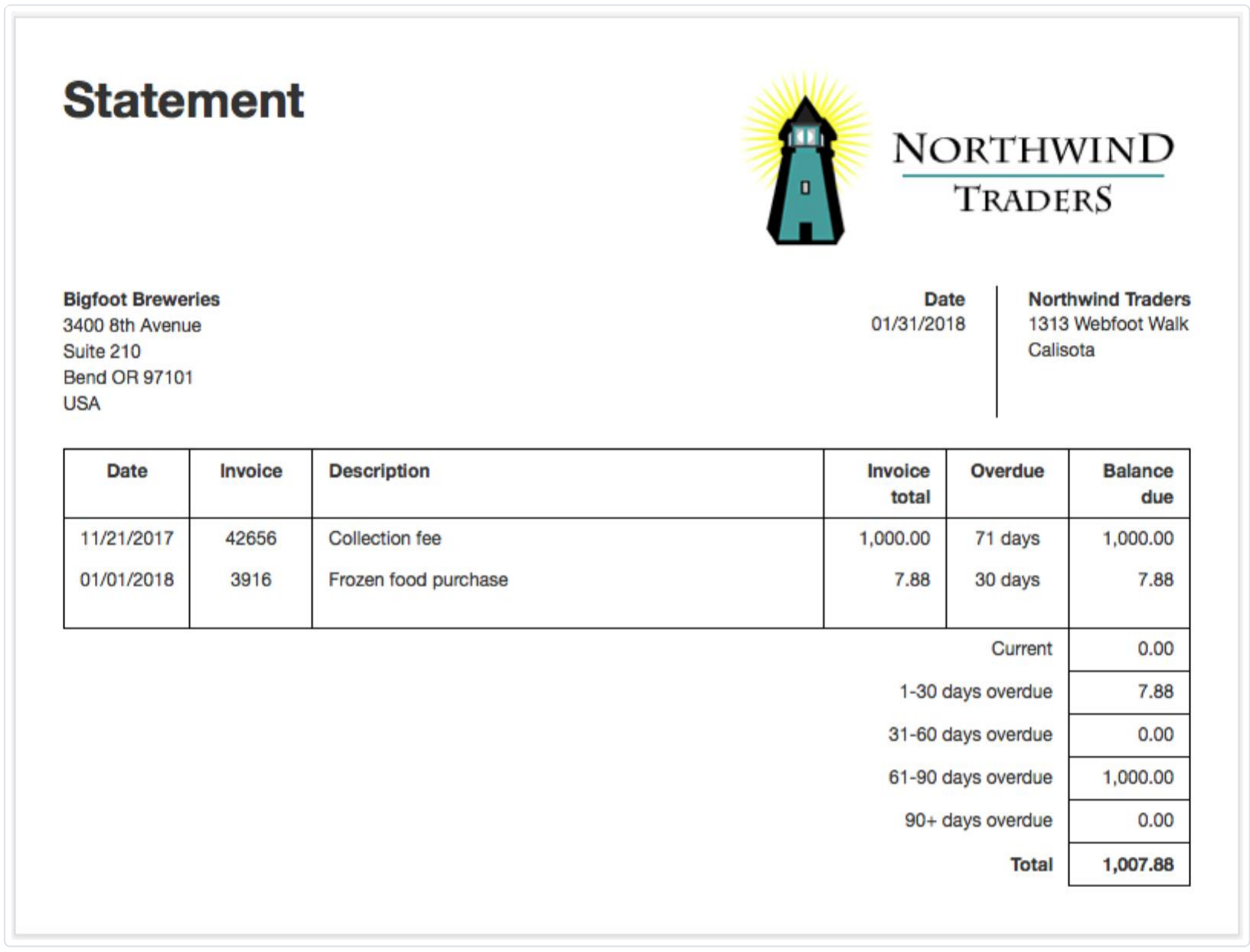
Enter the desired `Date`. Choices include *Today* or *Custom*, which adds a field where any date may be entered. Choose a `Theme` from the dropdown list and click `Update`:



The resulting list shows numbers of unpaid invoices and *Accounts payable* balances:



Click `View` to see a supplier's statement, which can be printed or emailed:



Statement

NORTHWIND TRADERS

Bigfoot Breweries
3400 8th Avenue
Suite 210
Bend OR 97101
USA

Date
01/31/2018

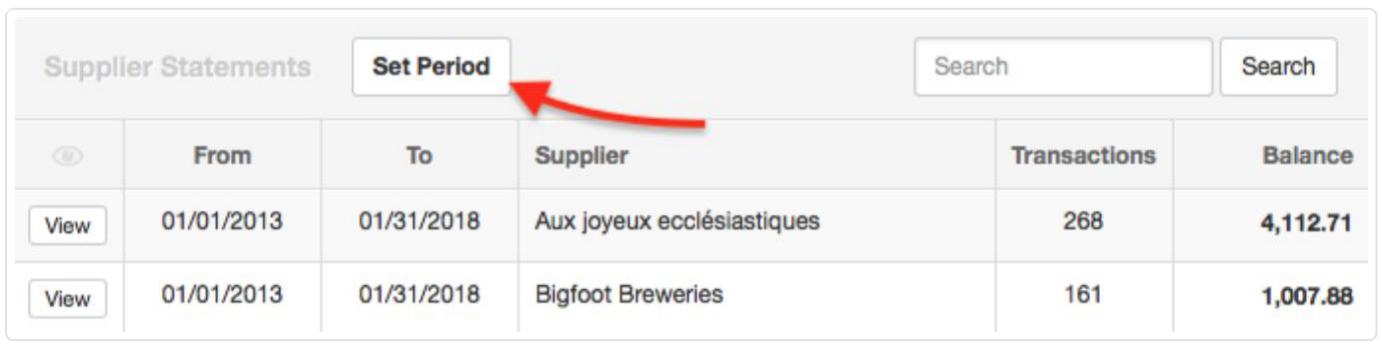
Northwind Traders
1313 Webfoot Walk
Calisota

Date	Invoice	Description	Invoice total	Overdue	Balance due
11/21/2017	42656	Collection fee	1,000.00	71 days	1,000.00
01/01/2018	3916	Frozen food purchase	7.88	30 days	7.88

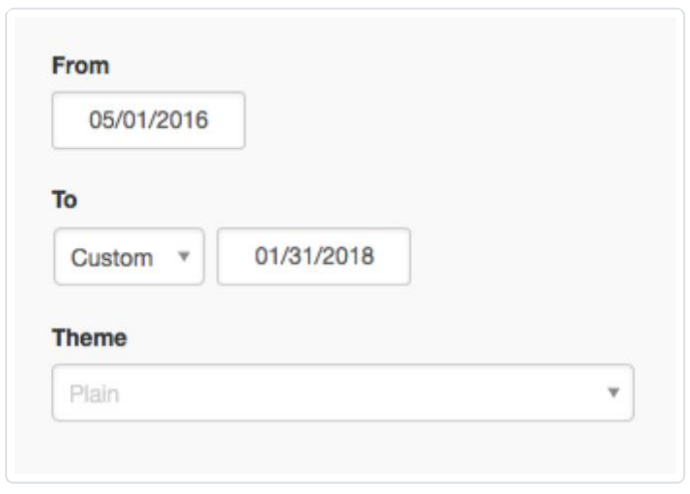
Current	0.00
1-30 days overdue	7.88
31-60 days overdue	0.00
61-90 days overdue	1,000.00
90+ days overdue	0.00
Total	**1,007.88**

Transactions statements

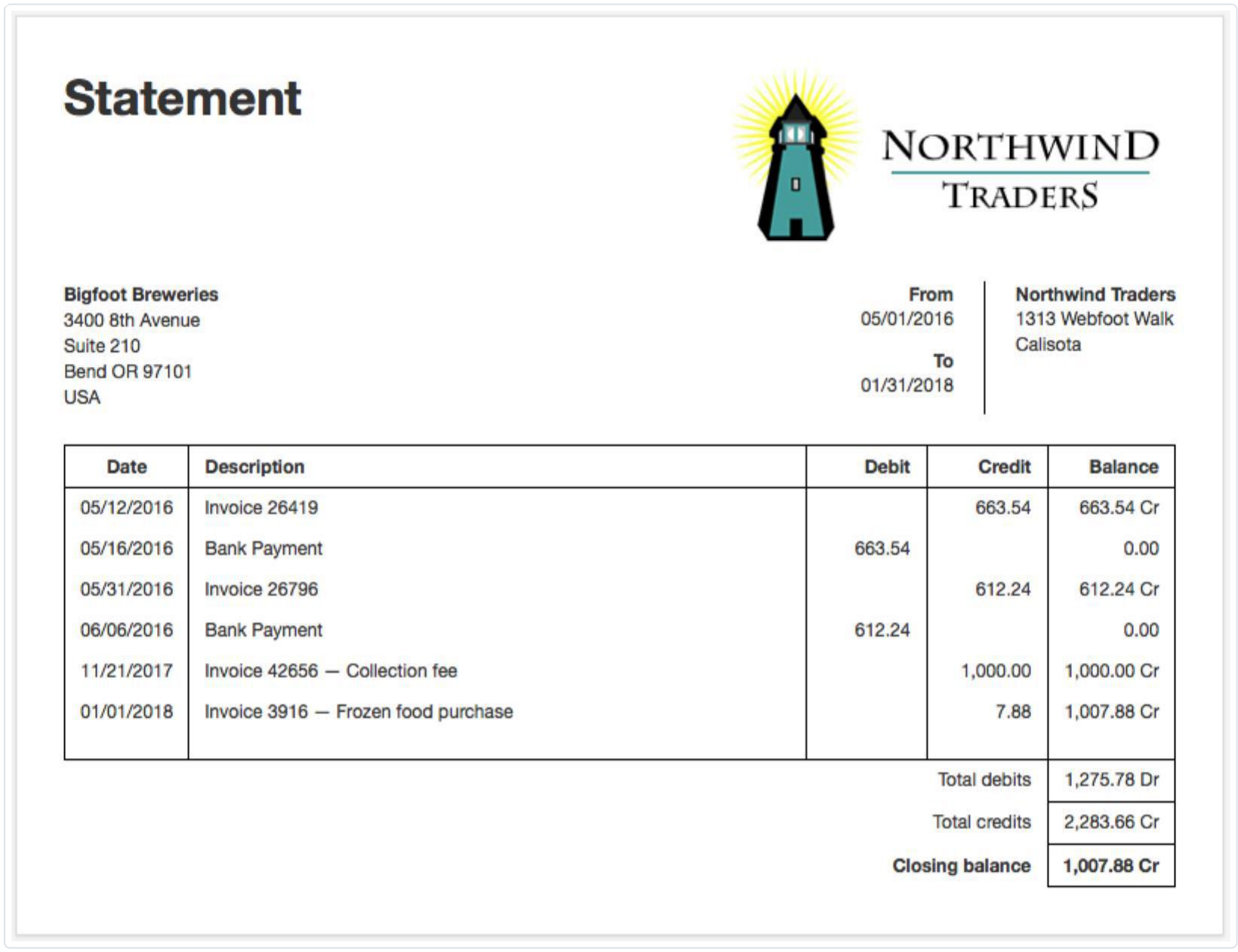
The *Transactions* option provides the opportunity to specify both `From` and `To` dates and show individual transactions. When selected, it brings up a list of all suppliers with past transactions. By default, BILLBOOKS shows all transactions from your start date to the current date. To modify those dates or select a theme, click `Set Period` at the top of the list:



Modify dates or choose a theme from the dropdown list and click `Update`. The date range and theme apply to all suppliers:



Click `View` to see a supplier's debits, credits, and running balance over the specified period:



Statement

NORTHWIND TRADERS

Bigfoot Breweries
3400 8th Avenue
Suite 210
Bend OR 97101
USA

From
05/01/2016

To
01/31/2018

Northwind Traders
1313 Webfoot Walk
Calisota

Date	Description	Debit	Credit	Balance
05/12/2016	Invoice 26419		663.54	663.54 Cr
05/16/2016	Bank Payment	663.54		0.00
05/31/2016	Invoice 26796		612.24	612.24 Cr
06/06/2016	Bank Payment	612.24		0.00
11/21/2017	Invoice 42656 — Collection fee		1,000.00	1,000.00 Cr
01/01/2018	Invoice 3916 — Frozen food purchase		7.88	1,007.88 Cr
			Total debits	1,275.78 Dr
			Total credits	2,283.66 Cr
			Closing balance	**1,007.88 Cr**

This format lists transactions as debits or credits according to their impact on the balance of your *Accounts payable*, **not** the balance of your bank or cash account. Thus, suppliers' invoices (corresponding to expenses) are shown as credits and payments as debits.

> **Note**
> Supplier statements do not include any purchases made as cash transactions (without purchase invoices), because these are not processed through the *Accounts payable* account and therefore do not involve the supplier's subsidiary ledger.

4.8.4 Create sales invoice reports

Sales invoice reports can help you analyze sales performance of your business. Three sales invoice reports are available:

- Sales Invoice Totals by Customer
- Sales Invoice Totals by Item
- Sales Invoice Totals by Custom Field

Enable the `Sales Invoices` tab and create a report

These reports automatically become available when the `Sales Invoices` tab is enabled. Below the left navigation pane, click `Customize`, then check the `Sales Invoices` box:



Click `Update` to enable the tab. The three reports will be added under the `Reports` tab:



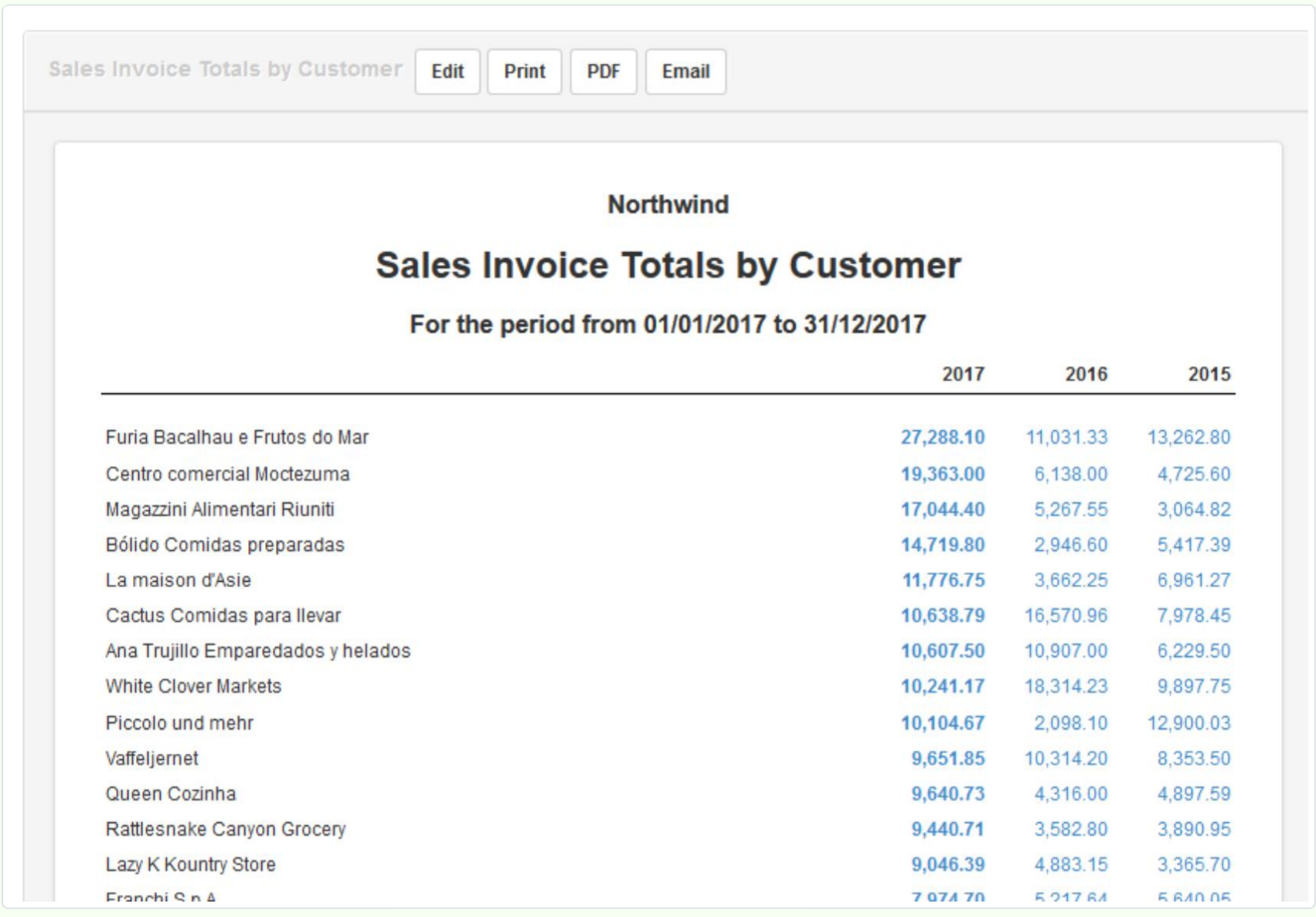
Click on a report title, then `New Report`. Follow the general procedures for creating any report in BILLBOOKS, as discussed in another Guide. Specific information about the sales invoice reports is given below.

Caution
These reports only include information from sales invoices. They do not report cash sales. So the figures they present may not match total balances in sales revenue accounts for the period. If you want these reports to be comprehensive, all sales must be recorded on sales invoices.

Sales Invoice Totals by Customer

This report reveals which customers generated the most sales for a specific period of time. The report supports comparative columns so you can compare multiple periods side by side (*e. g.*, years, quarters, months, weeks). The list is sorted in descending order of sales in the primary column. All figures are clickable to view sales invoices contributing to them.

Example
Northwind Traders prepares a report comparing sales results for a three-year period:

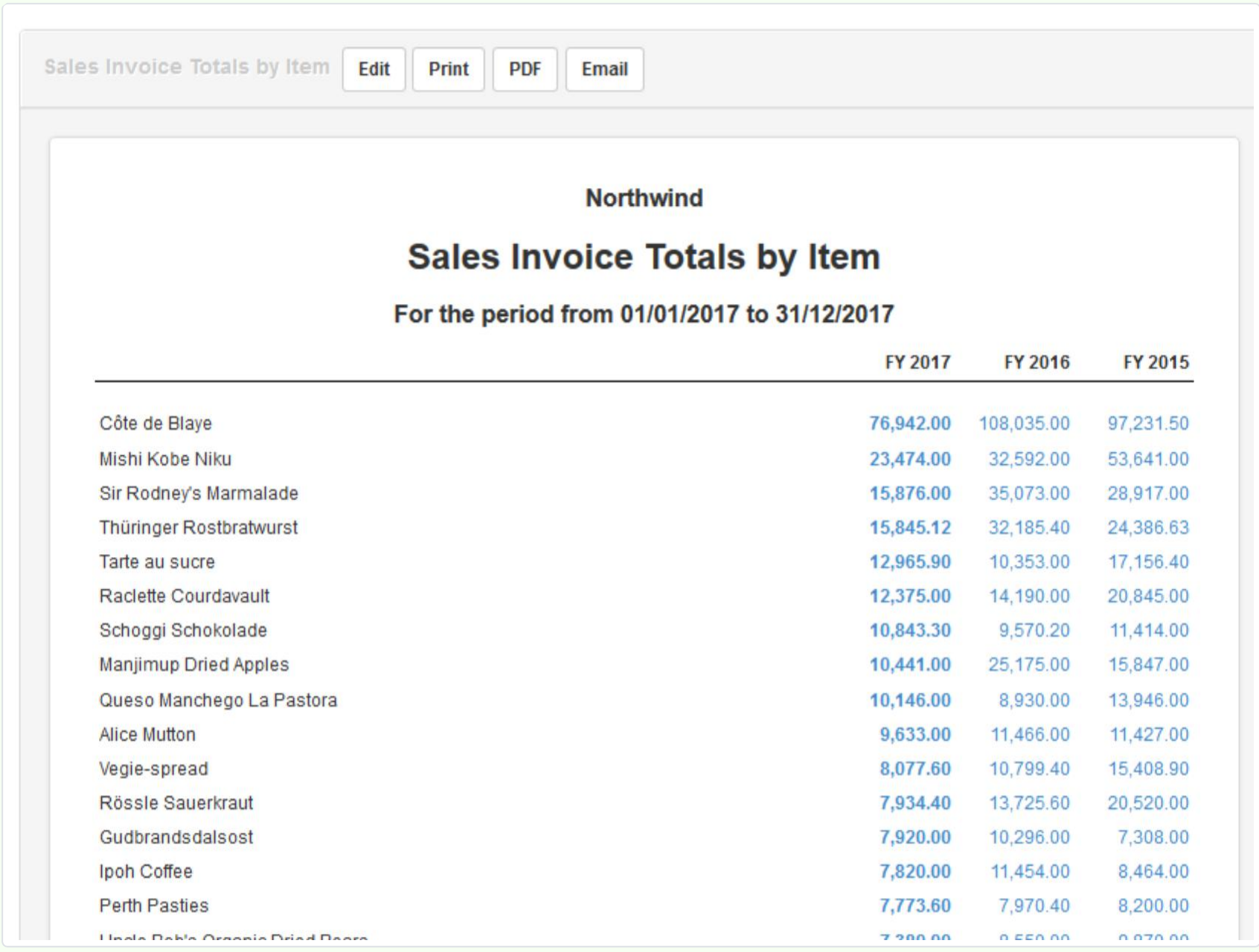


	2017	2016	2015
Furia Bacalhau e Frutos do Mar	**27,288.10**	11,031.33	13,262.80
Centro comercial Moctezuma	**19,363.00**	6,138.00	4,725.60
Magazzini Alimentari Riuniti	**17,044.40**	5,267.55	3,064.82
Bólido Comidas preparadas	**14,719.80**	2,946.60	5,417.39
La maison d'Asie	**11,776.75**	3,662.25	6,961.27
Cactus Comidas para llevar	**10,638.79**	16,570.96	7,978.45
Ana Trujillo Emparedados y helados	**10,607.50**	10,907.00	6,229.50
White Clover Markets	**10,241.17**	18,314.23	9,897.75
Piccolo und mehr	**10,104.67**	2,098.10	12,900.03
Vaffeljernet	**9,651.85**	10,314.20	8,353.50
Queen Cozinha	**9,640.73**	4,316.00	4,897.59
Rattlesnake Canyon Grocery	**9,440.71**	3,582.80	3,890.95
Lazy K Kountry Store	**9,046.39**	4,883.15	3,365.70
Franchi S.p.A.	**7,974.70**	5,217.64	5,640.05

Sales Invoice Totals by Item

Similar to the previous report, this report shows totals for items sold during a specific period of time. The report includes both inventory items and non-inventory items. It also supports comparative periods and is sorted in descending order of sales in the primary column. Again, all figures are clickable.

Example
Northwind prepares a report for the same three-year period to analyze sales results by item:



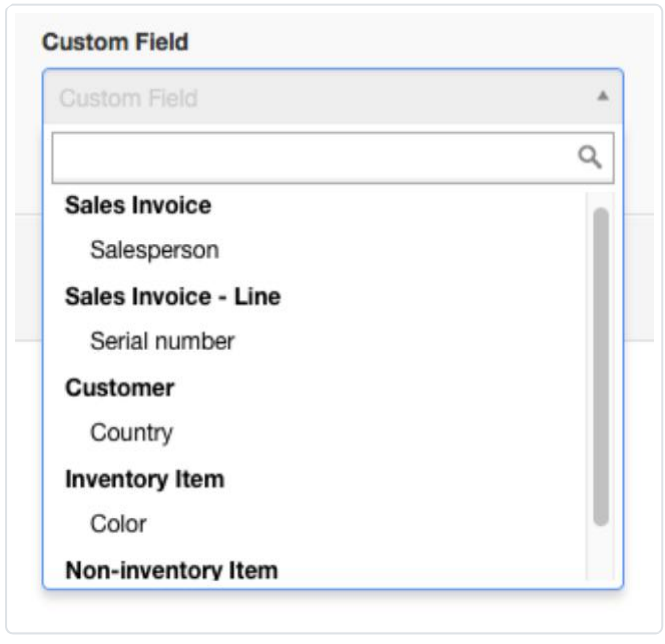
	FY 2017	FY 2016	FY 2015
Côte de Blaye	76,942.00	108,035.00	97,231.50
Mishi Kobe Niku	23,474.00	32,592.00	53,641.00
Sir Rodney's Marmalade	15,876.00	35,073.00	28,917.00
Thüringer Rostbratwurst	15,845.12	32,185.40	24,386.63
Tarte au sucre	12,965.90	10,353.00	17,156.40
Raclette Courdavault	12,375.00	14,190.00	20,845.00
Schoggi Schokolade	10,843.30	9,570.20	11,414.00
Manjimup Dried Apples	10,441.00	25,175.00	15,847.00
Queso Manchego La Pastora	10,146.00	8,930.00	13,946.00
Alice Mutton	9,633.00	11,466.00	11,427.00
Vegie-spread	8,077.60	10,799.40	15,408.90
Rössle Sauerkraut	7,934.40	13,725.60	20,520.00
Gudbrandsdalsost	7,920.00	10,296.00	7,308.00
Ipoh Coffee	7,820.00	11,454.00	8,464.00
Perth Pasties	7,773.60	7,970.40	8,200.00

Sales Invoice Totals by Custom Field

The final sales invoice report offers great flexibility to fit your business needs by leveraging custom fields for sales invoice analysis. The key is to first define and populate custom fields that support your sales analysis goals. The report can incorporate sales invoice totals based on the following types of custom fields:

- Sales invoice
- Sales invoice line item
- Customer
- Inventory item
- Non-inventory item

When a new report is defined, available custom fields are displayed by type:



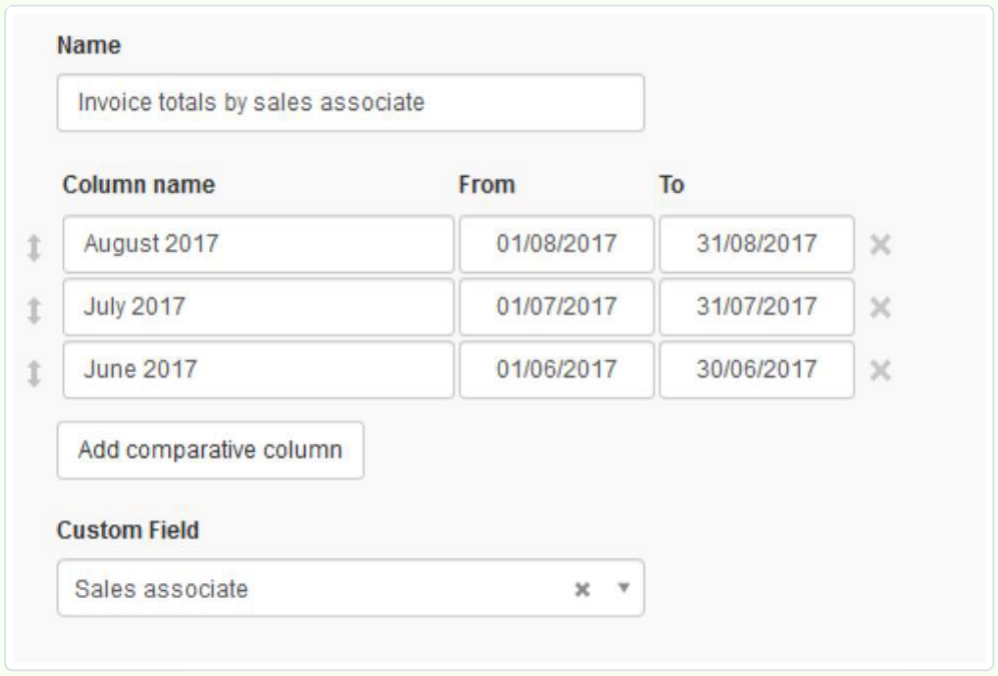
As with the other two reports described above, comparative columns can be set up, results are sorted in descending order of sales in the primary column, and all figures are clickable.

Example

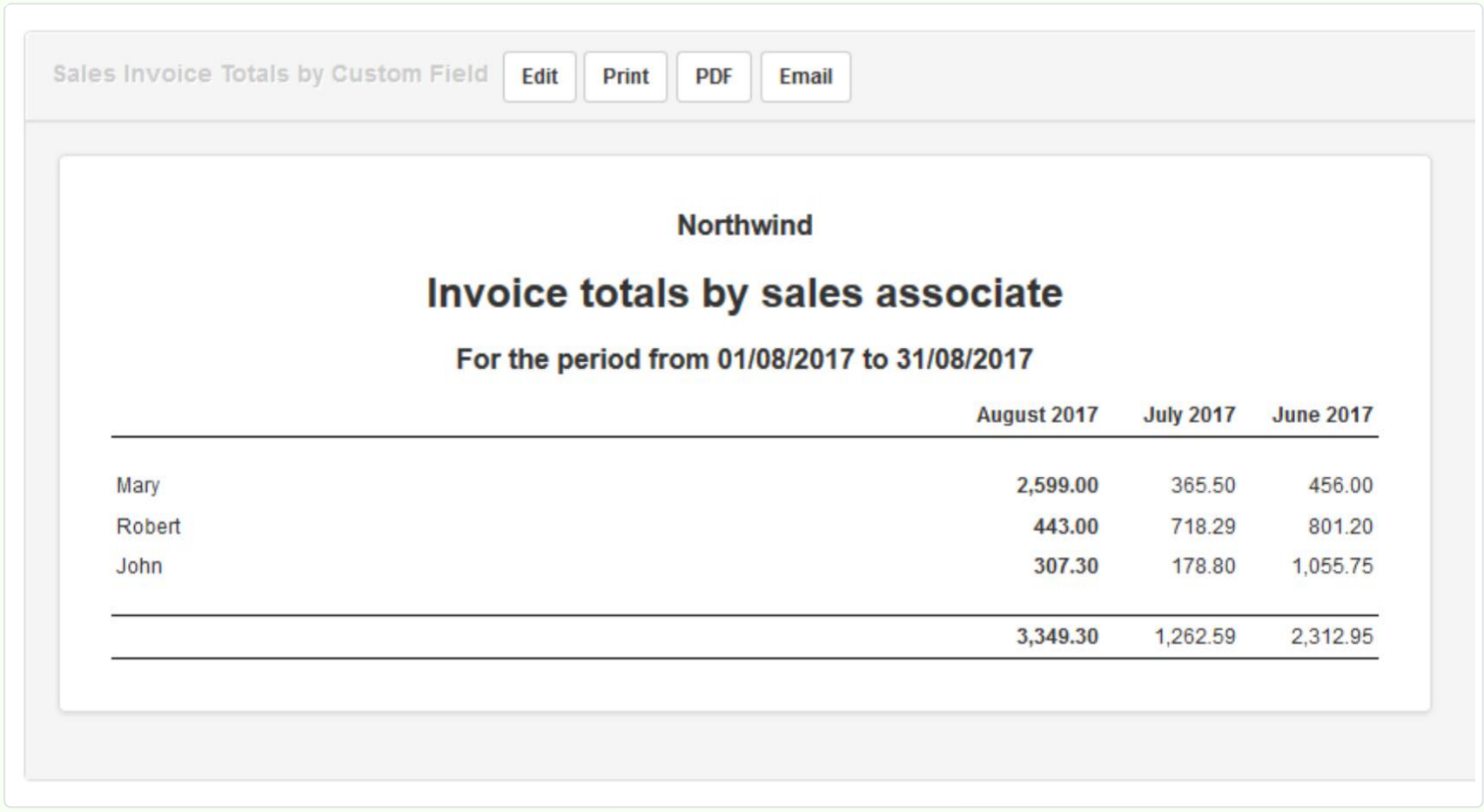
Northwind has sales associates who earn commission on generated sales each month. So it needs a report giving sales invoice totals by sales associate to calculate their commissions.

It creates a custom field for sales invoices called `Sales associate`, and every time it creates an invoice, it selects the sales associate who closed the sale.

It creates a new report, specifying three monthly time frames and selecting the `Sales associate` custom field:



The report will show sales invoice totals by sales associate (not by customer or item as with the previous reports):



You can accomplish more with this report. For example, if you have thousands of customers, it may not be very useful to see invoice totals by customer because the report would be so long. Perhaps it would be more useful to see invoice totals by country. Likewise, if your inventory is large, it might be helpful to create custom fields for inventory items (*e. g.*, group, material, type, brand, etc.) and view totals by those custom fields.

Examples

Northwind adds a custom field, `Country`, to its customer definitions. Now, it can generate reports by country:

Sales Invoice Totals by Custom Field | Edit | Print | PDF | Email

Northwind

Invoice totals by country

For the period from 01/08/2017 to 31/08/2017

	August 2017	July 2017	June 2017
Australia	**2,440.00**	2,854.50	3,634.40
United Kingdom	**2,402.00**	-	575.00
United States	**1,778.91**	2,504.50	4,981.00
France	**944.50**	1,214.45	2,121.00
	7,565.41	6,573.45	11,311.40

It also defines a custom field, `Brand`, for inventory items and limits choices to a few popular brands. Now it can see how those brands perform relative to one another:

Sales Invoice Totals by Custom Field | Edit | Print | PDF | Email

Northwind

Invoice totals by brand

For the period from 01/08/2017 to 31/08/2017

	Aug 2017	Jul 2017	Jun 2017
LG	**2,320.50**	70.00	1,777.50
Electrolux	**1,837.50**	2,962.50	962.50
Dyson	**1,189.40**	378.20	717.60
Samsung	**646.00**	3,121.00	3,356.00
Breville	-	1,008.00	-
	5,993.40	7,539.70	6,813.60

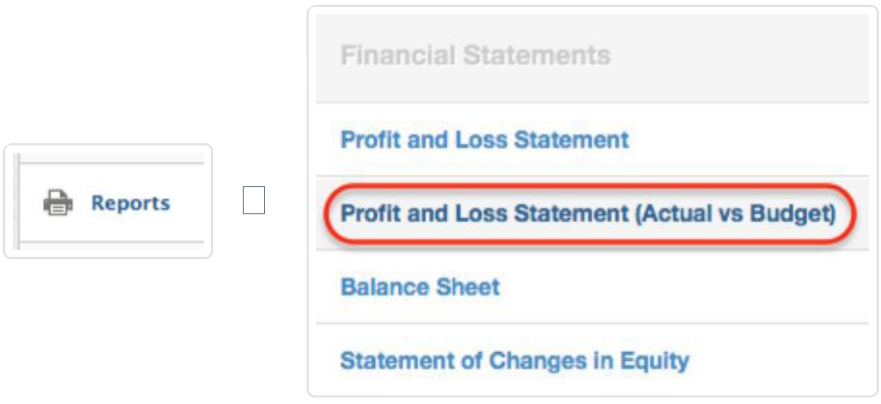
Note

Custom field content is not mandatory. Sales invoices that do not contain anything in the custom field selected will be left out of the report. So, if Northwind sells other brands of appliances, but only wants to track the five in the example above, it can do so. Results for items with different brands will be available in other reports.

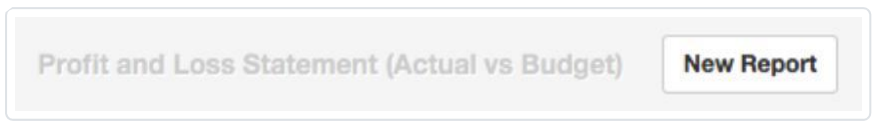
4.8.5 Create a budget

A **budget** is an estimate or plan of income and expenses for a set period of time that can be compared to actual figures from the Profit & Loss Statement.

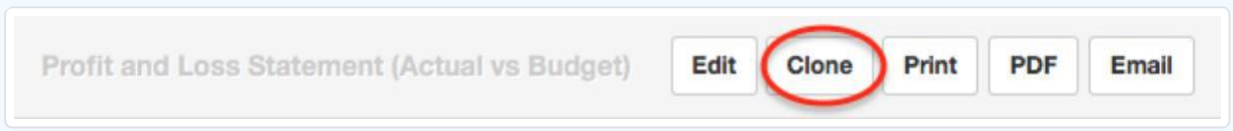
BILLBOOKS includes a simple budgeting capability under the `Reports` tab. Click on `Profit and Loss Statement (Actual vs Budget)`:



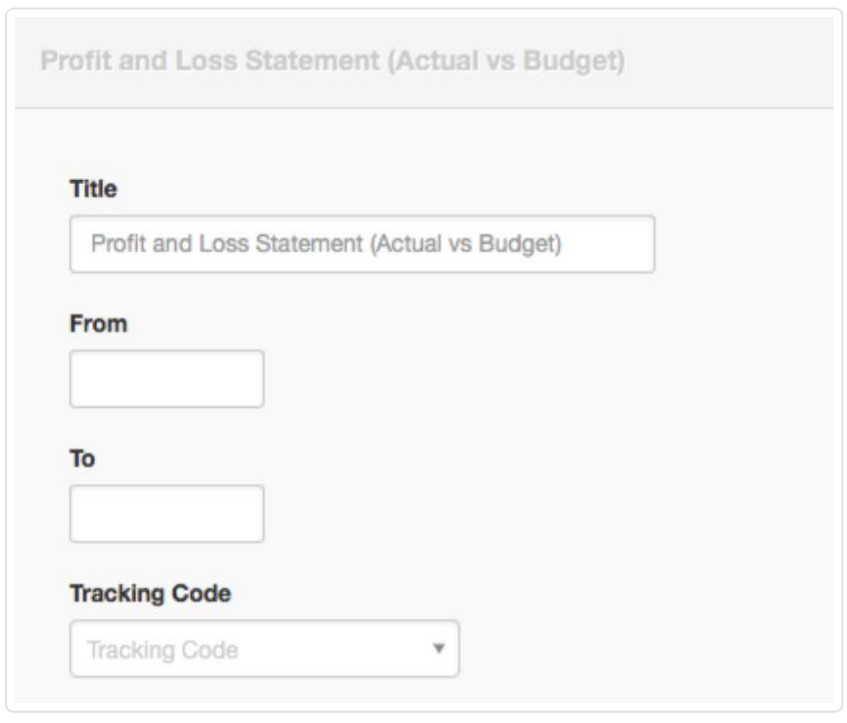
Then click `New Report` to start the process:



Note
New budgets can also be started by cloning existing budgets:



Fill in the form:



- `Title` can be anything that will help identify the budget when it is viewed in a list.
- `From` is the first day of the budget period. By default the first day of the current month will appear. Edit as necessary.
- `To` is the final day of the budget period. By default, the last day of the current month will appear. Edit as necessary.
- `Tracking Code` allows you to create a budget for a division, branch, or project by selecting its tracking code. This field does not appear unless you have defined at least one tracking code.
- `Account` fields offer all accounts from the Profit and Loss Statement side of your chart of accounts. (Budgets cannot be created for Balance Sheet accounts, because those are perpetual.)
- `Amount` is the expected income or expense during the budget period for the individual account.

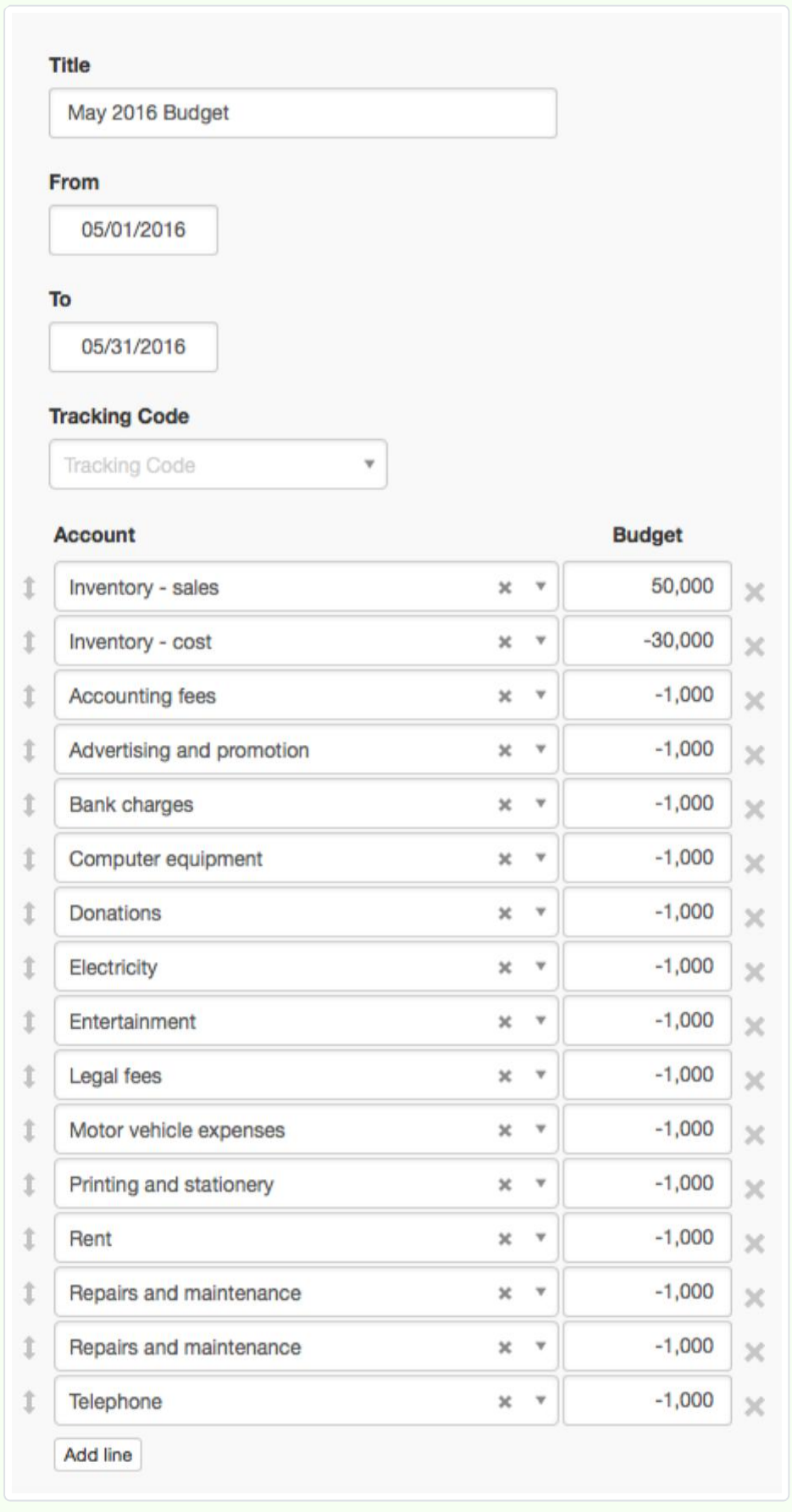
> **Note**
> Enter income as positive numbers, expenses as negative numbers.

- Click `Add line` to add more accounts. Only those accounts with expected income or expenses need to be included in the budget.

Click `Create` to store the budget. You can create as many budgets for as many different time periods as you want. A budget from one time period can be cloned as a starting point for building a budget for another time period.

Example

The business, Northwind, creates a budget for the month of May 2016. Although it uses tracking codes, this budget is for the entire company:



Northwind can view the budget to see a comparison between actual and budgeted figures for the defined time period:

Northwind Traders

May 2016 Budget

For the period from 05/01/2016 to 05/31/2016

	Actual	Budget	Percentage
Revenue			
Billable time - invoiced	**100.00**	-	-
Billable time - movement	**(100.00)**	-	-
Inventory - sales	**68,133.83**	50,000.00	136%
Total — Revenue	**68,133.83**	50,000.00	
Less: Cost of Goods Sold			
Inventory - cost	**44,030.12**	30,000.00	147%
Gross Profit (Loss)	**24,103.71**	20,000.00	
Less: Operating Expenses			
Accounting fees	**750.00**	1,000.00	75%
Advertising and promotion	**1,506.00**	1,000.00	151%
Bank charges	**1,010.00**	1,000.00	101%
Computer equipment	**1,483.00**	1,000.00	148%
Electricity	**882.00**	1,000.00	88%
Legal fees	**1,104.00**	1,000.00	110%
Motor vehicle expenses	**839.00**	1,000.00	84%
Printing and stationery	**991.95**	1,000.00	99%
Rent	**926.00**	1,000.00	93%
Repairs and maintenance	**1,340.00**	2,000.00	67%
Telephone	**761.00**	1,000.00	76%
Total — Operating Expenses	**11,592.95**	12,000.00	
Operating Profit (Loss)	**12,510.76**	8,000.00	
Less: Other Expenses			
Donations	**937.00**	1,000.00	94%
Entertainment	**825.00**	1,000.00	83%
Total — Other Expenses	**1,762.00**	2,000.00	
Net profit (loss)	**10,748.76**	6,000.00	

Caution

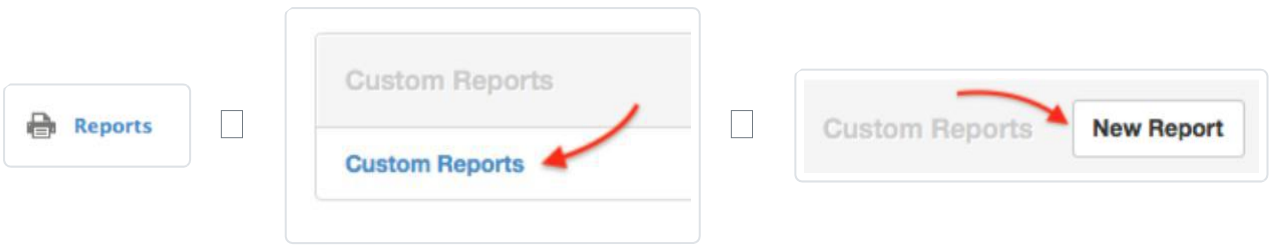
When creating a budget, only accounts already in your chart of accounts can be included. So build your chart of accounts first, then create your budget, which will appear in the same basic format.

Accounts will be included in the Profit & Loss Statement (Actual vs. Budget) if you enter a budget figure or there is an actual income or expense transaction during the budget period. Only if both are true will `Percentage` figures be calculated.

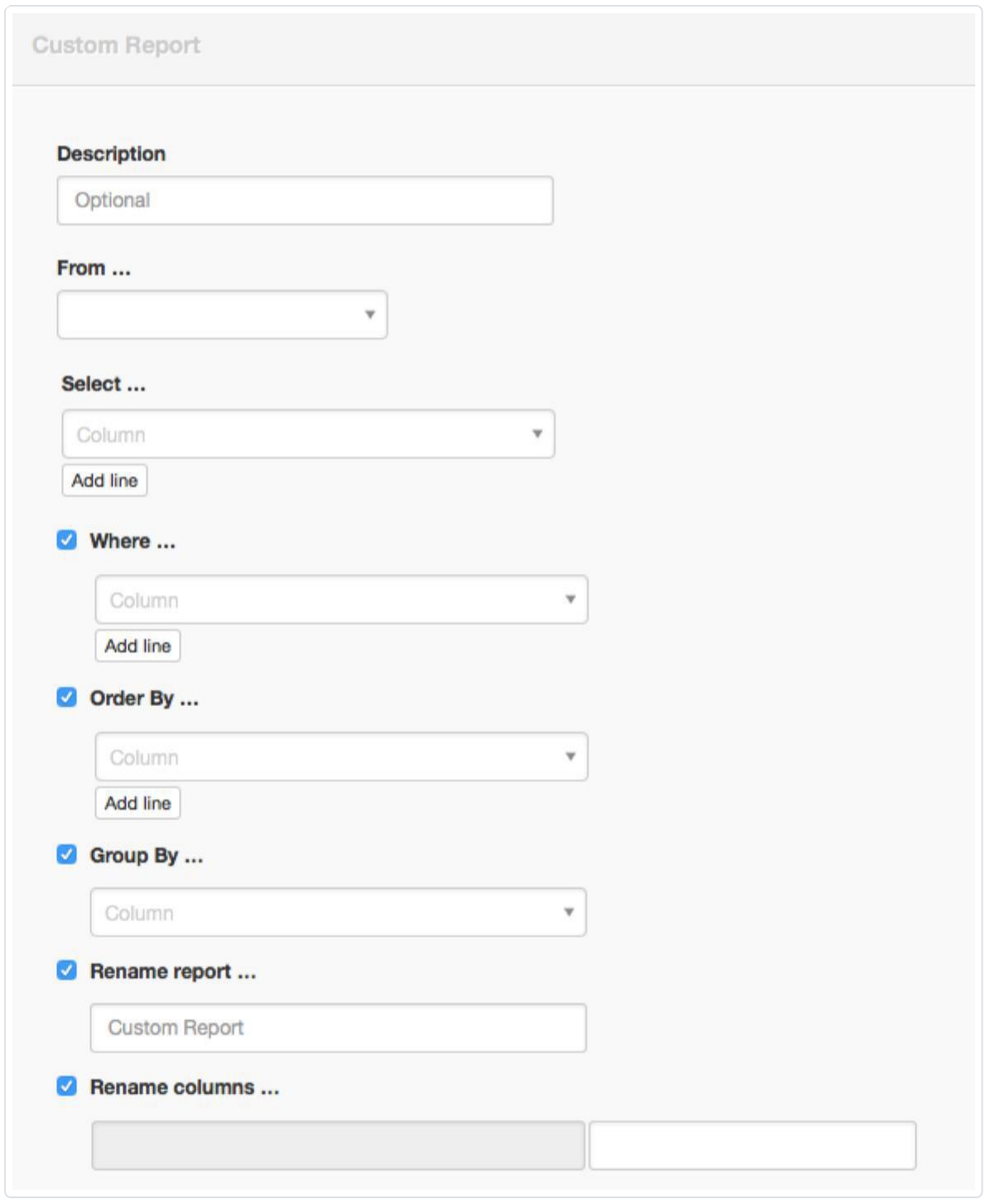
4.8.6 Create custom reports

When standard reports available in BILLBOOKS's `Reports` tab do not furnish information you want, **create custom reports** using the visual query builder under the `Custom Reports` heading.

This feature allows great flexibility in defining reports, yet requires no software or database skills. Create a custom report by going to the `Reports` tab, clicking `Custom Reports`, then `New Report`:



The query builder screen appears:



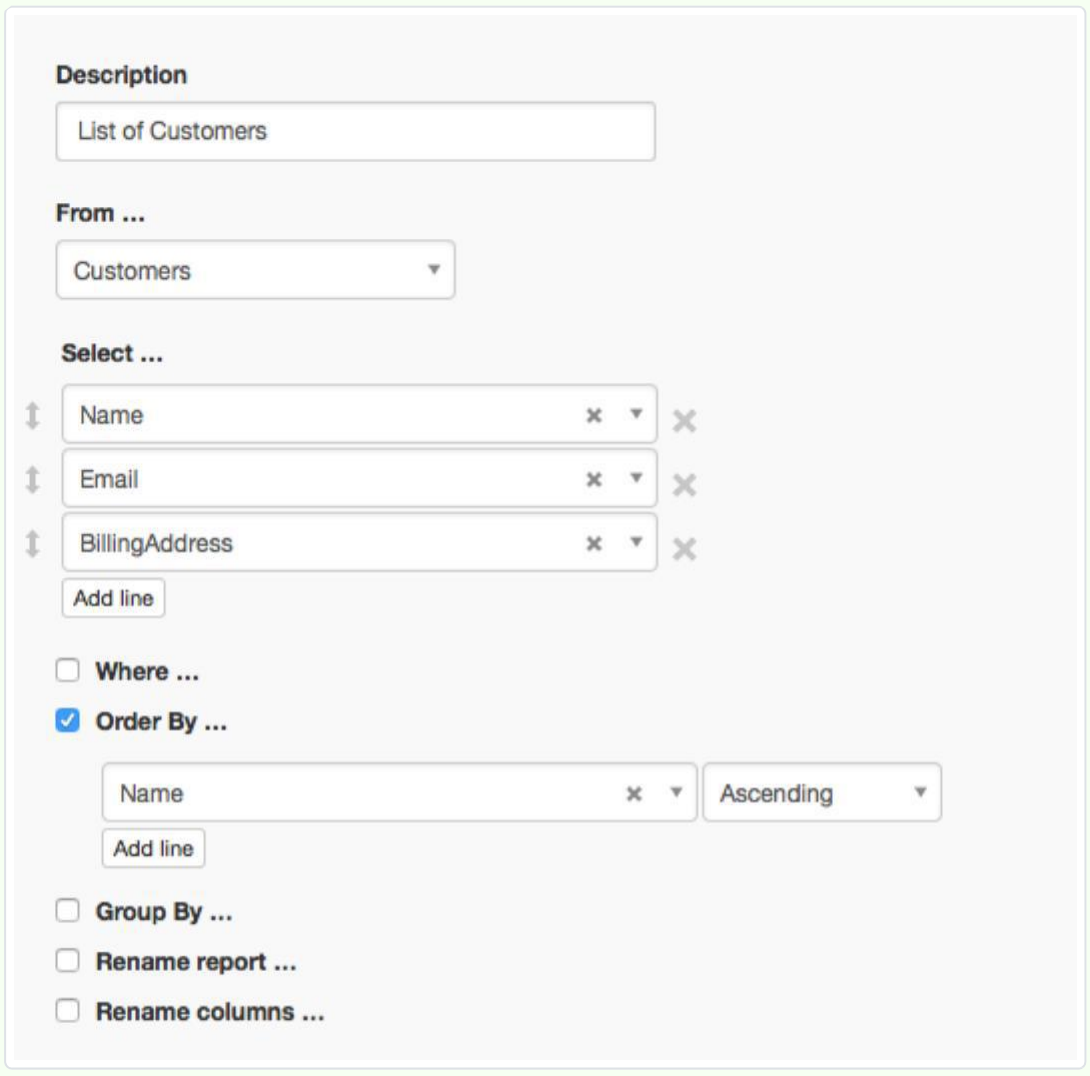
Entries in the query builder are of three types:

- Text fields for an optional `Description`, a report name, or certain search or operator parameters
- Check boxes to activate selection criteria, ordering, grouping, or display options
- Dropdown menus for selecting database elements to include in the report and operators to apply to the data.

In some cases, multiple criteria can be applied by clicking `Add line`. Dropdown menu content varies according to prior selections. And additional fields appear progressively as selections are made.

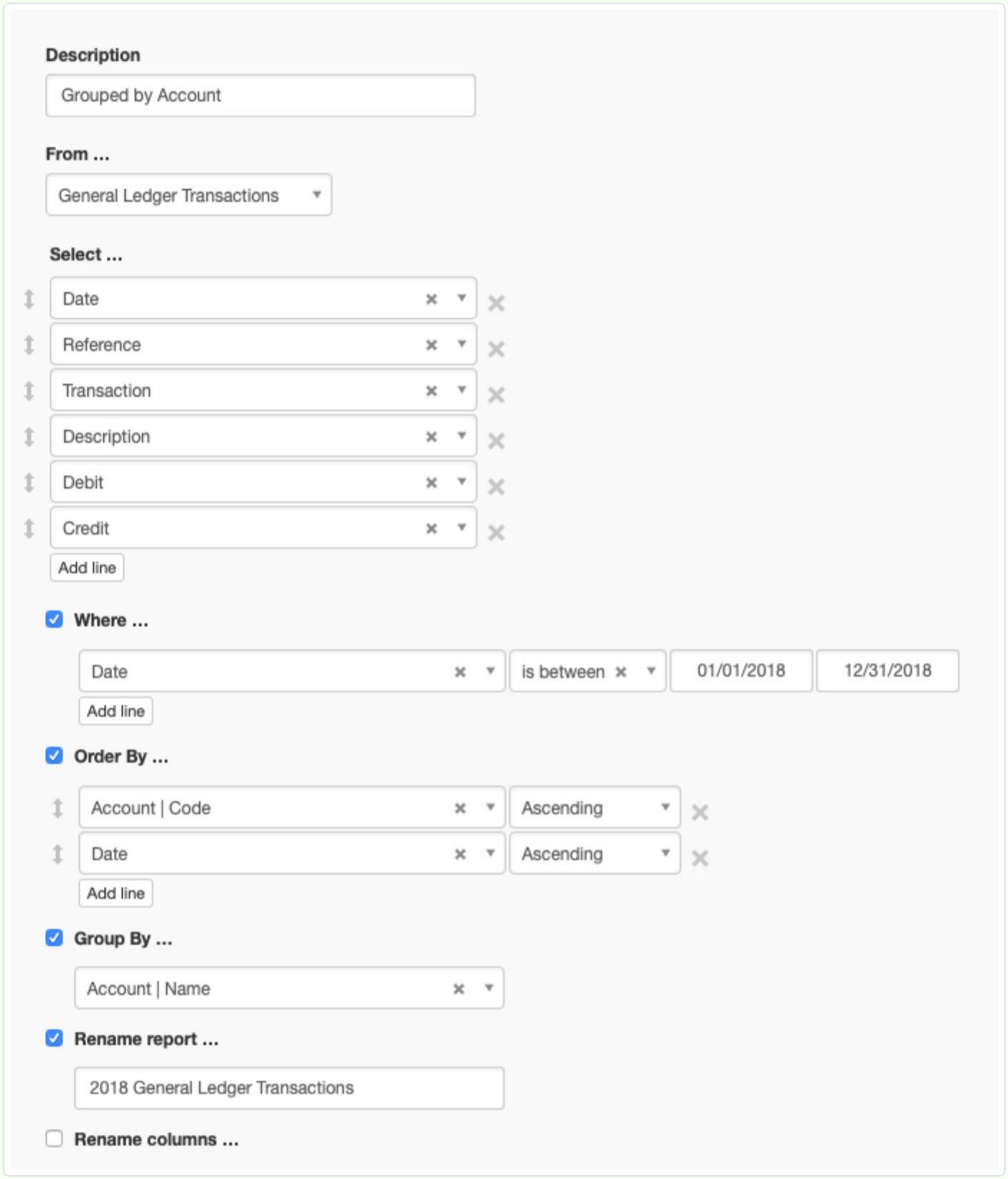
Example 1

To generate a custom report listing your customers with their email address and billing addresses, enter the following:



Example 2

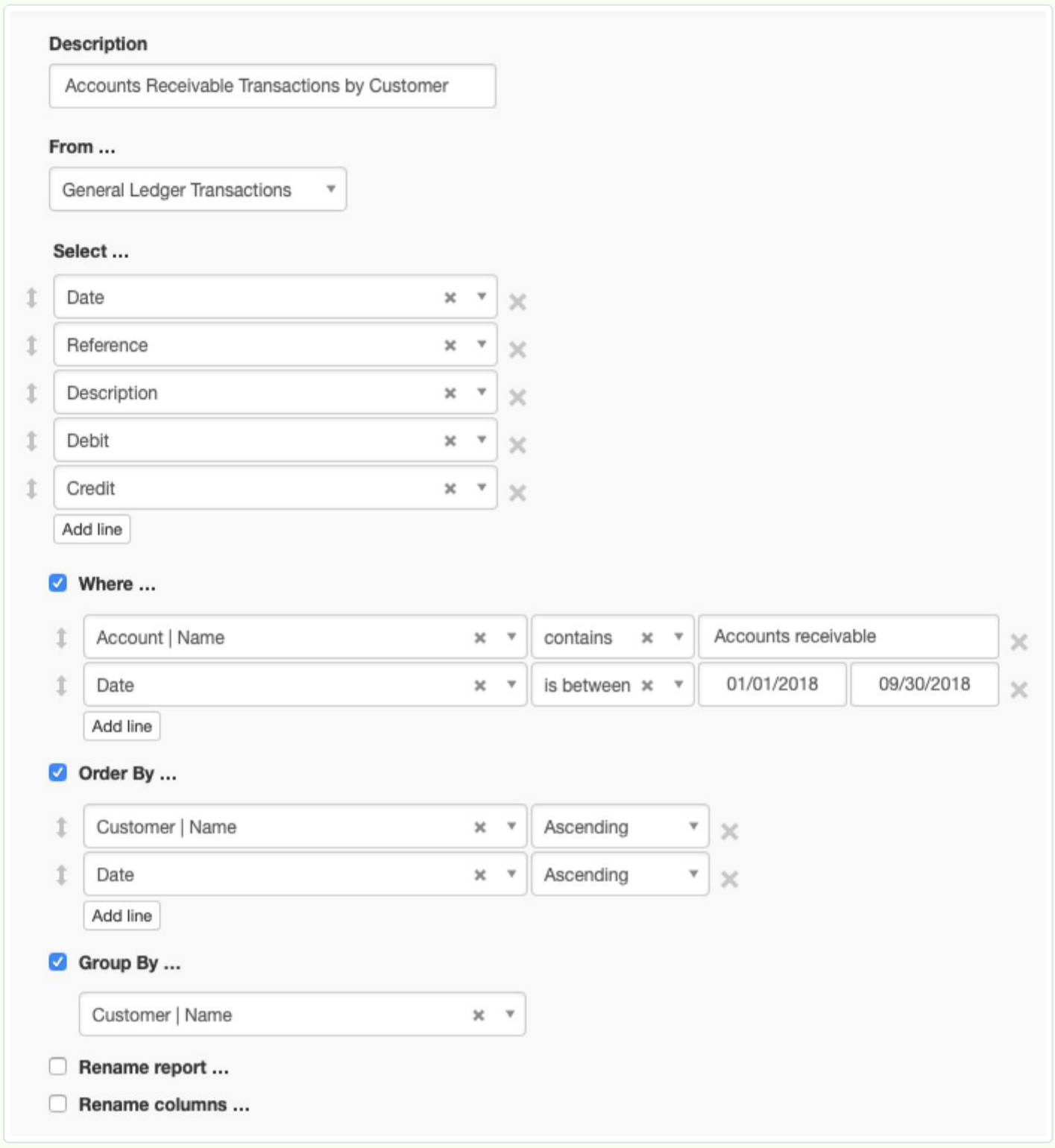
You can generate a custom report showing your general ledger transactions grouped by account for a specific period:



Example 3

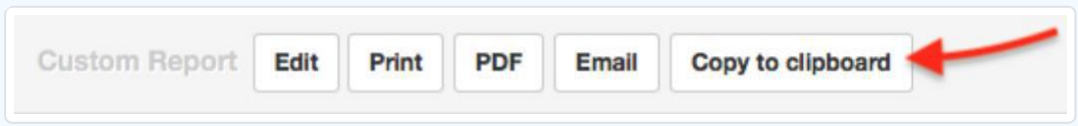
A custom report showing general ledger transactions only for *Accounts receivable*, grouped by customer name, can be

created as follows:



Note

Unlike most Manager reports, custom reports cannot be exported. They can, however, be copied to a clipboard for pasting into other applications' documents. Simply click `Copy to clipboard` while viewing the report:



4.8.7 Prepare a quick profit and loss statement

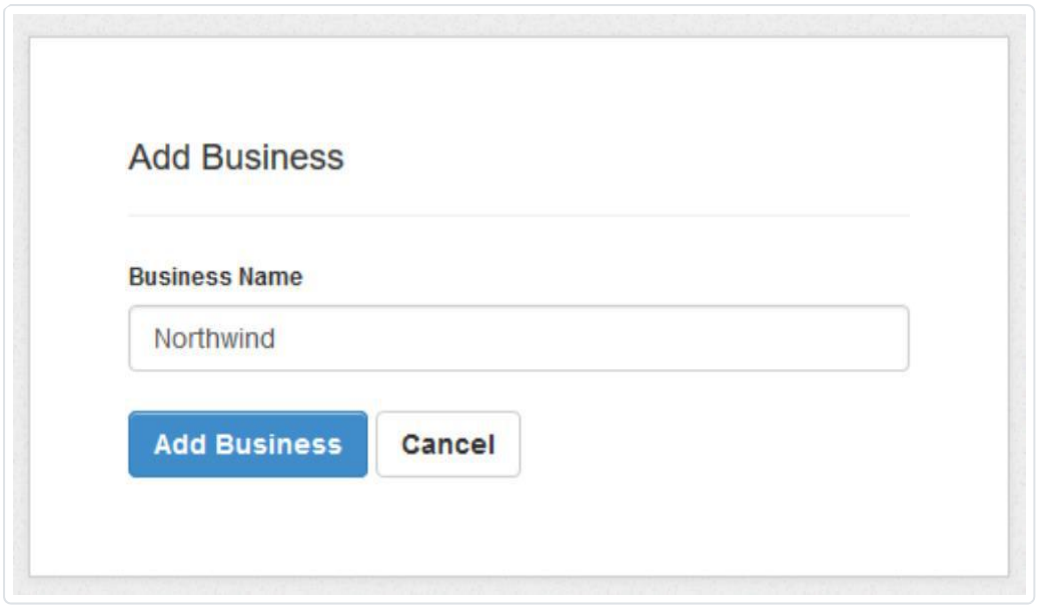
You are applying for a loan and your bank has requested profit and loss statement (P&L). Or your accountant wants to lodge your tax returns and is in need of your P&L. What is it?

A profit and loss statement (P&L) is a financial statement that summarizes the income and expenses incurred during a specific period of time, usually a fiscal quarter or year.

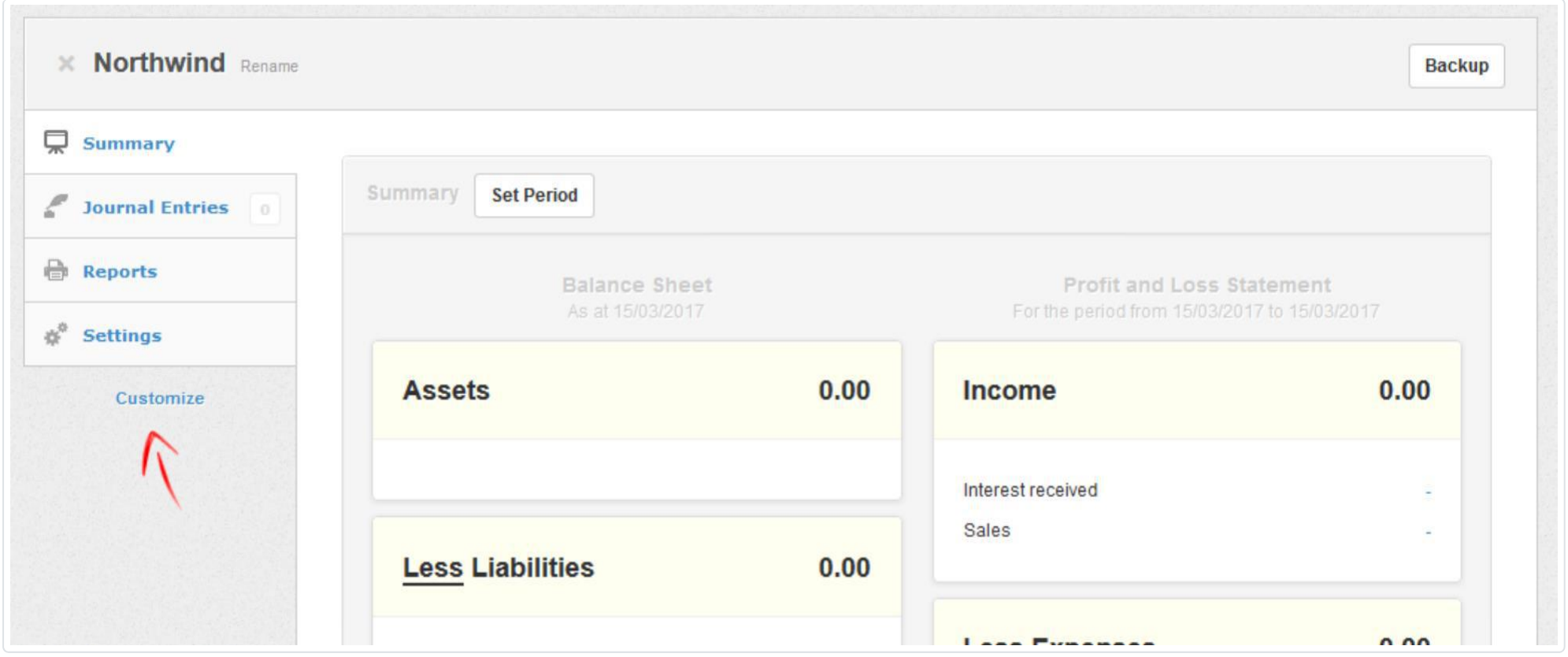
In BILLBOOKS, there are two ways to get P&L out. The "dirty" way assumes you already know the final figures and "clean" way means you don't know the figures so you will enter all transactions within a period individually and let BILLBOOKS sum them up for you.

Create a business

Click `Add Business` button then `Create New Business`, enter your business name and click `Add Business` button.



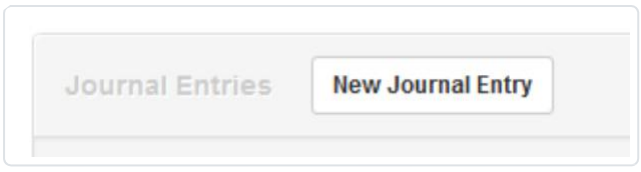
Your business should be successfully created.



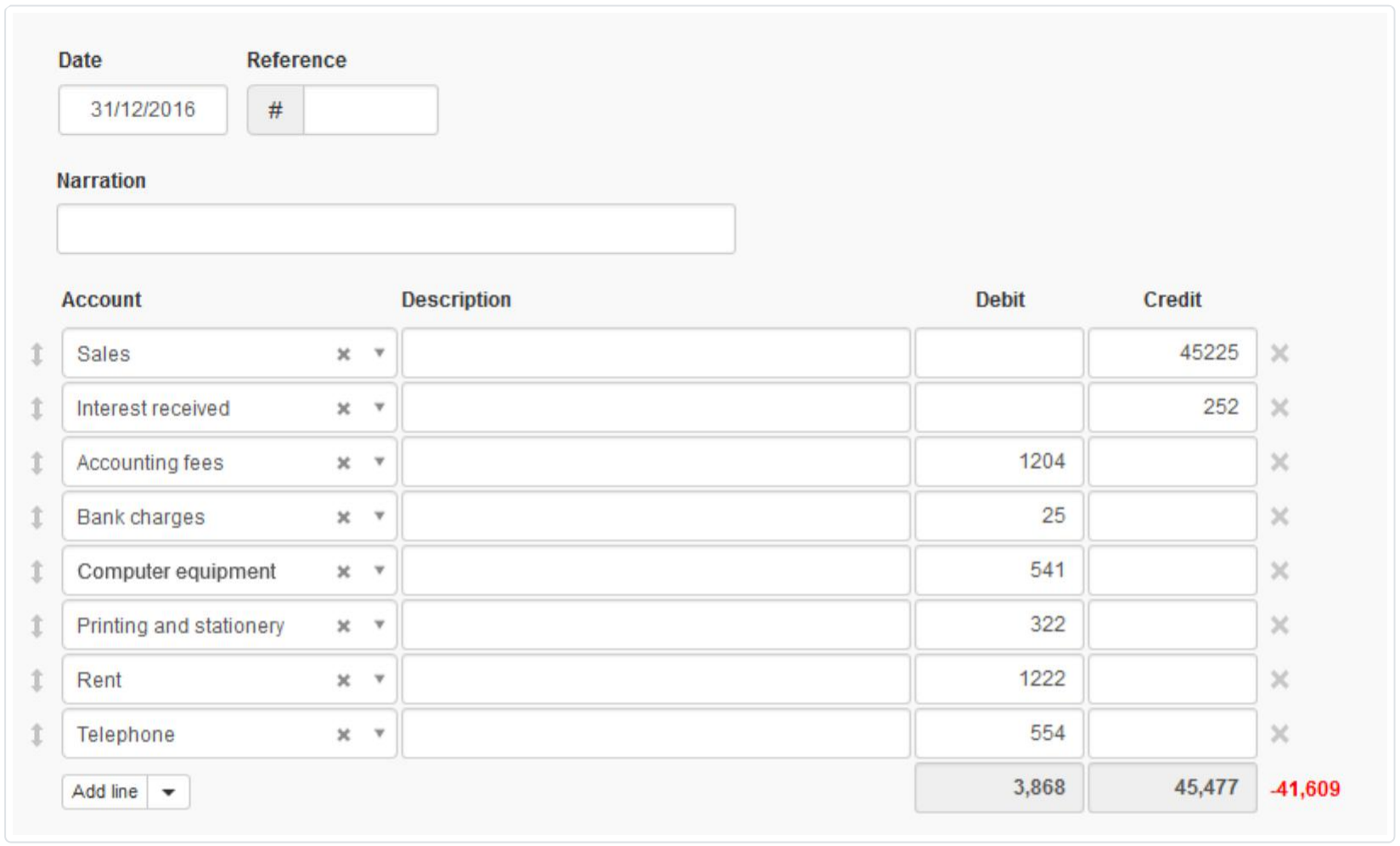
Normally at this point we would click on *Customize* to add new tabs but if all you want is to generate a P&L statement and you know the figures (dirty way), we don't have to enable any additional features as we have all we need.

Record a journal entry

Let's say we need to generate P&L for December 31, 2016. If you know your figures, go to `Journal Entries` tab and click `New Journal Entry` button.

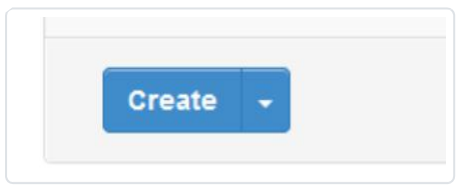


Then enter your figures for all applicable *Income* and *Expense* accounts. Income figures always go to *Credit* column and expense figures go to *Debit* column. Also, make sure to set the date to `31/12/2016`.



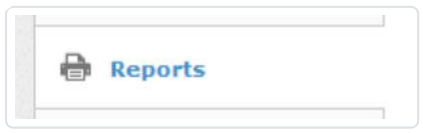
Normally all journal entries must balance to adhere to rules of double-entry accounting principles. Since we only want to generate P&L statement, we can relax rules a bit for now.

Once you are done, click `Create` button.

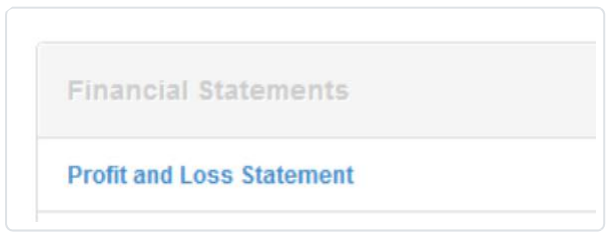


Generate Profit & Loss statement

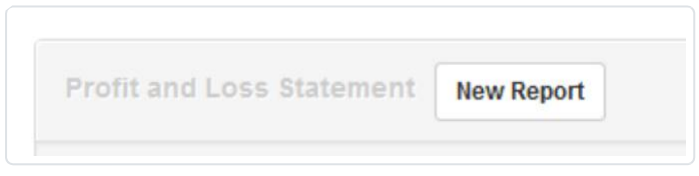
Once your journal entry is saved, go to `Reports` tab.



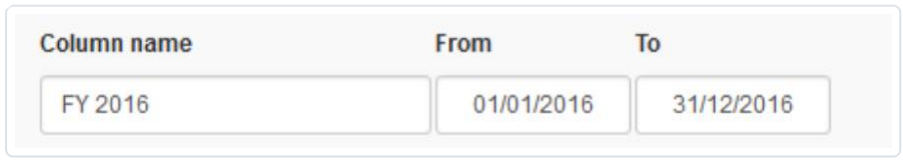
Then click `Profit and Loss Statement`



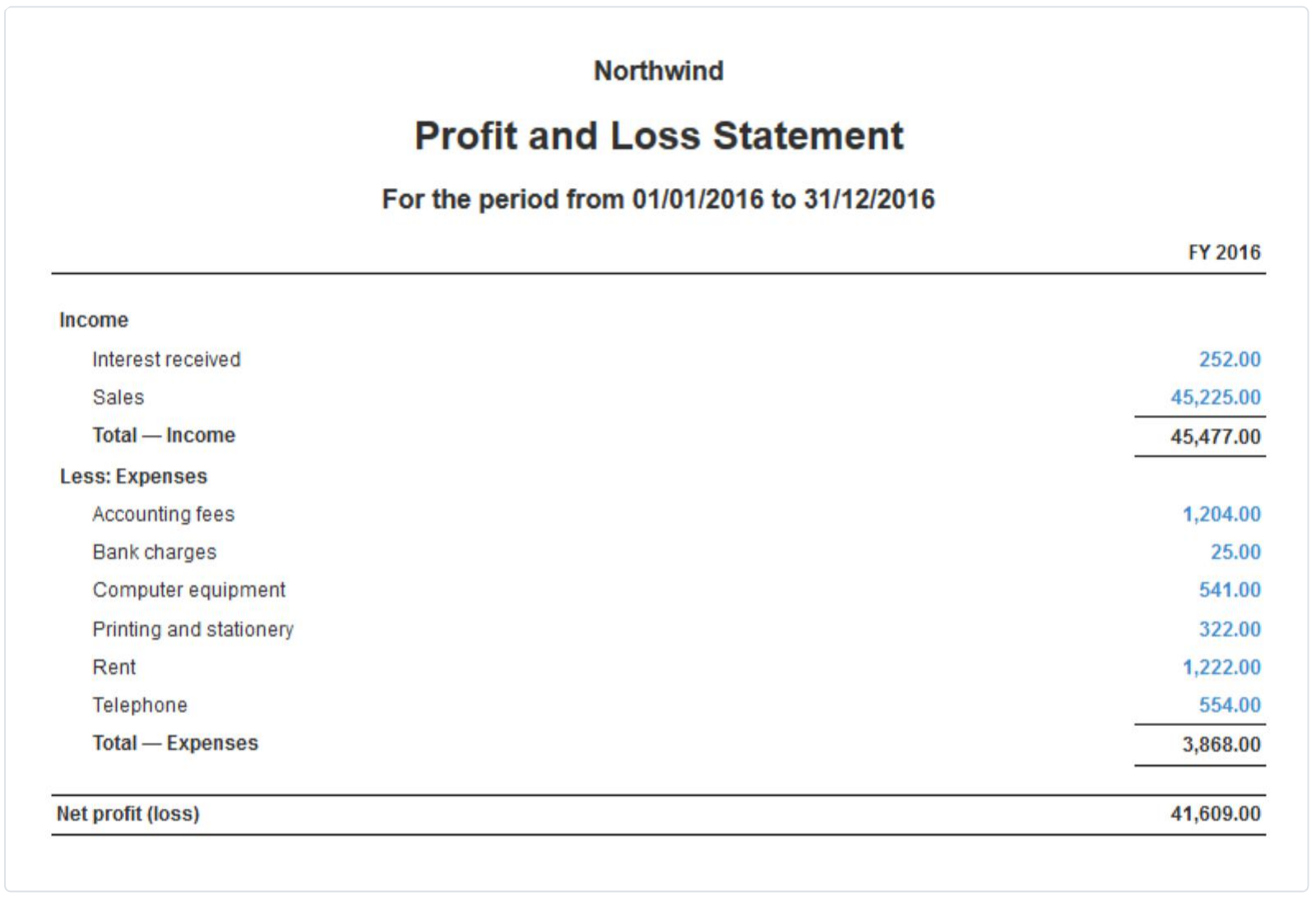
And finally `New Report` button.



Here you will need to enter period for which your P&L is for. Let's say the income and expense figures you have entered in journal entry cover the whole year 2016. Your period should be set to be from *January 1, 2016* until *December 31, 2016*. Optionally you can also set column name to *FY 2016* which is abbreviation for *Financial Year 2016*.



After you click `Create`, you will be able to view your newly-created report.



Northwind

Profit and Loss Statement

For the period from 01/01/2016 to 31/12/2016

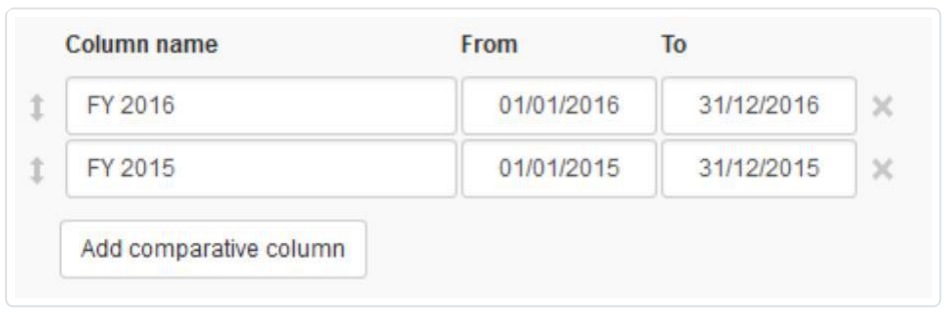
	FY 2016
Income	
Interest received	252.00
Sales	45,225.00
Total — Income	**45,477.00**
Less: Expenses	
Accounting fees	1,204.00
Bank charges	25.00
Computer equipment	541.00
Printing and stationery	322.00
Rent	1,222.00
Telephone	554.00
Total — Expenses	**3,868.00**
Net profit (loss)	**41,609.00**

So there you go. Quick & dirty way to generate professional-looking P&L for your bank or an accountant.

Make a Comparative P&L

Your P&L will look even more trustworthy if you make it show multiple periods side-by-side. For example, we can show FY 2015 figures next to FY 2016 figures. In order to do that, record another journal entry which will capture income & expense figures for FY 2015. The journal entry should be dated as at December 31, 2015.

Then edit this P&L report to add comparative period by clicking on `Add comparative column` button. Then enter period details for FY 2015.



Click `Update` button to view new P&L.

Northwind

Profit and Loss Statement

For the period from 01/01/2016 to 31/12/2016

	FY 2016	FY 2015
Income		
Interest received	252.00	221.00
Sales	45,225.00	41,231.00
Total — Income	**45,477.00**	41,452.00
Less: Expenses		
Accounting fees	1,204.00	1,100.00
Bank charges	25.00	23.00
Computer equipment	541.00	456.00
Printing and stationery	322.00	223.00
Rent	1,222.00	1,222.00
Telephone	554.00	455.00
Total — Expenses	**3,868.00**	3,479.00
Net profit (loss)	**41,609.00**	37,973.00

As you can see, now you have two periods side-by-side which looks much better. You can keep going to add as many periods as you like.

Create a Multi-step P&L

BILLBOOKS also supports custom income & expense groups, sub-groups (unlimited levels) and custom totals which can cater for entities with more complex layout requirements. If you want your P&L to show *gross profit*, *operating profit*, *net profit before income tax* in addition to custom sub-groups, you can re-organize your *Chart of Accounts* to reflect your business requirements with ease. Your end result could look like this:

Northwind

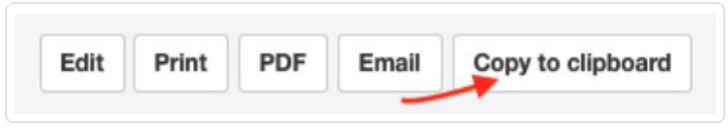
Profit and Loss Statement

For the period from 01/01/2016 to 31/12/2016

	FY 2016	FY 2015
Revenue		
Sales	45,225.00	41,231.00
Less: Direct Expenses		
Postage	200.00	188.00
Purchases	322.00	223.00
Total — Direct Expenses	**522.00**	411.00
Gross Profit	**44,703.00**	40,820.00
Less: Operating Expenses		
Marketing Expenses		
Accounting fees	1,204.00	1,100.00
Advertising and promotion	500.00	500.00
Total — Marketing Expenses	**1,704.00**	1,600.00
Office Expenses		
Computer equipment	541.00	456.00
Rent	1,222.00	1,222.00
Repairs and maintenance	450.00	221.00
Staff Amenities	125.00	125.00
Telephone	554.00	455.00
Total — Office Expenses	**2,892.00**	2,479.00
Travel Expenses		
Accommodation	1,245.00	645.00
Motor vehicle expenses	569.00	255.00
Total — Travel Expenses	**1,814.00**	900.00
Total — Operating Expenses	**6,410.00**	4,979.00
Operating Profit	**38,293.00**	35,841.00
Other Income		
Interest received	252.00	221.00
Less: Other Expenses		
Bank charges	25.00	23.00
Donations	100.00	100.00
Total — Other Expenses	**125.00**	123.00
Net Profit before Income Tax	**38,420.00**	35,939.00
Less: Income Tax Expense		
Income Tax Expense	5,654.00	4,545.00
Net profit (loss)	**32,766.00**	31,394.00

4.8.8 Copy reports to the clipboard

Reports in BILLBOOKS include a `Copy to clipboard` button above the display pane:



This feature is in addition to the `Export` button at the bottom right corner, described in another Guide.

To copy a report to the clipboard, simply click the button while viewing it. `Copy to clipboard` copies the HTML code used to render the report on screen. Therefore, it can produce a more finished document than the `Export` function.

Example

Brilliant Industries prepares a comparative Profit and Loss Statement for two years. Viewed on screen, it looks like this:

Brilliant Industries

Comparative Profit and Loss Statement

For the period from 01/01/2018 to 12/31/2018

Accrual basis

	Current Year	Previous Year
Operating income		
Inventory - sales	145.10	2,026.70
Less: Cost of goods sold		
Inventory - cost	49.92	1,150.84
Gross operating profit (loss)	**95.18**	875.86
Less: Operating expenses		
Intangible assets - amortization	-	175.00
Manufacturing labor	-	(75.00)
Repairs and maintenance	-	10.50
Total — Operating expenses	**0.00**	110.50
Net operating profit (loss)	**95.18**	765.36
Net profit (loss)	**95.18**	765.36

The `Export` function allows data to be copied and pasted into a spreadsheet:

	A	B	C
1	Profit and Loss Statement	Current Year	Previous Year
2	Operating income		
3	Inventory - sales	145.1	2,026.70
4	Less: Cost of goods sold		
5	Inventory - cost	49.92	1,150.84
6	Gross operating profit (loss)	95.18	875.86
7	Less: Operating expenses		
8	Intangible assets - amortization	0	175
9	Manufacturing labor	0	-75
10	Repairs and maintenance	0	10.5
11	Total - Operating expenses	0	110.5
12	Net operating profit (loss)	95.18	765.36
13	Net profit (loss)	95.18	765.36
14			

Note that some header information is missing, and no distinctive formatting is preserved. The `Copy to clipboard` function produces a better result when clipboard contents are pasted into a spreadsheet. The only change necessary to

obtain the version below was widening Column A:

	A	B	C
1	Brilliant Industries		
2	Comparative Profit and Loss Statement		
3	For the period from 01/01/2018 to 12/31/2018		
4	Accrual basis		
5		Current Year	Previous Year
6			
7	Operating income		
8	Inventory - sales	145.1	2,026.70
9	Less: Cost of goods sold		
10	Inventory - cost	49.92	1,150.84
11			
12	Gross operating profit (loss)	95.18	875.86
13			
14	Less: Operating expenses		
15	Intangible assets - amortization	-	175
16	Manufacturing labor	-	-75
17	Repairs and maintenance	-	10.5
18	Total — Operating expenses	0	110.5
19			
20	Net operating profit (loss)	95.18	765.36
21			
22			
23	Net profit (loss)	95.18	765.36
24			
25			

Note
While exported data in TSV format can be pasted into spreadsheets or word-processing documents, clipboard content can only be pasted into spreadsheets. Pasting into a word-processing document pastes the HTML code itself:

```
<table style="padding: 30px"><thead><tr><th style="font-weight: bold; font-size: 16px; text-align: center;" colspan="3">Brilliant Industries</th></tr><tr><th style="font-weight: bold; font-size: 24px; text-align: center;" colspan="3">Comparative Profit and Loss Statement</th></tr><tr><th style="font-weight: bold; font-size: 16px; text-align: center;" colspan="3">For the period from 01/01/2018 to 12/31/2018</th></tr><tr><th style="font-weight: bold; font-size: 16px; text-align: center;" colspan="3">Accrual basis</th></tr><tr><th style="border-bottom-width: 1px"></th><th style="border-bottom-width: 1px; font-weight: bold; width: 80px; text-align: right;">Current Year</th><th style="border-bottom-width: 1px; font-weight: bold; width: 80px; text-align: right;">Previous Year</th></tr><tr><th colspan="3"> </th></tr></thead><tbody><tr><td style="font-weight: bold;" colspan="3">Operating income</td></tr><tr><td style="">Inventory - sales</td><td style="text-align: right; white-space: nowrap; font-weight: bold;">145.10</td><td style="text-align: right; white-space: nowrap;">2,026.70</td></tr><tr><td style="font-weight: bold;" colspan="3">Less: Cost of goods
```

4.9 Emails

4.9.1 Email transactions and reports

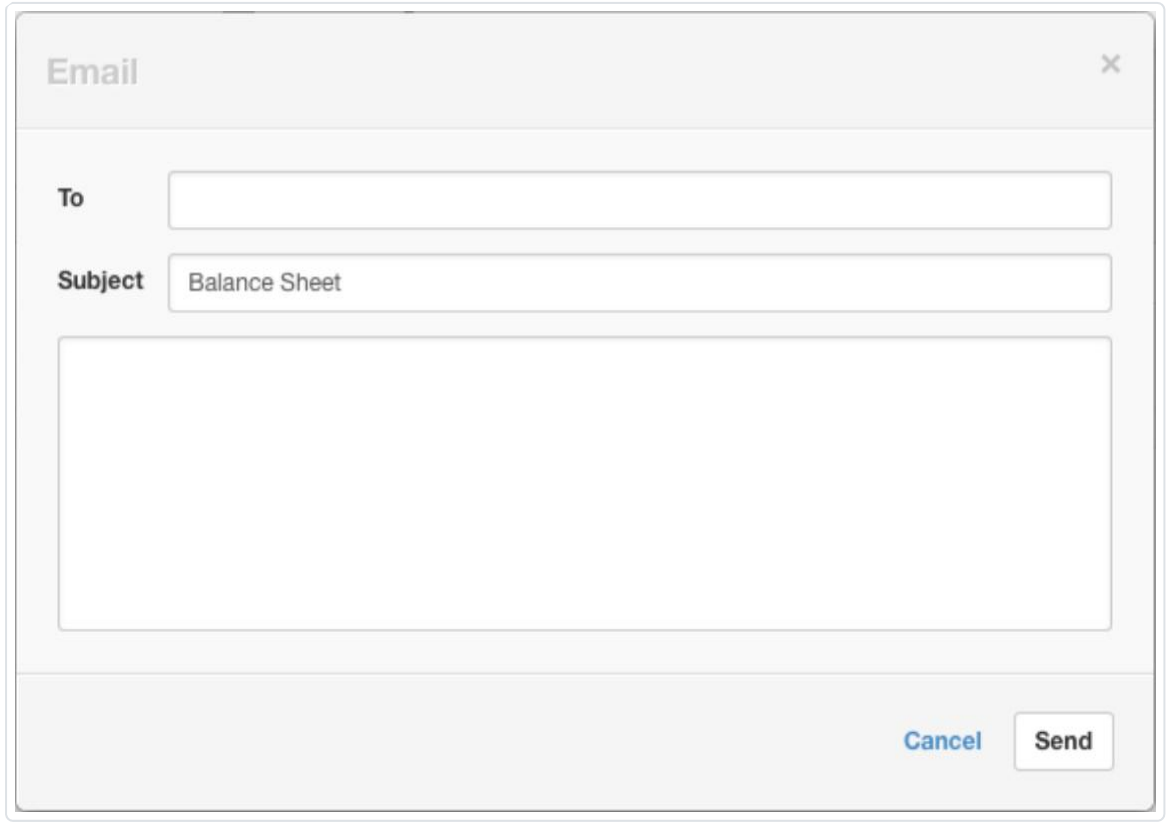
You can **email PDF-formatted versions of completed transactions and reports** directly from within the BILLBOOKS program. No setup is required for the simplest approach.

Sending email from in-built SMTP server

Once you have created a business within BILLBOOKS, you can email transactions and reports with no additional setup. While viewing the document you want to send, click `Email` near the top of the window:



An email composing screen will appear:



- `To` will be filled with any email address previously recorded for a customer, supplier, or employee if one is associated with the document. Otherwise, this field will be blank. Enter or edit the address as needed. If more than one email address is entered, only the first will be sent the document.
- `Subject` will be pre-filled with the title of the transaction or report you are emailing.
- A message may be entered in the text window.

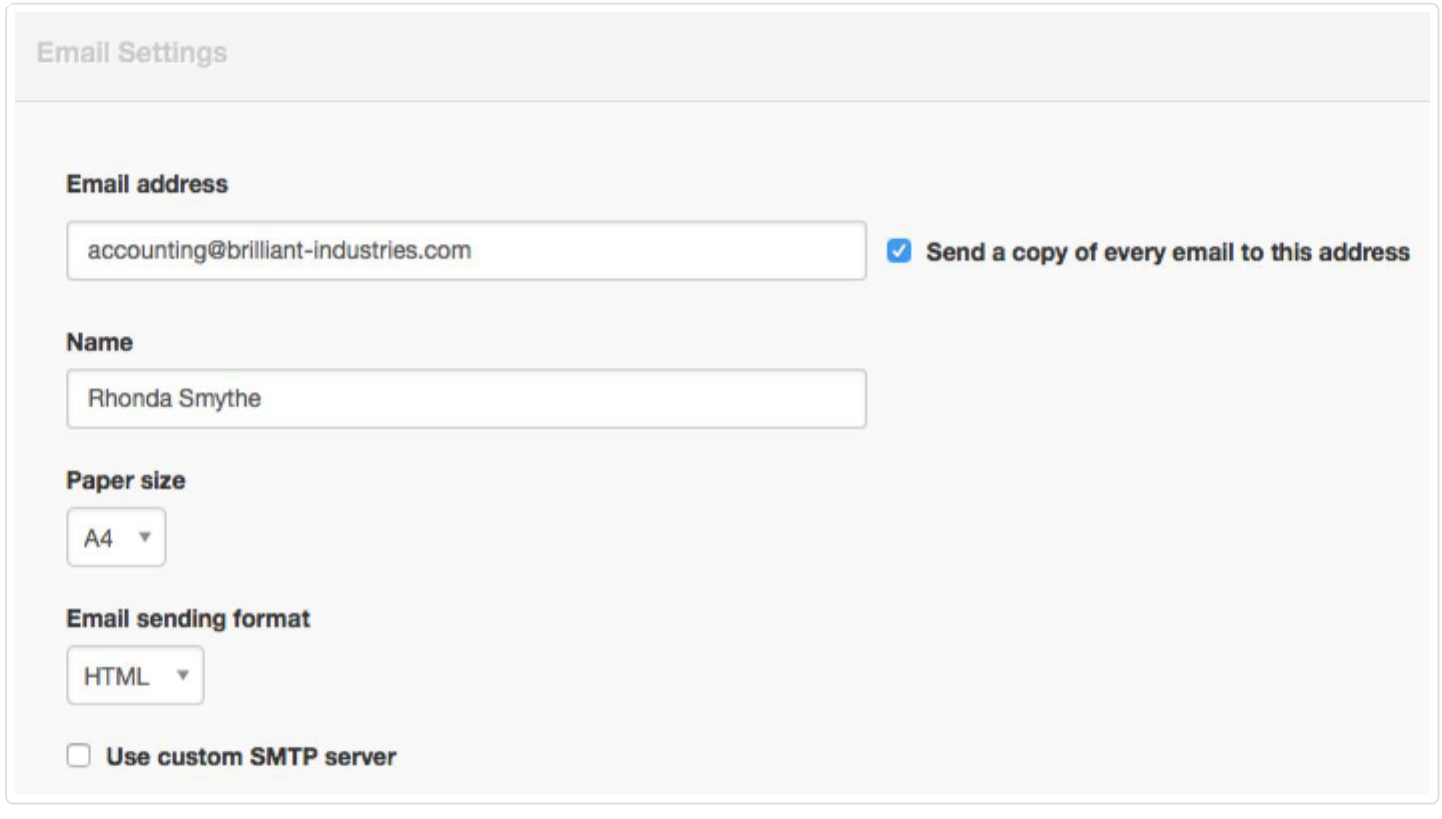
Click `Send`. The document will be sent as a PDF attachment to an email. The email will originate from the email address `no-reply@no-reply.io`. Your business name will be used as the sender's identity.

Adjusting email settings

To adjust email settings, go to the `Settings` tab and click `Email settings`:



Modify settings as desired:

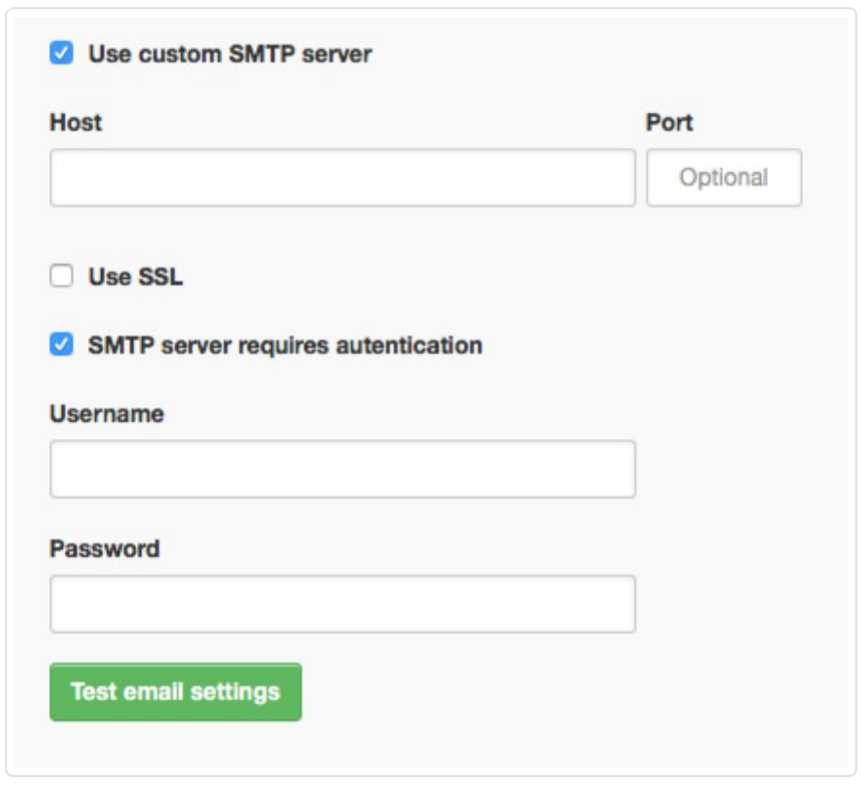


- Enter your own `Email address`. Entering an address here will not change the address from which the email is sent. But the new address will be shown as a “reply-to” address.
- Check the box to `Send a copy of every email to this address` if you want copies of your outgoing emails.
- `Name` will be used as the sender’s identity.
- `Paper size` can be set to *A4* or *Letter*, depending on which you expect recipients to use.
- `Email sending format` can be set as *Plain text* or *HTML*.

Notes
The paper size set for emails also controls paper size for printed documents throughout the program.

HTML should be set as the sending format if you plan to use HTML elements in email templates.

If you want emails sent from BILLBOOKS to come from your own email domain rather than `no-reply.io`, check the box to `Use custom SMTP server`. Additional fields will appear (some appear progressively):



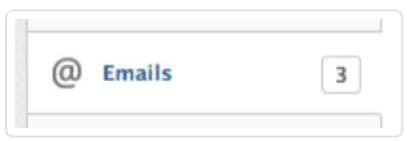
Check with your SMTP host to determine correct settings. For security reasons, BILLBOOKS does not support port *465*. Begin by trying port *587*. Most SMTP servers will support both ports, so this should generally not be an issue. Click `Update` to save your adjusted settings.

After settings have been updated, you can test them by clicking `Test email settings`. A test message will be sent to your email address. A notice also appears if the test is successful.

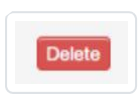
Caution
Email settings cannot be tested until you have clicked `Update`.

Keeping track of emails

When you send your first email, BILLBOOKS automatically activates the `Emails` tab in the left navigation pane:



In that tab, you can click `View` next to any email to display it. To delete an email, click `Delete` in the lower right corner of its window:



4.9.2 Attach files to emails sent from BILLBOOKS

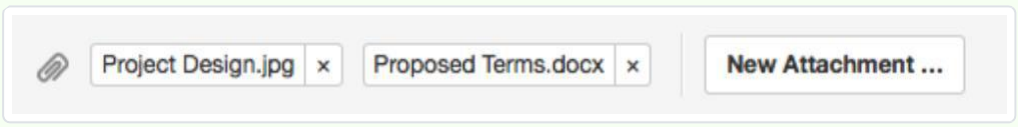
This Guide explains how to **attach files** and supporting documentation to an email sent from within the BILLBOOKS accounting application.

General procedures for emailing completed transaction forms and reports are described in another Guide. Read it first. Standardized email templates can be defined for many common forms after selecting `Email Templates` in the `Settings` tab, as covered in a third Guide.

Add an attachment

Before a file can be attached to an email sent from within BILLBOOKS, whether or not an email template is used, the file must be included in the business data file as an attachment. Procedures for adding attachments are found in another Guide.

Example
Brilliant Industries is preparing a sales quote for new lighting at a hotel. It adds two attachments to the sales quote, one a picture of the project design and the other a detailed list of proposed contract terms:

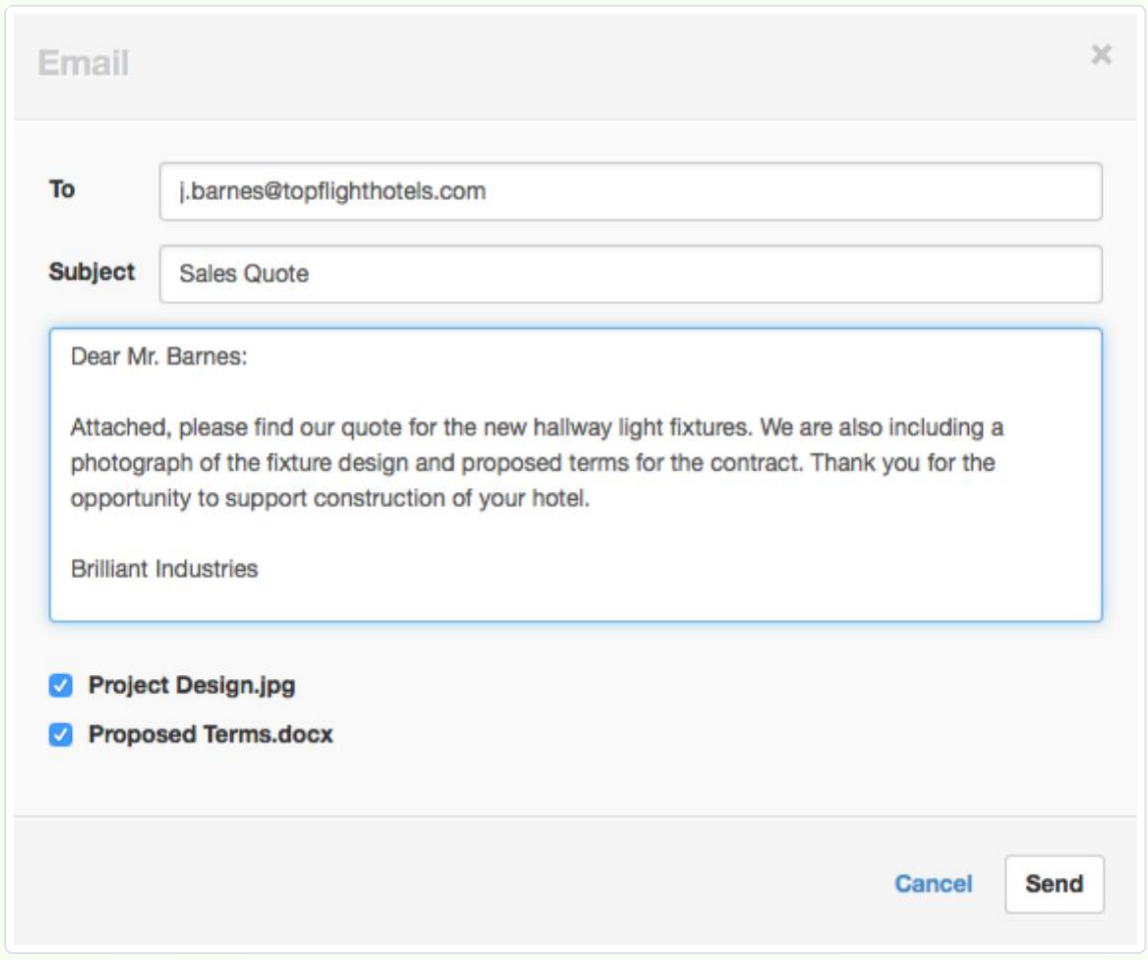


Note
While reports can be emailed, you cannot add attachments to them. Therefore, attachments cannot be included with reports when they are emailed. Any supporting documentation must be separately emailed.

Select attachments

To include an attachment with a completed transaction, click `Email` while viewing it. Check boxes to indicate which attachment(s) you want to send with the email.

Example
Brilliant wants to email the sales quote to its customer with both attachments. So it chooses both files:



Send the email

Click `Send` to email your message, the finished transaction form, and any designated attachments.

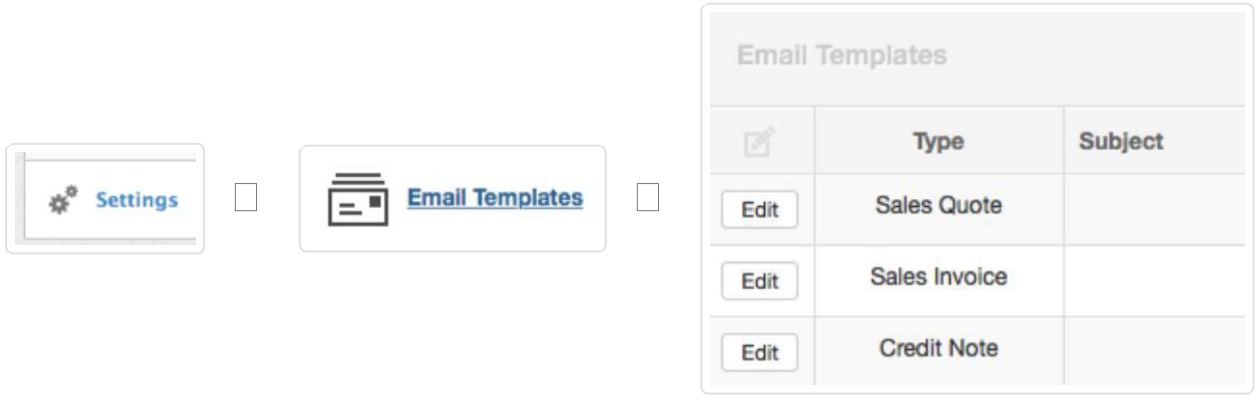
4.9.3 Use email templates

Email templates allow you to include standardized messages when emailing a form directly from BILLBOOKS. They are available for transaction forms that typically leave the business:

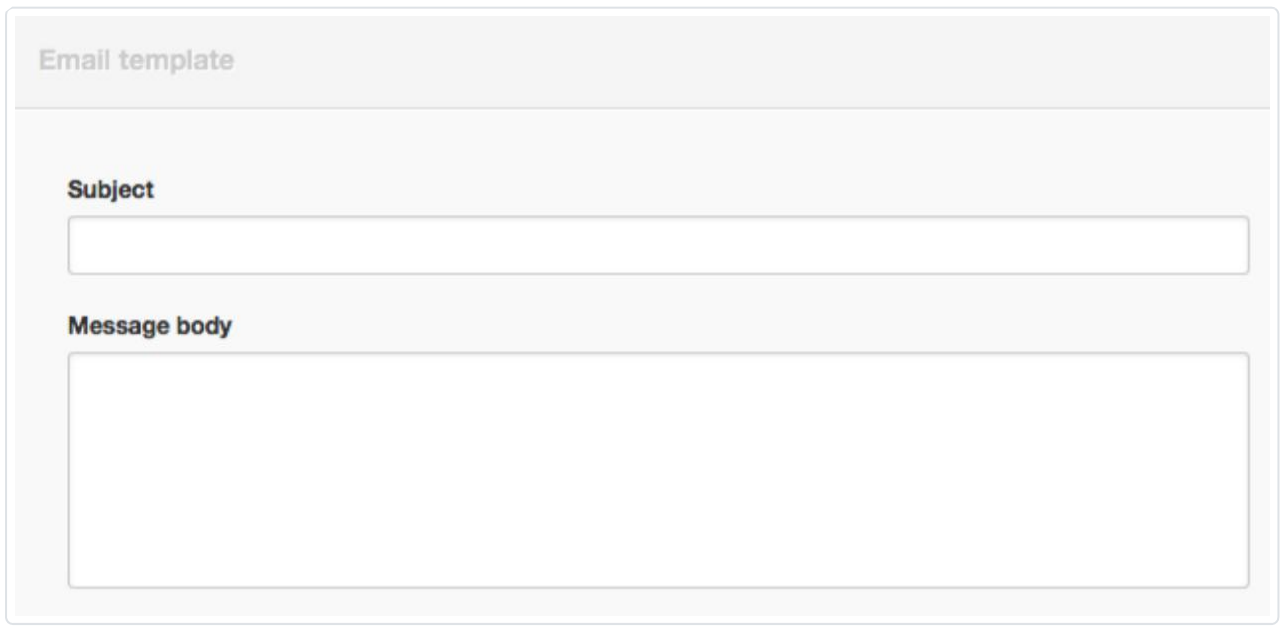
- Sales quotes
- Sales invoices
- Credit notes
- Delivery notes
- Purchase orders
- Payslips
- Customer statements

Email template location

Email templates are unique to forms and become available under `Settings` `Email Templates` as tabs are enabled within which they can be used:



You do not have to create email templates, but they are empty until you edit them:

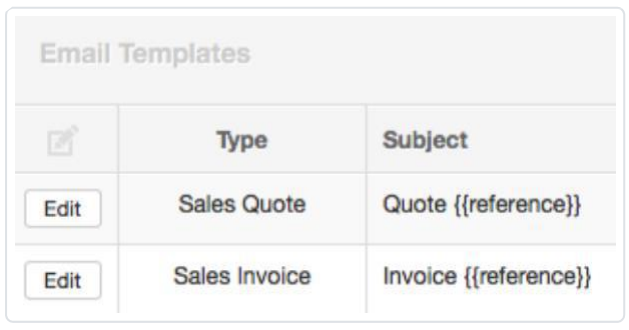


Develop an email template

To develop a specific email template, click `Edit` beside its name in the listing. Enter your desired content, using the Liquid templating language:

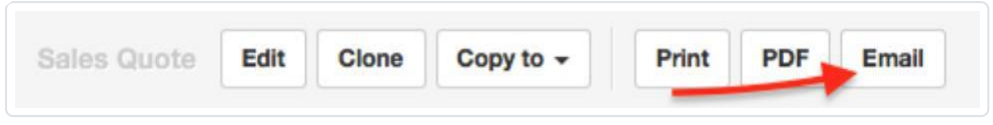
- `Subject` should indicate the matter covered in the email. The code, `{{reference}}`, will insert the reference number from the specific form being sent, if one exists, such as a quote number or invoice number.
- `Message body` should be a standard forwarding message. You can edit this before sending the email.

Click `Update` to save changes to the template. The subject line will be included in the email templates list:

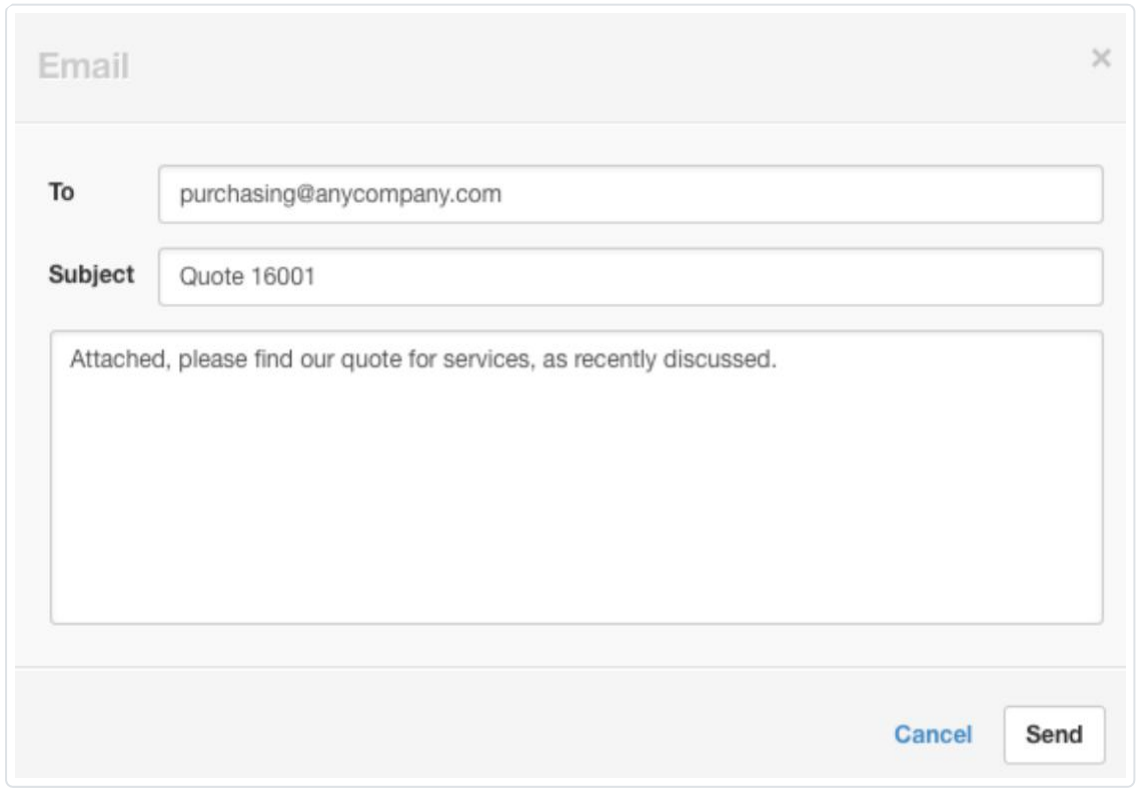


Use an email template

Using email templates is automatic. When viewing a form, click `Email` at the top of the window:



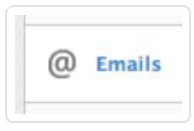
The email will appear, using the email address set up for the intended recipient (customer, supplier, or employee):



All fields may be edited as necessary before clicking `Send` to deliver the email with the form as a PDF attachment.

4.9.4 View email

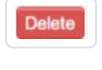
When you send your first email from within the program, BILLBOOKS automatically activates `Emails` tab in the left navigation pane: the



In that tab, you will see a listing of all emails sent from BILLBOOKS and still stored within your accounting data file. `View` next to any Click email to display the text of the email.

> **Note**
> Any attachments you added to forms in Manager will not be displayed, even if they were sent with the email. The best method for ensuring you have a complete record of emails with all their attachments is to send a copy to your own email address.

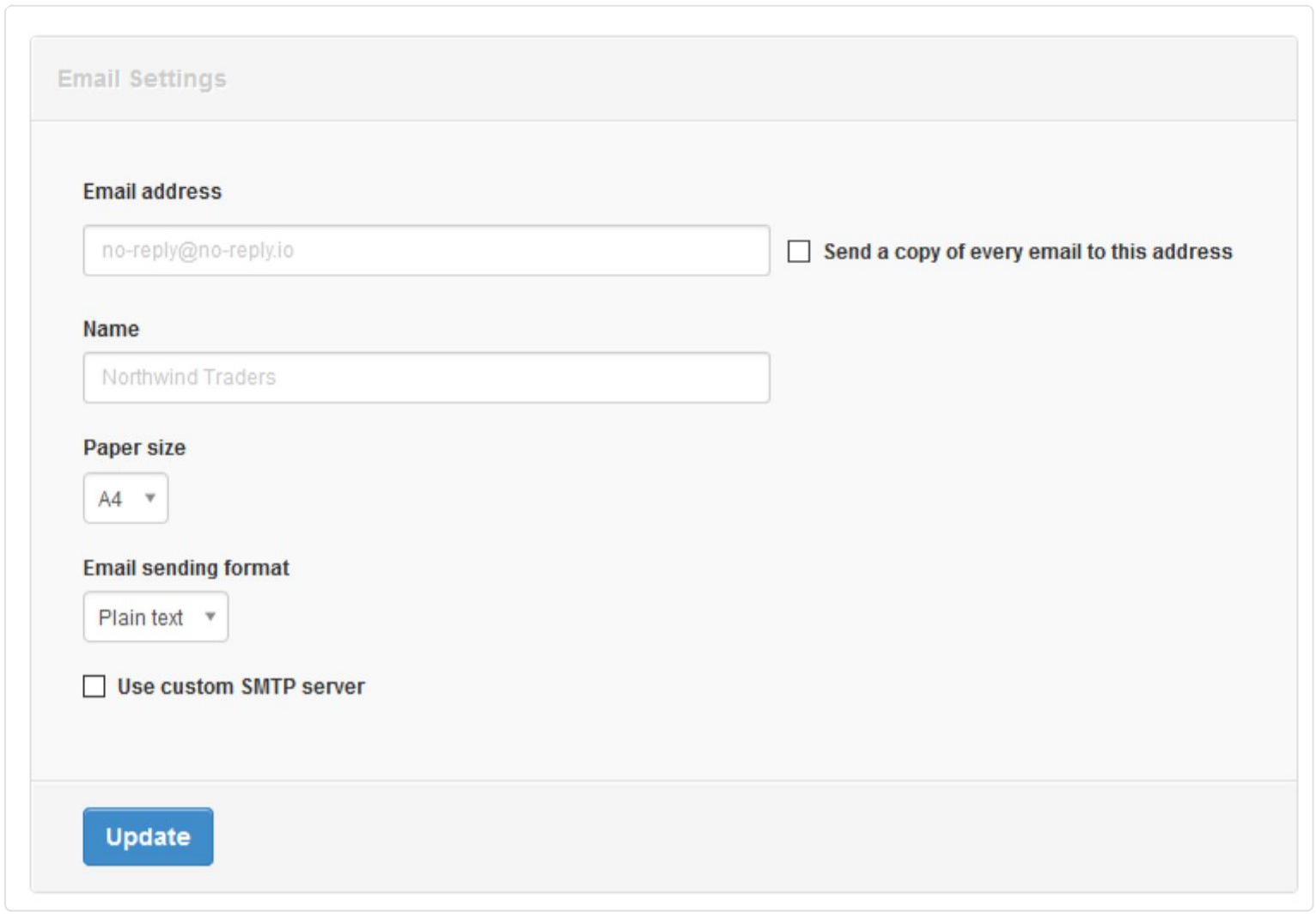
To delete an email, click `Delete` in the lower right corner of its window:



4.9.5 Troubleshoot email issues

Procedures for emailing transaction forms and reports from BILLBOOKS are described in another Guide. If you can't send emails from BILLBOOKS, the first thing you should try is updating to the latest version. The issue causing your problem could have been a software bug that has already been fixed.

If upgrading doesn't solve the problem, we need to dive into your `Email Settings` under the `Settings` tab:



By default, BILLBOOKS will send emails using an in-built SMTP server. As long as you're connected to the Internet, this option should always work. If it doesn't, and you are using the latest version, there could be a bug which should be reported to us on the Forum.

If you have checked the box to `Use custom SMTP server`, uncheck the option and click `Update`. Then test the email function again. If your emails start working, the problem is with your custom SMTP server settings. Your `Username`, `Host`, `Port` or `Password` could be invalid. You need to check with your SMTP provider to determine the correct settings.

Currently, BILLBOOKS doesn't support port *465*. So try different port, such as *587*. Most SMTP servers will support both ports, so this is generally not an issue.

If you encounter other problems, post them in a **new topic** on the Forum. Be as specific as possible, including information on:

- BILLBOOKS edition (desktop, server, or cloud)
- Software version
- Your operating system
- Screen shots of any error messages
- A screen shot of your `Email Settings` page (obscure personal information)

4.10 PDFs

4.10.1 Create PDF files of transactions and reports

PDF (Portable Document Format) files of transaction forms and reports can be generated directly by BILLBOOKS. While viewing any completed transaction or report, click on the `PDF` button near the top of the BILLBOOKS window:



An internal PDF generator will create the PDF file. Standard operating system dialog options for naming and saving the file will be offered.

Chapter 5: Cashbook

These Guides describe accounting techniques for physical cash, bank accounts, credit cards, and other forms of money.

5.1 Cash and Bank Accounts

5.1.1 Set up a cash account

Cash accounts are used to record current transactions involving bills and coins. They are maintained by a business as physical repositories of cash. Possibilities include:

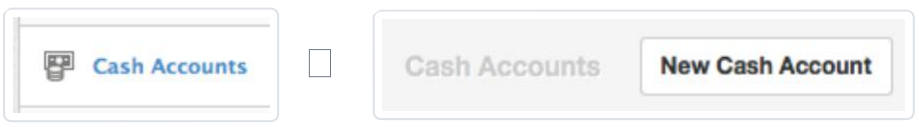
- Petty cash funds
- Cash tills

Enable the `Cash Accounts` tab

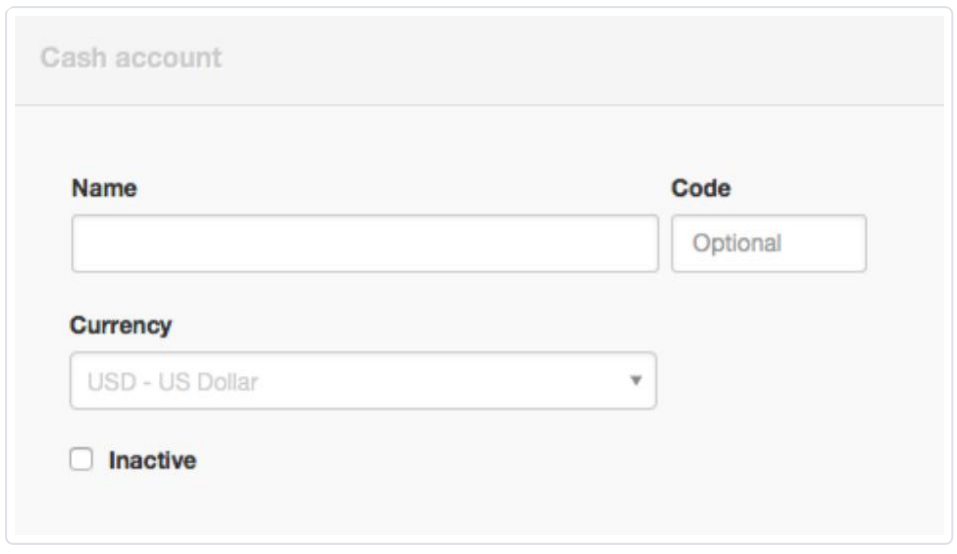
Before you can create a cash account, you must enable the `Cash Accounts` tab. Click `Customize` below the left navigation pane, check the box for ☑ Cash Accounts, and click `Update`. You will see the `Cash Accounts` tab added to the left navigation pane.

Create a cash account

Click the `Cash Accounts` tab, then `New Cash Account`:



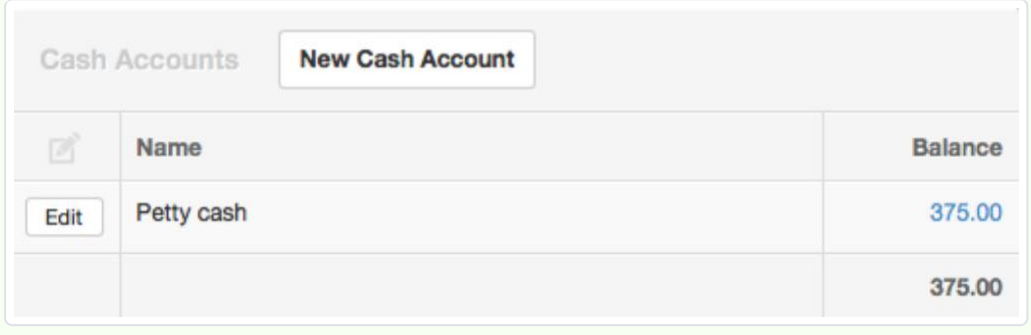
Define the cash account:



- `Name` the account so it will be recognizable. The name could include a description, a store's location, or a clerk's name.
- `Code` allows you to set the order in which cash accounts are listed. Enter a number. If blank, accounts will display in alphabetical order.
- `Currency` options will be available if you have set a base currency. By default, cash accounts are undenominated. That is, they are assumed to be in your native currency, whatever that is. But if you plan to use multiple currencies, or just want your currency symbol to appear on forms and reports, set a base currency. (Go to `Settings` ☐ `Base Currency`, select a base currency in the dropdown box and click `Update`.) Cash accounts will then automatically be denominated in your base currency. Change the selection for a specific cash account in its `Currency` dropdown box.
- The `Inactive` box appears only after an account is created. It can be checked if the account is closed. (Cash accounts cannot be deleted from BILLBOOKS if they have any past transactions, because doing so would eliminate the records of those transactions and

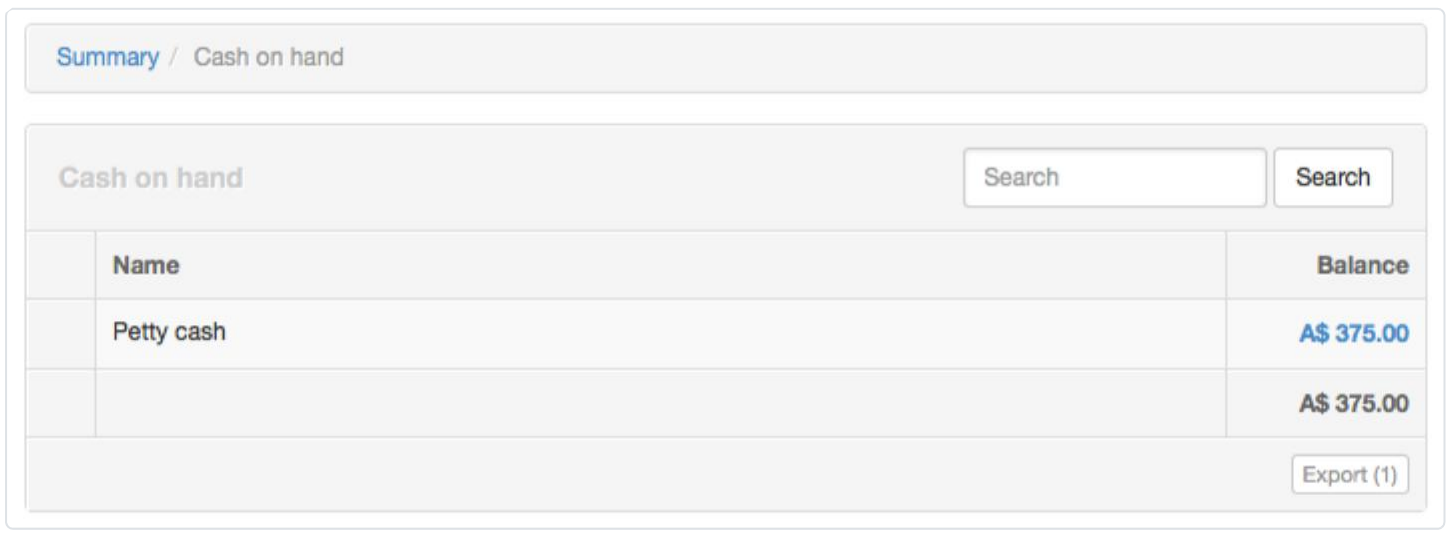
affect active Balance Sheet accounts.) If the box is checked, the cash account will not appear in lists for transactions in the `Cash Transactions` tab. The account will be greyed out in the `Cash Accounts` tab listing. `Edit` it to restore to active status.

Example
Brilliant Industries has one business bank account used to receive money from customers and pay suppliers and employees. The business also holds cash on hand to pay for staff amenities and other petty cash expenses. Brilliant Industries creates one bank account and one cash account. It names the cash account *Petty cash*:

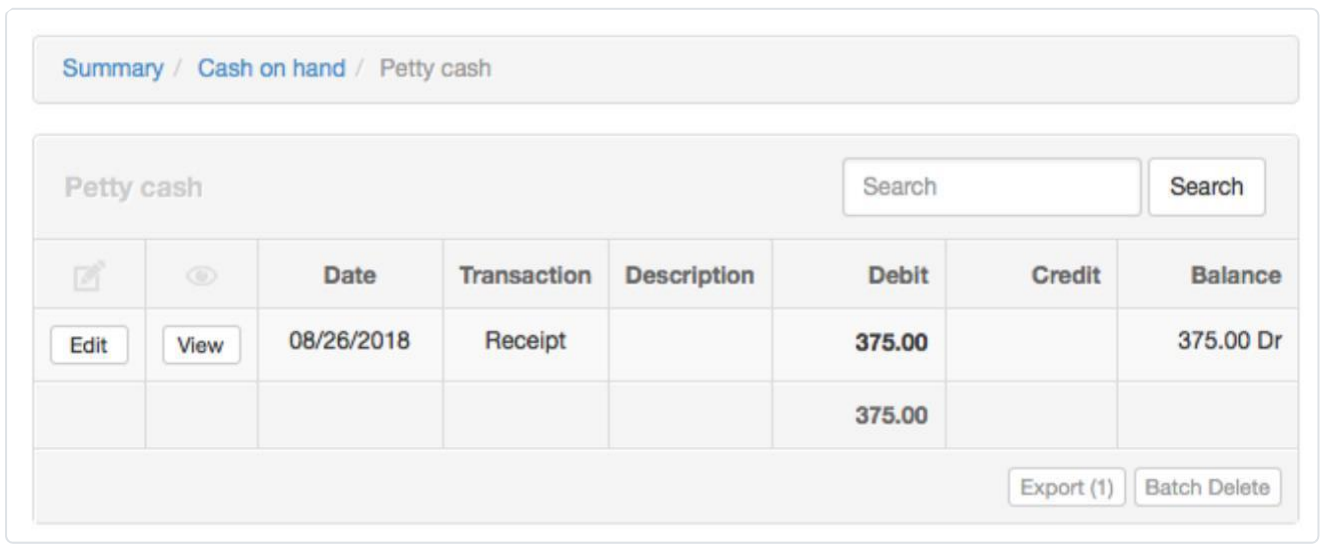


View cash account balances

By default, all cash accounts are combined into an automatic control account named *Cash on hand* for Balance Sheet reporting:



Drill down by clicking the blue balance to see individual cash account transactions:



Of course, you can also view individual cash account balances directly in the `Cash Accounts` tab.

Note
If you are migrating to Manager from another accounting system and have a balance in a cash account on your start date, enter a starting balance as described in this Guide.

5.1.2 Set up a bank account

Bank accounts are sources or repositories of money maintained by a financial institution of any type. Virtually every business needs at least one bank account. Possibilities include:

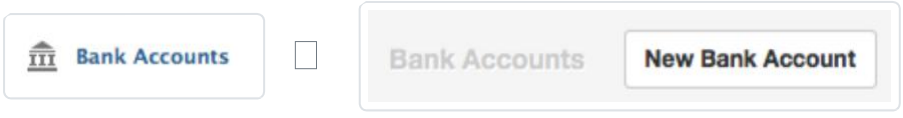
- Bank accounts
- Credit cards
- PayPal accounts
- Crypto-currency accounts (*e. g.*, BitCoin)

Enable the `Bank Accounts` tab

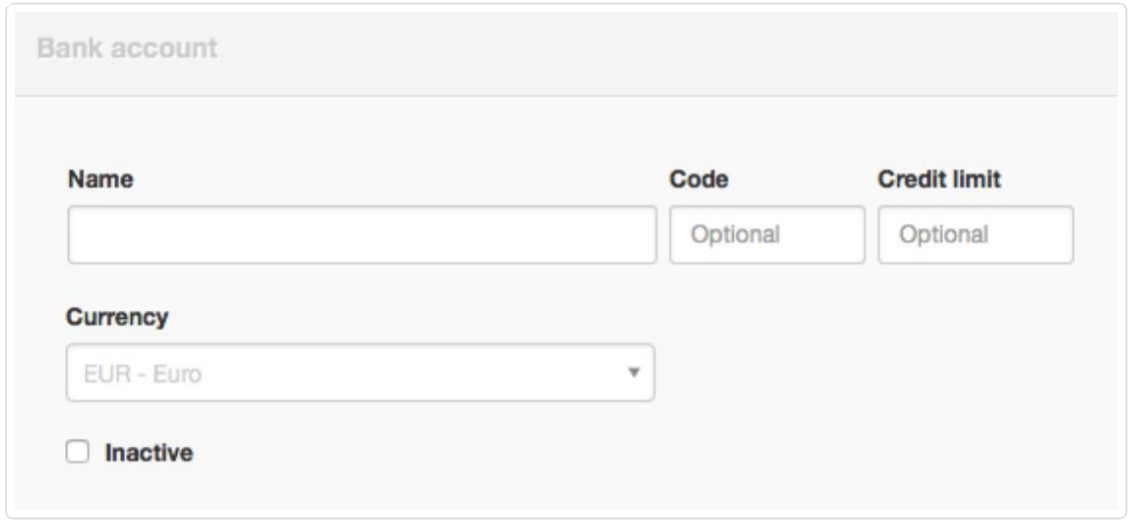
Before you can create a bank account, you must enable the `Bank Accounts` tab. Click `Customize` below the left navigation pane, check the box for `Bank Accounts`, and click `Update`. You will see the `Bank Accounts` tab added to the left navigation pane.

Create a bank account

Click the `Bank Accounts` tab, then `New Bank Account`:



Define the bank account:



- `Name` the account so it will be recognizable. The name could include a description, a bank's name, a credit card designation, or an account number.
- `Code` allows you to set the order in which bank accounts are listed. Enter a number. If blank, accounts will display in alphabetical order.
- `Credit limit` can be set, especially for credit cards. You can also use this field to indicate the amount of overdraft protection.
- `Currency` options will be available if you have set a base currency. By default, bank accounts are undenominated. That is, they are assumed to be in your native currency, whatever that is. But if you plan to use multiple currencies, or just want your currency symbol to appear on forms and reports, set a base currency. (Go to `Settings` `Base Currency`, select a base currency in the dropdown box and click `Update`.) Bank accounts will then automatically be denominated in your base currency. Change the selection for a specific bank account in its `Currency` dropdown box.
- The `Inactive` box appears after a bank account has been created. It can be checked if the account is closed. (Bank accounts cannot be deleted from BILLBOOKS if they have any past transactions, because doing so would eliminate the records of those transactions and affect active Balance Sheet accounts.) If the box is checked, the bank account will not appear in lists for transactions in the `Bank Transactions` tab. The account will be greyed out in the `Bank Accounts` tab listing. `Edit` it to restore to active status.

Notes

You should only add bank accounts that belong to the business. Personal credit cards and personal bank accounts used infrequently for business transactions should not be added as bank accounts. Transactions using such personal funds should be entered as expense claims.

If you are migrating to Manager from another accounting system and have a balance in a bank account on your start date, enter a starting balance as described in this Guide.

Example

Brilliant Industries, an Australian company, has one business bank account used to receive money from customers and pay suppliers and employees. The business also maintains an account with a London bank for transactions in the United Kingdom. The business owner occasionally uses a personal credit card for business expenses. Brilliant Industries creates two bank accounts in different currencies:

Bank Accounts | New Bank Account

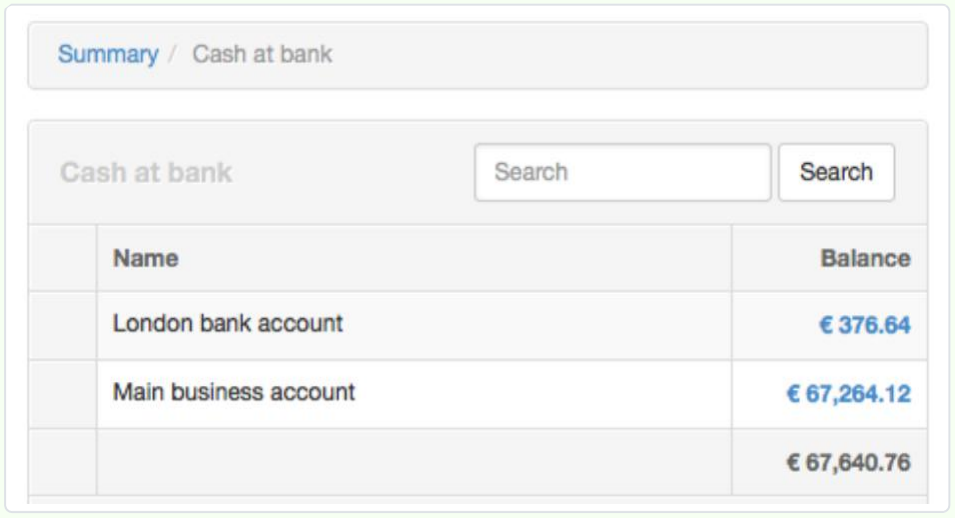
	Name	Statement balance
Edit	London bank account	£ 3,000.00
Edit	Main business account	A$ 9,881.00
		£ 3,000.00 A$ 9,881.00

Brilliant Industries does not create a bank account for the personal credit card of the owner because it is a personal account. The owner's use of the personal credit card will be recorded in the `Expense Claims` tab.

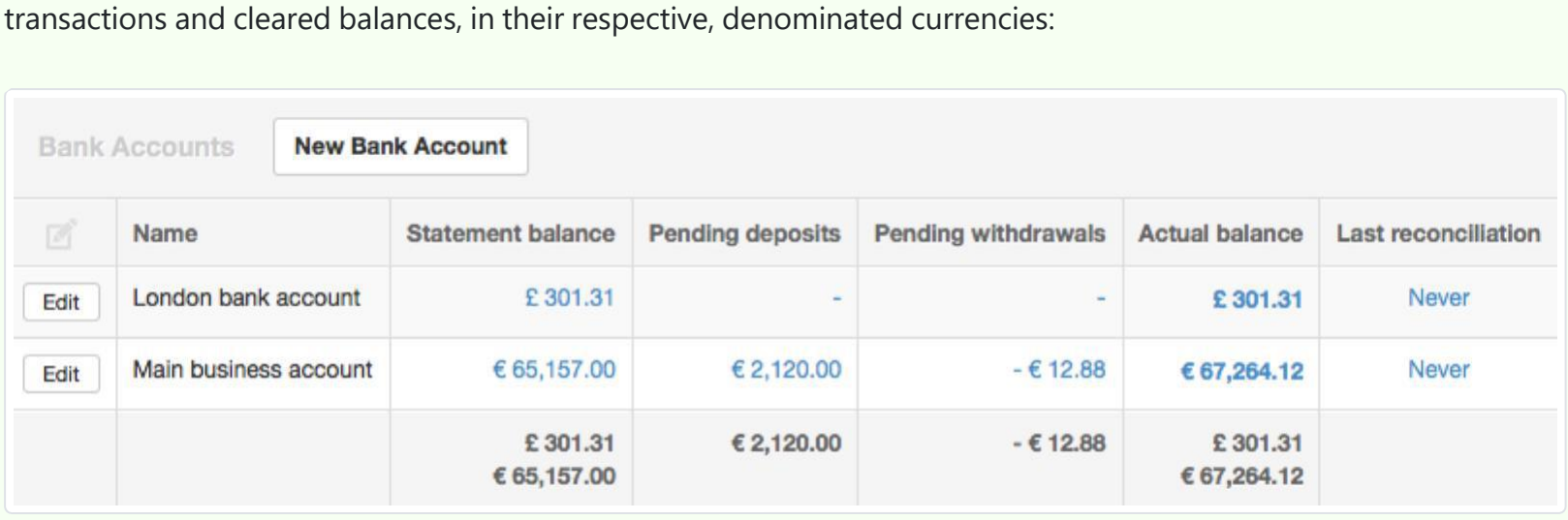
View bank account balances

By default, all bank accounts are combined into an automatic control account named *Cash at bank* for Balance Sheet reporting. Foreign currencies are converted into your native currency on the Balance Sheet according to exchange rates you have entered. This is necessary so books are balanced in your base currency.

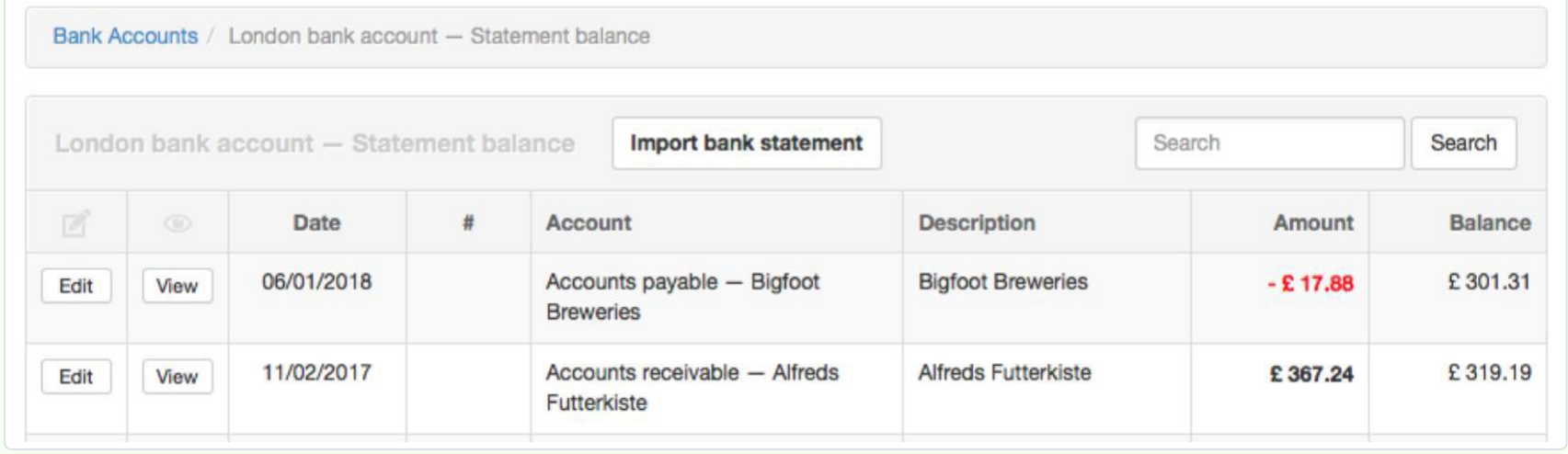
Example
Northwind Traders maintains a primary bank account in Euros and another for transactions in the United Kingdom in British Pounds. Its balance sheet shows both converted to Euros, the base currency:



Its `Bank Accounts` tab shows both accounts with greater detail in their denominated currencies, including pending transactions and cleared balances, in their respective, denominated currencies:



Northwind can see individual bank account transactions by drilling down on any of the blue figures:



Note
In the `Bank Accounts` tab, you can find information about all bank accounts, even if you have modified your chart of accounts so they are reported on the Balance Sheet under different control accounts.

5.1.3 Set up credit cards

A **credit card** belonging to a business or used exclusively for business (such as a personal credit card of a sole trader/proprietor) can be set up in two basic ways in BILLBOOKS. The options are:

- A contra asset account, meaning the credit card will be displayed under *Assets* on the Balance Sheet, but normally with a negative value until paid off

- A liability account, indicating the company owes money to the credit card issuer

The two approaches are financially equivalent, so both are equally correct. This choice is a matter of personal preference.

Create a credit card account

Regardless of which option will be used, the credit card account must be created first under the `Bank Accounts` tab. A credit card account is considered a bank account because it can be used as a medium of exchange and is maintained by a financial institution rather than the business.

Enable the `Bank Accounts` tab and create the credit card account as described here. You may wish to add custom fields to your bank accounts to record things like account numbers and financial institutions. You can also assign account code numbers to control the order in which accounts are displayed or match them to an overall numbering scheme for your chart of accounts.

The credit card will now be displayed in your `Bank Accounts` tab along with other bank accounts. Because most transactions will post to this account from `New Payment` transactions, the account's balance will usually be negative. Only refunds or payments to the credit card will move its balance in a positive direction:

Bank Accounts | **New Bank Account**

	Code	Name	Statement balance	Pending deposits	Pending withdrawals	Actual balance	Last reconciliation
Edit	1210	Checking	US$ 78.74	-	-	**US$ 78.74**	08/15/2018
Edit	1220	PayPal	US$ 0.00	-	-	**US$ 0.00**	08/15/2018
Edit	2110	Credit card	- US$ 557.80	US$ 142.86	- US$ 352.28	**- US$ 767.22**	08/15/2018
			- US$ 479.06	**US$ 142.86**	**- US$ 352.28**	**- US$ 688.48**	

Note
If a credit card has a balance on your start date, enter the balance as a negative number under `Starting Balances` in the `Settings` tab. See this Guide for more information about starting balances.

Contra asset option

To set up the credit card as a contra asset account, leave the control account field at the default option of *Cash at bank* when you create it:

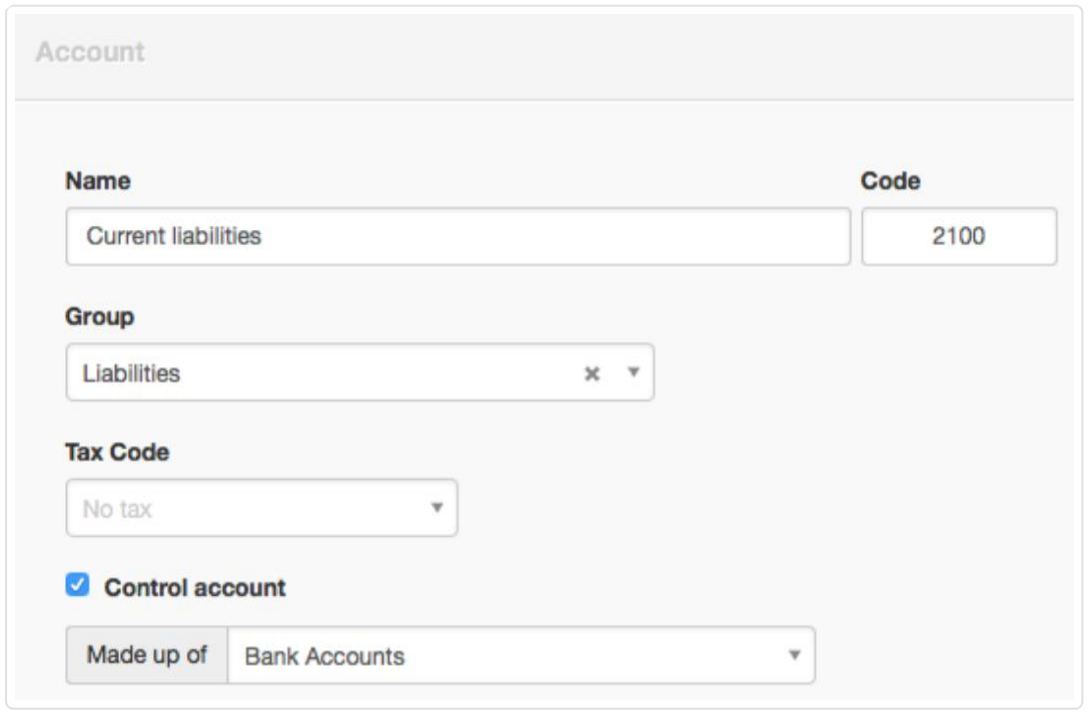
Control account
Cash at bank

On your Balance Sheet, the balance of the credit card account will reduce the balance of the control account, *Cash at bank*.

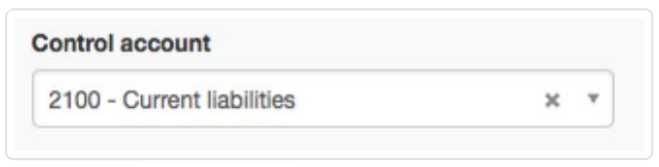
The advantage of the contra asset option is your `Summary` page and Balance Sheet show at a glance how much cash you have to spend that is not already obligated. The disadvantage is credit card balances are not so visible.

Liability option

To set up the credit card as a liability account, you must first create a custom control account in your chart of accounts. Give it a name like *Current liabilities* if you want it to include other short-term obligations. Or just name it *Credit cards*. Indicate the custom control account is made up of bank accounts:



Go back to the `Bank Accounts` tab and `Edit` your credit card account by assigning it to the custom control account just created:



Now, the balance of your credit card account will show under *Liabilities* on your Balance Sheet:



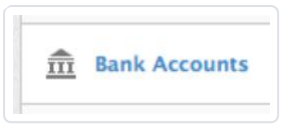
Notice that while the credit card balance will still show in the `Bank Accounts` tab as negative, it will appear as a positive number under *Liabilities* on the `Summary` page, because *Liabilities* are automatically subtracted from *Assets* on that display.

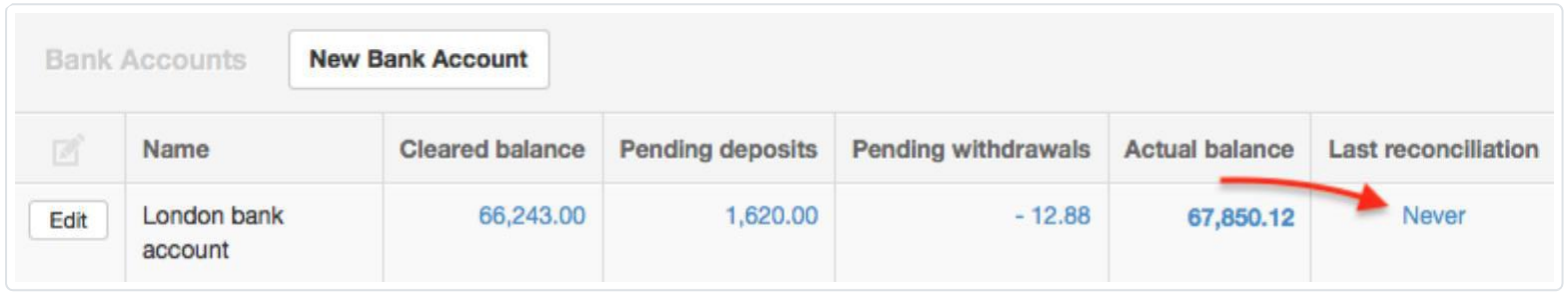
The advantage of the liability option is credit card balances show on your `Summary` page and Balance Sheet as amounts owed. This may be more useful if you do not always pay off the full credit card statement balance. This option clearly separates what you have (assets) from what you owe (liabilities). The disadvantage is a quick glance at the `Summary` may suggest you have more unobligated cash than you really do.

5.1.4 Reconcile bank accounts

Bank reconciliation is the process of verifying your records of transactions posted to bank accounts against records of the institutions. (The term *bank* is used generically to refer to any institution from which you receive or can obtain statements, whether by mail or electronically.) To avoid potential problems caused by undiscovered errors, you should reconcile your bank accounts regularly.

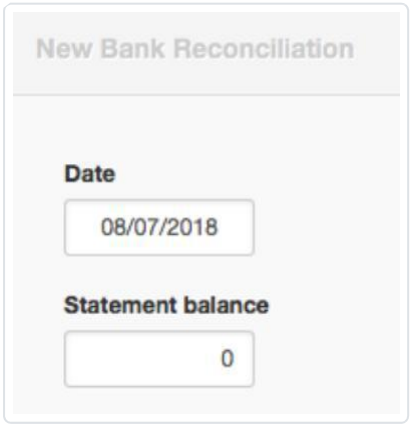
Go to the `Bank Accounts` tab and click on the date (or the word *Never* if this is your first reconciliation) under the `Last reconciliation` heading:





Then click `New Bank Reconciliation` to create a new bank reconciliation statement:

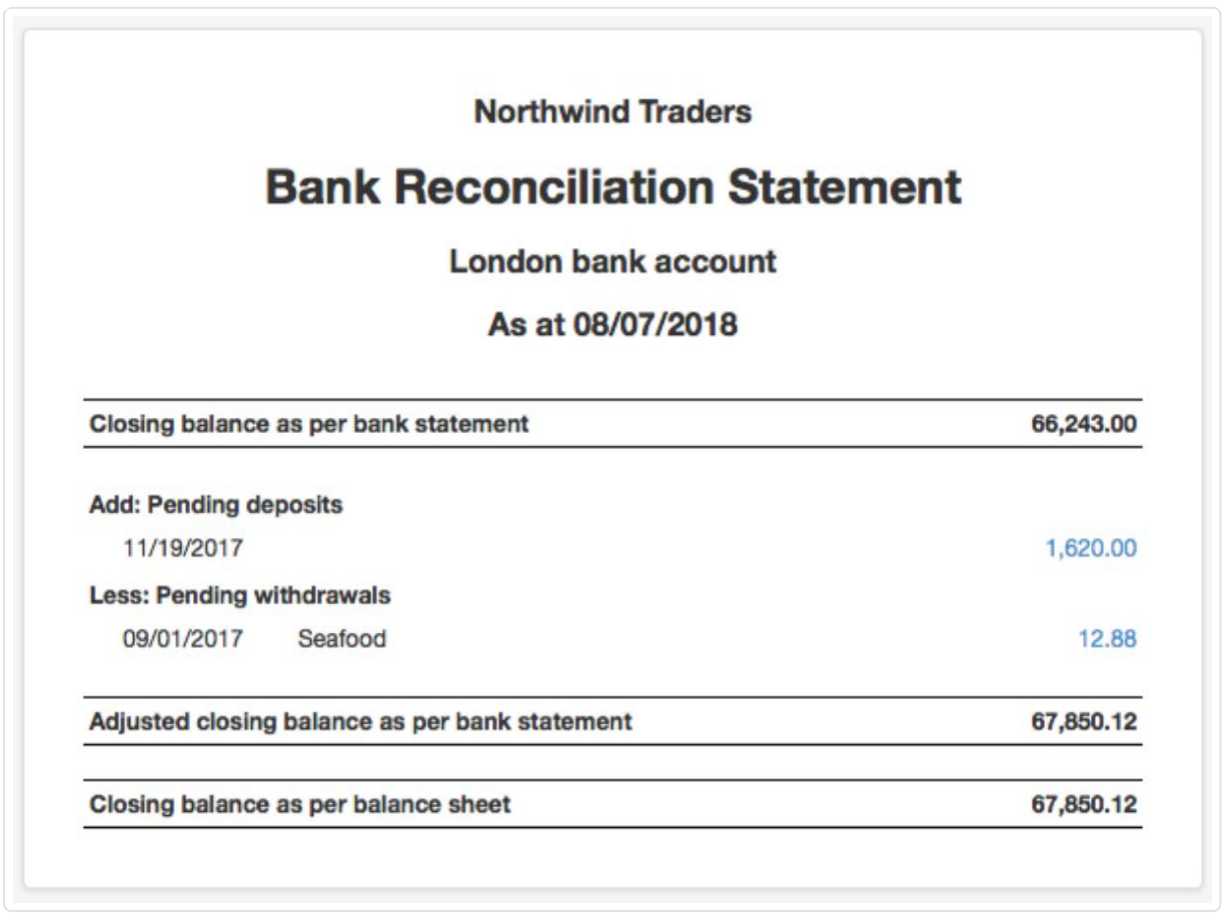
Set the `Date` you will reconcile transactions until, usually the date of the statement, and enter the closing `Statement balance`:



Click `Create` to save the report. This will create a bank reconciliation statement to guide you through the bank reconciliation steps. To see the reconciliation statement, click `View`:

Successful reconciliation

If BILLBOOKS's figures agree with the bank statement, the account reconciles and the Bank Reconciliation Statement will appear:



Northwind Traders

Bank Reconciliation Statement

London bank account

As at 08/07/2018

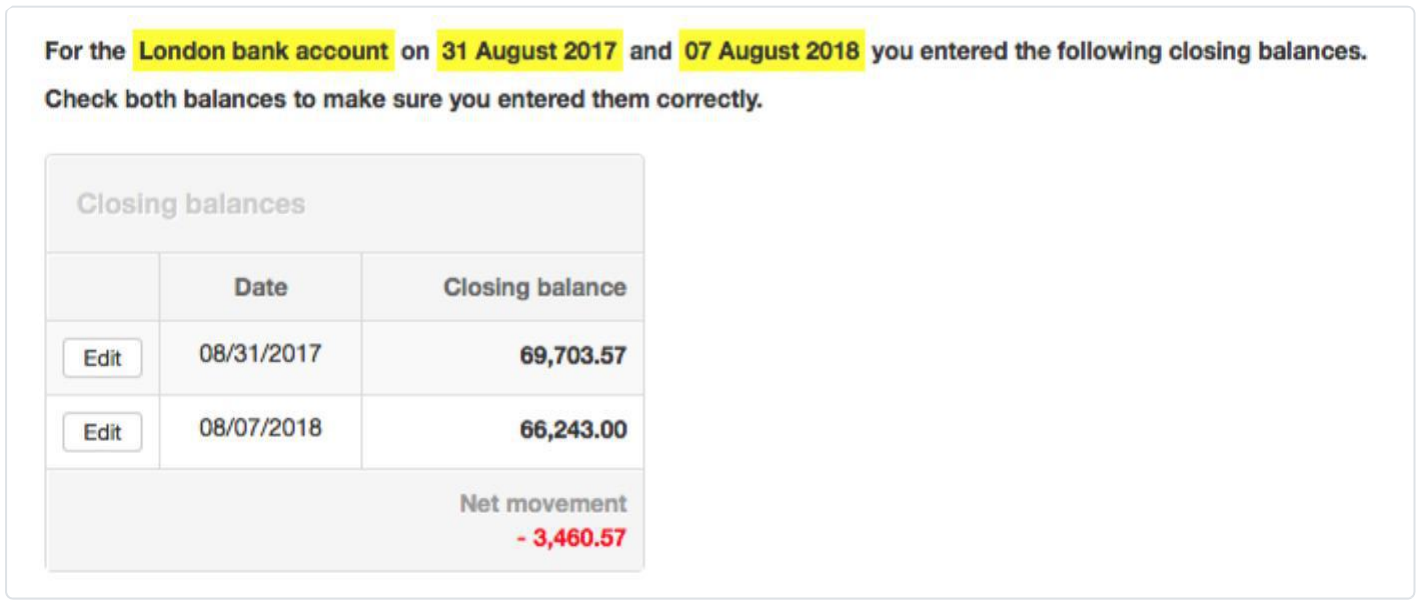
Closing balance as per bank statement	**66,243.00**
Add: Pending deposits	
11/19/2017	1,620.00
Less: Pending withdrawals	
09/01/2017 Seafood	12.88
Adjusted closing balance as per bank statement	**67,850.12**
Closing balance as per balance sheet	**67,850.12**

The statement will show:

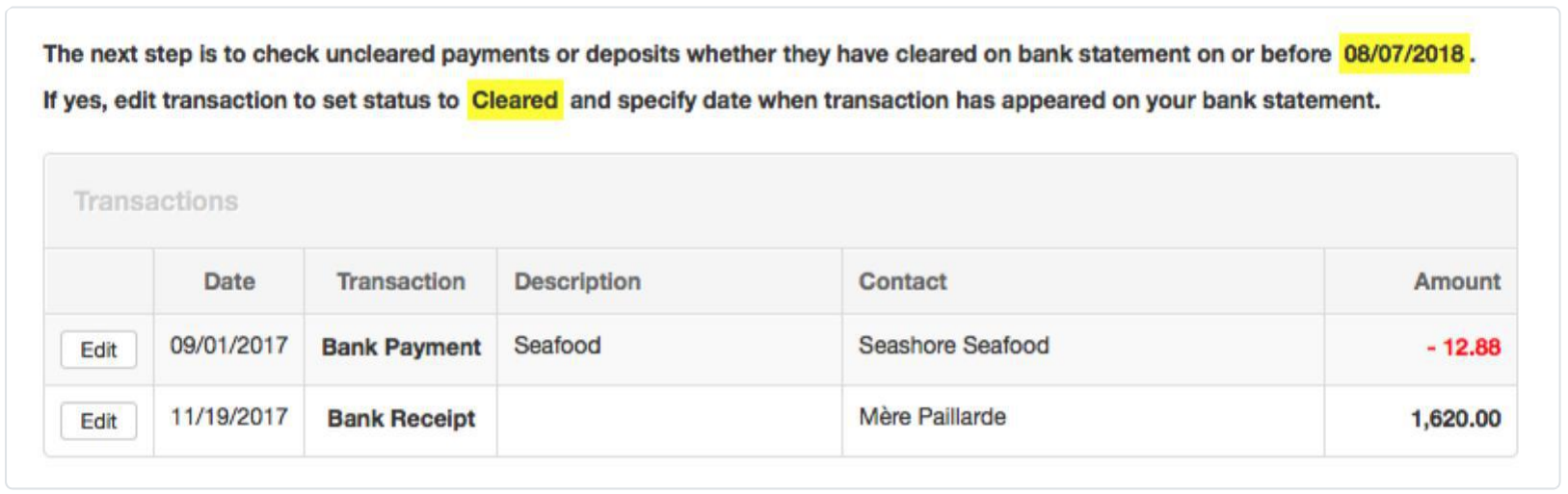
- `Closing balance as per bank statement` at the top (which you can still correct by clicking on the blue amount)
- Lists of pending deposits and pending withdrawals
- `Adjusted closing balance as per bank statement
- `Closing balance as per balance sheet`, representing the actual bank balance as recorded in BILLBOOKS

Unsuccessful reconciliation

If the figures disagree, BILLBOOKS will show you a screen to help with the bank reconciliation process. Exact contents of this screen may vary, depending on the problem detected. You will first be asked to double-check closing balances as per the bank statements:



You may be asked to asked to confirm status of pending transactions:

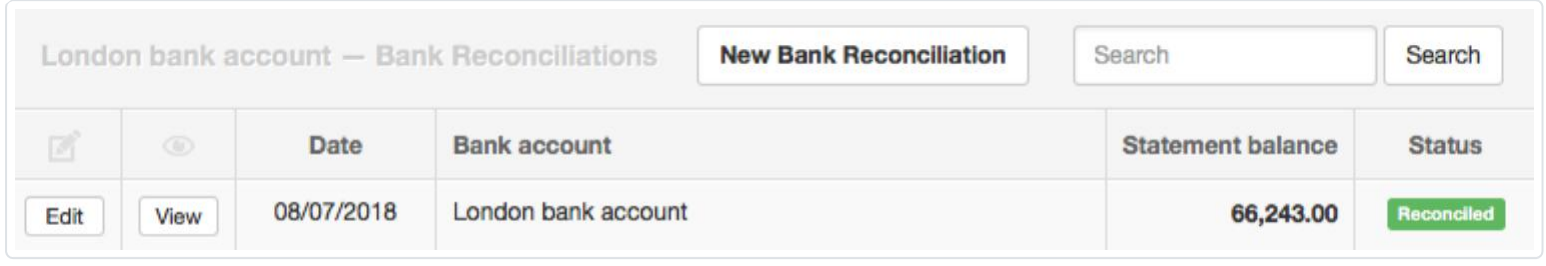


If you make corrections, BILLBOOKS's suggestions may change. If the problem does not resolve, you may be presented with a list of transactions since your last reconciliation. Depending on how often you reconcile, the list of transactions can be quite lengthy. BILLBOOKS might break down the transactions into smaller segments to make it easier to check against your bank statement. To do that, BILLBOOKS may ask for interim closing balances as per your bank statement.

It's usually most efficient to keep providing new closing balances as long as you are asked for them. BILLBOOKS will use this information to pinpoint the specific days you don't reconcile. Instead of checking a whole month of transactions at once, you will only need to reconcile one day at a time and only days that don't reconcile.

When you compare transactions from the list to your bank statement, use the `Edit` button to correct or delete transactions as required. If a transaction is included in your bank statement but not in BILLBOOKS, use the applicable `Spend money`, `Receive money` or `New Inter Account Transfer` button to record it.

Once you resolve all issues, your reconciliation statement will appear and the `Status` of the bank reconciliation statement will indicate *Reconciled* when viewing the list of bank reconciliation statements:



5.1.5 Use multiple currencies

If your business operates in **multiple currencies**, the first step to set your base currency. Follow the procedure in another Guide.

Once you set your base currency, forms and reports will include the symbol for it. By default, all existing accounts and subaccounts will be denominated in the base currency. When you edit these or create new ones, you will have the option to select other currencies. You can set foreign currencies in the following tabs:

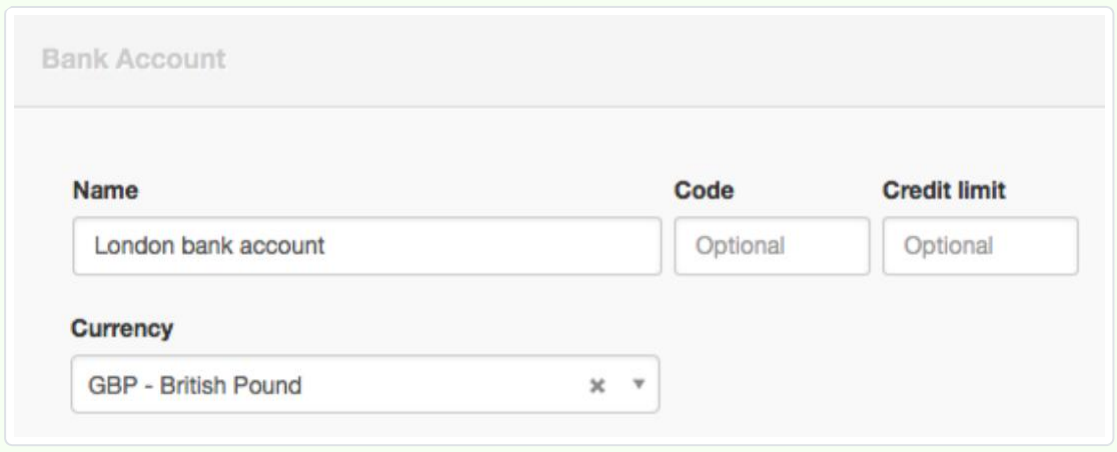
- `Bank Accounts`
- `Cash Accounts`
- `Expense Claims`

- `Customers`
- `Suppliers`
- `Employees`
- `Journal Entries`
- `Special Accounts`

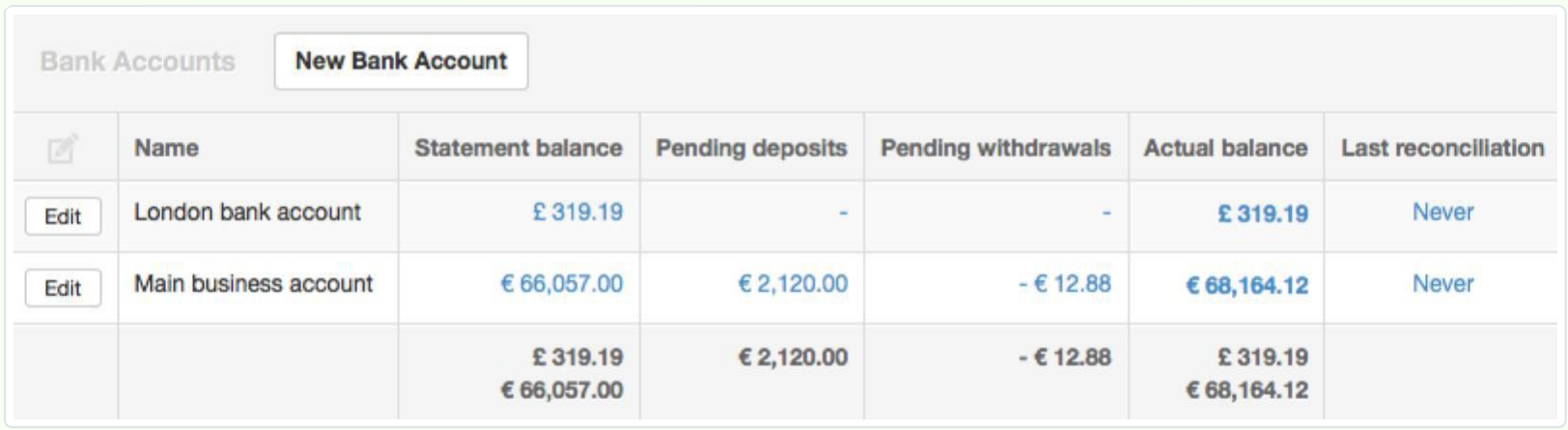
Example
Northwind Traders conducts its own business in Euros. But it has several customers operating in other currencies. It sets Euros as its base currency. Its Balance Sheet is now denominated in Euros:



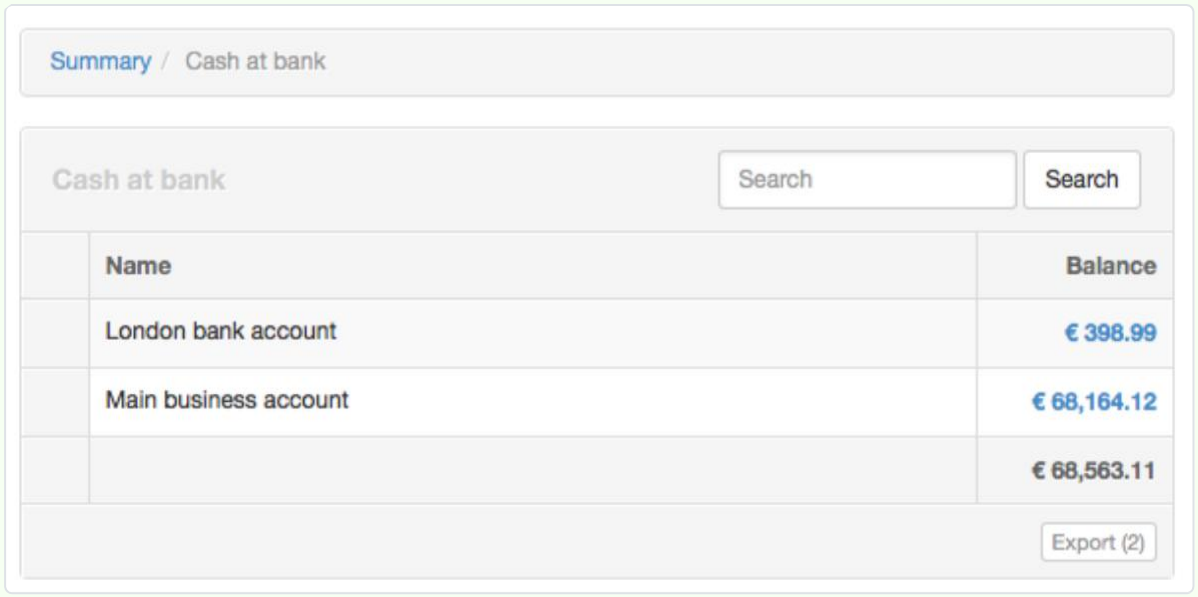
To handle its British customers, Northwind Traders maintains a bank account in London denominated in pounds. When setting up this bank account in the `Bank Accounts` tab, it chooses a currency accordingly:



The `Bank Accounts` tab shows the main company checking account and the London bank account in their respective currencies:



Meanwhile, the `Summary` tab converts everything to the base currency according to exchange rates entered in the program so assets can be properly balanced against liabilities and equity in a single currency:



Most transactions will adopt the currency applicable to the account or subaccount they relate to. For example, when you set a foreign currency for a customer, all their invoices, credit notes and quotes will be denominated in that foreign currency.

Some tabs, such as `Expense Claims` or `Journal Entries`, allow you to specify the foreign currency on a transaction level. For example, under `Expense Claims` this is useful when an employee is to be reimbursed in the base currency but the expense was incurred in a foreign currency.

> **Note**
> When the first denomination in a second currency is set, an account named *Foreign exchange gains (losses)* is activated automatically. Manager uses this account to record gains and losses due to fluctuations in exchange rates.

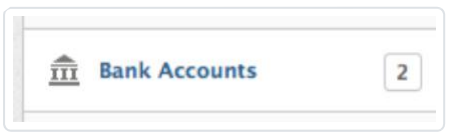
5.1.6 Convert a bank or cash account into the other type

You can **convert a bank or cash account into the other type**, transferring all prior transactions to it along with the account itself. This might be necessary in the following circumstances:

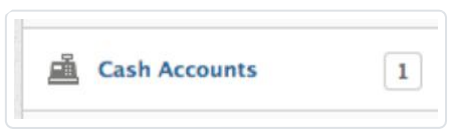
- The account was miscategorized when first created prior to version 17.9.0. (All bank and cash accounts were handled under a single `Cash Accounts` tab in earlier versions. The only distinction was a checkbox to indicate the account was maintained by a financial institution.)
- The account was mistakenly categorized in version 17.9.0 or a later version and has had transactions entered, so it cannot be deleted.

Convert an account

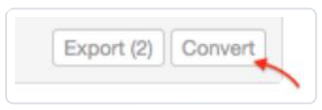
Select the home tab for the account you want to convert, either `Bank Accounts` or `Cash Accounts`:



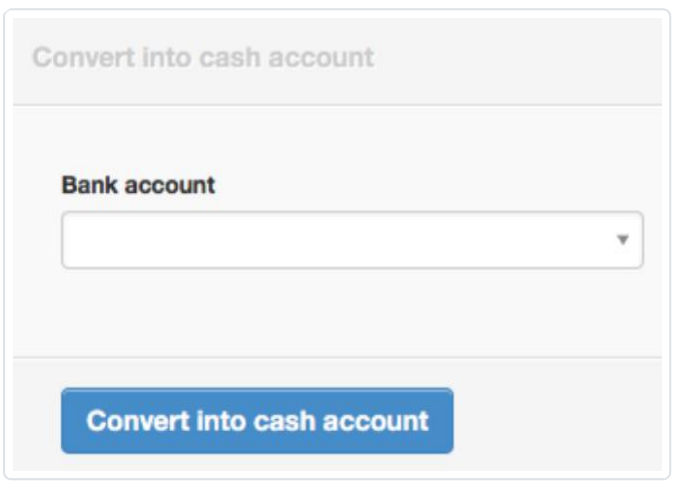
OR



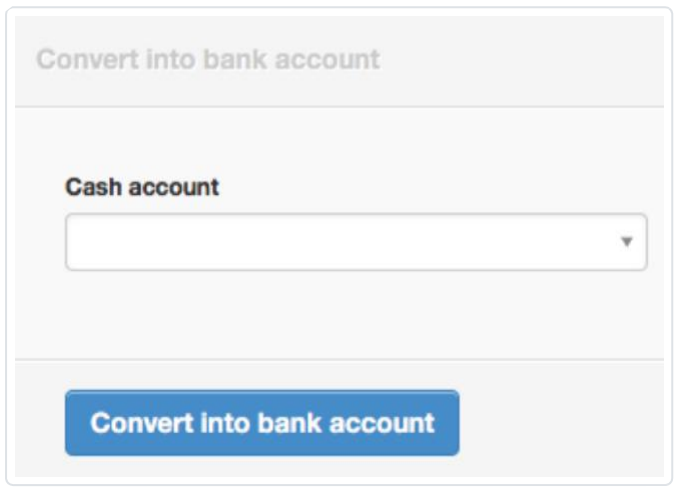
In the lower right corner of the screen, click `Convert`:



Select the account you want to convert and click the `Convert...` button:



OR



Results of conversion

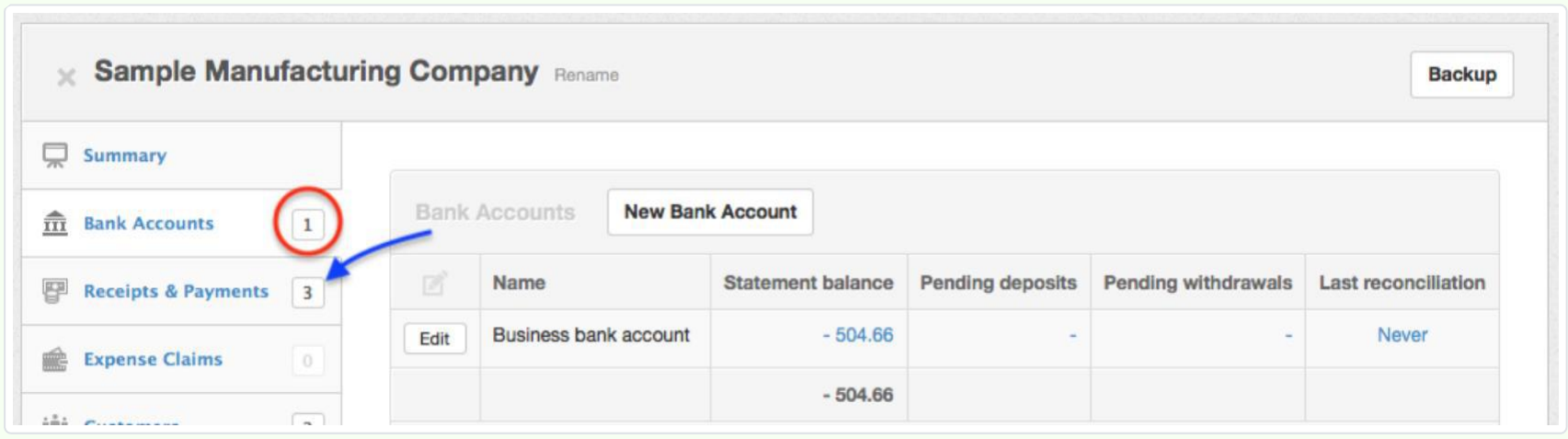
If the tab for the destination account type has not yet been enabled, BILLBOOKS will enable it.

The converted account will appear in the listing for the destination tab. BILLBOOKS will treat the converted account as though it had always been the new type. Transactions previously entered in the converted account will now appear under the new destination account.

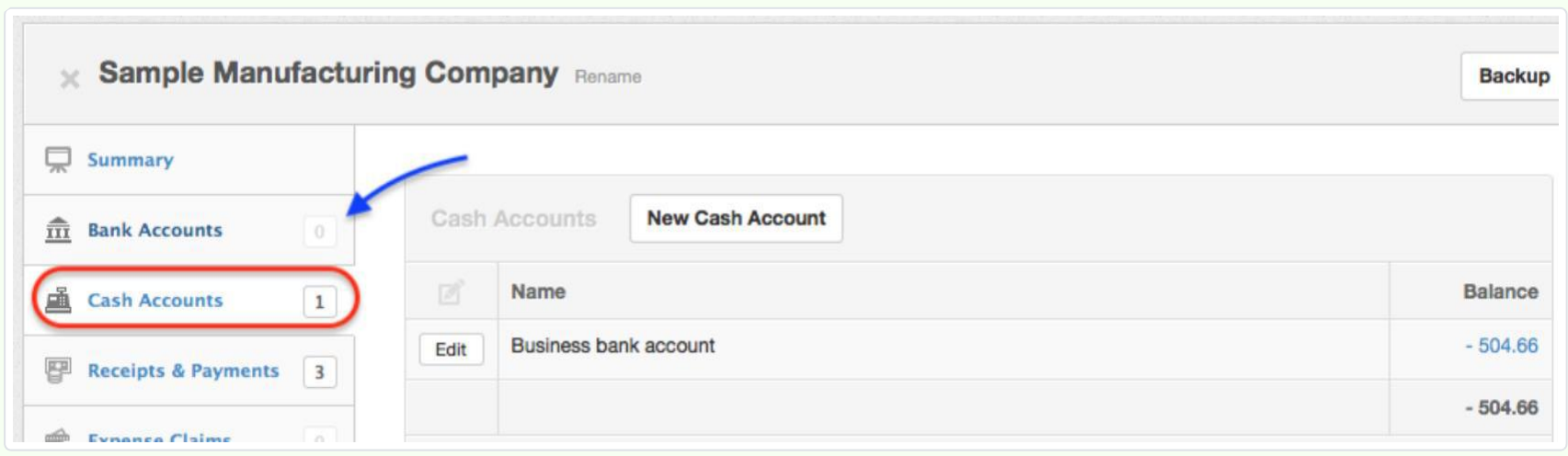
Finally, if the converted account is the last of its type, the tab for that type will disappear unless the tab has been separately enabled via the `Customize` link.

Example

Sample Manufacturing is beginning operations. It creates one bank account named *Business bank account* in the `Bank Accounts` tab. But it mistakenly enters three petty cash transactions into that account. The `Bank Accounts` tab shows the single bank account (red circle). The three transactions (blue arrow) are indicated for the `Receipts & Payments` tab:

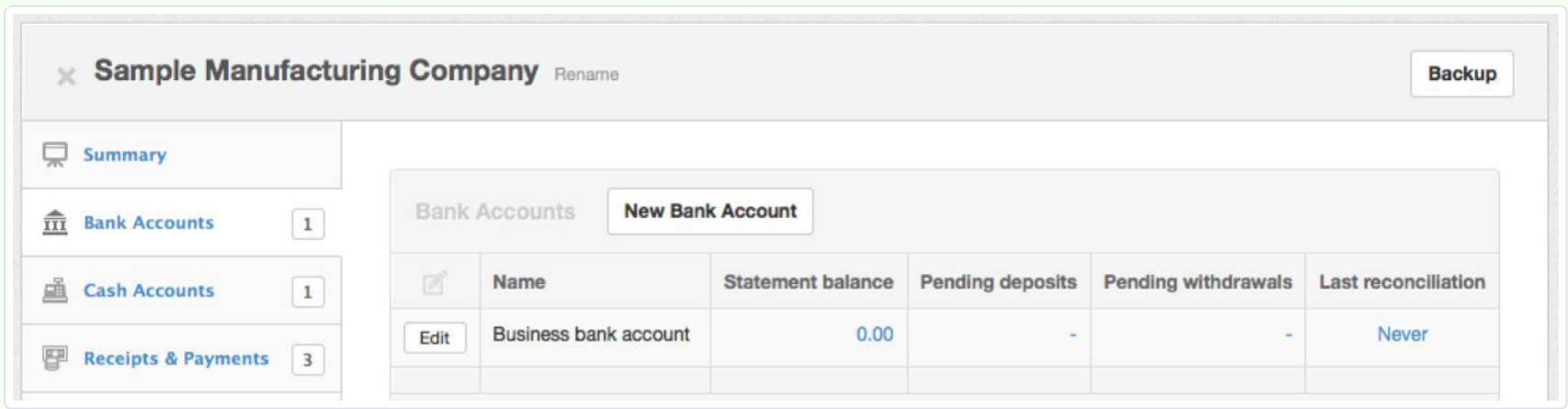


Sample realizes its mistake and decides to fix it by converting the bank account to a petty cash fund. When the conversion is complete, everything has been transferred to the `Cash Accounts` tab. Notice that the counter for `Bank Accounts` is now zero (blue arrow):

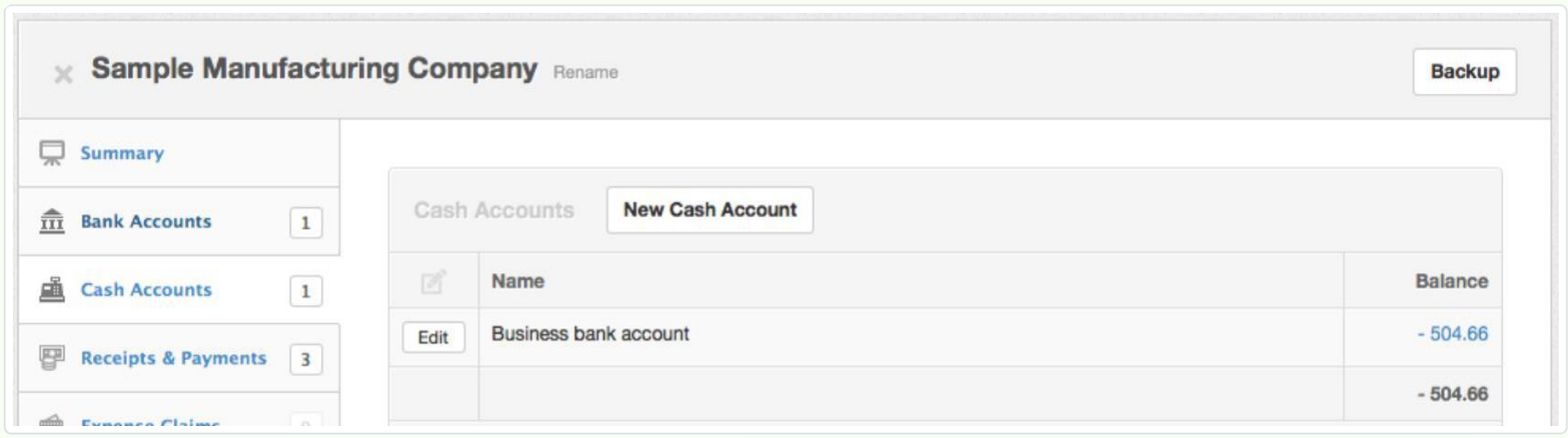


In this case, the `Bank Accounts` tab remains, because it was enabled via `Customize`.

Brilliant edits the new cash account to change its name to *Petty cash*. It creates a new bank account named *Business bank account*. This way, Brilliant avoids having to delete and re-enter transactions or accounts. Results are visible in the two accounts tabs:



AND



Note

When bank accounts are converted to cash accounts, pending transaction information is no longer displayed, because all cash account transactions, by definition, clear immediately. However, pending status information is not lost. If the account is converted from cash back to bank, the pending information will once again be shown.

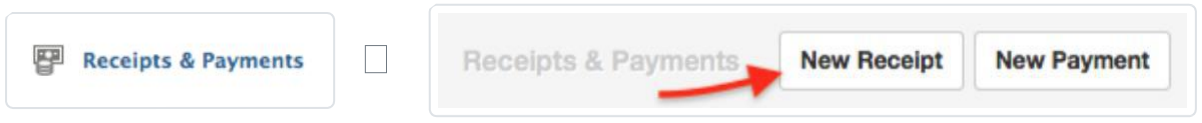
5.2 Cash and Bank Transactions

5.2.1 Record a receipt

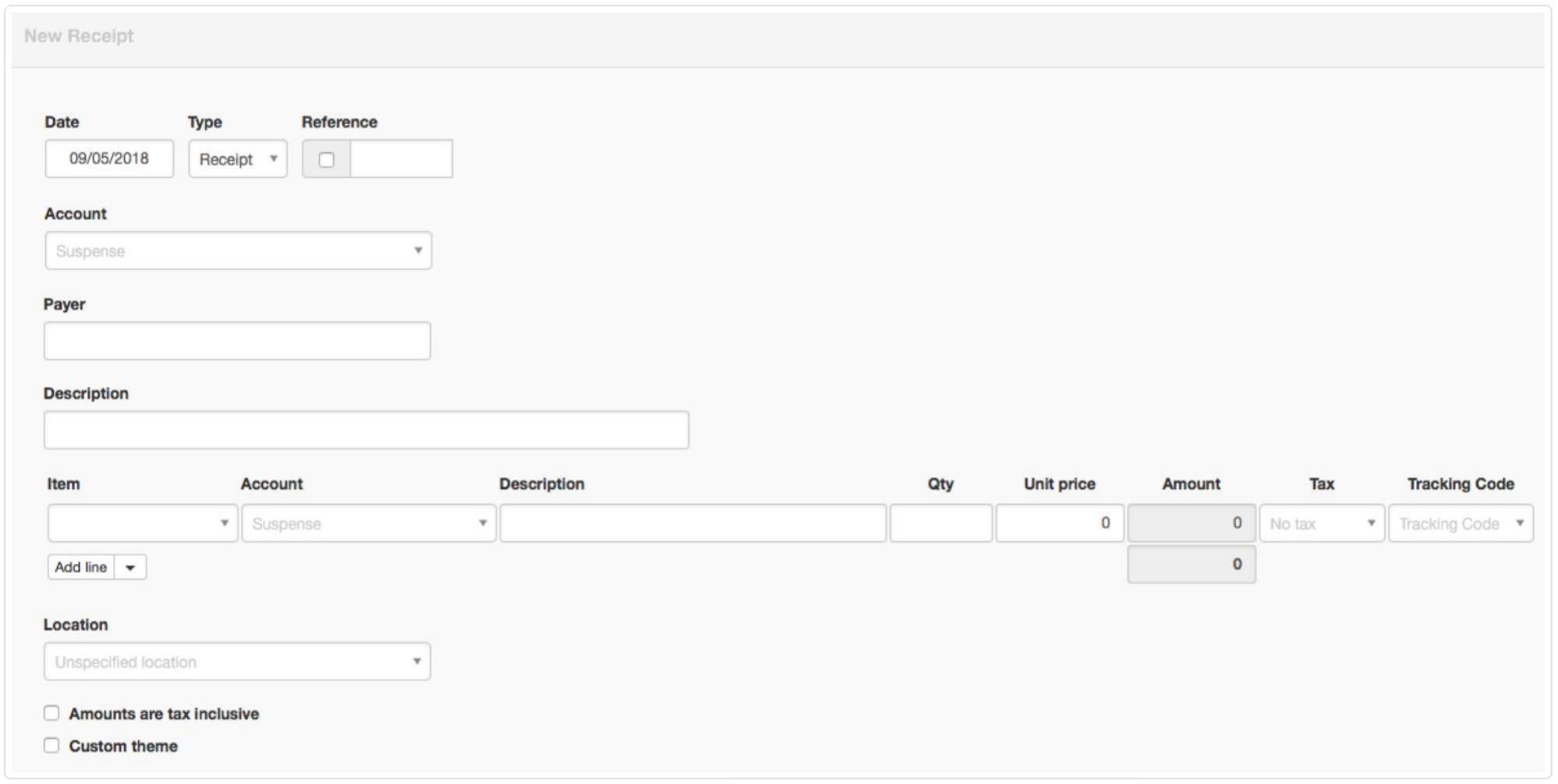
Money received in any way by a business is a **receipt**. Before one can be recorded, at least one cash account or bank account must be established. The `Receipts & Payments` tab must also be enabled.

Basic receipts

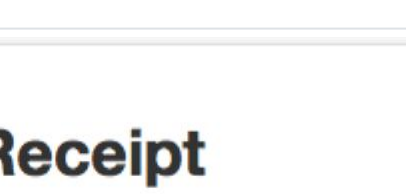
Once at least one cash or bank account exists, receipts are recorded in the `Receipts & Payments` tab by clicking on `New Receipt`:



Complete the entry:

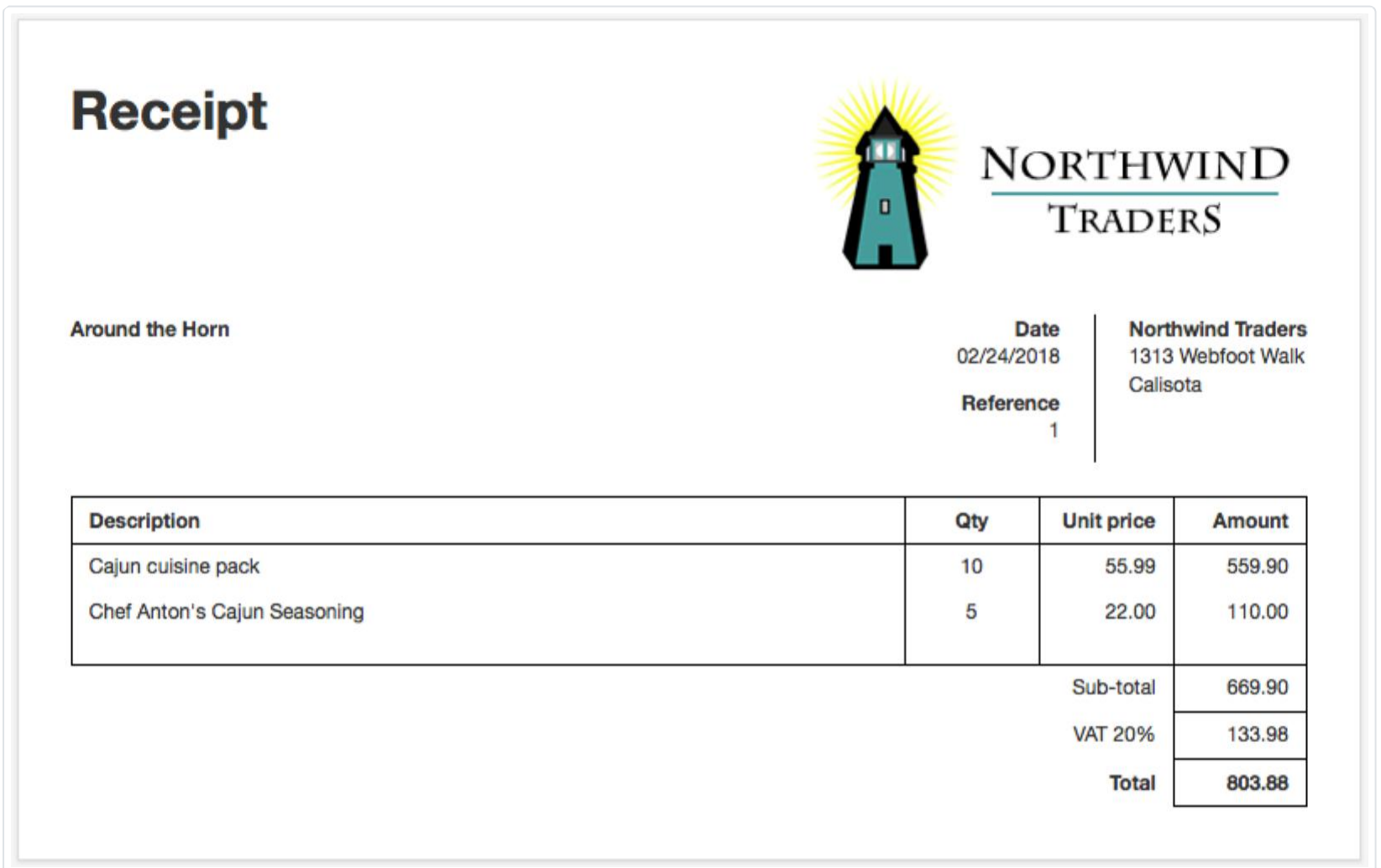


- `Date` is automatically filled with today's date, but can be edited.
- `Type` will automatically be set to *Receipt*
- `Reference` is optional and may be used for cheque numbers, bank confirmation numbers, or other internal sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing receipts and payments and add 1.
- Select the bank or cash `Account` to which the transaction is being entered.
- If a bank account is selected, a `Status` field appears, in which *Cleared* or *Pending* can be chosen. For *Cleared* transactions, the date may be entered:



  `Status` is set to *Cleared* by default for bank transactions. Another Guide covers cleared and pending transactions in greater detail. This field is absent for cash transactions.
- `Payer` is the person or entity from whom money is being received.
- `Description` is an optional summary of the overall transaction.
- `Item` field can be used to enter predefined inventory or non-inventory items. If you have no predefined items, this field will not appear. Making a selection here will prefill several other fields on the line.
- `Account` is the account to which the payment will be posted.
- `Description` on individual line items allows more specific information to be added.
- `Tax` code and `Tracking Code` can be selected if any have been defined.
- `Location` field appears if inventory locations are defined.
- `Amounts are tax inclusive` controls how taxes are calculated. Check the box if taxes are included in unit prices. Uncheck the box if taxes are to be added to unit prices. This check box applies to the entire transaction.
- A `Custom theme` can be selected. Available themes are selected in a dropdown box that appears if the box is checked.

The completed form can be given to the Payer as a receipt:



Receipt

NORTHWIND TRADERS

Around the Horn

Date
02/24/2018

Reference
1

Northwind Traders
1313 Webfoot Walk
Calisota

Description	Qty	Unit price	Amount
Cajun cuisine pack	10	55.99	559.90
Chef Anton's Cajun Seasoning	5	22.00	110.00
		Sub-total	669.90
		VAT 20%	133.98
		Total	**803.88**

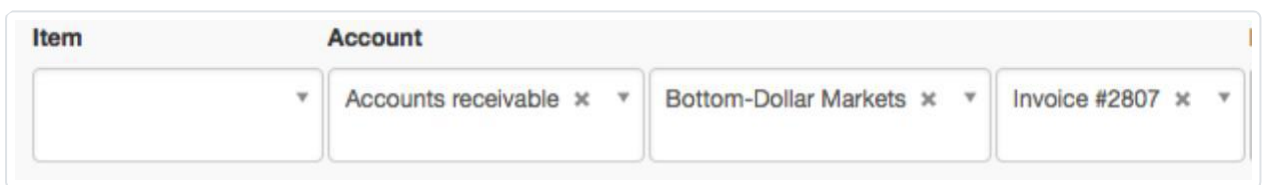
Receipts against sales invoices

Receipts from customers against sales invoices can be entered two ways:

- As a basic receipt
- From a sales invoice

As a basic receipt

To enter a receipt against a specific invoice, post it to *Accounts receivable*, the *Customer*, and the *Invoice*:



Partial receipts

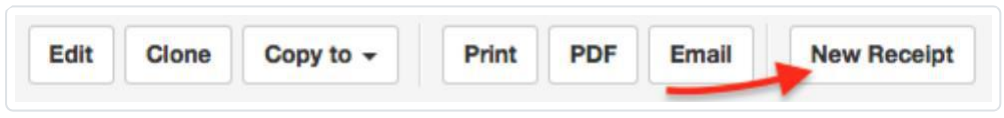
When receiving money for only part of the balance due on a sales invoice, post the transaction as above, but enter only the amount actually received. BILLBOOKS will credit the partial amount against the sales invoice and show a reduced balance due. No other special steps are necessary.

Receipts for multiple sales invoices

When receiving money from a customer for multiple sales invoices, leave the `Invoice` dropdown field blank. BILLBOOKS will allocate the receipt against the sales invoice with a balance due with the oldest due date first, then the next oldest, etc. However, if the receipt is designated for specific sales invoices, add lines and designate amounts for those invoices individually.

From a sales invoice

To record a receipt while viewing a sales invoice, click on `New Receipt`:



A receipt entry form will appear. Select a bank or cash account. The remainder of the form will be prefilled with information to enter the full amount due on the sales invoice. If the receipt is for only part of the balance due, edit the amount received by adjusting quantity or unit price.

Other situations

You are not restricted to using only simple income accounts to post receipts. For example, if money is received from a business owner set up under the `Capital Accounts` tab, select the matching capital account and subaccount:



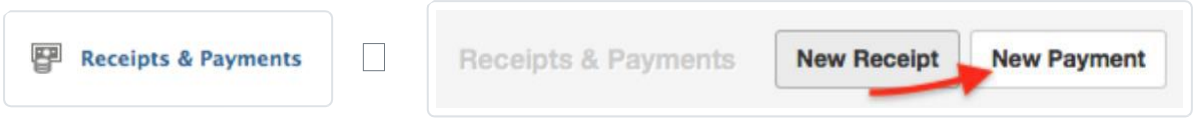
Inventory and non-inventory items can also be directly sold using receipts. For more information on selling without sales invoices see this Guide.

5.2.2 Record a payment

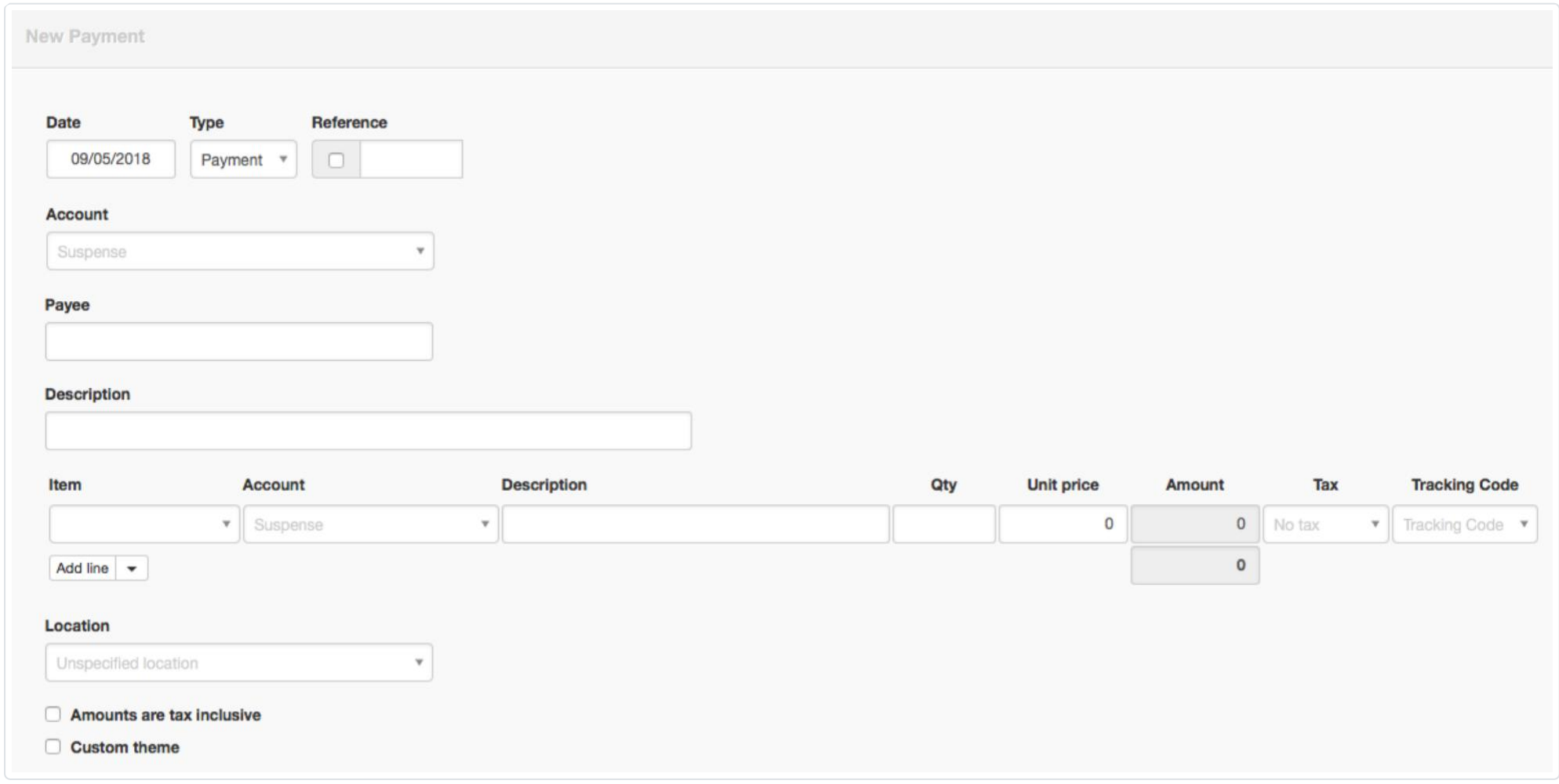
Money spent in any way by a business is a **payment**. Before one can be recorded, at least one bank account or cash account must be established. The `Receipts & Payments` tab must also be enabled.

Basic payments

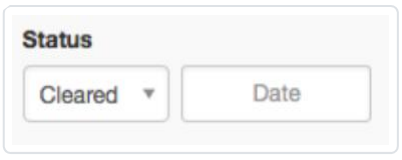
Once at least one bank or cash account exists, payments are recorded in the `Receipts & Payments` tab by clicking on `New Payment`:



Complete the entry:



- `Date` is automatically filled with today's date, but can be edited.
- `Type` will automatically be set to *Payment*
- `Reference` is optional and may be used for cheque numbers, bank confirmation numbers, or other internal sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing receipts and payments and add 1.
- Select the bank or cash `Account` to which the transaction is being entered.
- If a bank account is selected, a `Status` field appears, in which *Cleared* or *Pending* can be chosen. For *Cleared* transactions, the date may be entered:

  `Status` is set to *Cleared* by default for bank transactions. Another Guide covers cleared and pending transactions in greater detail. This field is absent for cash transactions.
- `Payee` is the person or entity to whom money is being paid.
- `Description` is an optional summary of the overall transaction.
- `Item` field can be used to enter predefined inventory or non-inventory items. If you have no predefined items, this field will not appear. Making a selection here will prefill several other fields on the line.
- `Account` is the account to which the payment will be posted.
- `Description` on individual line items allows more specific information to be added.
- `Tax` code and `Tracking Code` can be selected if any have been defined.
- `Location` field appears if inventory locations are defined.
- `Amounts are tax inclusive` controls how taxes are calculated. Check the box if taxes are included in unit prices. Uncheck the box if taxes are to be added to unit prices. This check box applies to the entire transaction.
- A `Custom theme` can be selected. Available themes are selected in a dropdown box that appears if the box is checked.

Click `Create` to save the transaction. The completed form can be given to the Payee as a remittance or payment advice:



Payment

NORTHWIND TRADERS

New England Seafood Cannery

Date
06/20/2016

Northwind Traders
1313 Webfoot Walk
Calisota

Description	Amount
New England Seafood Cannery — Invoice #11139	862.96
Total	862.96

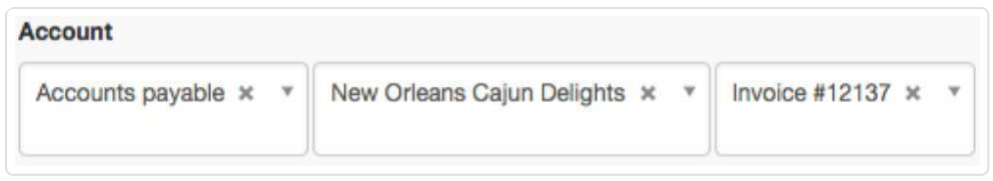
Payments against purchase invoices

Payments to suppliers against purchase invoices can be entered two ways:

- As a basic payment
- From a purchase invoice

As a basic payment

To enter a payment against a specific purchase invoice, post it to *Accounts payable*, the *Supplier*, and the *Invoice*:



Partial payments

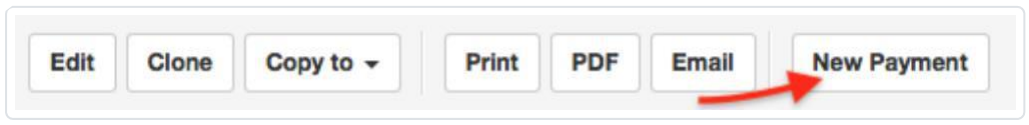
When paying only part of the balance due on a purchase invoice, allocate the transaction exactly as above, but enter only the amount actually paid. BILLBOOKS will apply the partial amount against the purchase invoice and show a reduced balance due. No other special steps are necessary.

Payments for multiple purchase invoices

When paying a supplier for multiple purchase invoices, leave the `Invoice` dropdown box blank. BILLBOOKS will allocate the payment against the purchase invoice with a balance due that has the oldest due date first, then the next oldest, etc. However, if the payment is designated for specific purchase invoices, add lines and designate amounts for those invoices individually.

From a purchase invoice

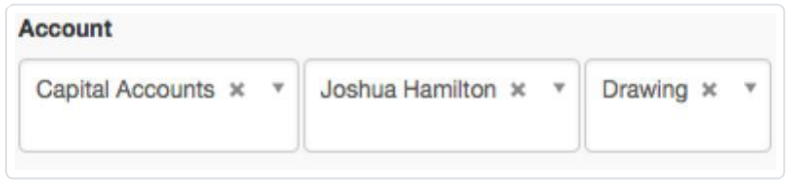
To record a payment while viewing a purchase invoice, click on `New Payment>:`



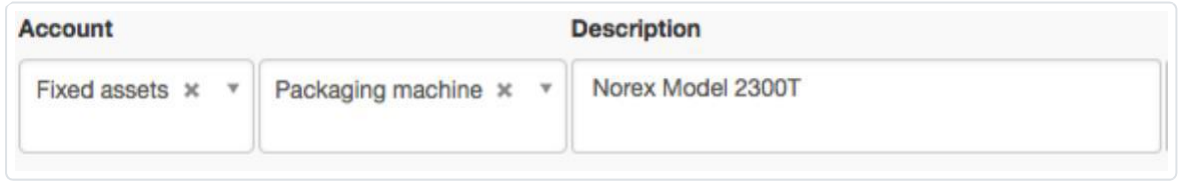
A payment entry form will appear. Select a bank or cash account. The remainder of the form will be prefilled with information to enter the full amount due on the purchase invoice. If the payment is for only part of the balance due, edit the amount paid by adjusting quantity or unit price.

Other situations

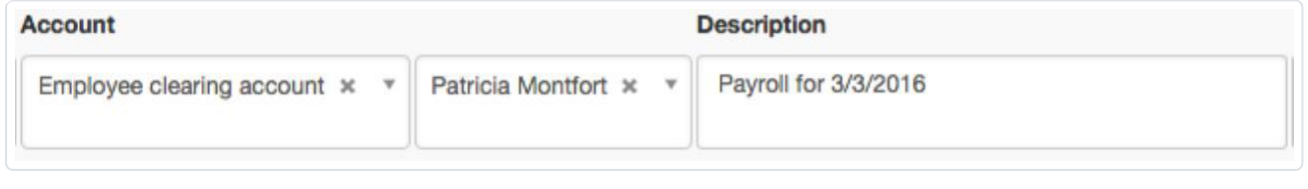
You are not restricted to using only simple expense accounts to post payments. For example, if money is paid to a business owner set up under the `Capital Accounts` tab, select the matching capital account and subaccount:



If a fixed asset is purchased the transaction can be allocated as below:



Employees are paid by allocating payroll amounts as follows:



Inventory and non-inventory items can also be directly purchased using payment forms. For more information on buying without purchase invoices, see this Guide.

5.2.3 Track cleared and pending status of bank transactions

Many financial transactions are completed, or **cleared**, by the time they are entered in BILLBOOKS. No further financial activity will occur. Some examples are:

- Cash sales to customers, with received funds held in cash till
- Cash payments to merchants from a petty cash fund
- Imported bank transactions
- Transfers between company accounts within the same financial institution

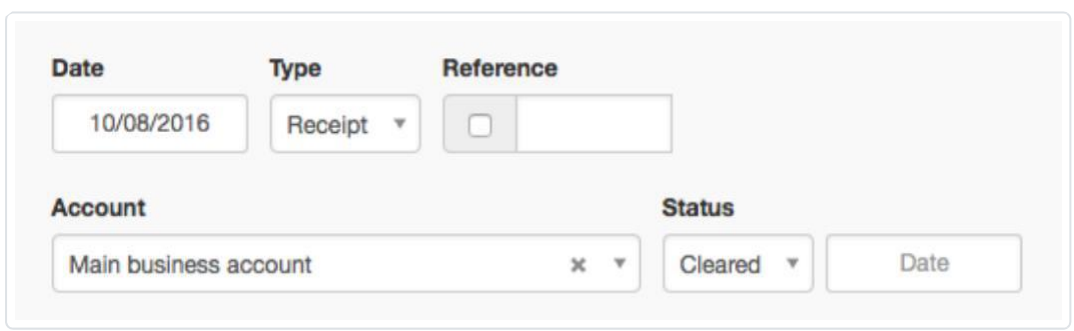
Others involve delay before all financial activity is complete. Examples of these **pending** transactions include:

- Cheques written to suppliers or employees that have not yet been presented for payment
- Credit card charges not yet showing on the card statement
- Receipts from customers not yet deposited with the bank
- Deposits to bank accounts not yet available for withdrawal
- Transfers between bank accounts in different institutions not yet finalized (whether by cheque, electronic or wire transfer, or other means)

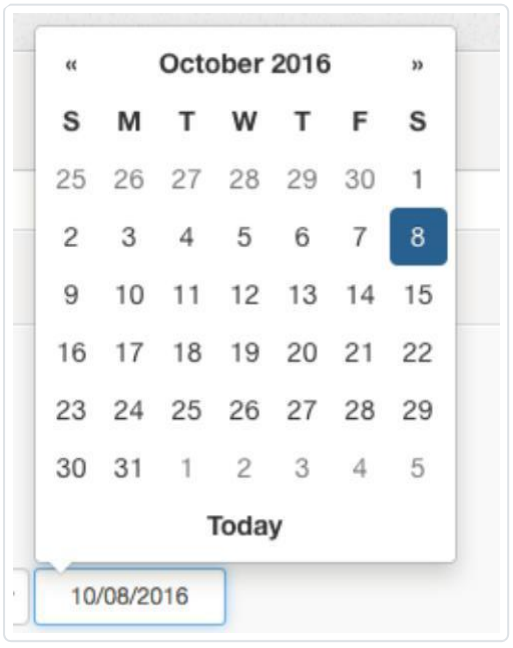
BILLBOOKS can easily track status of bank account deposits and withdrawals, including dates of both initial transactions and eventual clearance, in a `Status` field. Cash account transactions are, of course, always complete instantly, so status is not recorded. Using this feature, you can quickly determine how much of your bank account funds are unobligated, that is, actually available to spend. Likewise, you can determine whether or not money received is actually accessible.

Cleared transactions

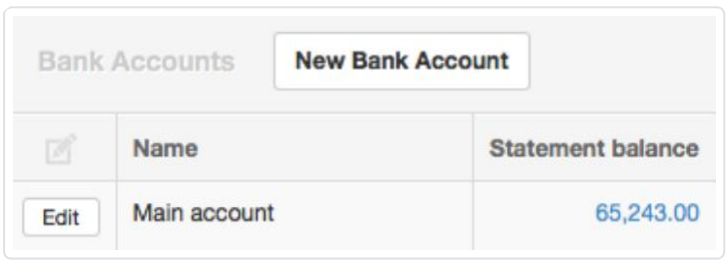
By default, all new receipts and payments to bank accounts in the `Receipts & Payments` tab are *Cleared*. For example, a receipt from a customer automatically shows *Cleared* in the `Status` field:



If desired, the clearance date can be entered:

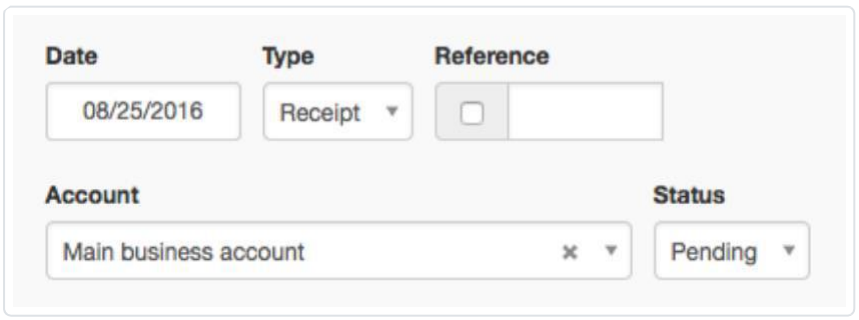


All cleared transactions will appear under the `Statement balance` column for a bank account in the `Bank Accounts` tab:



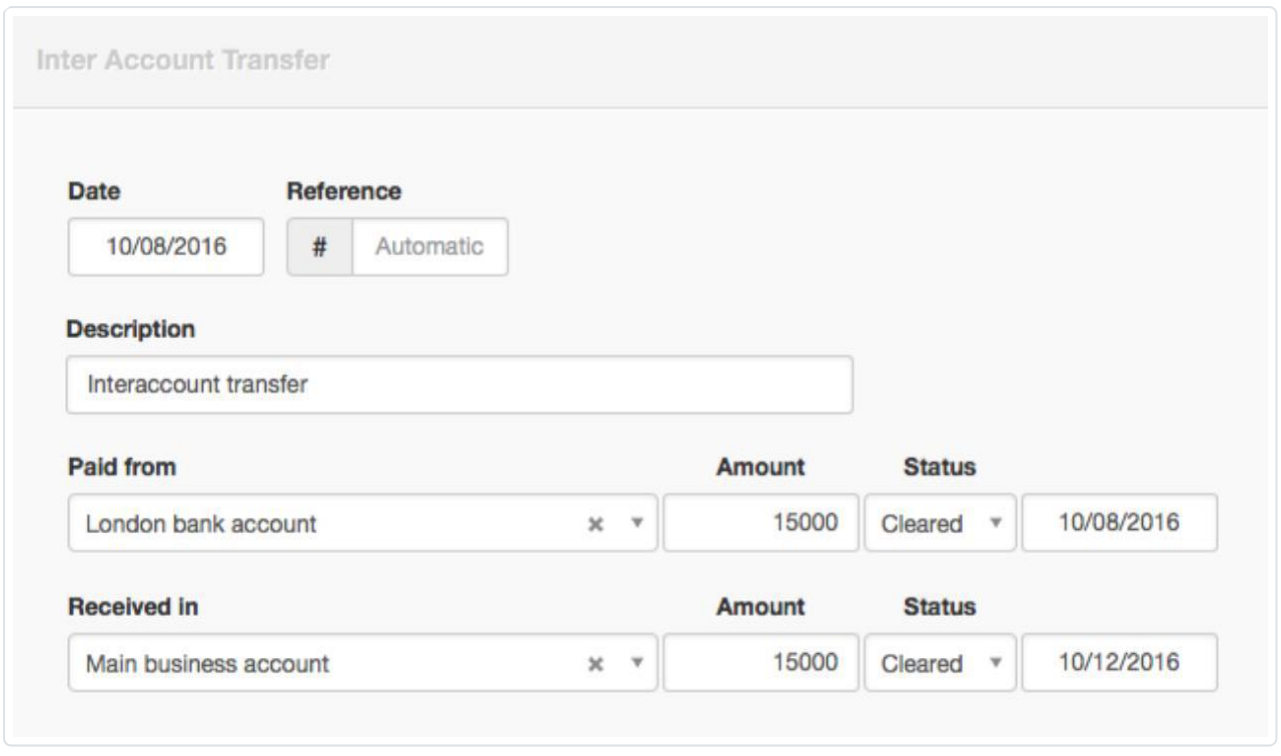
Pending transactions

When money has been received, but perhaps not deposited in the bank, the transaction can be marked as *Pending*. Similarly, until a cheque has been presented and paid by the bank or a credit card charge is posted to a statement, it can be shown as *Pending*:



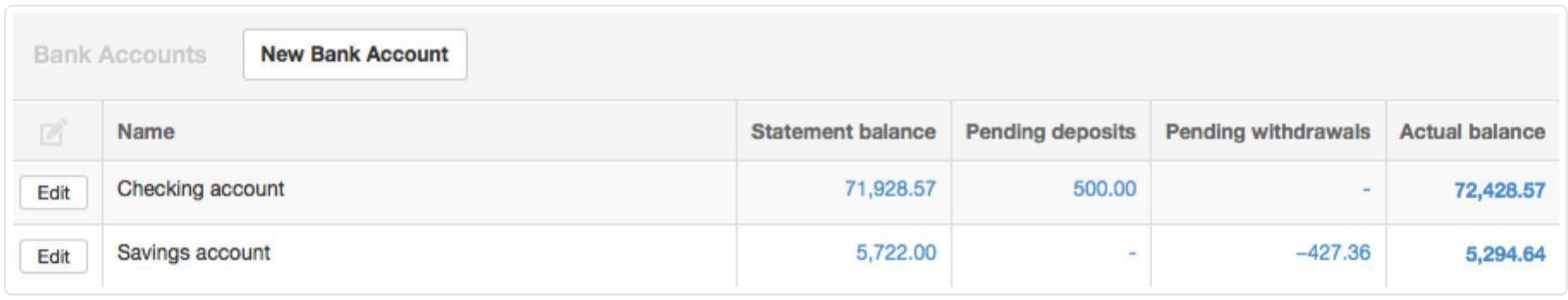
Inter account transfers

When transfers are made between accounts in the `Inter Account Transfers` tab, status of both the outgoing and incoming legs of the transfer can be annotated separately (if they involve bank accounts):



Monitoring status

If any pending deposits or withdrawals exist, they will automatically be shown in separate columns in the `Bank Accounts` tab:



A Bank Reconciliation Statement can be produced adjusting an account statement for pending deposits and withdrawals. This can help ensure bank records match accounting records in BILLBOOKS.

Clearing a pending transaction

Once a pending transaction has cleared on the records of the financial institution, drill down by clicking the blue balance under `Pending deposits` or `Pending withdrawals` for the bank account involved in the `Bank Accounts` tab. Click `Edit` beside the particular transaction:



Change status to *Cleared* in the dropdown `Status` box and enter the clearance date. (See first illustration above.)

5.2.4 Import bank statements

To save time, you can **import bank statement** transactions instead of manually entering them.

Download your bank statement

Of course, you can only do this if your bank or other financial institution allows you to electronically export the statement first. Follow your bank's procedures for defining and downloading a statement or transaction list. To limit redundant transactions, try to download a statement covering only the period since you last downloaded one. BILLBOOKS will accept statements in these formats:

- *.qif
- *.ofx
- *.qfx
- *.qbo
- *.sta
- *.swi
- *.940
- *.iif
- *.csv

If your bank does not offer one of these formats, you may be able to import the statement into a spreadsheet program and convert it to *.csv format. If you import a *.csv file, BILLBOOKS will recognize only the following columns, so delete all others:

- `Date` (be sure format matches your selection in the `Preferences` tab)
- `Reference`
- `Payee`
- `Description`
- `Amount`

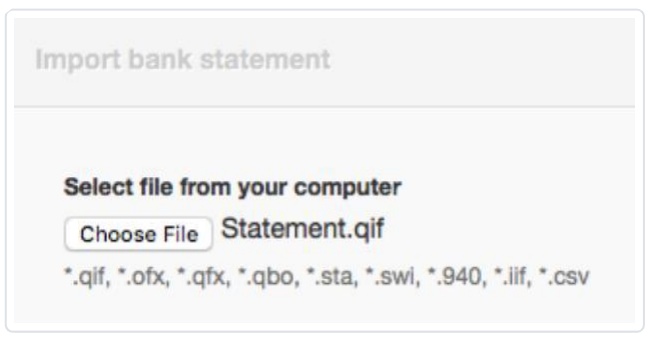
Import your bank statement

There are two ways to import a bank statement into BILLBOOKS:

- For the first, go to the `Bank Accounts` tab and click on the blue balance figure in the `Statement balance` column for the account you want to import. Then click on `Import bank statement` :

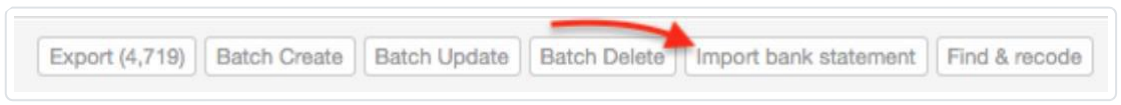


Since the operation was initiated from a particular bank's statement balance, you need not select a bank account, but only click `Choose File` to browse to the downloaded file:

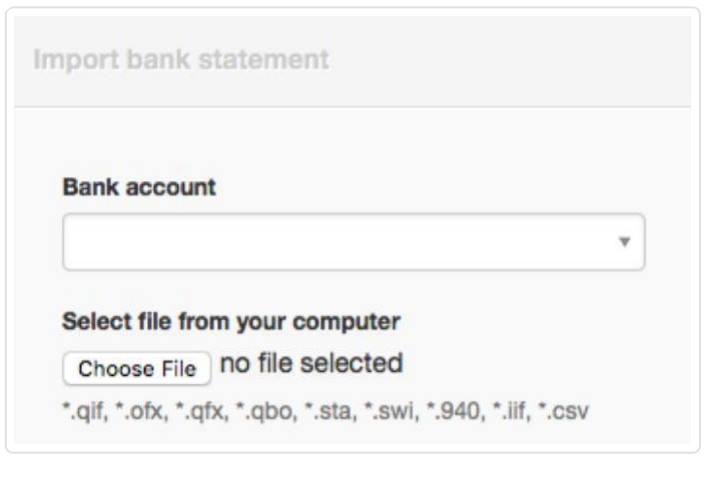


- For the second, go to the `Receipts & Payments` tab. At the bottom, click on the `Import bank statement` button:

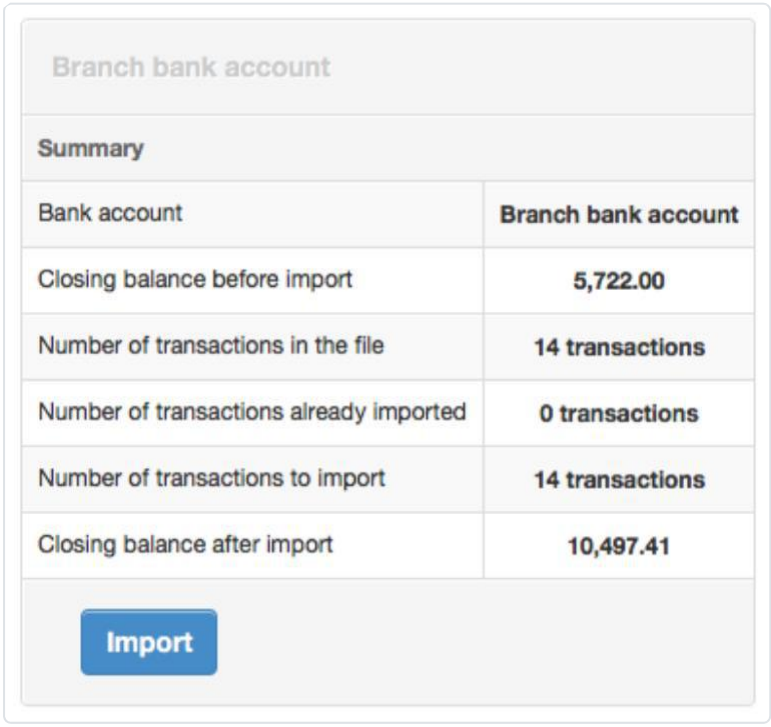




Select the bank account for which you are importing the statement and click `Choose File` to browse to the downloaded statement:



Regardless of where you begin the process, after the statement file is chosen, click `Next`. Review the summary of transactions to be imported and press the `Import` button.

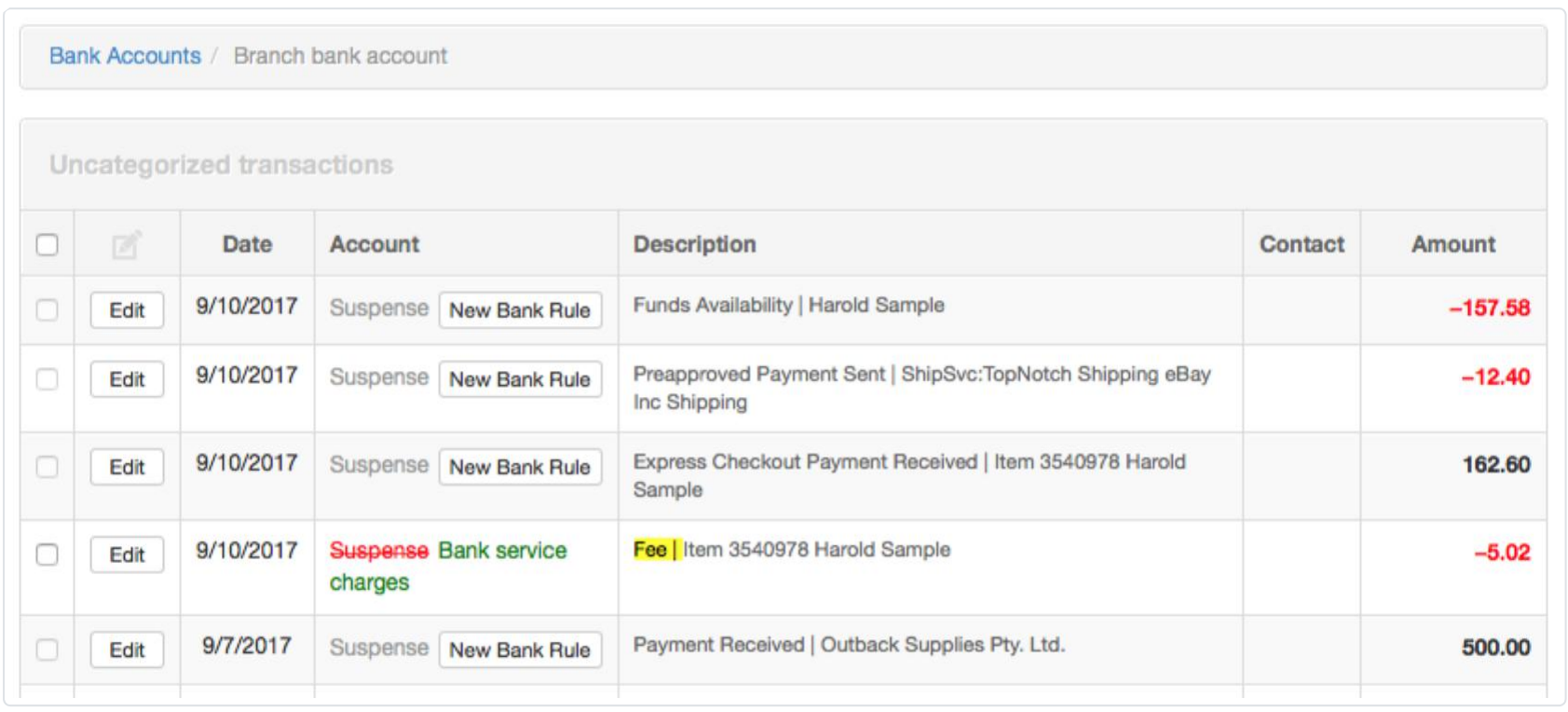


Note
Manager has the ability to recognize most duplicate transactions, based on type, date, and amount. In the import illustrated above, Manager does not recognize any duplicates and imports all transactions.

After the import is complete, BILLBOOKS returns you to a list of uncategorized transactions. Here, imported transactions are displayed in one of two ways:

- Those recognized according to an existing bank rule have their tentative posting `Account` listed in green.
- Transactions not recognized by a bank rule are assigned to the *Suspense* account, awaiting editing or creation of a new bank rule.

The illustration below shows a portion of the `Uncategorized transactions` list for the import shown above. Of transactions shown, only one was recognized under a bank rule:



`Edit` transactions to post them to proper accounts or add descriptions or other information. When a transaction has been allocated to an account, it will disappear from the list. If the transaction is likely to be repeated in the future, click `New Bank Rule` to define a rule that will recognize and categorize it automatically next time. The account assigned by the newly defined bank rule will be shown. When all transactions have been allocated to desired accounts, check boxes for those you want to update and click `Bulk Update`. (In most situations, this will include only those recognized by bank rules, because any that were edited by selecting accounts will no longer appear in the list.)

Notes
Transactions categorized by bank rules are only tentatively assigned to accounts. Until they are selected and updated with the `Bulk Update` button, the categorization is not final.

Many imported bank transactions will not contain entries in the `Payer` or `Payee` fields, as many banks include this information in the `Description` field. Unless you edit such transactions manually, your transactions will be partially incomplete. This can result in various reports being less informative than normal. Remedy this situation by editing the transactions to manually copy payer/payee information to the correct fields.

Caution
Bank statement imports have the potential to duplicate transactions already entered either manually or by prior import. They might also eliminate transactions erroneously as duplicates when dates and amounts are the same. (This could happen, for example, when a frequent customer buys the same thing several times in one day and some transactions are entered manually.) To minimize problems, thoroughly review imported transactions when the process is complete. The bank statement import feature is meant to save time in data entry, not substitute for regular review and oversight.

5.2.5 Use bank rules to categorize imported transactions

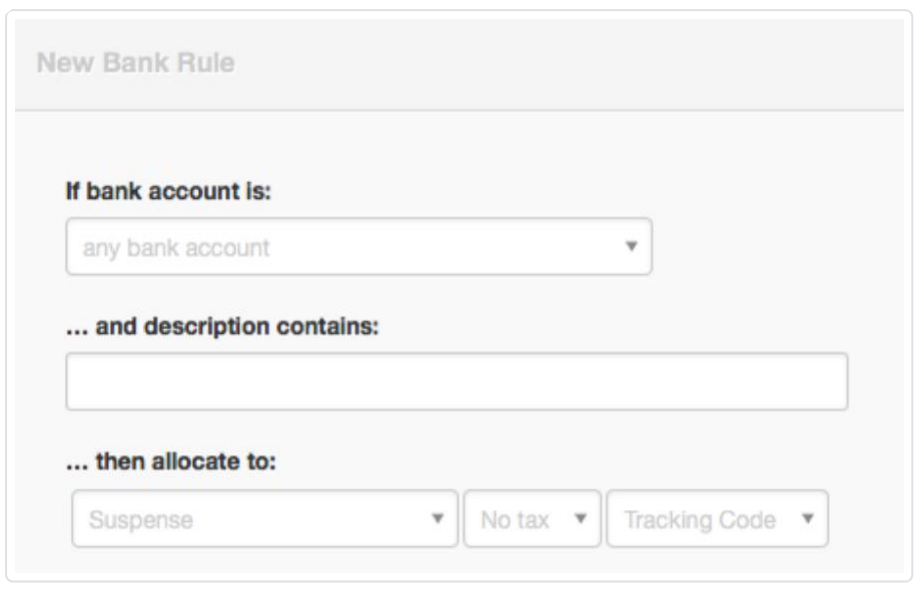
Bank rules are decision criteria you define so BILLBOOKS can automatically categorize or post transactions to correct accounts when you import bank statements. Procedures for importing statements are described in another Guide.

Define, edit, or delete a bank rule

Bank rules can be defined, edited, or deleted in the `Settings` tab after clicking `Bank Rules`:



To define a new bank rule, click `New Bank Rule` and complete the description:

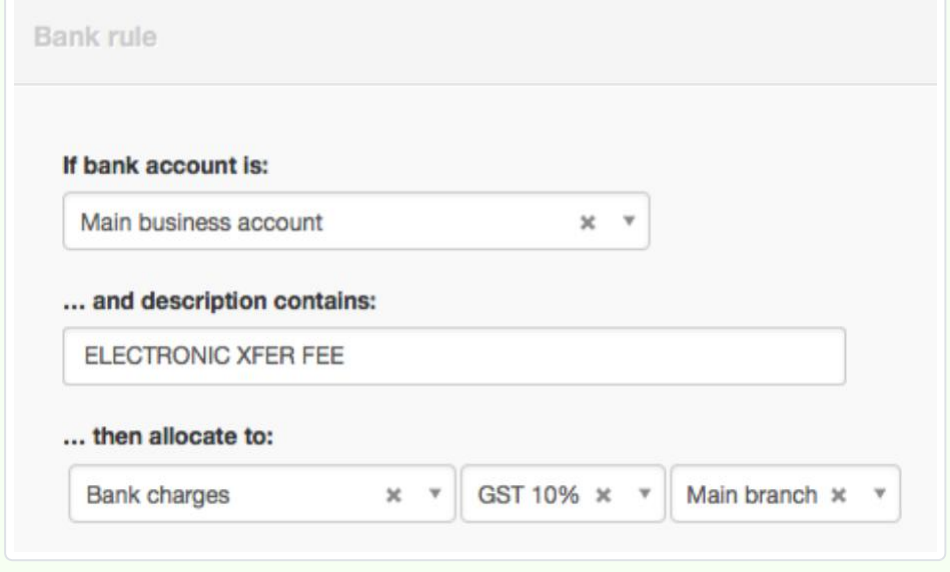


- Select the bank account you have imported under `If bank account is:`.
- Enter your search criteria under `…and description contains:`.
- Specify the posting account and tax and tracking codes to apply (if any) under `…then allocate to:`. (If no tax or tracking codes exist, these fields are not visible)

Note
When a control account is selected, such as *Accounts receivable* or *Billable expenses*, an additional dropdown field will appear beside the account field to select a subsidiary ledger, such as the customer. If a subsidiary ledger is not selected, transactions fitting the search criteria will be posted to *Suspense*.

Click `Create` when finished. To edit or delete a bank rule, click the `Edit` button to the left of the rule. Edit as desired and click `Update` or click `Delete`.

Example
Jose knows his domestic wire transfer charges are always described in his bank statements as ELECTRONIC XFER FEE. So he creates a bank rule to automatically post any transaction in his main bank account with the words ELECTRONIC XFER FEE to his *Bank charges* expense account. Jose also knows that bank charges are subject to a 10% goods and services tax (GST). He tracks income and expenses for his branch offices separately using tracking codes. So he makes matching selections in appropriate fields:

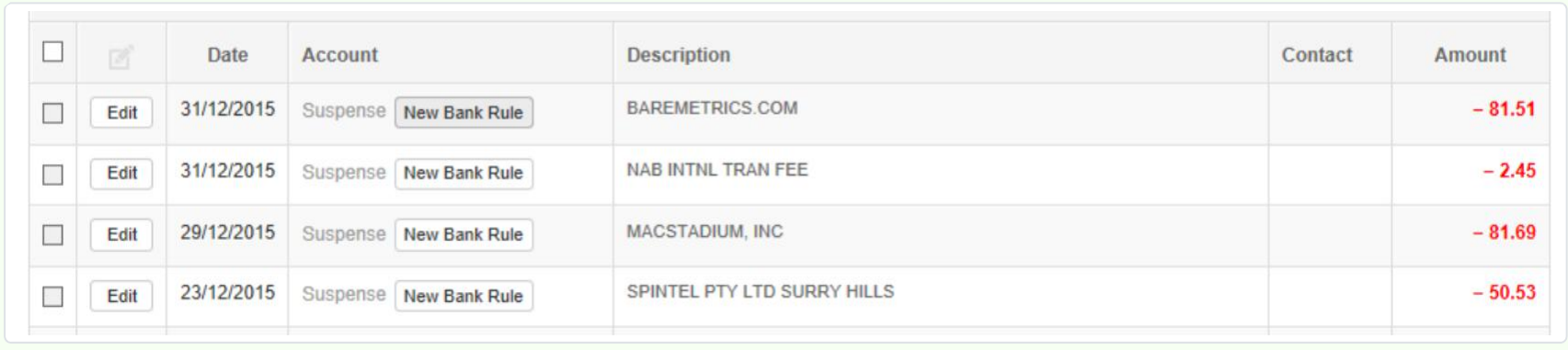


Define a bank rule during categorization

After a bank statement has been imported, BILLBOOKS returns you to a list of uncategorized transactions. Here, imported transactions are displayed in one of two ways:

- Those recognized according to an existing bank rule have their tentative posting `Account` listed in green.
- Transactions not recognized by a bank rule are assigned to the *Suspense* account, awaiting editing or creation of a new bank rule.

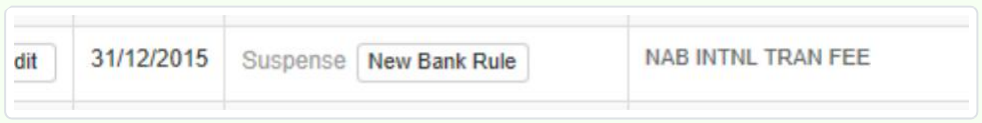
Example
Xuan imports a bank statement. All transactions are initially uncategorized because none matched existing bank rules:



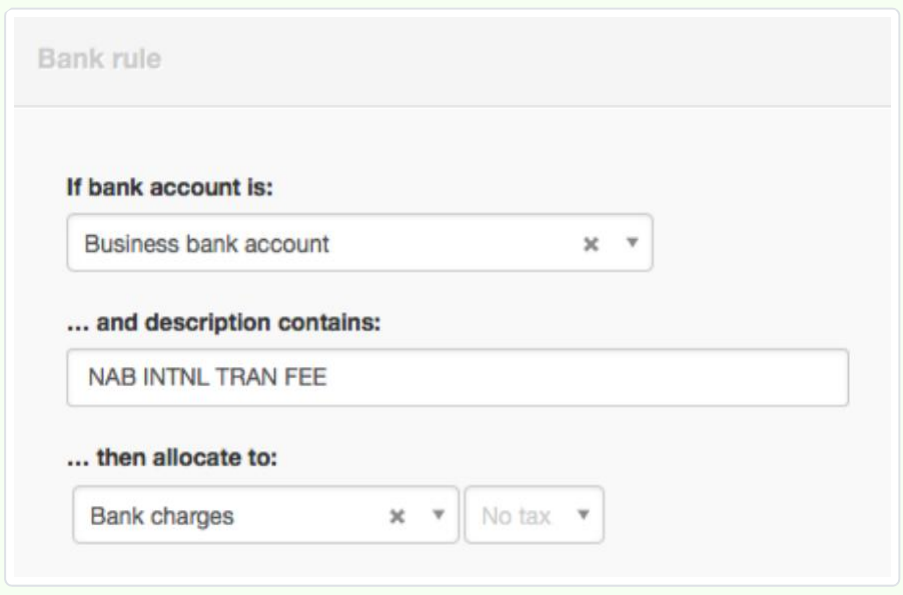
		Date	Account	Description	Contact	Amount
☐	Edit	31/12/2015	Suspense New Bank Rule	BAREMETRICS.COM		– 81.51
☐	Edit	31/12/2015	Suspense New Bank Rule	NAB INTNL TRAN FEE		– 2.45
☐	Edit	29/12/2015	Suspense New Bank Rule	MACSTADIUM, INC		– 81.69
☐	Edit	23/12/2015	Suspense New Bank Rule	SPINTEL PTY LTD SURRY HILLS		– 50.53

Uncategorized transactions must be categorized, either by manual editing or with a new bank rule and bulk categorization.

Example
Xuan sees that international wire transfer fees always show the same way in her bank statements. So she creates a bank rule for them by clicking the `New Bank Rule` button on the applicable transaction line:

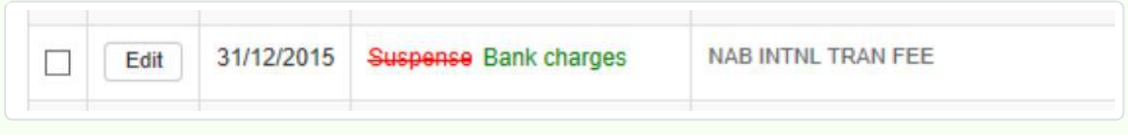


She sets a description that Manager will recognize for such fees, directing all bank account transactions from the *Business bank account* containing *NAB INTL TRAN FEE* in their descriptions to be categorized under her *Bank charges* expense account. Such transactions are not taxable in Xuan's jurisdiction:



After creating a bank rule, you are taken back to the uncategorized transactions screen, where you will notice the bank statement transaction has successfully been matched by the new bank rule.

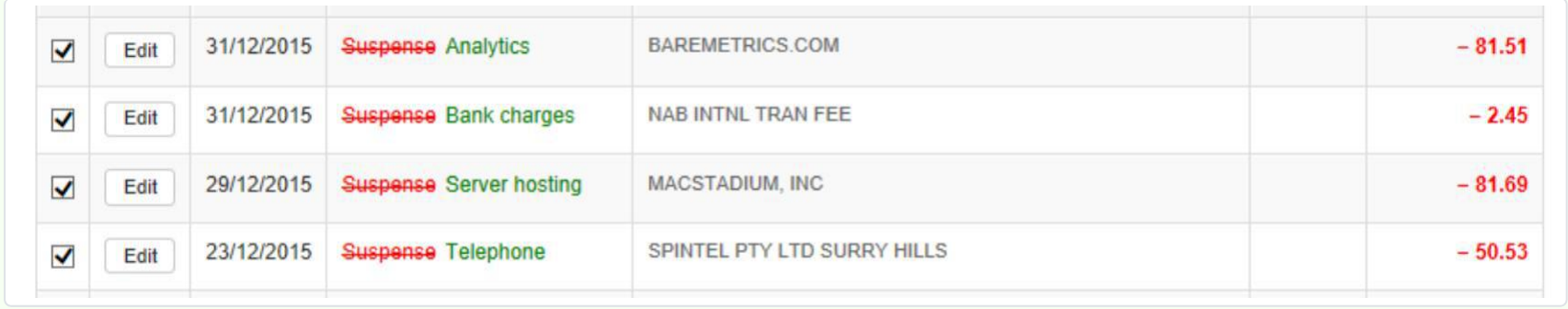
Example
Xuan's bank charge now has a tentative allocation:



You should create bank rules for all transactions likely to recur, being careful not to include in the bank rule any transaction details that are unique, such as reference numbers, invoice numbers, or dates. Once-off transactions that are infrequent should be categorized individually by clicking `Edit` rather than by creating bank rules. Transactions you edit will disappear from the bulk categorization screen.

Once you have added all your bank rules, select all transactions matched by new bank rules by checking their boxes. Click `Bulk Update` at the bottom. All selected bank transactions with matching bank rules will be recategorized and taken off the list. Bank rules you created will be saved, so when you import bank statements again, BILLBOOKS will match new bank transactions to existing bank rules, reducing the time needed to categorize them.

Example
Xuan defines additional bank rules, then checks all boxes for the bulk update:

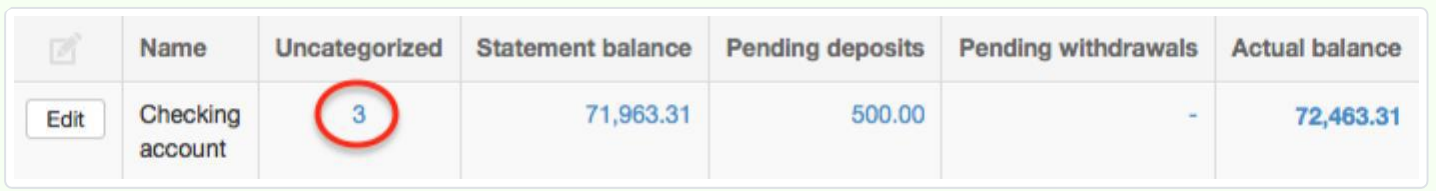


☑	Edit	31/12/2015	~~Suspense~~ Analytics	BAREMETRICS.COM		– 81.51
☑	Edit	31/12/2015	~~Suspense~~ Bank charges	NAB INTNL TRAN FEE		– 2.45
☑	Edit	29/12/2015	~~Suspense~~ Server hosting	MACSTADIUM, INC		– 81.69
☑	Edit	23/12/2015	~~Suspense~~ Telephone	SPINTEL PTY LTD SURRY HILLS		– 50.53

Define a bank rule after categorization

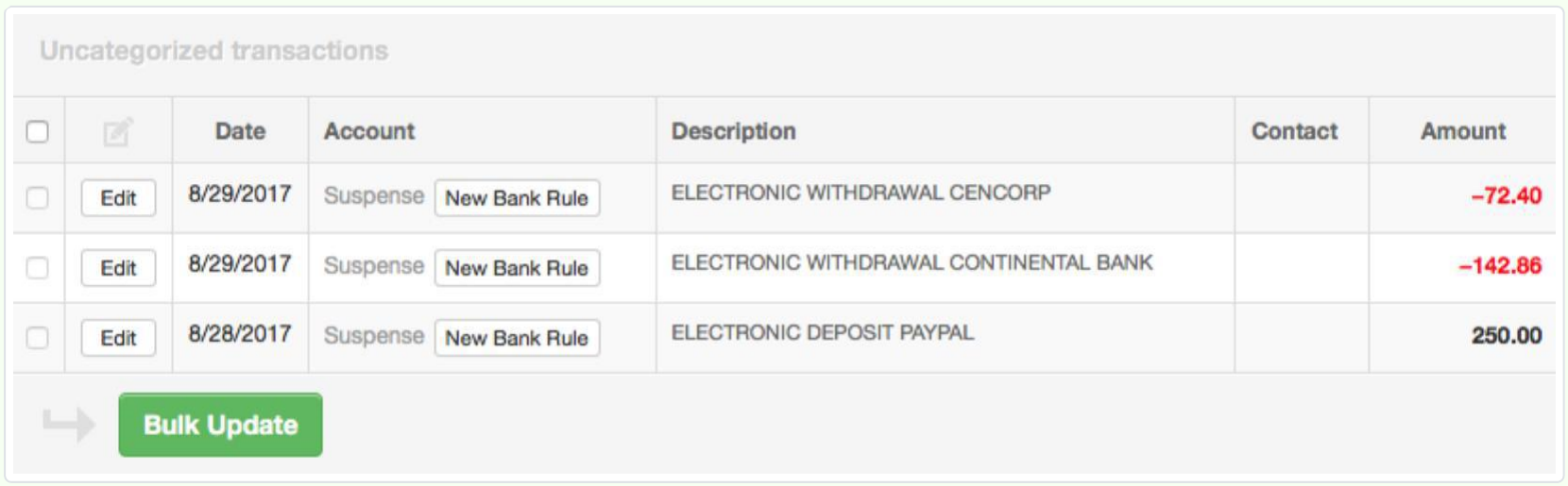
If transactions are not categorized automatically by existing bank rules or by defining new bank rules, they show as `Uncategorized` under the `Bank Accounts` tab:

Example
Northwind Traders has three uncategorized transactions in its checking account:



	Name	Uncategorized	Statement balance	Pending deposits	Pending withdrawals	Actual balance
Edit	Checking account	3	71,963.31	500.00	-	72,463.31

These are revealed by clicking on the blue number:



Uncategorized transactions

☐		Date	Account	Description	Contact	Amount
☐	Edit	8/29/2017	Suspense New Bank Rule	ELECTRONIC WITHDRAWAL CENCORP		–72.40
☐	Edit	8/29/2017	Suspense New Bank Rule	ELECTRONIC WITHDRAWAL CONTINENTAL BANK		–142.86
☐	Edit	8/28/2017	Suspense New Bank Rule	ELECTRONIC DEPOSIT PAYPAL		250.00

Bulk Update

From this screen, Northwind can define new bank rules or edit transactions the same way as when importing a bank statement.

Caution
The possibility always exists that a bank rule will incorrectly categorize a transaction with unanticipated characteristics. When you complete the categorization process, review the results.

5.2.6 Make cash sales (sell without sales invoices)

A **cash sale** occurs when a customer pays for goods or services immediately upon delivery. No credit is extended by the seller. No account receivable is created. Resulting revenue is posted immediately to an income account, regardless of whether the business uses accrual or cash basis accounting. Therefore, **no sales invoice is required**. The entire transaction occurs in a single step.

> **Note**
> A cash sale does not need to involve receipt of physical cash. Money can be received via any form of exchange and deposited into either a cash or bank account. The distinguishing feature is that credit is not extended by the seller to the customer.

Cash sales are entered in exactly the same way as any other receipt. They should specifically list any inventory items sold. A copy of the receipt can be given to the customer as evidence of the sale.

When a cash sale is entered, any available credits the customer may have from credit notes or returns will not be applied. This is because such credits are recorded in customers' subaccounts in *Accounts receivable*, which is not invoked for cash sales. To use such credits, a sales invoice must be used instead.

When a customer statement is created, cash sales for that customer will not be included. If a complete record of sales to a specific customer is desired, sales invoices must again be used.

When many cash sales are made, such as to walk-in customers in a retail shop, a single receipt summarizing the day's sales can be entered into BILLBOOKS. A cash register or point-of-sale system can be used to record individual sales, issue customer receipts, and manage cash in a till.

5.2.7 Make cash purchases (purchase without purchase invoices)

A **cash purchase** occurs when a business pays for goods or services immediately upon ordering or delivery. No credit is extended by the supplier. No account payable is created. The resulting expense is posted immediately to an expense account, regardless of whether the business uses accrual or cash basis accounting. Therefore, **no purchase invoice is required**. The entire transaction occurs in a single step.

> **Note**
> A cash purchase does not need to be paid in physical cash. It can be paid via any form of exchange. Its distinguishing feature is that credit was not extended by the supplier.

Cash purchases are entered in exactly the same way as any other payment. They should specifically list any inventory items purchased.

When a cash purchase is entered, any available credits you may have with the supplier from debit notes or returns will not be applied. This is because such credits are recorded in suppliers' subaccounts in *Accounts payable*, which is not invoked for cash purchases. To use such credits, a purchase invoice must be entered instead.

When a supplier statement is created, cash purchases from that supplier will not be included. If a complete record of purchases from a specific supplier is desired, purchase invoices must again be used.

5.2.8 Record customer deposits and advances

Customer deposits and advances are funds received by a business from a customer before they have been earned. While the funds may be present in a bank or cash account of the business, they are actually being held in trust for the customer and represent a liability the business must eventually either repay or convert to income by completion of the economic activity for which they are intended. Some examples include:

- Deposits accompanying purchase orders for custom manufacturing
- Receipts from prepayments for services or utilities to be invoiced later to the customer
- Deposits received for confirmation of hotel reservations
- Cleaning or damage deposits for rental property received from tenants

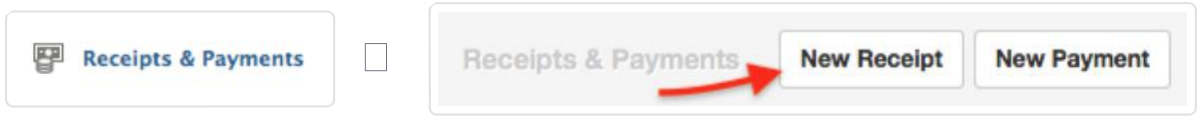
Accounting for deposits and advances

Two essential facts must be recorded for every deposit or advance:

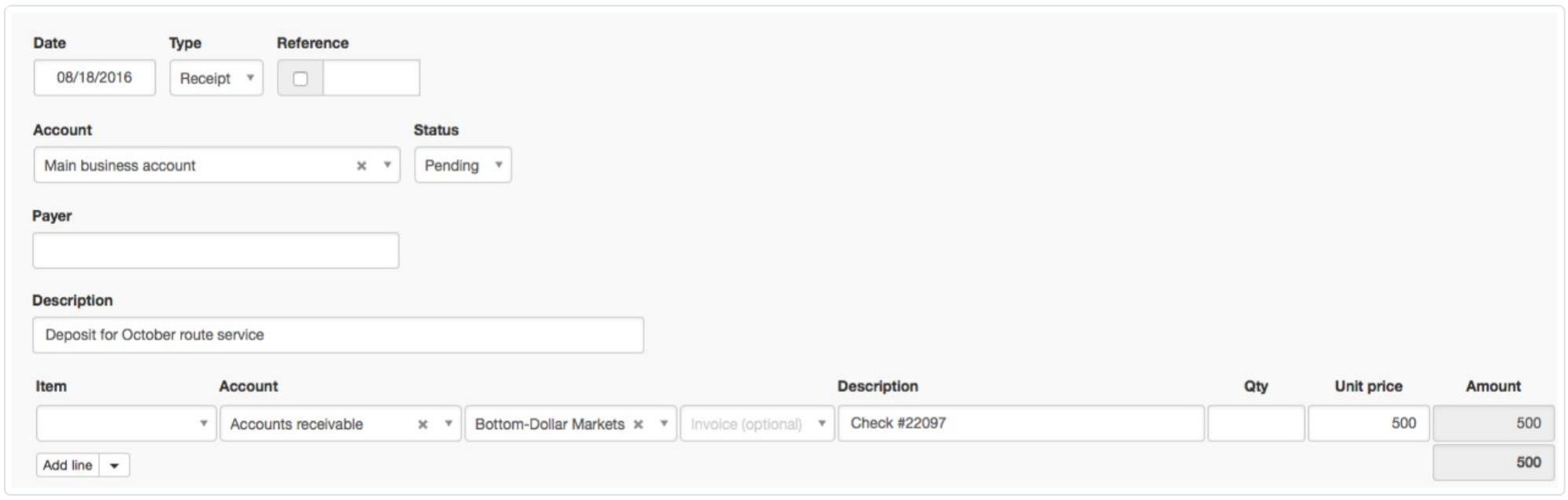
- **Customer** - who is making the deposit?

- **Amount** - how much is the deposit?

In BILLBOOKS, both facts are recorded simultaneously when the deposit or advance is received. To receive a deposit, go to the `Receipts & Payments` tab and click `New Receipt`:



Complete the receipt form as you would for any other receipt. Do not select anything in the `Item` field. Select *Accounts receivable* and the customer's subaccount. **Leave the `Invoice` field blank.** A quantity is not required, because no inventory items or billable items are involved with a deposit. You may simply enter the total deposit in the `Unit price` field. However, if you wish, enter the quantity and unit price and BILLBOOKS will calculate a total amount:

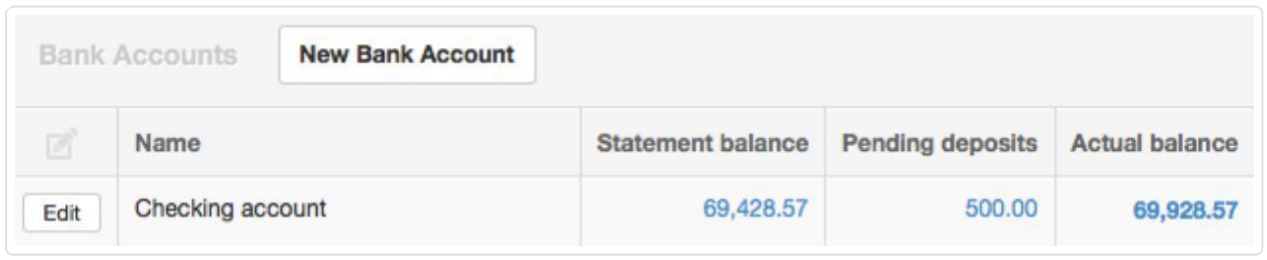


Click `Create` to finish.

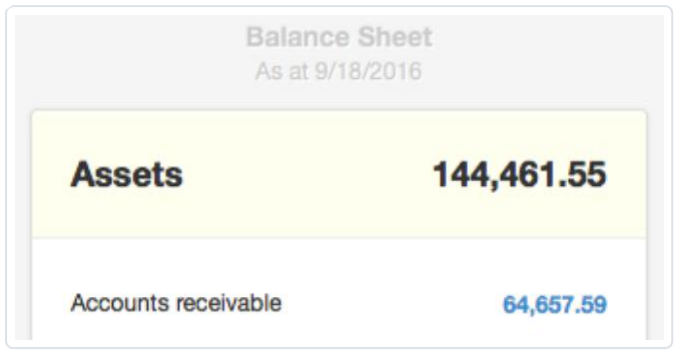
> **Note**
> Deposits, even those involving calculations with quantities and unit prices, have no impact on inventory values or quantities because no inventory item is designated.

Using deposits and advances

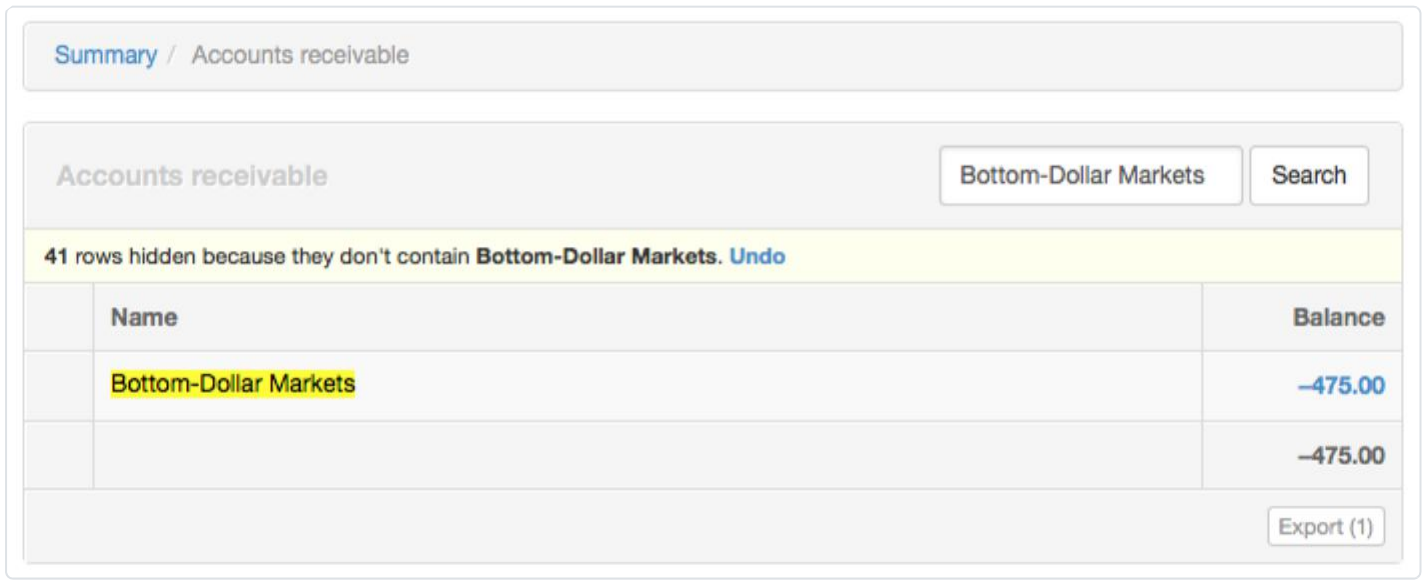
The receipt will now be added to the applicable bank or cash account's balance. If marked as pending, it will show in the `Pending deposits` column:



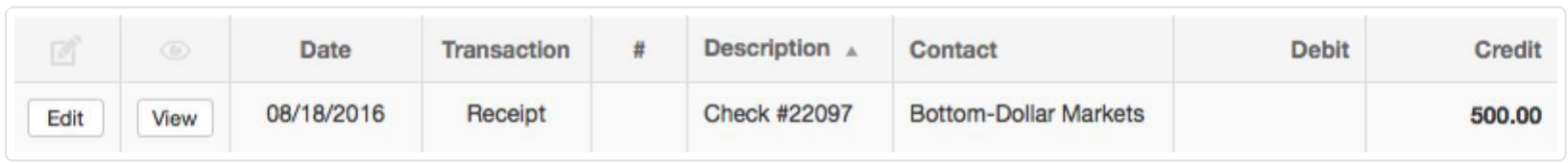
The deposit also reduces the total *Accounts receivable* balance, though the effect of a specific deposit may be obscured on the Balance Sheet if there are other deposits from any customers:



To view specific information about customer deposits, you must first drill down by clicking the *Accounts receivable* balance and locating the customer's account `Balance`:



Clicking on the balance, you can see transactions contributing to it, including the recent deposit:



You can do the same thing in the `Customers` tab, with identical results.

Whenever a sales invoice is created for a customer, any available net credit in that customer's *Accounts receivable* balance will be automatically applied, reducing the balance due on the new sales invoice.

> **Note**
> Deposits and advances cannot be applied on sales recorded only via cash receipts. Such transactions are not processed through *Accounts receivable*, so Manager cannot apply any available balance. If you sell to a customer on a cash-and-carry basis, but wish to apply an existing deposit or advance, you must create and receive money against a sales invoice in separate transactions.

5.2.9 Record supplier deposits and advances

Supplier deposits and advances are funds paid by a business to a supplier before they have been earned. While the funds may be in the supplier's hands, they are actually being held in trust for the business that pays the deposit and represent a liability the supplier must eventually either repay or convert to income by completion of the economic activity for which they are intended. Some examples include:

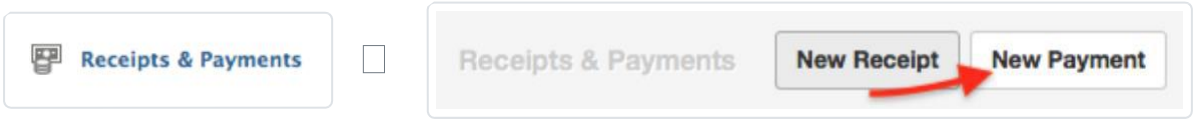
- Deposits accompanying purchase orders for custom manufacturing
- Prepayments for services or utilities to be invoiced later by the supplier
- Deposits to hotels for confirmation of reservations
- Deposits to landlords by tenants of rental property for cleaning or potential damages

Accounting for deposits and advances

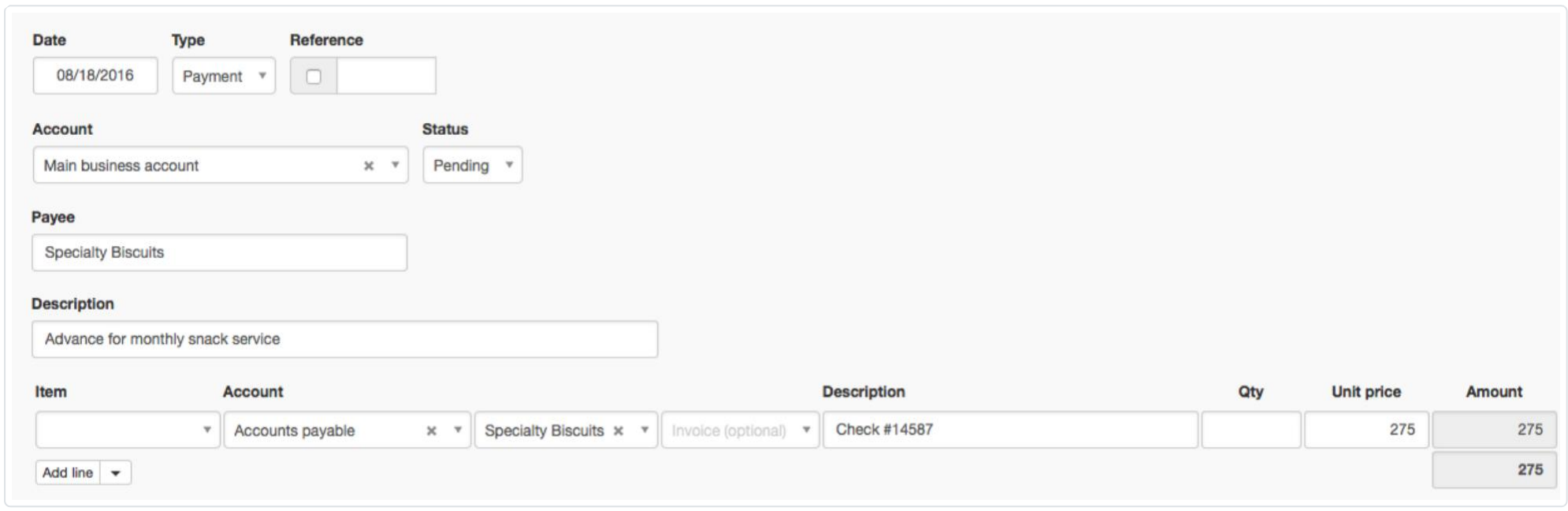
Two essential facts must be recorded for every deposit:

- **Supplier** - who is receiving the deposit?
- **Amount** - how much is the deposit?

In BILLBOOKS, both facts are recorded simultaneously when the deposit or advance is paid out. To record payment of a deposit, go to the `Receipts & Payments` tab. Select `New Payment`:



Complete the payment form as you would for any other payment. Leave the `Item` field blank. Select *Accounts payable* and the supplier's subaccount. **Leave the `Invoice` field blank.** A quantity is not required, because no inventory items or billable items are involved with a deposit. You may simply enter the total deposit in the `Unit price` field. However, if you wish, enter the quantity and unit price and BILLBOOKS will calculate a total amount:

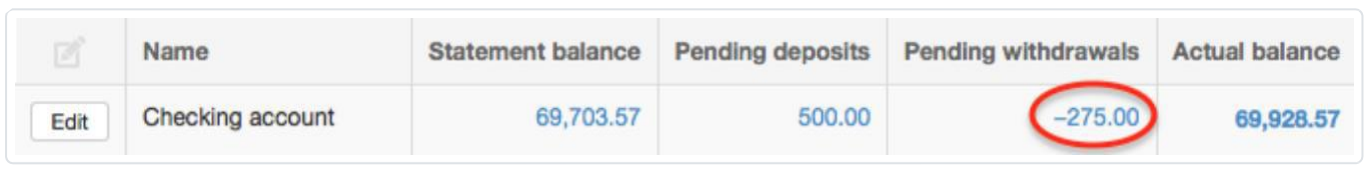


Click `Create` to finish.

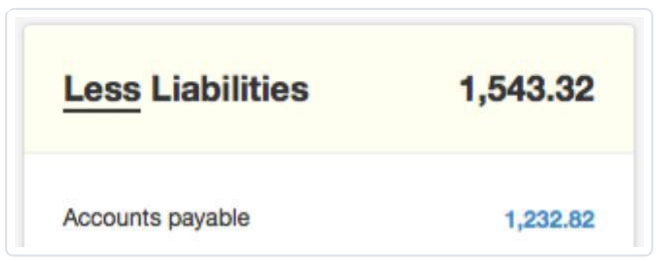
> **Note**
> Deposits, even those involving calculations with quantities and unit prices, have no impact on inventory values or quantities because no inventory item is designated.

Using deposits and advances

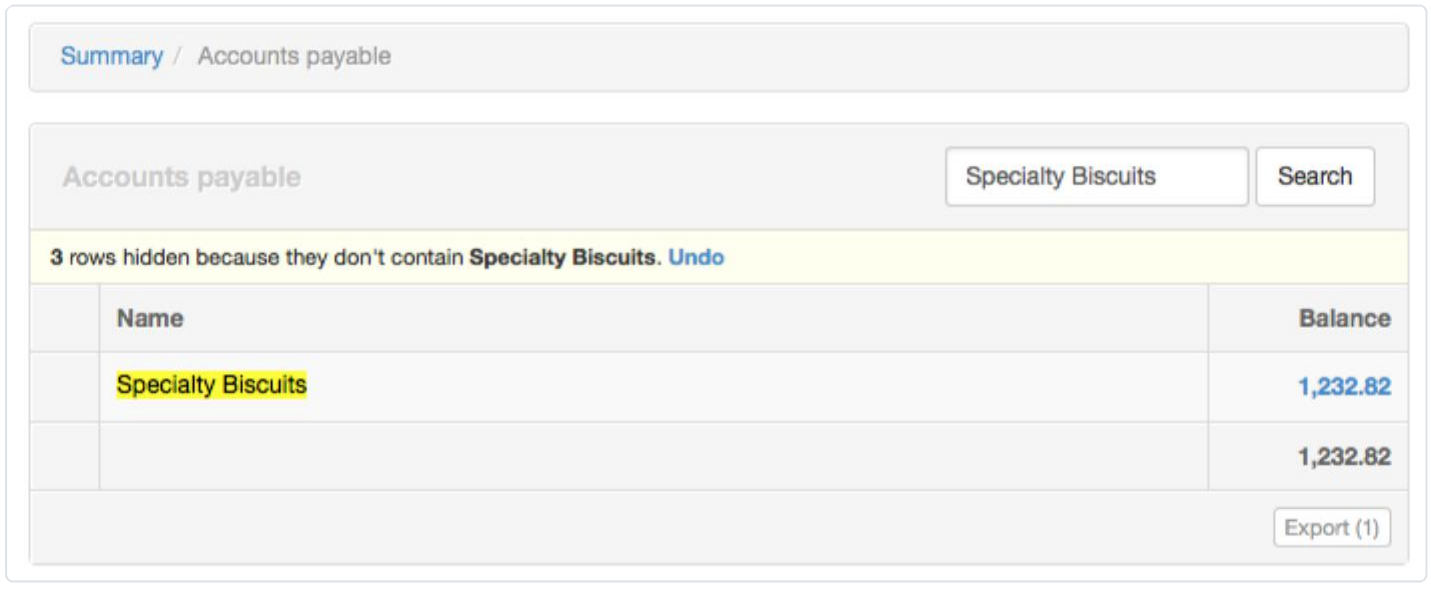
The payment will now be deducted from the applicable bank or cash account's balance. If from a bank account and marked as pending, it will show in the `Pending withdrawals` column under the `Bank Accounts` tab:



The deposit also reduces the total *Accounts payable* balance, though the impact of a specific deposit may be obscured on the Balance Sheet if other amounts are owed to any supplier:



To view specific information about supplier deposits, you must first drill down by clicking the *Accounts payable* balance and locating the supplier's account `Balance`:



Clicking on the balance, you can see transactions contributing to it, including the recent deposit payment:

		Date	Transaction	#	Description	Contact	Amount	Balance
Edit	View	08/31/2017	Payment		Check #14587	Specialty Biscuits	- 275.00	1,232.82

You can do the same thing in the `Suppliers` tab, with identical results.

Whenever a purchase invoice is created for a supplier, any available net debit in that supplier's *Accounts payable* balance will be automatically applied, reducing the balance due on the new purchase invoice.

> **Note**
> Deposits and advances cannot be applied on purchases recorded only via cash payments. Such transactions are not processed through *Accounts payable*, so Manager cannot apply any available balance. If you purchase from a supplier on a cash-and-carry basis, but wish to apply an existing deposit or advance, you must create and pay off a purchase invoice in separate transactions.

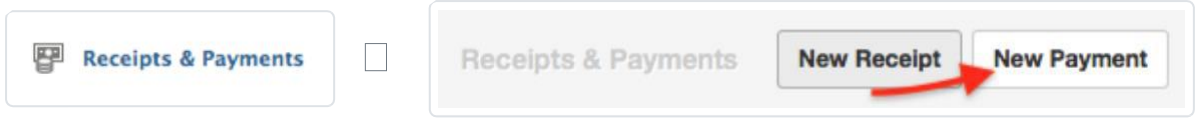
5.2.10 Pay a refund

Sometimes, a business owes money to a customer and must **pay a refund**. Two basic situations may exist, requiring slightly different procedures:

- A refund is being paid from a cash sale or without reference to the customer's *Accounts receivable* balance.
- A customer defined under the `Customers` tab has paid in advance, paid more than was owed, or has been issued a credit note, so a credit is being reported as a negative balance (or entry) in *Accounts receivable*.

Refunds from cash sales

In the `Receipts & Payments` tab, click `New Payment`:



A payment entry screen will appear. Complete the form as you would for any other payment. In particular, complete a line item for the refund:

Item	Account	Description	Qty	Unit price	Amount		Tax	Tracking Code
	Suspense			0	0	EUR	No tax	Tracking Code

- If an inventory or non-inventory item was involved in the original purchase, choose it in the `Item` field. Most of the remaining fields will fill automatically, but may be edited.
- `Account` should be the same one to which the original purchase was posted. Because this is a payment, BILLBOOKS will deduct the appropriate amount from an income account, add to *Inventory on hand*, and reduce *Tax payable*.
- `Description` describes the return/refund.
- `Qty` is the number of units being refunded. If an inventory item is not actually being returned, but only adjusted in price, enter zero or leave blank.
- `Unit price` is the amount being refunded per unit of return. If only a partial refund is being made, enter the actual amount being refunded.
- Choose the same `Tax` code used for the original transaction.
- Select a `Tracking Code` if appropriate.

Click `Create` when the form is complete. Remember to pay the customer.

Refunds of credit balances

Customer credit balances will be automatically applied to the customer's next invoice:

	Qty	Unit price	Amount
	24	4.50	108.00
	13	6.00	78.00
		Total	**186.00**
		Less: Receipt — 08/25/2018	100.00
		Balance due	**86.00**

But if the next invoice is unlikely to be issued soon or the customer has requested the credit be refunded, make a payment to reduce the credit balance. Most procedures are identical to refunds from cash sales as described above. However, for `Account`, select *Accounts receivable*, then select the *Customer*. If the refund is associated with a specific invoice, select it in the `Invoice (optional)` field. Otherwise, leave that field blank:

Account	Description	Qty	Unit price	Amount		Tax
Accounts receivable × ▾	Seven Seas Imports × ▾	Invoice (optional) ▾	Refund for spoiled product		1000	1,000	EUR	VAT 20% × ▾

Click `Create` to save the transaction.

> **Caution**
> Refunding a credit balance only reduces the customer's *Accounts receivable* balance. It does **not** adjust inventory or tax accounts. To do that, you **must** issue a credit note first.

5.2.11 Exchange inventory

For purposes of this Guide, you **exchange inventory** when either:

- A customer returns one or more previously sold inventory items to you and receives different inventory items from you, or
- You return one or more previously purchased inventory items to a supplier and receive different inventory items from the supplier,

and no credit is involved in the transaction. That means:

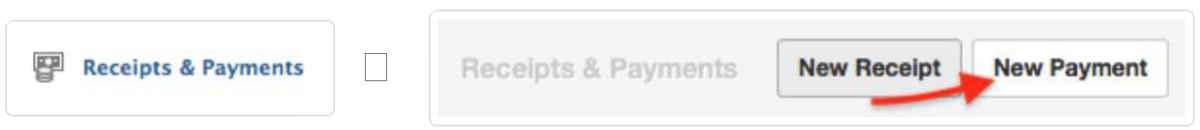
- Neither *Accounts receivable* from a customer nor *Accounts payable* to a supplier is adjusted, and
- No credit or debit note is involved.

In other words, an **exchange** occurs when all movement of funds and inventory is accomplished in a single transaction. If the items exchanged are not of equal value, movement of funds can be via bank or cash transaction.

Customer returns goods

Conceptually, a customer exchanging inventory is equivalent to you buying back the item(s) the customer originally purchased and selling the new item(s) to the customer. In fact, you could enter two separate transactions. But there is a simpler way that produces identical results.

In the `Receipts & Payments` tab and click on `New Payment`:



On the payment form, list all inventory items the customer is returning and their quantities. Include any tax code that was applied to the original sale.

Next, list all inventory items the customer is buying in the exchange and their quantities. **Because you are effectively receiving money for the replacement item(s) rather than paying, enter the replacement quantities as negative numbers.** Again, include any applicable tax code.

Click `Create` to record the exchange.

Example

Brilliant Industries previously sold a ceramic table lamp to Bob's Hardware on a cash basis. Bob's Hardware realizes it purchased the wrong product and wants to exchange the lamp for a lamp kit. Because these are wholesale transactions, no tax is assessed on any portion of the transaction.

Prior to the exchange, Brilliant's Balance Sheet shows 1,000 in *Cash on hand* and *Inventory on hand* worth 4,432.53:

Assets	7,395.73
Accounts receivable	2,395.70
Cash at bank	–432.50
Cash on hand	1,000.00
Inventory on hand	4,432.53

Brilliant's `Inventory Items` list reveals it owns 18 table lamps and 5 lamp kits:

Inventory Items — New Inventory Item — Search — Search

	Item code	Item name	Description	Location	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade		195.00	345.00	Each	0	18	0	18	187.77	**3,379.93**
Edit	222	Lamp kit	Ceramic lamp base with socket		87.00	123.00	Each	0	6	1	5	99.40	**497.00**

The payment form is completed as shown below. Note the negative quantity for the replacement item:

Date 08/25/2018 — **Type** Payment — **Reference**

Account Petty cash

Payee Bob's Hardware

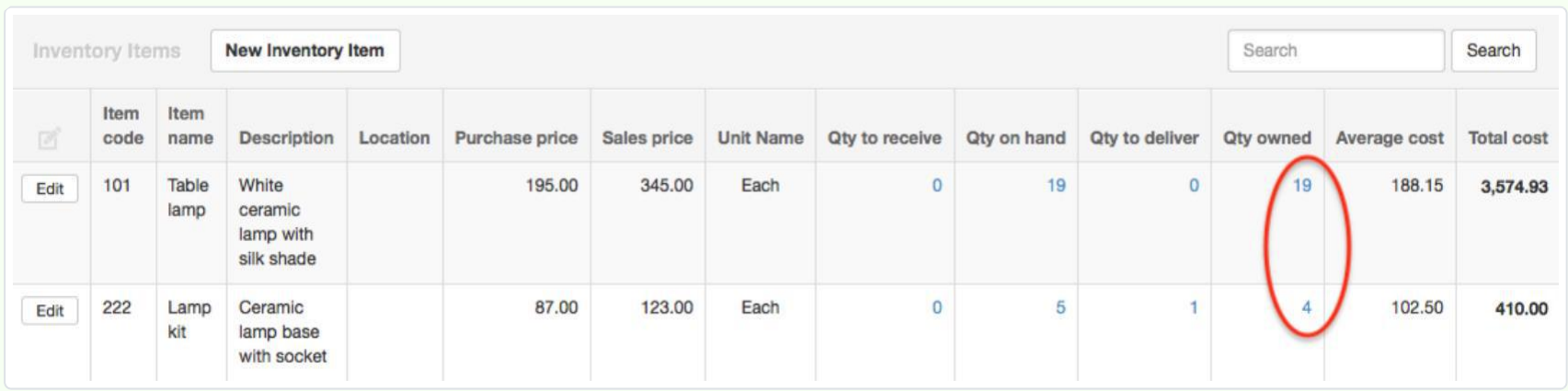
Description Cash exchange

Item	Account	Description	Qty	Unit price	Amount
101 - Table lamp	Inventory on hand	White ceramic lamp with silk shade	1	195	195
222 - Lamp kit	Inventory on hand	Ceramic lamp base with socket	-1	87	-87
Add line					108

Because the returned item is worth more than the replacement item, Brilliant owes Bob's Hardware 108. When the transaction is complete, the Balance Sheet has been adjusted, showing less *Cash on hand* and increased *Inventory on hand*:



Inventory quantities have also been adjusted. Table lamps have increased by 1 and lamp kits have decreased by 1:



	Item code	Item name	Description	Location	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade		195.00	345.00	Each	0	19	0	19	188.15	3,574.93
Edit	222	Lamp kit	Ceramic lamp base with socket		87.00	123.00	Each	0	5	1	4	102.50	410.00

Note
If replacement items are worth more than returned items, the customer will owe additional money. This will be shown by a negative total. (A negative payment is the same as a receipt.)

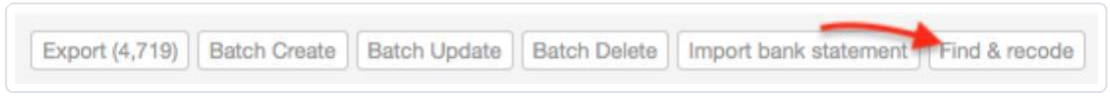
You return goods to a supplier

When you exchange inventory with a supplier, you are effectively selling back the items you originally purchased and buying replacements. The procedure for recording the transaction is basically the reverse of the one described above:

- Enter a new receipt to either a cash or bank account.
- Enter item(s) you return with positive quantities.
- Enter replacement item(s) you receive with negative quantities. (A negative receipt is a payment.)
- A positive receipt total means the supplier owes you money. A negative receipt total means you owe the supplier additional money.

5.2.12 Find and recode bank transactions

The main screen of the `Receipts & Payments` tab includes a `Find & recode` button at the bottom to assist with bulk recoding of bank transactions to different accounts:



This feature is often useful for posting transactions from imported bank statements to proper accounts when they are not handled automatically by bank rules. It can also be used in other situations, including when new accounts are added.

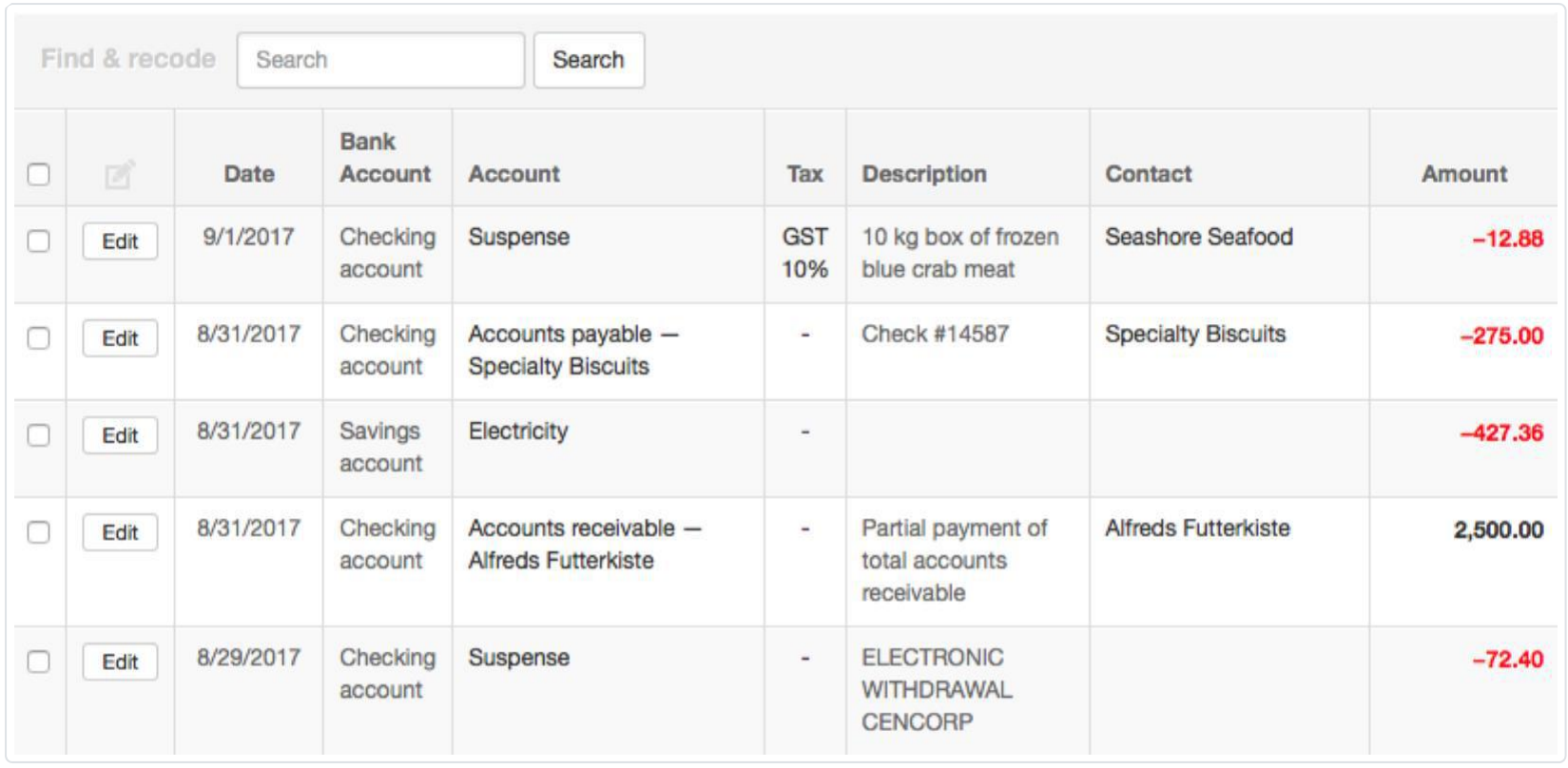
Note
Transactions in cash accounts are not included in the `Find & Recode` function.

Examples
Northwind Traders routinely contributes money to charities in return for acknowledgement in the charities' publications. The business believes local regulations allow a deduction from income for the donations. However, at the end of the fiscal year, the company's accountant determines that such contributions are not eligible for treatment as charitable donations, but only as advertising expenses. So every donation recorded during the year must be recoded from a *Donations* account to an *Advertising and promotion* expense account. This can be done very quickly using `Find & recode`.

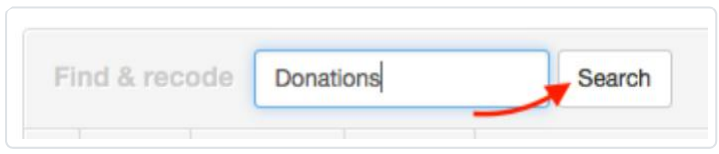
Mariana begins using Manager for her catering business, posting all sales to a generic *Sales* income account. After several months, she realizes she could make better marketing decisions if her sales were broken down into several categories. She renames her existing *Sales* account as *Business catering* and adds *Weddings* and *Private events* to her chart of accounts. Mariana then uses `Find & recode` to transfer wedding and private event sales to their new accounts, leaving her remaining business sales in the original, renamed account.

Finding transactions

Select `Find & recode`. A list of receipts and payments appears:

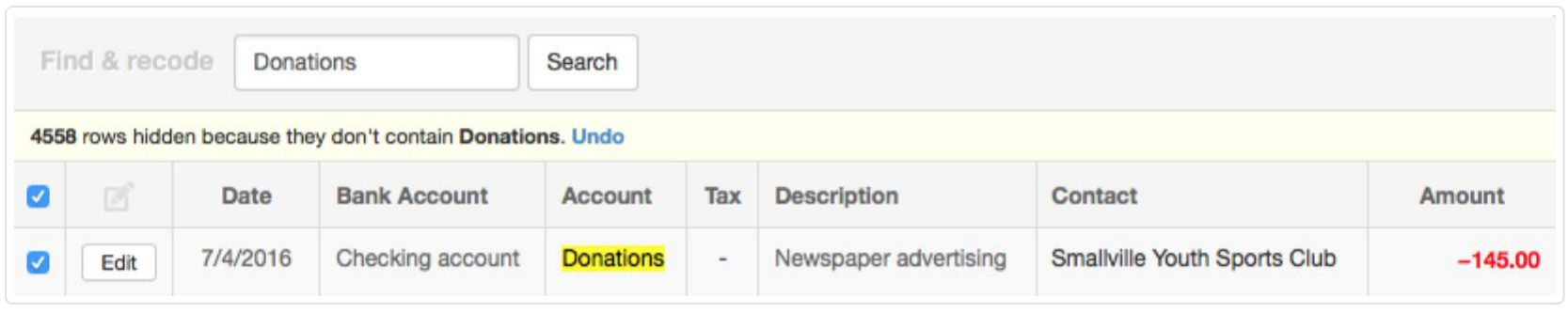


From this list, select transactions to be recoded directly by checking boxes in the lefthand column. Or, use the search function to narrow the list, in this example by entering the account name *Donations* and clicking `Search`:

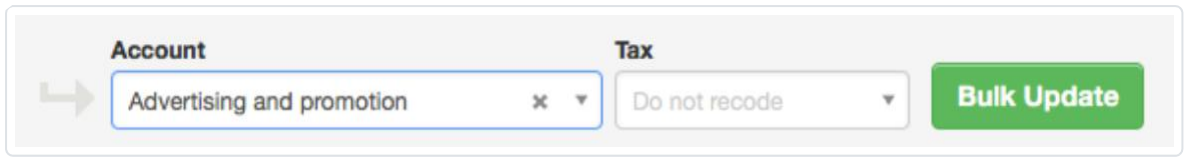


Recoding transactions

From the narrowed list, select specific transactions to be recoded:



Scroll to the end of the list and select the new account. If a tax code applies, choose one:



Click `Bulk Update` to recode all selected transactions to the new account:



		Date	Bank Account	Account	Tax	Description	Contact	Amount
☐	Edit	7/4/2016	Checking account	Advertising and promotion	-	Newspaper advertising	Smallville Youth Sports Club	−145.00

5.2.13 Record early payment discounts on receipts for sales invoices

An **early payment discount** is a reduction of the balance due on a sales invoice offered to a credit customer for payment by a deadline earlier than the regular due date. Early payment discounts are usually offered to incentivize faster payment and minimize carrying costs of receivables. Procedures for offering early payment discounts are covered in another Guide.

Example
Brilliant Industries regularly extends credit to customers by issuing sales invoices net 30 days. In other words, the due date on each new invoice is 30 days in the future. But it offers a 5% early payment discount if customers pay within 10 days.

Early payment discounts are recorded in two steps:

- Entering the reduced payment
- Creating a credit note to adjust account balances

Entering payment

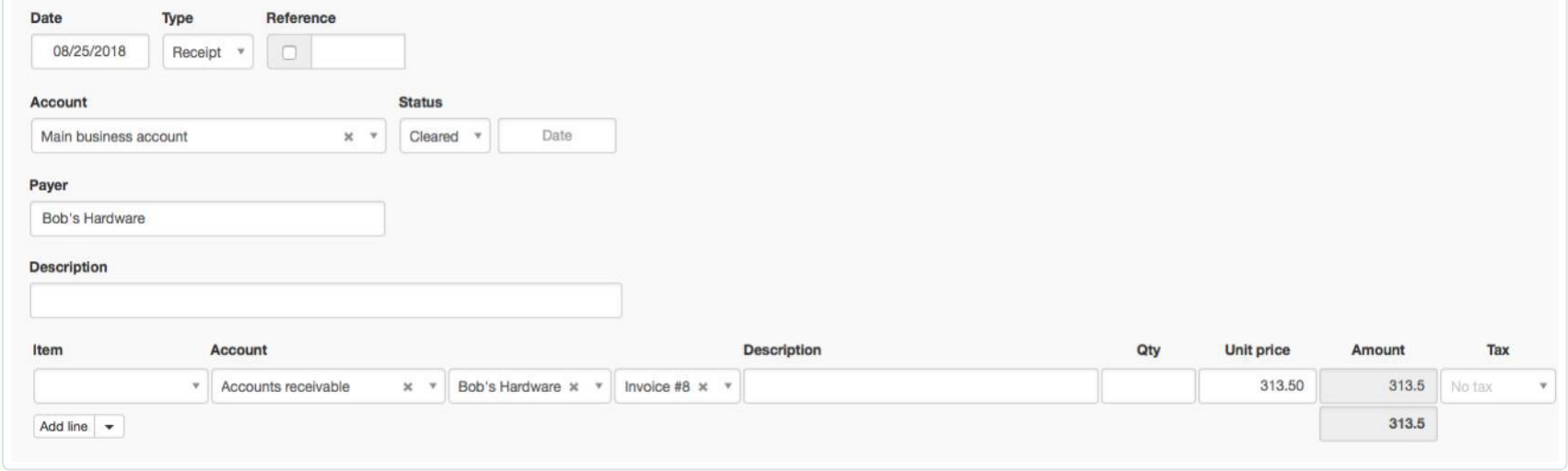
When entering a receipt from a customer paying early, enter the amount actually paid, posting to *Accounts receivable* and the customer's subaccount and invoice number. Do not apply any tax code. BILLBOOKS will automatically determine whether the payment qualifies for any early payment discount. If so, the discount will be shown on the sales invoice.

Example

Brilliant Industries raises a sales invoice to Bob's Hardware for 300.00 for a lamp kit. 10% tax is added. A 5% early payment discount is offered:

Code	Description	Kit	Unit price	Amount
150	Ceramic base, socket, silk shade, 2-m cord, 2 each 60 W bulbs	1	300.00	300.00
			Sub-total	300.00
			GST 10%	30.00
			Total	**330.00**
			Less: Early payment discount 5%	16.50
			Balance due if paid by 08/29/2018	**313.50**

Bob's Hardware pays 313.50 before the deadline. The receipt is entered as described:



BILLBOOKS determines the payment qualifies for the early payment discount and applies the discount to the sales invoice:

Code	Description	Kit	Unit price	Amount
150	Ceramic base, socket, silk shade, 2-m cord, 2 each 60 W bulbs	1	300.00	300.00
			Sub-total	300.00
			GST 10%	30.00
			Total	**330.00**
			Less: Receipt — 08/25/2018	313.50
			Balance due	**16.50**
			Less: Early payment discount 5%	16.50
			Balance due if paid by 08/29/2018	**0.00**

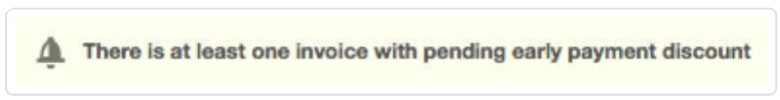
Creating the credit note

At this point, the transaction is not yet complete. Although the early payment discount has been recorded against the sales invoice, balances of *Accounts receivable* and applicable income accounts have not been reduced. That must be accomplished via a credit note.

Note

The label, "**Balance due if paid by ...**," and the accompanying zero amount serve as a reminder the transaction is not complete. The format may seem unusual, but the sales invoice should never be sent to a customer at this stage.

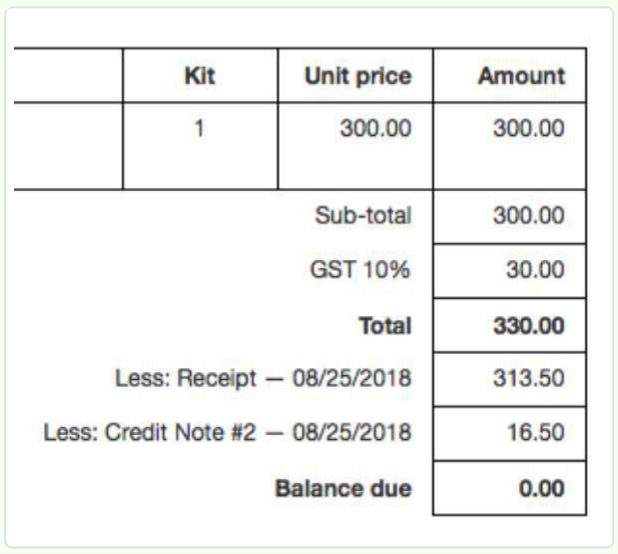
The next time the `Sales Invoices` tab is entered, a banner shows, indicating at least one sales invoice has a pending early payment discount:



After the banner is clicked, any credit notes required from pending early payment discounts are listed for review. Click `Create`. The `Credit Notes` tab is automatically enabled, if it is not already. Any necessary credit notes are created. *Accounts receivable* for the customer(s) involved and the relevant income account(s) are adjusted.

Example
Brilliant Industries clicks the notification banner and sees that Invoice #8 for Bob's Hardware has a pending early payment discount:

It clicks `Create` and recording of the payment with early payment discount is complete. The final form of the sales invoice eliminates the reminder text, displaying more conventional information:

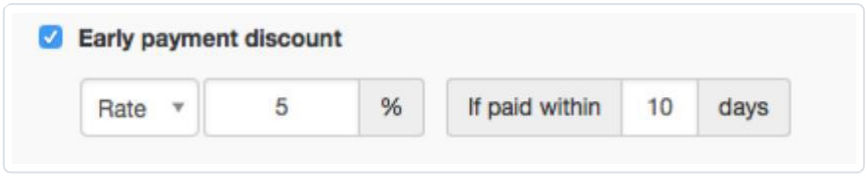


	Kit	Unit price	Amount
	1	300.00	300.00
		Sub-total	300.00
		GST 10%	30.00
		Total	**330.00**
		Less: Receipt — 08/25/2018	313.50
		Less: Credit Note #2 — 08/25/2018	16.50
		Balance due	**0.00**

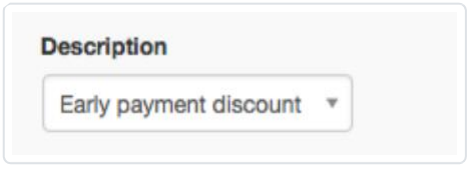
Note
By default, discounts on the credit note are posted to the same accounts as corresponding, original line items, using the same tax codes. These can be edited, though there is usually no need to do so. When the discount is a percentage, all line items are discounted by that same percentage. When a fixed-amount discount is involved, line items are discounted by proportionate amounts.

Knowledge of the early payment discount is preserved in three places:

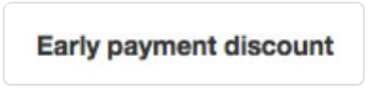
- On the input screen for the sales invoice itself:



- On the edit screen for the credit note:



- In the summary-level `Description` field for the finished credit note:



> **Caution**
> In most jurisdictions, an early payment discount is considered a price reduction, because it was offered as a condition of the sale. So tax is due only on the reduced price of goods or services. But in some jurisdictions, tax may be due on the original sale price. In that case, remove the tax code on the discount line item(s) on the credit note. You will then be paying the tax on behalf of your customer, a factor that should be considered when determining your early payment discount offer. Check with a local accountant or tax authority to confirm which situation applies.

5.2.14 Record early payment discounts on purchases

An **early payment discount** is a reduction of the balance due on an invoice offered by a supplier for payment by a deadline earlier than the regular due date. Early payment discounts are usually offered to incentivize faster payment and minimize carrying costs of receivables.

> **Note**
> An early payment discount is not an ordinary discount as that term is generally used throughout Manager. Normally, a discount is a percentage or fixed-amount price reduction on an individual line item. An early payment discount applies to an entire invoice.

> **Example**
> ACME Services Company regularly extends credit to customers by issuing sales invoices net 30 days. In other words, the due date on each new invoice is 30 days in the future. But it offers a 5% early payment discount if customers pay within 10 days.
>
> ACME is a supplier of Brilliant Industries. Whenever cash flow is satisfactory, Brilliant saves 5% on its purchases from ACME by paying quickly.

Early payment discounts on purchases can be applied by either of two methods:

- Debit note
- Adjusted payment

Debit note method

When you take an early payment discount offered by a supplier, the supplier may send you a credit note. Enter that credit note as a debit note in BILLBOOKS. You can also, however, initiate a debit note yourself to record the early payment discount.

The debit note reduces the balance of *Accounts payable* for that supplier. Make payment with a bank or cash transaction equal to the reduced balance due for the purchase invoice.

Example

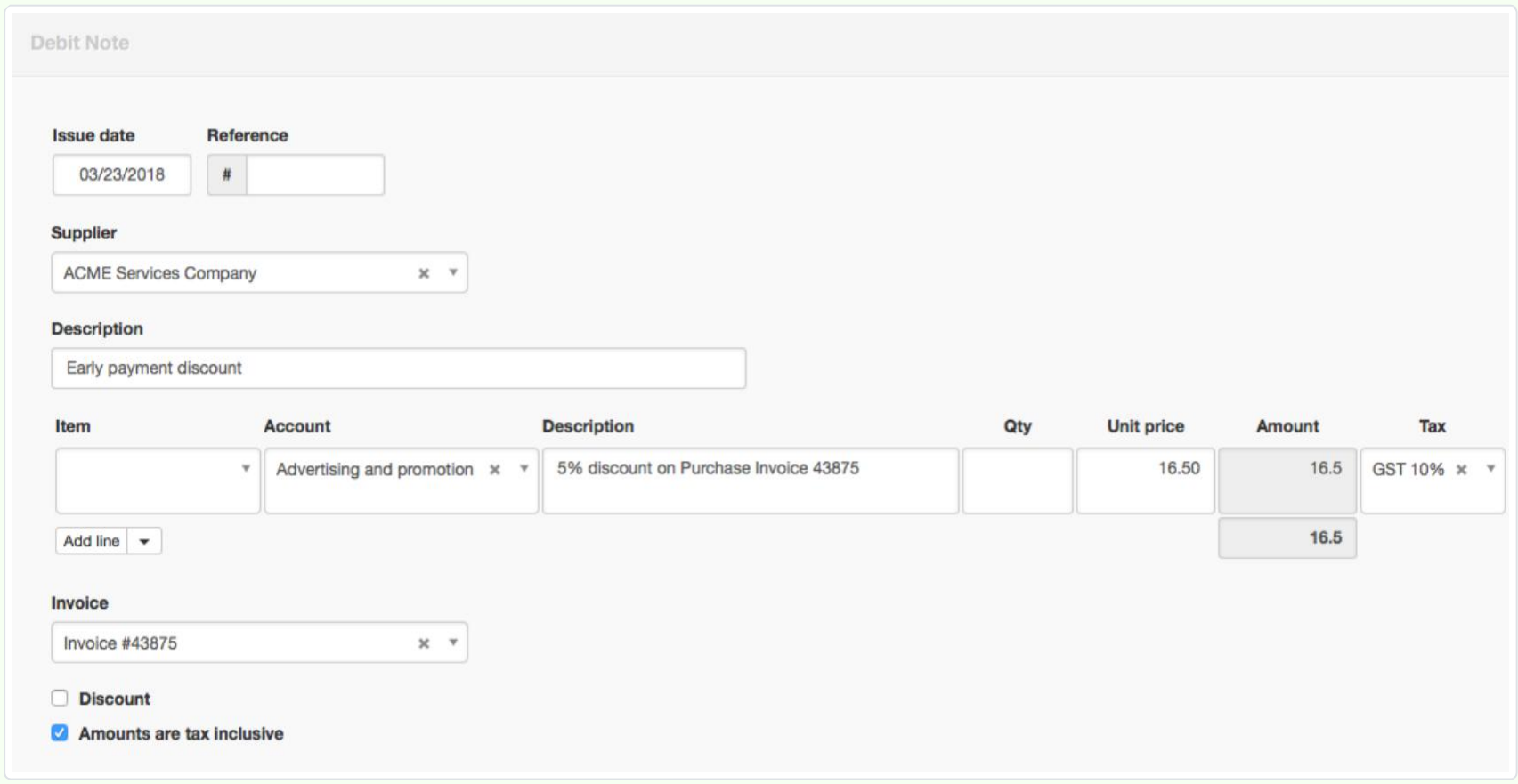
ACME Services Company raises a sales invoice to Brilliant Industries for 300.00 in services with a 10% tax added. A 5% early payment discount is offered. Brilliant enters a corresponding purchase invoice:

Fall advertising campaign

Description	Qty	Unit price	Amount
Advertising design services	1	300.00	300.00
		Sub-total	300.00
		GST 10%	30.00
		Total	**330.00**

Early payment discount
5% if paid within 10 days

Brilliant decides to pay early, qualifying for the discount. So it creates a debit note, allocating the debit note to the specific purchase invoice. Since the discount applies to the entire purchase invoice, including tax, the `Unit price` is calculated as 5% of the total balance due of 330.00. The same 10% tax code is selected, and the debit note is marked as being tax-inclusive:



The purchase invoice's `Balance due` is reduced by the debit note:

Fall advertising campaign

Description	Qty	Unit price	Amount
Advertising design services	1	300.00	300.00
		Sub-total	300.00
		GST 10%	30.00
		Total	**330.00**
		Amount paid	16.50
		Balance due	313.50

Early payment discount
5% if paid within 10 days

Brilliant pays ACME 313.50 to settle its debt.

Notes
In the example above, Brilliant could have calculated the debit note amount on the subtotal of 300.00, applied the 10% tax code, and **not** checked the tax-inclusive option. The result would have been identical.

The debit note posted the transaction to the same *Advertising and promotion* expense account used for the original purchase invoice. The transaction could also have been posted to a dedicated contra expense account, such as *Early payment discounts (suppliers)*. That would make it easier to track total savings from such discounts. Either approach is permissible.

If line items on the original purchase invoice are taxed at different rates, you must enter a discount line for each tax code used, apportioning the total according to subtotals for individual tax rates.

Caution
In most jurisdictions, an early payment discount is considered a price reduction, because it was offered as a condition of the sale. So tax is due only on the reduced price of goods or services. But in some jurisdictions, tax may be due on the original sale price. In that case, do not apply the tax code to the discount line item(s). Your supplier will effectively be paying your tax on the discounted portion of your purchase. Check with a local accountant or tax authority to confirm which situation applies.

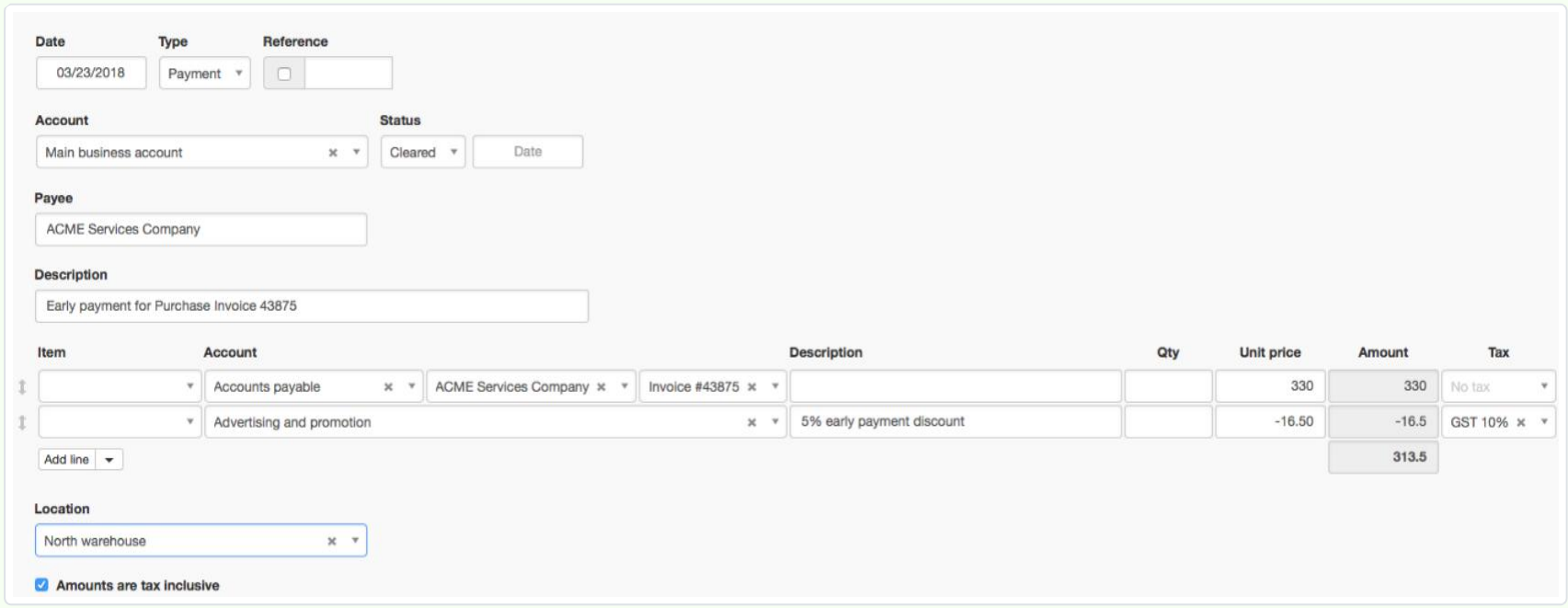
Adjusted payment method

An early payment discount can be applied without a debit note, by simply adjusting the payment transaction. Enter the full balance due from the purchase invoice, posting to *Accounts payable* and the supplier's subaccount and invoice number. **Do not apply any tax code on this line.** This will totally clear the *Accounts payable* balance for the invoice.

Add a second line to the payment form, posted to either the same expense account as the original purchase or a dedicated contra expense account for discounts (see Notes above). **Enter the early payment reduction as a negative number.** Apply the relevant tax code (see Caution above). If more than one tax code was used on the purchase invoice, add separate lines for the discount amounts subject to each tax code. The payment total will be reduced to match funds you are paying to the supplier.

Example

Under the same scenario as before, Brilliant Industries decides not to enter a debit note. It enters its payment to ACME as a tax-inclusive transaction, posting the discount to the same expense account as the original purchase invoice:



The purchase invoice is paid in full.

Early payment discounts without purchase invoices

Sometimes, businesses receive sales invoices offering early payment discounts, but treat them as cash purchases and do not create purchase invoices. For the sake of clarity in record-keeping, the payment form for such a transaction should be entered using the adjusted payment method. Show the full purchase price, posted to relevant expense accounts, and separate line items for each portion the discount, as determined by tax codes. **Enter discounts as negative numbers**. The same alternatives for account posting are available as when dealing with purchase invoices.

5.2.15 Handle dishonored cheques

A **dishonored cheque** (or *check* or *bank draft*, according to local usage) has been presented for payment or deposited into a bank account but rejected or returned by the bank. Typical reasons include:

- Insufficient funds
- Closed account
- Improper, incomplete, or illegible drafting
- Cheque drawn on bank outside the receiving bank's processing network
- Forgery

In most cases, a dishonored cheque has already been recorded in BILLBOOKS. Frequently, the cheque was a receipt against an outstanding sales invoice. Three courses of action are available. Which is most suitable depends on several factors, including:

- Reason the cheque was not honored
- Prospects for eventual, satisfactory payment
- Processing practices of your bank
- Local banking regulations
- Accounting standards and practices followed by your business
- Use of accrual or cash basis accounting

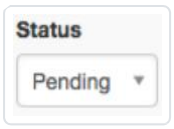
The three options, in order of increasing complexity, are:

- Leave the cheque in *Pending* status
- Delete the transaction

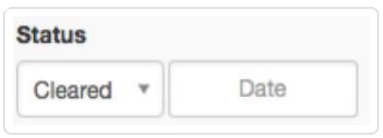
- Reverse the transaction

Leave in *Pending* status

When a cheque is dishonored because of an honest mistake and can be resubmitted, the easiest course of action is to leave its `Status` on the receipt entry form within BILLBOOKS as *Pending*:



After whatever problem preventing clearance of the cheque is resolved and the cheque is accepted by your bank, update `Status` to *Cleared* and enter the optional date of clearance:



This situation is equivalent to entering a received cheque into BILLBOOKS but waiting several days before actually depositing it into your bank.

Notes
This option cannot be used if the cheque was presented for cash and received into a cash account. Cash accounts do not include transaction status options in the `Receipts & Payments` tab.

This option can be used only if:

- Local banking practices allow dishonored cheques to be resubmitted, **AND**
- Your bank does not record the dishonored cheque before returning it or notifying you of the problem.

Example
Brilliant Industries receives and records a cheque from Lumen Lighting for a sales invoice. Brilliant immediately records and deposits the cheque into its bank account. However, because of a bank holiday, earlier deposits by Lumen into its own bank account were not processed as expected. By coincidence, Brilliant and Lumen use the same bank. The cheque is dishonored due to insufficient funds. But the bank is able to determine the cheque is not good before processing it. So it returns the dishonored cheque to Brilliant without recording it.

Brilliant and Lumen have a long business relationship, and Lumen assures Brilliant's accounting staff that funds are now available. Brilliant leaves status for the receipt as *Pending* and resubmits the cheque to the bank. When the cheque clears successfully, Brilliant updates the status.

Delete transaction

Receiving an invalid cheque is like receiving no payment at all. You might decide to delete the receipt recording such a dishonored cheque entirely. This will leave any balance in *Accounts receivable* as it was before the receipt was recorded.

Notes
This option can safely be used for cheques presented for cash.

This option can be used for a cheque deposited to your bank only if the cheque has not been recorded by your bank.

This option is most attractive when using cash basis accounting, because you will not want to recognize income you have not collected.

Example
Brilliant Industries receives and records a cheque from a new customer. But when the cheque is presented to the bank for deposit, the bank detects it as a forgery. The cheque is not processed. Bank regulations require the bank to destroy it.

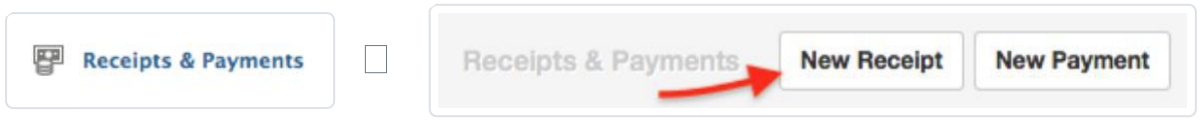
Brilliant deletes the receipt from its records. Further investigation reveals the customer is bankrupt and no longer in business. Brilliant writes off the associated sales invoice as a bad debt.

Reverse transaction

The most complex option and, unfortunately, the most common is reversing the transaction.

Caution
Reversal is required whenever your bank records a cheque before dishonoring and reversing it. Unless you reverse the original transaction, your records will not match your bank statement, leading to potential reconciliation and audit problems.

To reverse receipt of a dishonored cheque, go to the `Receipts & Payments` tab. Select `New Receipt` :

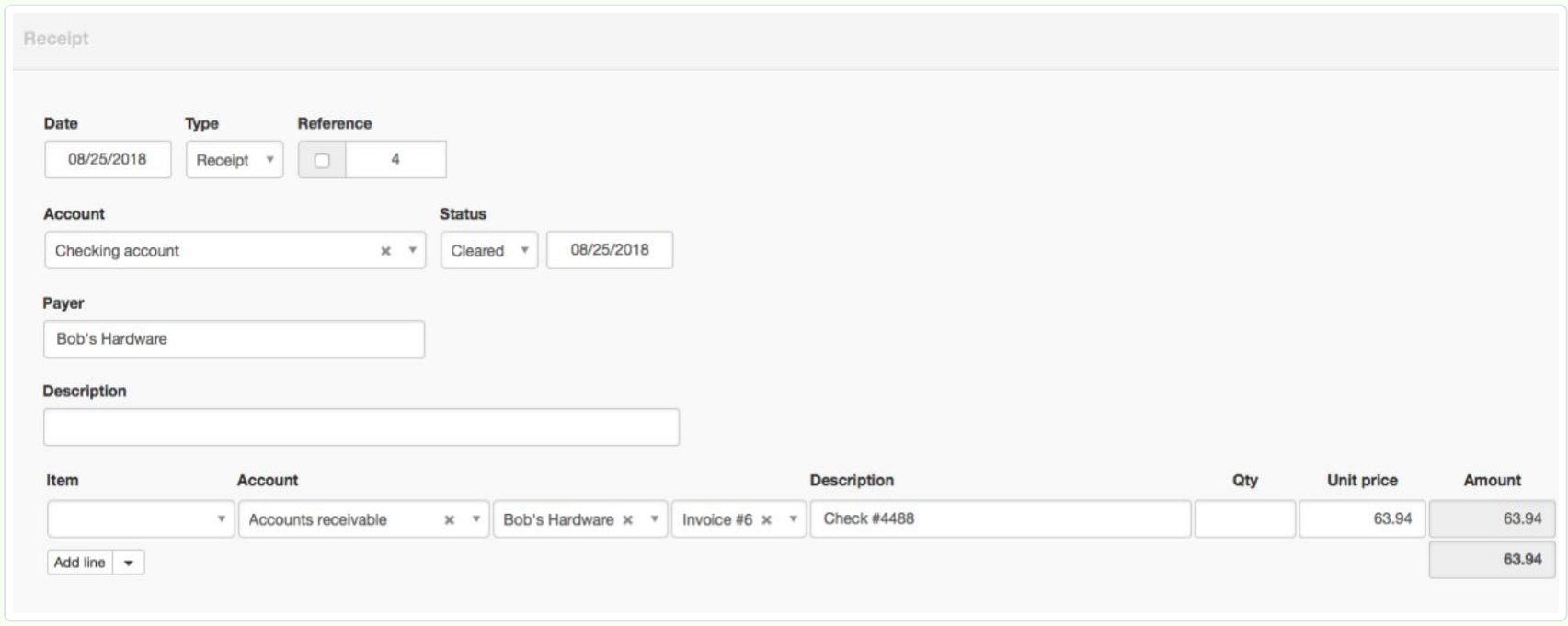


Complete the receipt form exactly as you would for an incoming receipt, but **enter the** `Unit price` **as a negative number** on all line items. Select the same tax codes and tracking codes used on the original receipt (if any). Most importantly, post the reversal to the same account(s) as the original receipt.

Note
A convenient short cut, especially when there are multiple line items on the original receipt, is to `View` and `Clone` the original, but edit all unit prices to be negative before clicking `Create` .

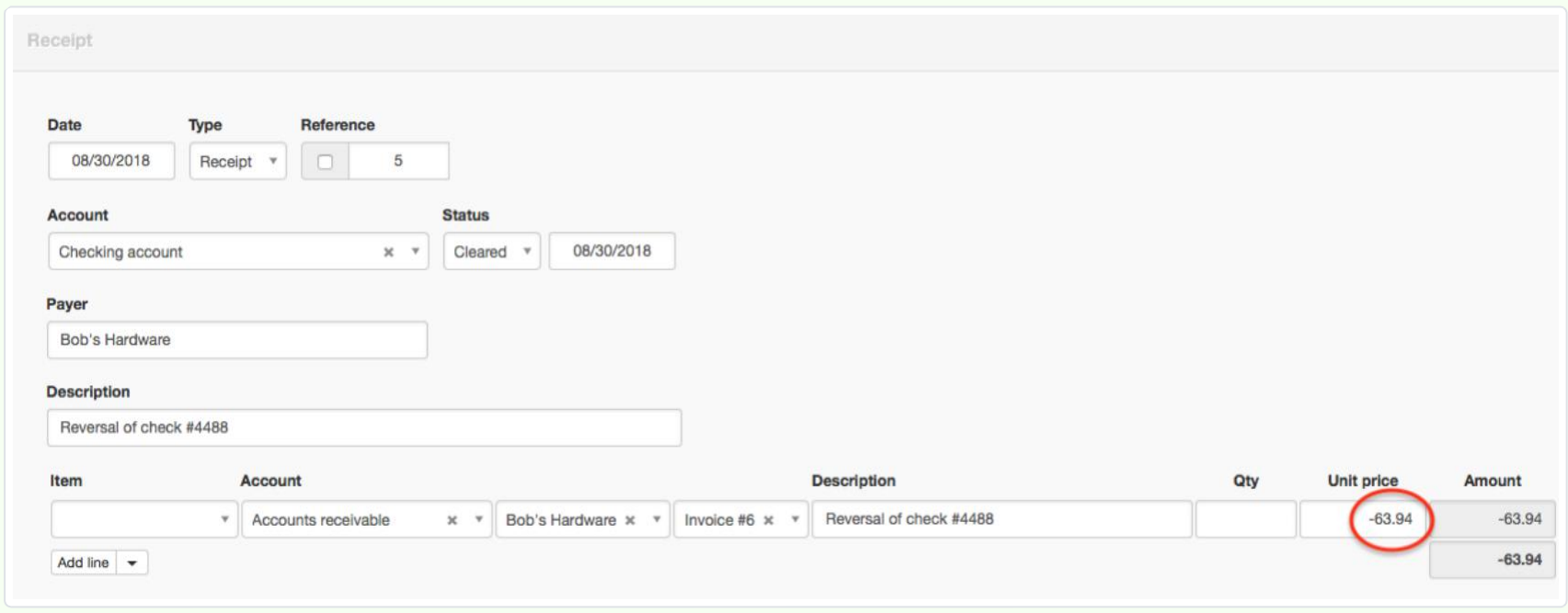
Example

Brilliant Industries deposits a cheque from Bob's Hardware for sales invoice #6, recording the receipt as below:

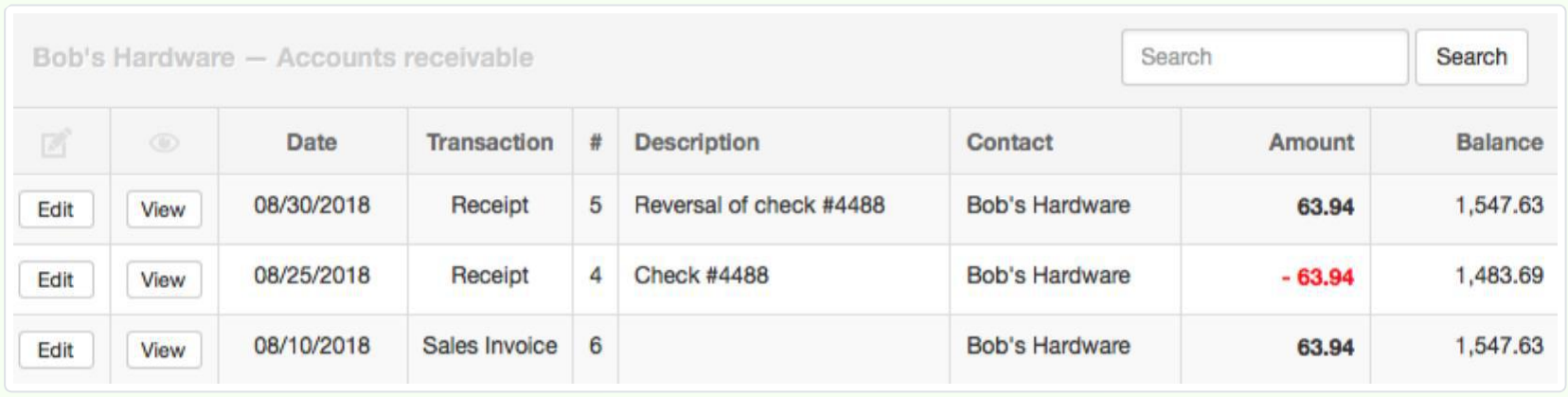


After the deposit is recorded to Brilliant's account by the bank, the cheque is dishonored for insufficient funds. Brilliant's bank subtracts the deposited amount from Brilliant's account. The bank does not return the dishonored cheque, following its standard practices.

Brilliant clones the original bank receipt and edits the clone by making the unit price negative and adjusting dates. It also edits the description to explain the transaction:



The customer's *Accounts receivable* balance is restored to what it was prior to entry of the dishonored cheque:



Handling bank fees for dishonored cheques

Most banks assess fees when cheques are dishonored. Such fees represent completely separate transactions between your business and your bank. They must be entered as separate bank payments, naming the bank as payee and posting the fees to an appropriate expense account, such as *Bank fees*.

If you are able to charge the issuer of the dishonored cheque for the fees, issue a separate sales invoice. Do not attempt to combine the new transaction with the original sales transaction or a reversal.

5.2.16 Create receipts or payments from customer or supplier statements

Businesses that receive money from customers or make payments to suppliers covering several invoices at once can **create receipts or payments directly from statements**. Situations where this capability might be useful include:

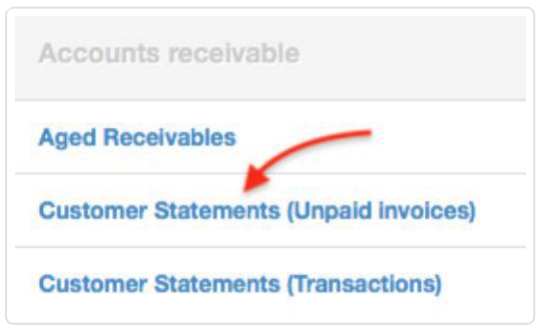
- Periodic invoicing for goods or services delivered during a time frame
- Bringing delinquent accounts up to date
- Ensuring combined receipts or payments are posted against specific invoices

Whether receiving or paying money, the procedures are the same.

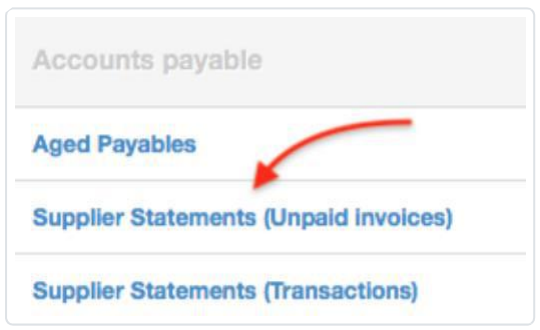
View the statement

Go to the `Reports` tab: 

To record a receipt against several sales invoices from one customer, click `Customer Statements (Unpaid invoices)`:

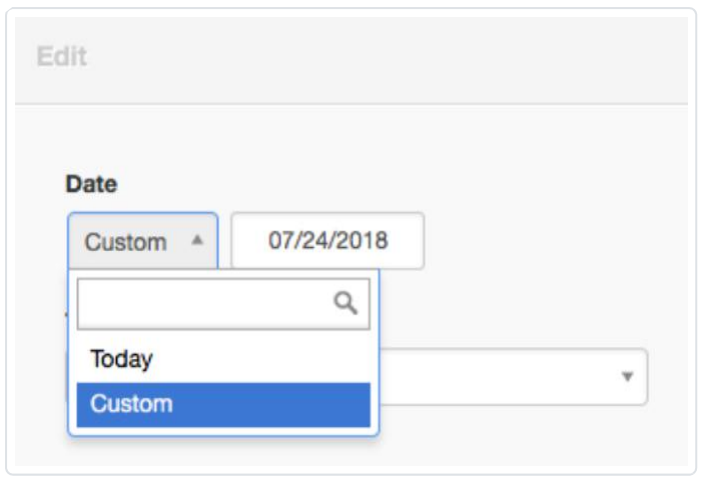


To record payment for purchase invoices from one supplier, click `Supplier Statements (Unpaid invoices)`:



If necessary to change the date, click `Set Date`:

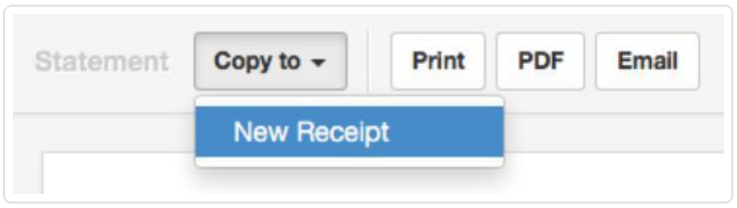
and choose between *Today* and *Custom* (then entering the desired date):



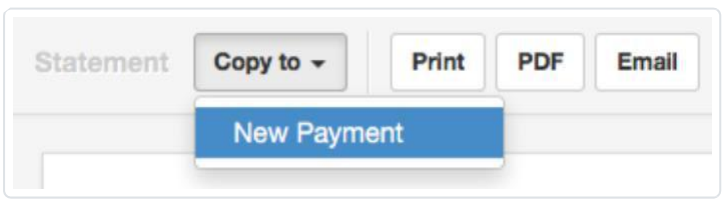
Click `View` for the desired customer or supplier.

Copy to a transaction

When the statement appears, click `Copy to` and select the type of transaction you are entering:



for customer statements **OR**



for supplier statements.

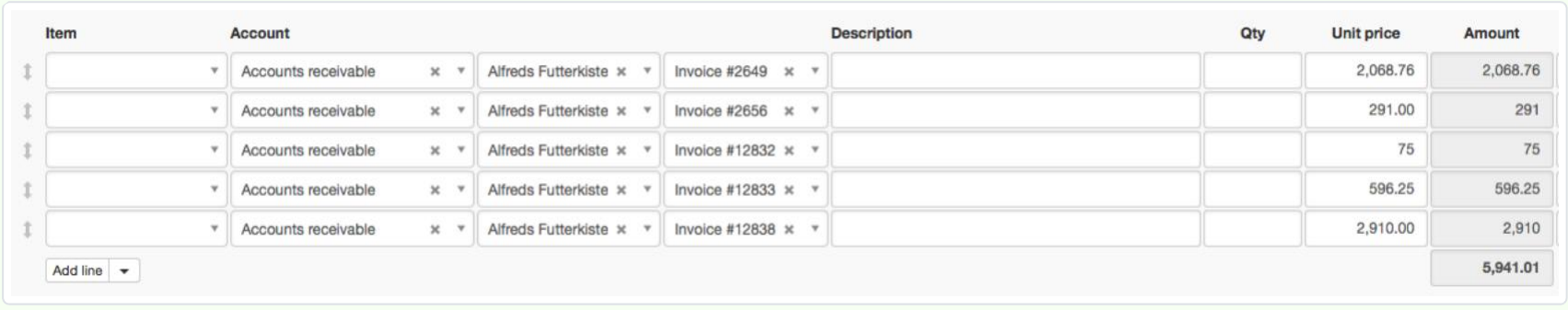
A transaction form will appear, listing all invoices for the customer or supplier that were included on the statement. The entry form may be edited as necessary before being saved by clicking `Create`.

Example

Northwind Traders has been struggling to collect on sales invoices from a customer for more than two years. A cheque finally arrives. To simplify recording the receipt against various sales invoices and verify that all delinquent invoices have been paid, Northwind generates a customer statement:

Date	Invoice	Description	Invoice total	Overdue	Balance due
03/23/2016	2649	Invoice 2649	2,436.00	839 days	2,068.76
03/28/2016	2656	Invoice 2656	291.00	834 days	291.00
05/21/2017	12832	Invoice 12832	75.00	429 days	75.00
06/16/2017	12833	Invoice 12833	596.25	403 days	596.25
09/04/2017	12838	Invoice 12838	2,910.00	124 days	2,910.00
				Current	0.00
				1-30 days overdue	0.00
				31-60 days overdue	0.00
				61-90 days overdue	0.00
				90+ days overdue	5,941.01
				Total	**5,941.01**

The total balance due on the statement matches the cheque, so Northwind copies the statement to a new receipt. *Accounts receivable* and the customer's name are automatically filled, as are invoice numbers and amounts:



When the transaction is created, the customer's account is settled.

5.3 Inter Account Transfers

5.3.1 Transfer money between bank and cash accounts

An **inter account transfer** is the movement of money from one bank or cash account of a business entity to another. No funds enter or leave the business. A transfer is not possible unless the business has at least two bank or cash accounts. Examples of transfers include:

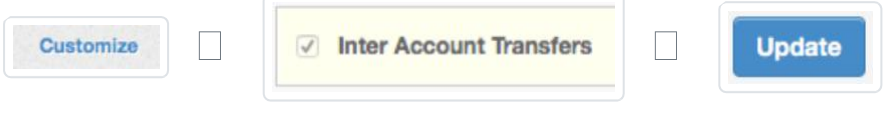
- Withdrawing cash from a bank account for a petty cash fund

- Paying off a business credit card from a company bank account (remembering that, technically, money left the business when the credit card was used to pay an expense)
- Moving money from a general purpose bank account to a payroll account

> **Note**
> Inter account transfers can be instantaneous, as when moving money online between accounts in the same bank. Or they may remain pending for several days, as when mailing a cheque to pay a credit card statement.

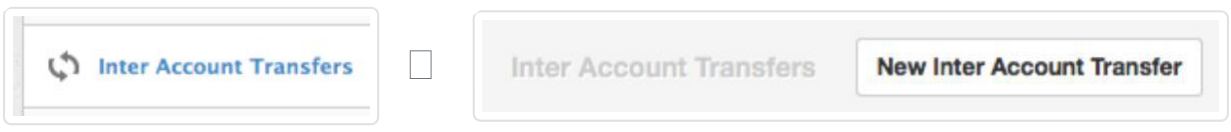
Enable the `Inter Account Transfers` tab

Click `Customize` below the left navigation pane, check the box to enable `Inter Account Transfers`, and click `Update` at the bottom of the page:

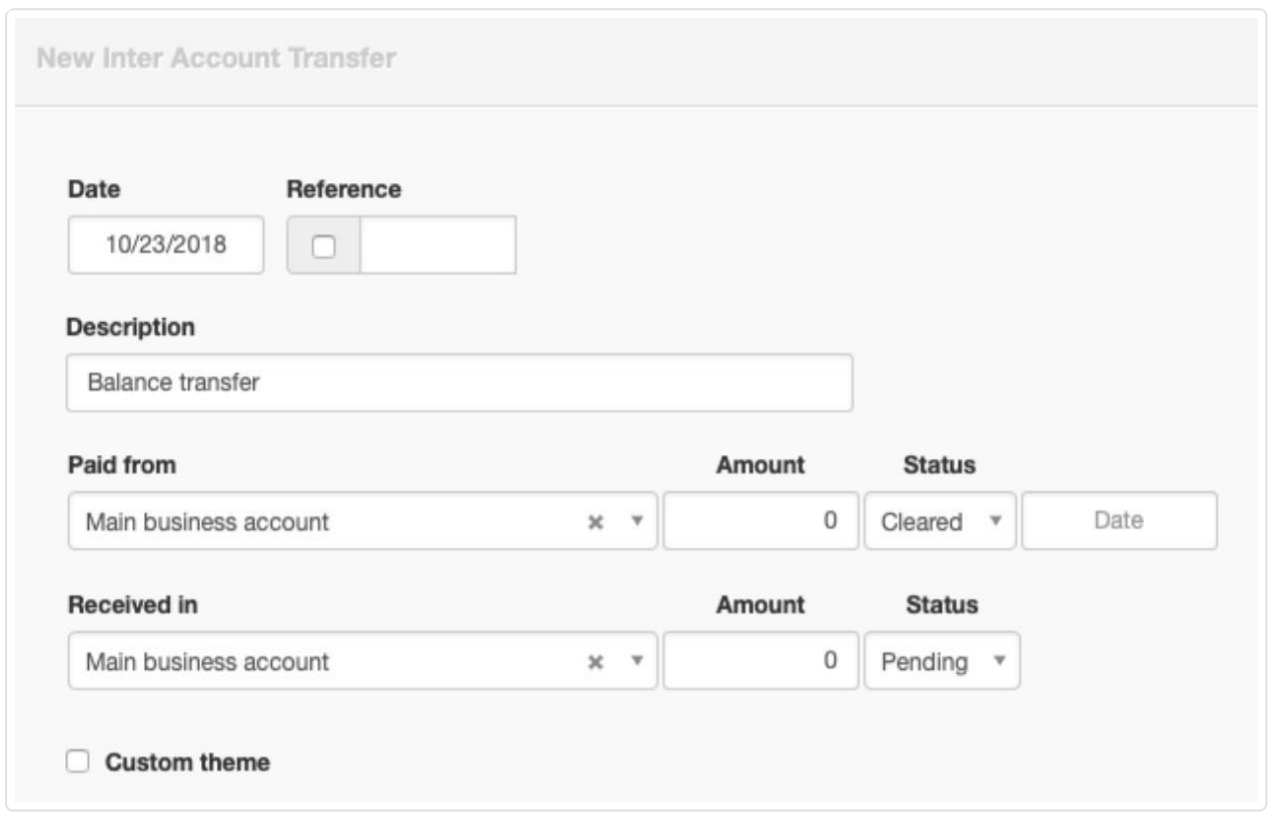


Enter the transfer

In the `Inter Account Transfers` tab, click `New Inter Account Transfer`:



Complete the entry (some fields appear as you progress):

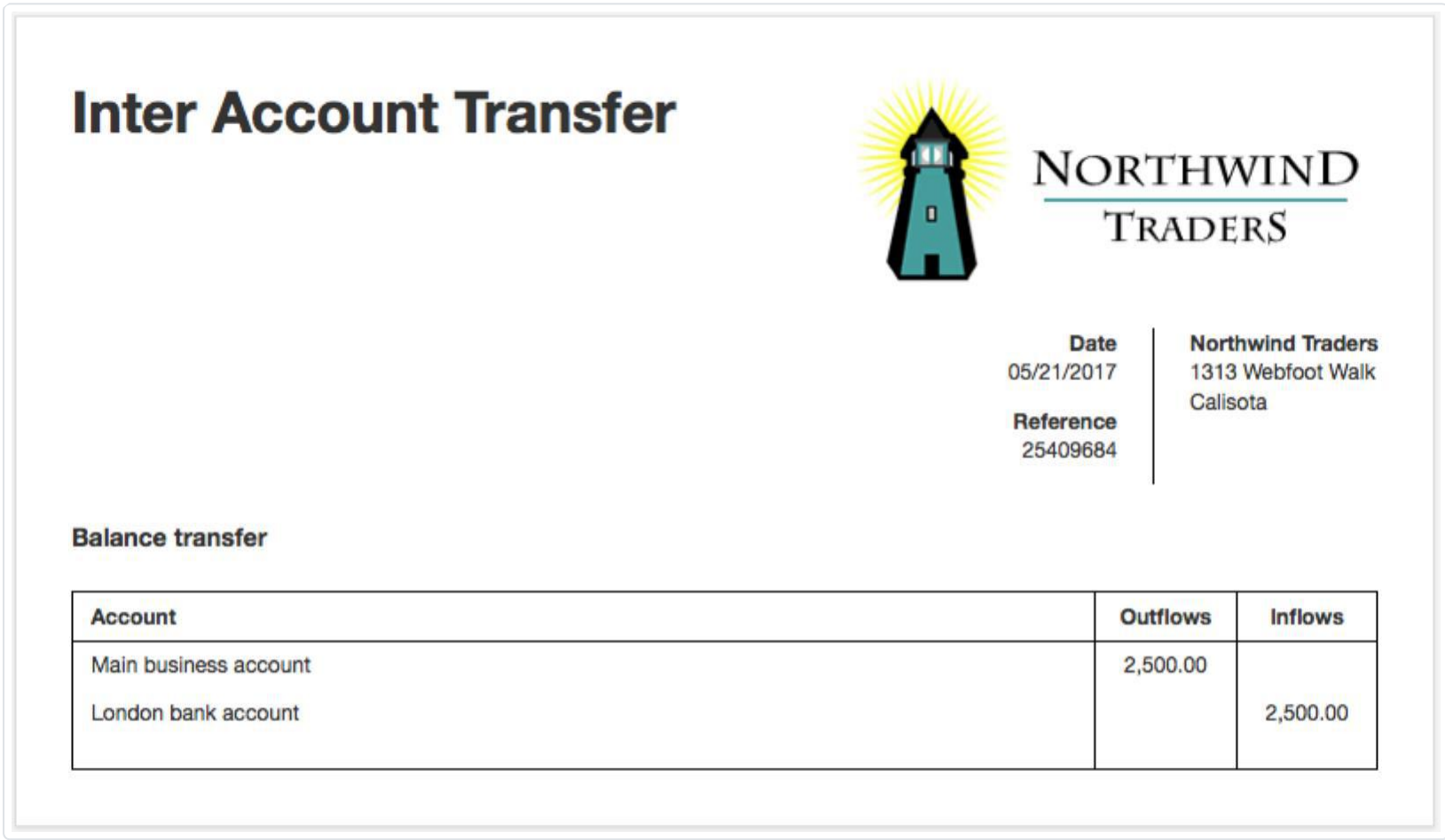


- `Date` will be prefilled with today's date. This can be edited.
- `Reference` is optional and may be used for internal or external reference numbers. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing inter account transfers and add 1.
- `Description` allows you to record purpose of the transfer.
- `Paid from` records the origin account.
- `Amount` records the value of the transaction in the currency of the account.
- `Status` can be *Pending* or *Cleared*, in which case a date can be entered.
- `Received in` records the destination account.
- `Amount` received will automatically match the amount transferred **if the two accounts are denominated in the same currency**. If this is edited, the `Amount` for the origin account automatically changes to match. But if the account receiving the transfer is

denominated in a different currency, the figure must be input manually.

- `Status` options are the same for the destination account as the origin account.

Click `Create` to finalize the transfer:



Inter Account Transfer

NORTHWIND TRADERS

Date
05/21/2017

Reference
25409684

Northwind Traders
1313 Webfoot Walk
Calisota

Balance transfer

Account	Outflows	Inflows
Main business account	2,500.00	
London bank account		2,500.00

Note
Inter account transfers do not appear in the `Receipts & Payments` tab. They do, however, appear in drill-down listings of individual account transactions accessed from the `Summary`, `Bank Accounts`, or `Cash Accounts` tabs.

Caution
Remember, an inter account transfer only *records* a transfer. It does not actually move any money. You must take action to withdraw and deposit, make the online transfer, or send the cheque.

5.3.2 Post inter account transfers from imported bank statements

Inter account transfers can be confusing when importing bank statements. The confusion typically arises because an inter account transfer is really two separate transactions:

- A **withdrawal** from the source account (a payment)
- A **deposit** to the destination account (a receipt)

When a transfer is recorded in BILLBOOKS's `Inter Account Transfers` tab, the program combines the two transactions on a single entry screen, then invisibly records them to their separate bank accounts. But when transactions are imported via an electronic bank statement, the imported statement includes only one or the other transaction, never both.

Moreover, whether posting any bank transaction to an account manually or by bank rule, receipts and payments cannot be posted to *Cash at bank* and a specific bank account. (Without explaining all the details here, that would result in duplication of transactions.) Therefore, receipts and payments that are part of an inter account transfer must be processed via a clearing account.

> **Note**
> Clearing accounts are used to temporarily lodge transactions that will eventually be posted to regular accounts. Amounts are debited and credited in offset to one another, sometimes almost simultaneously, but other times days apart, after some aspect of a transaction is cleared or appears on a statement. Normally, the debits and credits cancel each other, so the balance of the clearing account returns to zero when all activity is complete. Using a clearing account is like temporarily storing cash in your pocket until you can transfer it to your wallet.

Set up the clearing account

Theoretically, since the net effect of an inter account transfer leaves the clearing account with a zero (or undisturbed prior) balance, any account could be used. But that would temporarily distort the balance of the selected account until the transaction fully clears.

Likewise, if a clearing account exists for some other purpose, it could be used. But good accounting practice uses separate clearing accounts for different purposes so their histories show distinct types of transactions.

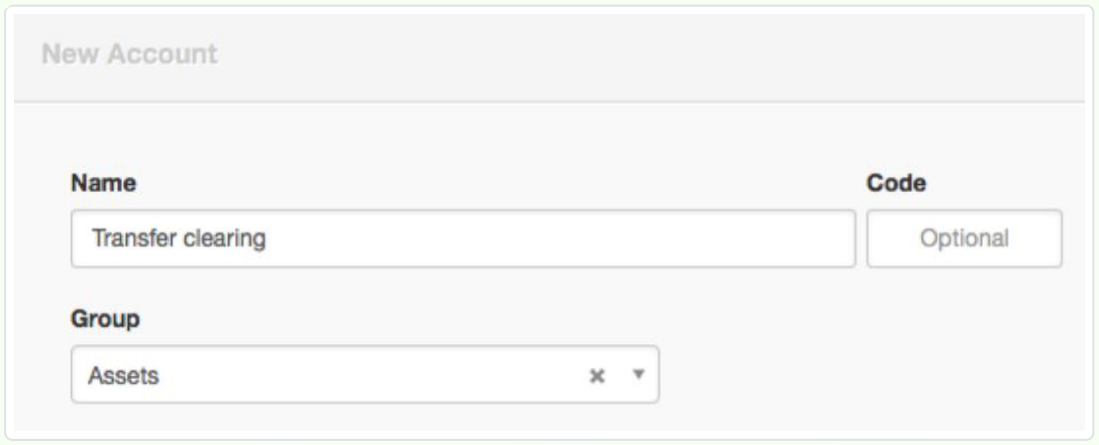
The imported statement entry relating to transfers between financial accounts needs to be processed with a Bank Rule via a clearing account. (Or edit the entry to the clearing account)

Under `Chart of Accounts` in the `Settings` tab, add the clearing account. Assign it to the *Assets* group on the balance sheet.

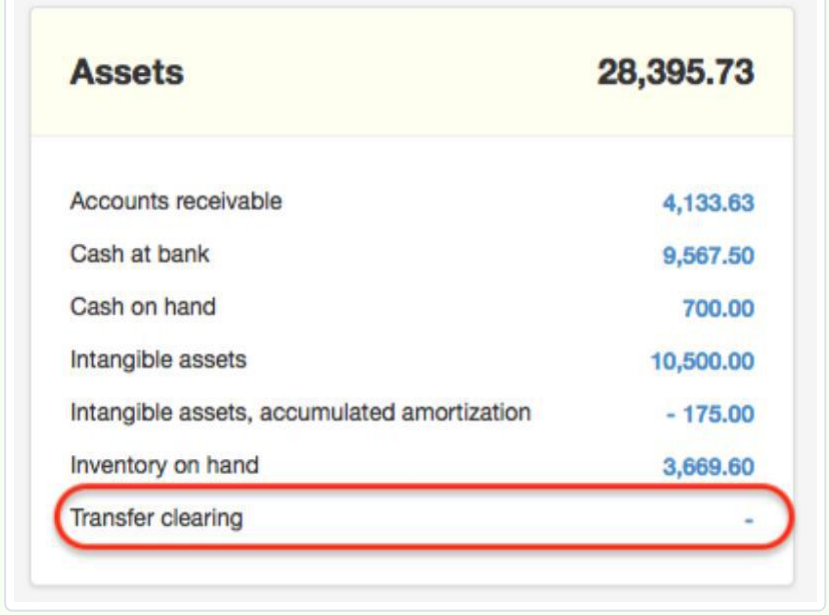
> **Note**
> Technically, the clearing account could also be assigned to the *Liabilities* group. The choice makes no long-term accounting difference. However, since a transfer deposit cannot clear before the corresponding transfer withdrawal, funds posted to the clearing account while in transit are better thought of as assets than liabilities.

Example

Brilliant Industries imports bank transactions, including inter account transfers between its various banks. It adds a new account to its chart of accounts:



The clearing account appears on the balance sheet:

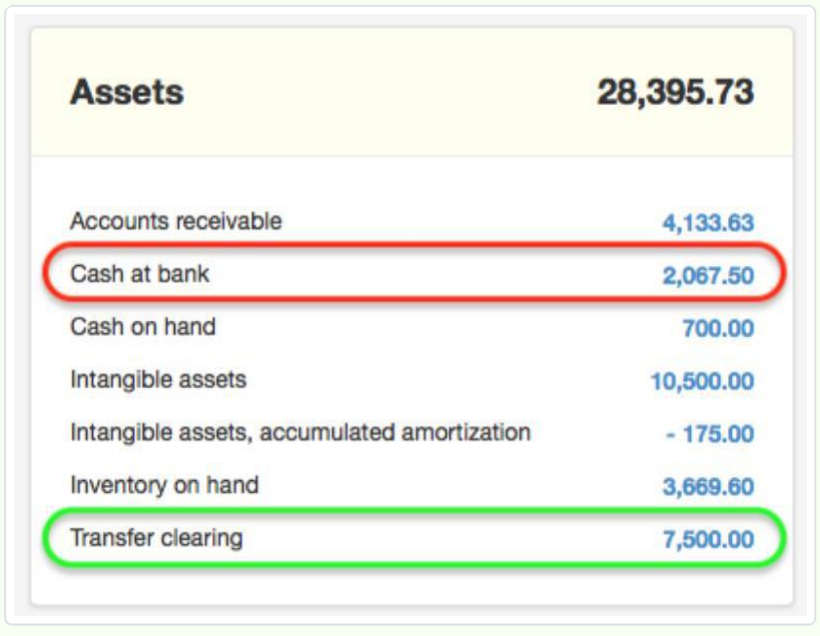


Use the clearing account

When importing bank statements, post **all** transactions related to inter account transfers to the same clearing account. Withdrawals from a source account increase the balance of the clearing account.

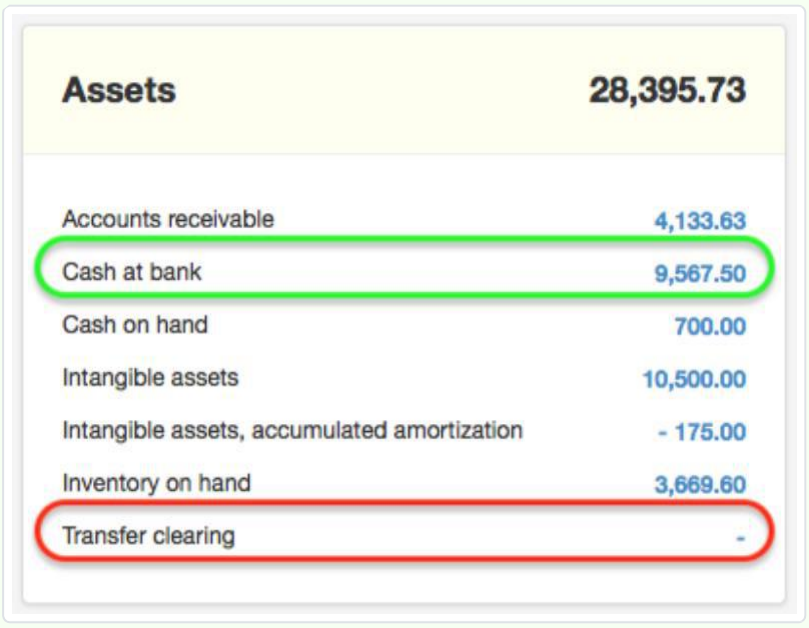
Example

Brilliant transfers 7,500 from its checking account to a dedicated payroll account. It imports the statement for the checking account and categorizes the withdrawal to *Transfer clearing*. On the balance sheet, *Cash at bank* declines, and *Transfer clearing* increases by the same amount:



Deposits to a destination account decrease the balance of the clearing account.

Example
Brilliant downloads and imports a statement for the payroll account. It categorizes the incoming receipt for the transfer to *Transfer clearing*. *Cash at bank* increases and *Transfer clearing* declines to zero. The balance sheet now looks the same as before the transfer:

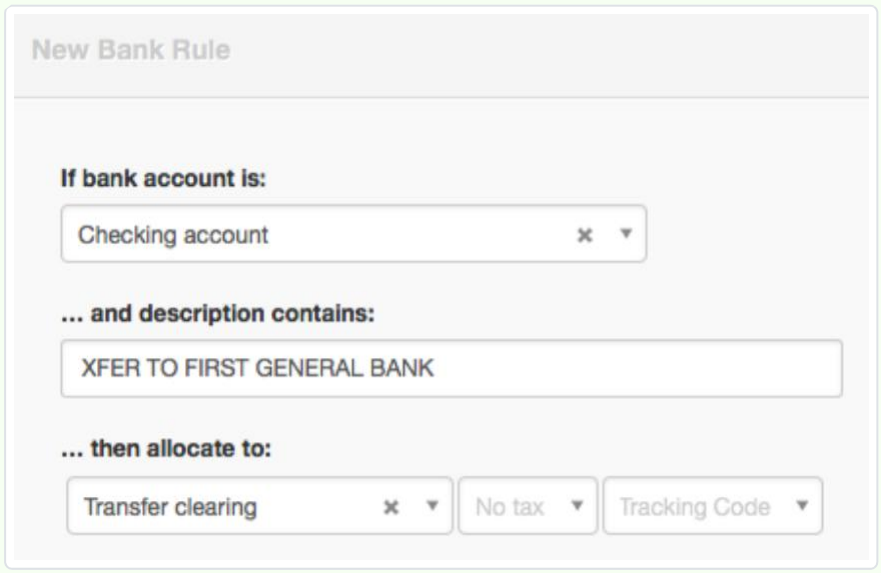


Methods for categorizing transactions

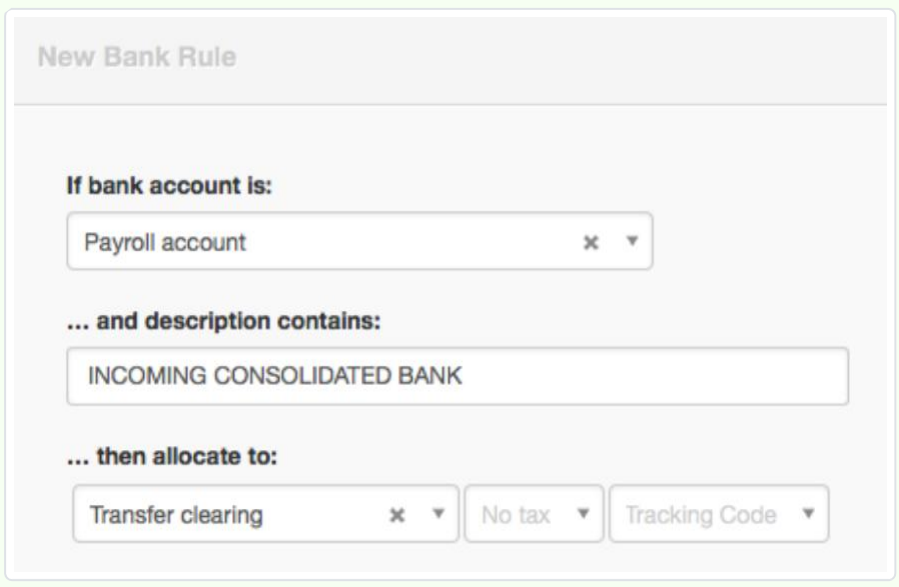
As with any other imported bank transaction, inter account transfer elements can be categorized by either of two methods:

- **Manual:** During the import process, click `Edit` next to the receipt or payment. Select the clearing account and click `Update`.
- **Bank rule:** Click `New Bank Rule` and define a bank rule that will recognize future transfer receipts and/or payments. Exact definition of the bank rule will depend on the format and terminology used by your financial institution on its statements. Be careful to choose criteria that are common to all transfer transactions rather than unique to one. You may need to define separate rules for withdrawals and deposits, but only if terminology used is different. BILLBOOKS is able to distinguish between withdrawals and deposits (payments and receipts) when importing and will treat the transactions correctly.

Example
Looking at past statements from its main checking account bank, Brilliant discovers that outgoing transfers to its payroll bank are always described as “XFER TO FIRST GENERAL BANK” plus various other data. Likewise, statements for the payroll account always note “INCOMING CONSOLIDATED BANK.” It creates two bank rules to handle transfers of payroll funds between its accounts at the two banks:



and



Caution
You should use the `Inter Account Transfers` tab or import bank statements in the `Bank Accounts` tab, but not both. Using both will result in duplication of transfers. Correction of duplicates requires deleting either (a) the inter account transfer entry or (b) **both** the corresponding payment and receipt from imports from the two banks.

If you want to enter transfers in the `Inter Account Transfers` tab, yet import statements to capture other transactions, click `Edit`, then `Delete` for transfer payments and receipts during the import process.

5.4 Expense Claims

5.4.1 Use expense claims

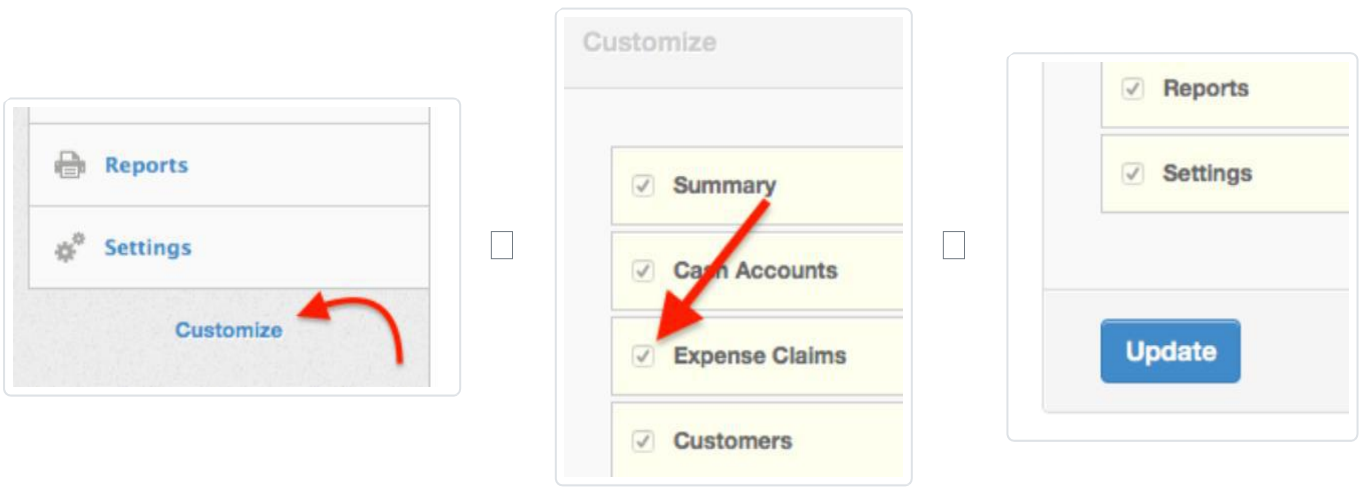
Expense claims record expenses incurred by people on behalf of the business. These can be of two types:

1. **Actual expenses paid with personal funds** that, in other circumstances, could have been paid directly with company funds and posted to appropriate accounts. Examples include: travel expenses for company business charged to an individual’s credit card, cash purchases of office supplies, or materials bought locally out of pocket on an emergency basis to finish work at a customer’s site.

2. **Allowances based on rates rather than actual expenditures** but deductible from income under local law. Often, allowance rates are officially established. They represent real costs to the business, even though explicit monetary transactions do not occur. Examples include: motor vehicle usage based on distance or daily meal or lodging stipends earned regardless of actual costs.

Setting up the `Expense Claims` tab

Enable the `Expense Claims` tab by clicking `Customize` below the left navigation pane, ticking the box for Expense Claims, and clicking `Update` at the bottom of the list:



Creating expense claims payers

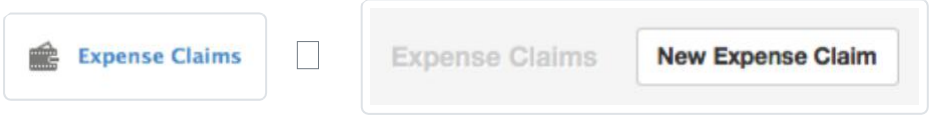
Expense claims may be entered only for the following three types of Payers:

1. **Members** created in the `Capital Accounts` tab, including partners and sole traders/proprietors using capital accounts
2. **Employees** created in the `Employees` tab
3. **Expense Claims Payers** defined under `Settings`, including directors, proprietors not using capital accounts, and all other persons

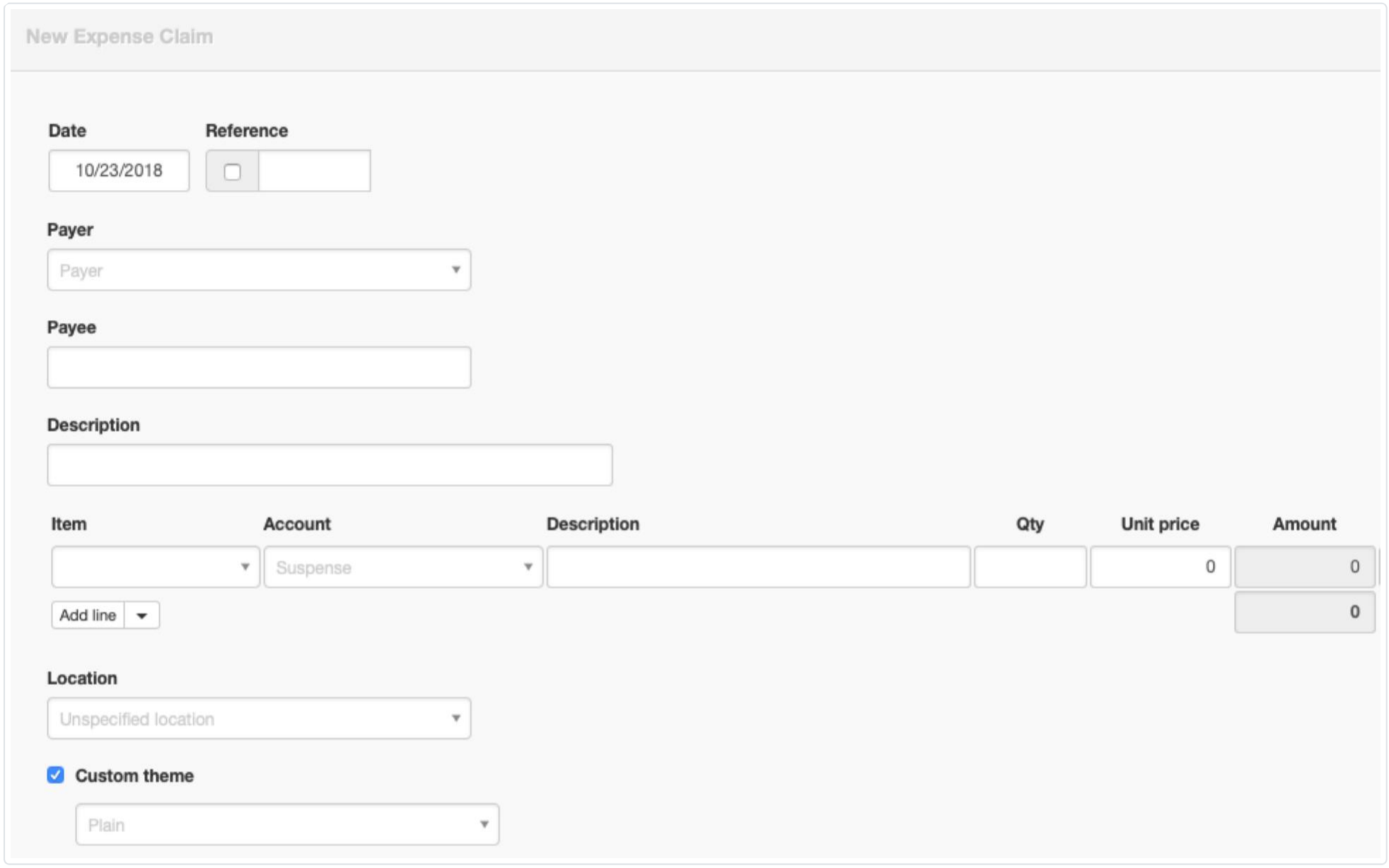
Individuals may be of more than one type. For example, partners might define themselves as Expense Claims Payers to avoid complicating their capital accounts with expense claims. Or a business might authorize only certain employees to file expense claims, defining those employees as Expense Claims Payers and prohibiting expense claims from other employees.

Creating an expense claim

Once the person claiming the expense has been defined under one of those three types, you can create an expense claim. Select the `Expense Claims` tab and click the `New Expense Claim` button:



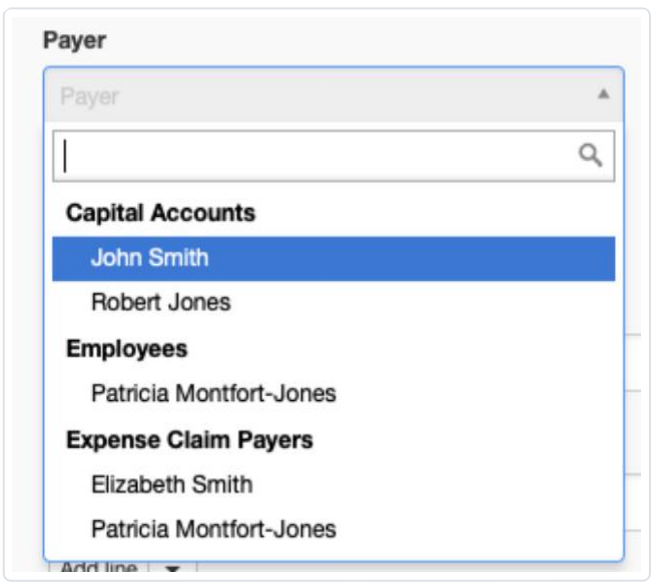
Complete the form:



- `Date` will be pre-filled with today's date.

- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing expense claims and add 1.

- Select the `Payer` from the proper group in the dropdown list:



- `Payee` is the entity to which money was paid by the `Payer`. For allowance claims, you may either leave the `Payee` field blank or enter *Allowance*.

- Complete line items with details of expenses, allocating them to appropriate accounts. (`Tax` and `Tracking Code` fields appear only if applicable selections have been made in the `Settings` tab.)

- `Location` can be selected if inventory locations have been set up.

- A `Custom theme` can be chosen if any theme besides the built-in *Plain* theme is active.

When finished, click `Create`.

What happens after the expense claim is created?

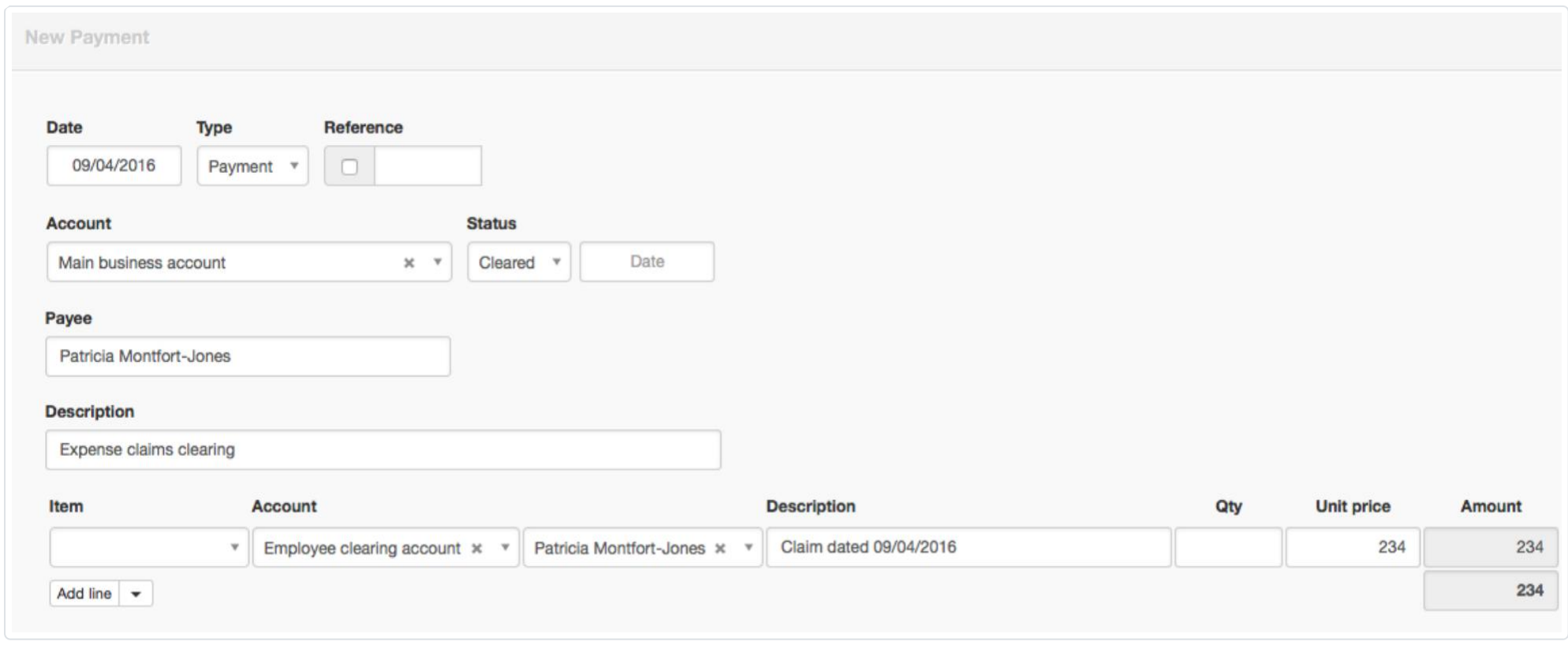
After an expense claim has been created, it will add to one of three liability or equity accounts, depending on the Payer's type:

Payer Type	Account
Members	Capital accounts
Employees	Employee clearing account
Expense Claims Payers	Expense claims

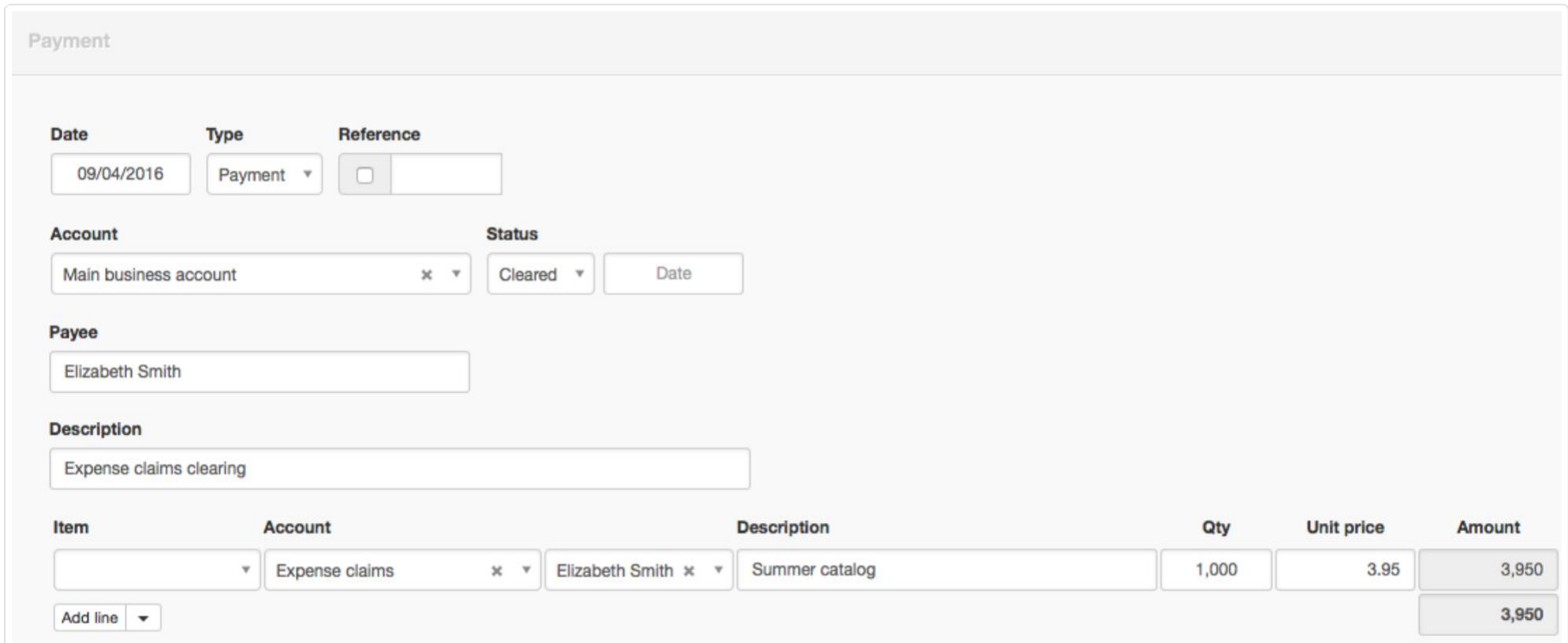
Line items from the expense claim will be posted to allocated expense accounts. Or, if the `Billable Expenses` tab is enabled and the expense is allocated there, it will add to the balance of the *Billable expenses* asset account for the selected customer.

Member's capital accounts require no adjustment, as an expense claim is equivalent to a contribution of capital.

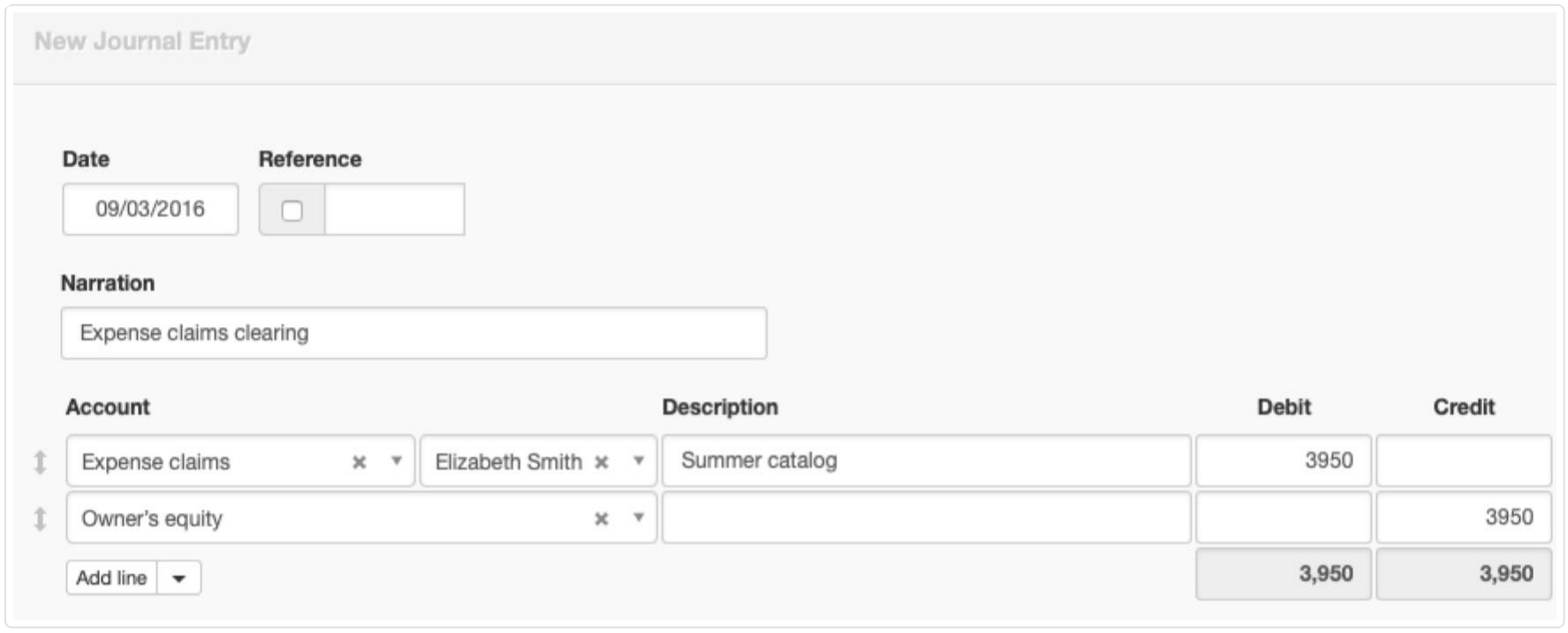
Expense claims showing in the *Employee clearing account* are reimbursed to the employee via a `New Payment` transaction from any bank or cash account:



The *Expense claims* account can be cleared by direct reimbursement of the Payer. Enter the payment under the `Receipts & Payments` tab, allocating the payment to *Expense claims* and the correct Payer:

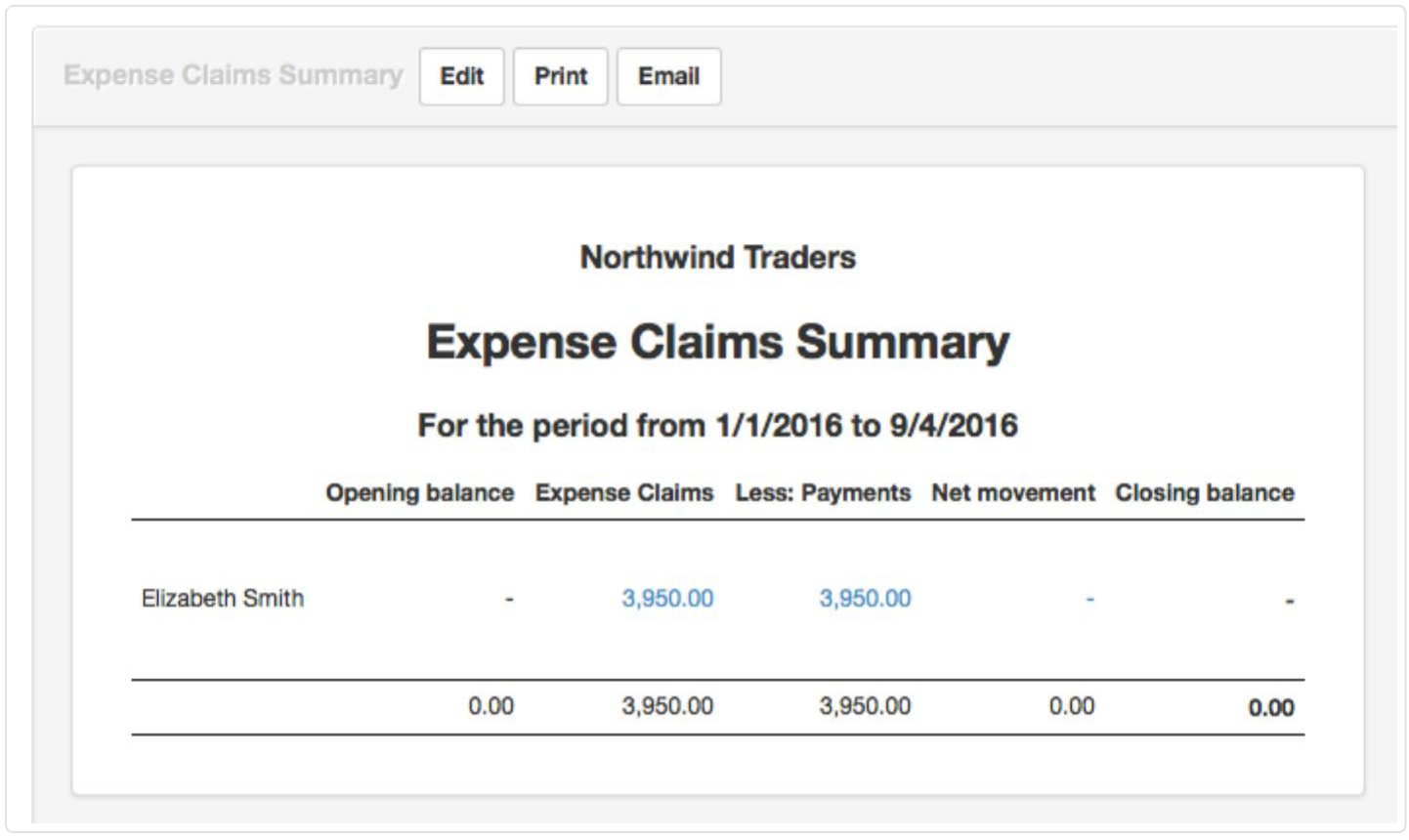


In the case of a sole trader/proprietor or director who is an Expense Claim Payer, claims can also be cleared by journal entry, debiting *Expense claims* and crediting *Owner's equity* or *Directors' loans*:

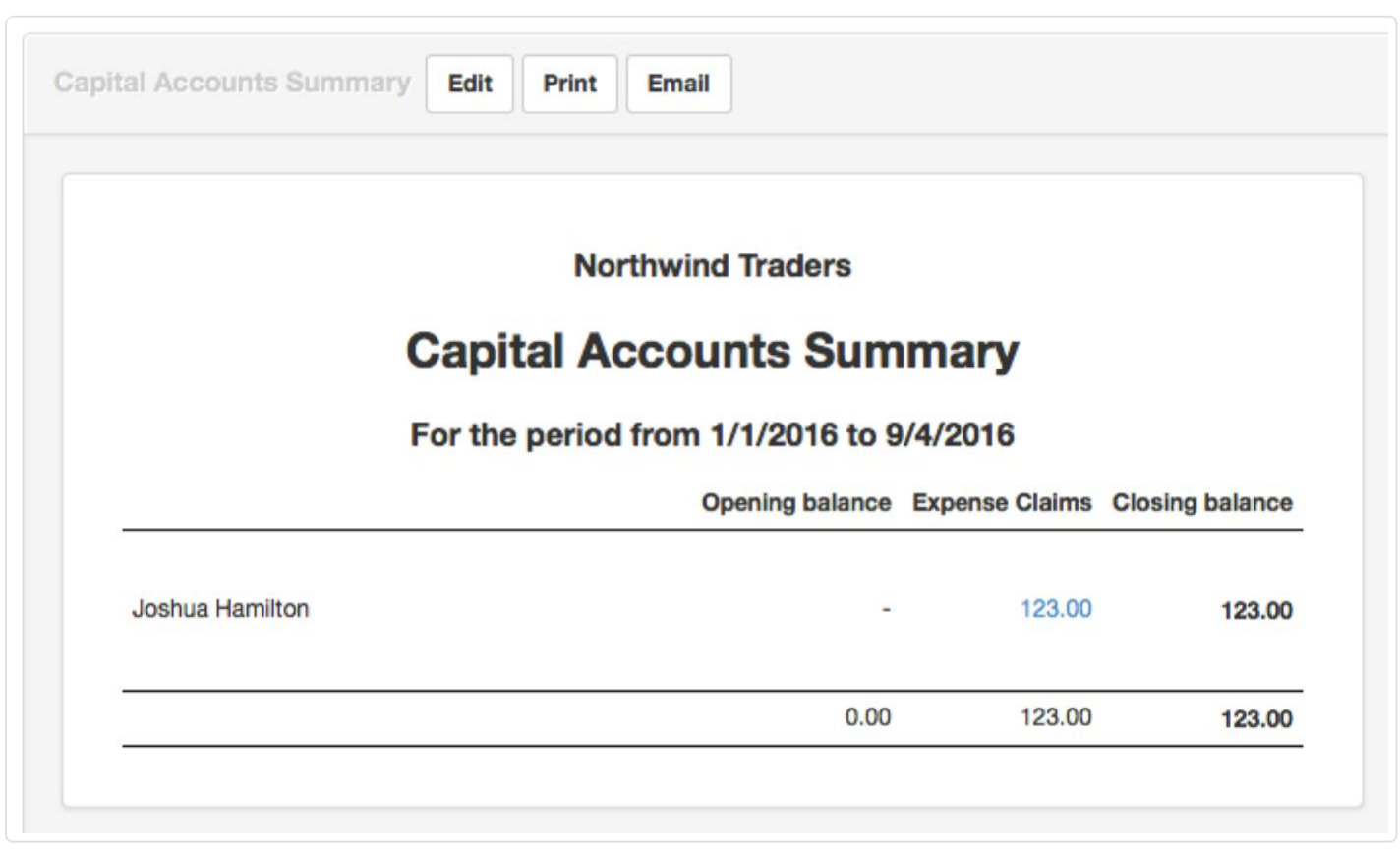


Expense claims reporting

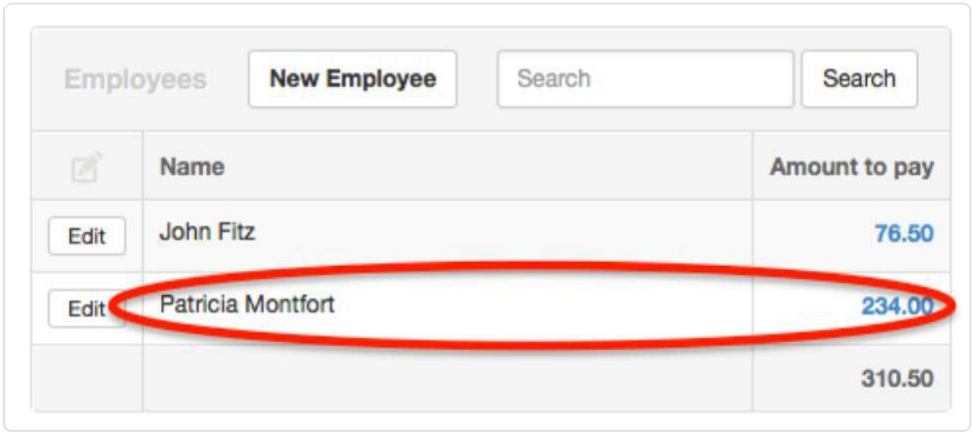
Status of expense claims is monitored in different ways for different Payer types. Claim, reimbursement, and clearing transfer totals of Expense Claims Payers are shown on the Expense Claims Summary in the `Reports` tab:



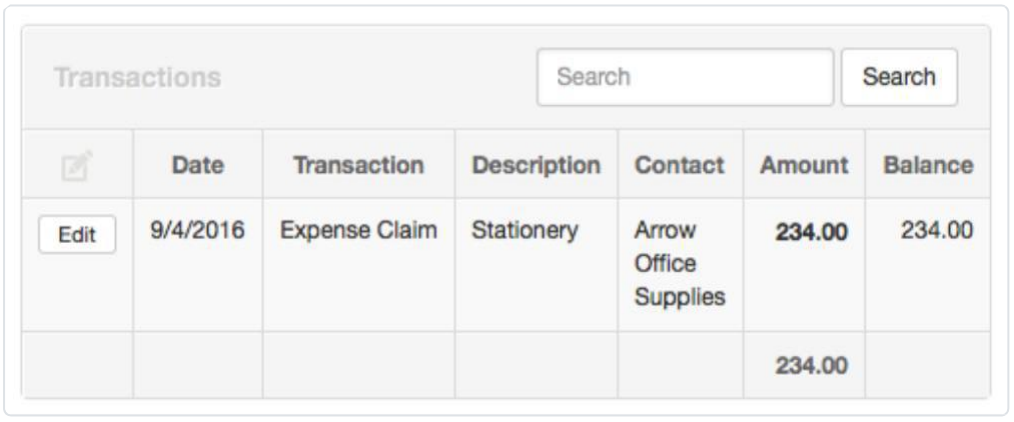
Claims of Members (capital account owners) show on the Capital Accounts Summary, also under `Reports`:



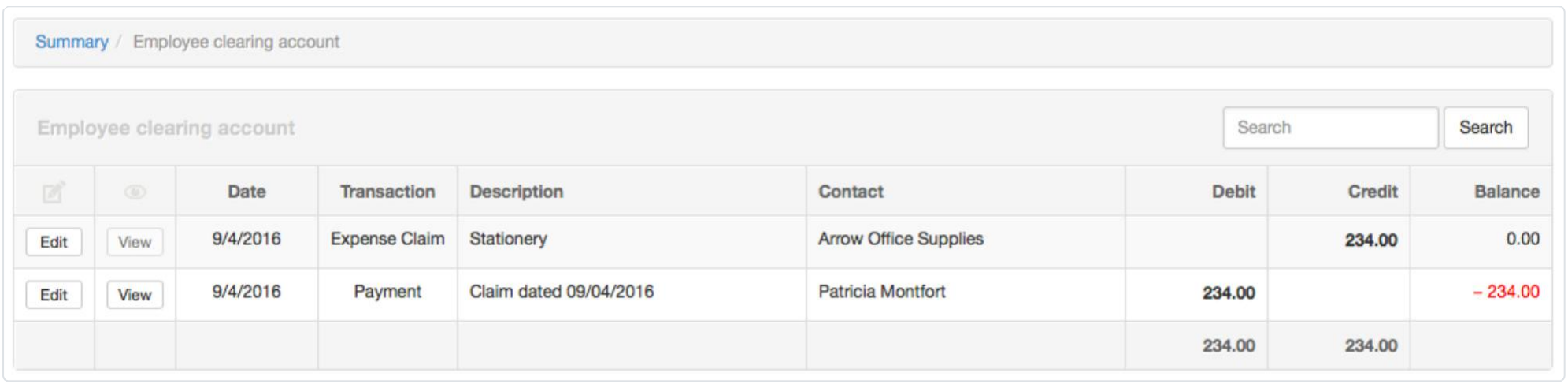
Claims of Employees add to the Employees' subaccounts of the *Employee clearing account*. These balances are visible in the `Employees` tab:



Note that employee balances are blue, meaning you can drill down by clicking on them to see included transactions:



Individual expense claims and reimbursements also show in the *Employee clearing account* ledger:



Final thoughts

Remember that creating an expense claim never includes paying, receiving, or transferring money in the `Receipts & Payments` or `Inter Account Transfers` tabs. The exchange of money took place between Payer and Payee and did not involve the business. Or, an allowance may have been earned without the exchange of money.

Paying or clearing an expense claim is a separate, second transaction. When directly reimbursing a Payer, payment from a bank or cash account is required.

Lastly, if you need a report showing how much the business owes and has paid to everyone who has filed an expense claim, you must define all Payers in the Expense Claims Payers category, even though they may already be defined as Members or Employees. Otherwise, status information will be scattered in different reports.

5.4.2 Set up expense claim payers

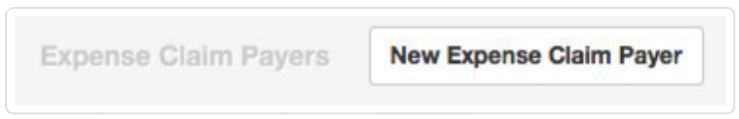
Expense Claim Payers, as defined in this Guide, are persons who expend personal funds on behalf of the company, including directors, proprietors not using capital accounts, and all other persons. They are one of three types of Payers for whom expense claims can be entered. The others are Members created in the `Capital Accounts` tab and Employees.

> **Note**
> Members and Employees can also be defined as Expense Claim Payers, especially if consolidated reporting is desired. See this Guide for further information.

To set up an Expense Claim Payer, go to the `Settings` tab and click on `Expense Claim Payers`:



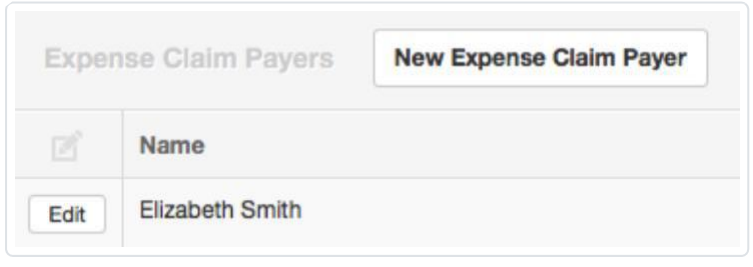
Click `New Expense Claim Payer`:



Enter a name:



Click `Create`. The Payer will appear in the `Expense Claim Payers` list:



Chapter 6: Accounts Receivable

Accounts receivable functions relate to quoting and selling goods and services to customers on credit. They include accounting for billable time and expenses.

6.1 Customers

6.1.1 Enter customers

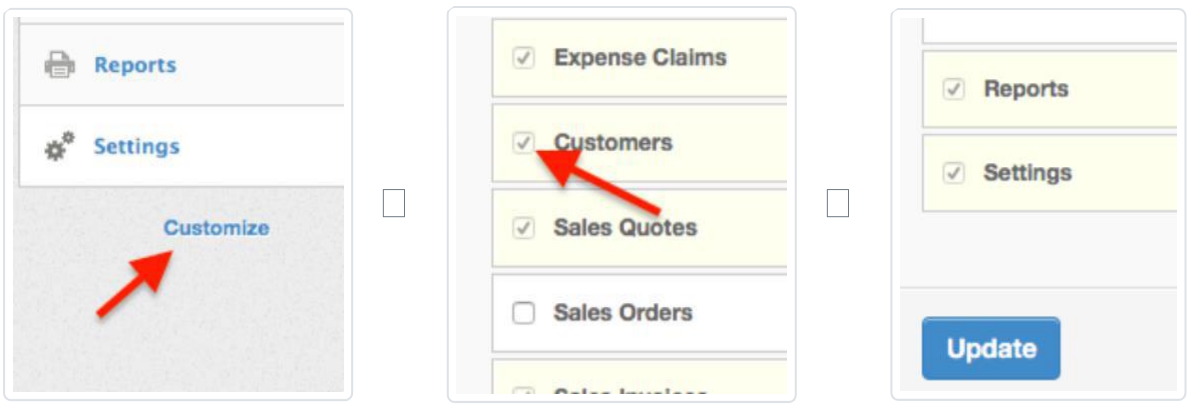
A **Customer** in BILLBOOKS is an entity (person, business, or other organization) with whom you have or plan to have an *Accounts receivable* relationship. Customers in BILLBOOKS are actually subaccounts of *Accounts receivable*. You must first create a Customer before you can:

- Issue a sales invoice
- Sell on credit for future payment
- Create a customer statement showing balances due or summarizing past transactions
- Issue a credit note for return of goods
- Generate a sales quote for future business
- Receive a deposit or advance against future work or delivery of goods
- Record billable time or expenses for later invoicing
- Track your complete sales and receipts history with the entity

Not everyone to whom you sell must necessarily be defined as a Customer. You can make a cash sale involving immediate payment without creating a Customer simply by entering a name as `Payer` when receiving money into a cash account. But such transactions will not be recorded in a history for that Payer, even if the Payer is already defined as a Customer.

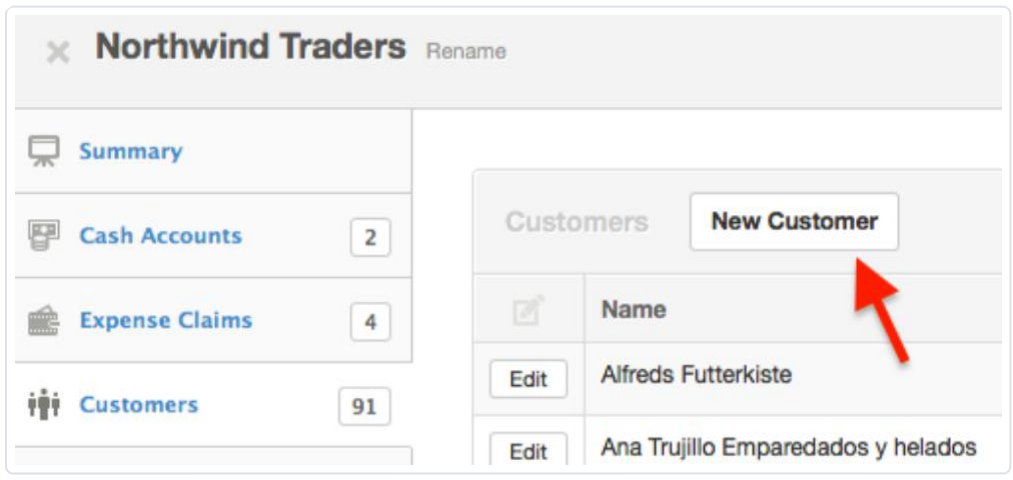
Enable the `Customers` tab

To enable the `Customers` tab, click `Customize` below the left navigation pane, check the box for `Customers`, and click `Update` below the list:

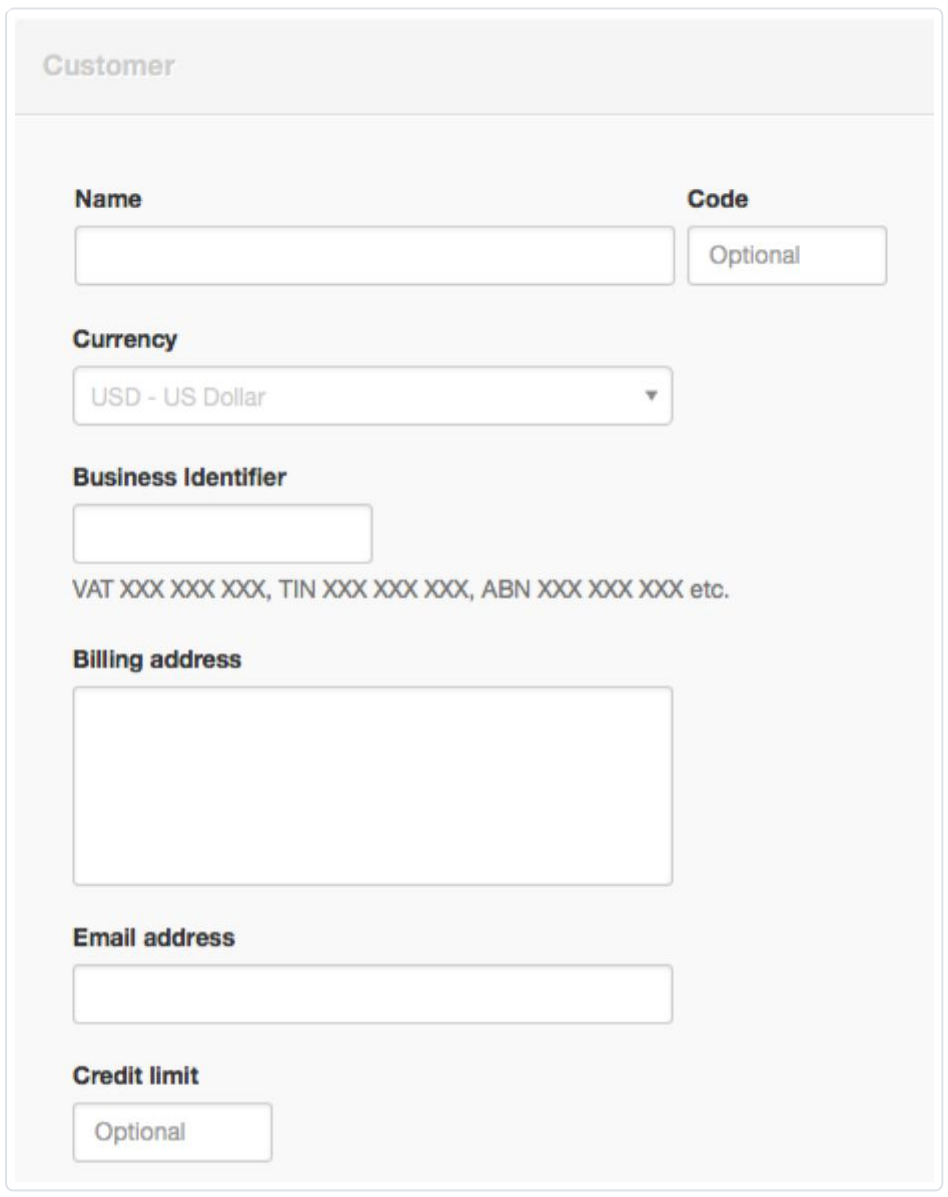


Create a Customer

Select the `Customers` tab, then click the `New Customer` button:



Complete the entry. This information will appear on sales invoices and similar documents:



- `Name` is the legal name of the customer
- `Code` is a short alphabetic or numeric designation of your customer. If used, the code will appear after the customer's name on transactions.
- `Currency` in which the customer operates can be selected if a base currency has been set for the business. Transactions for the customer will be denominated in the designated currency.
- `Business identifier` can be any useful identification information.
- `Billing address` should be the mailing address of the customer.
- `Email address` is where documents will be emailed from within the program.
- `Credit limit` is informational. If used, the `Customers` tab listing will show available credit.
- `Starting balance` is used only if migrating to BILLBOOKS from a previous accounting system and your customer has a balance not related to sales invoices.

Your Customer will now appear in the `Customers` tab. Customers are listed in alphabetical order according to their names. Use scrolling, paging, and search functions to find them. The listing shows the number of sales invoices issued to a Customer, value of any uninvoiced items (billable time and expenses), and the Customer's *Accounts receivable* balance. Other columns may appear, depending on which tabs are enabled. Click on blue numbers for more details of any column.



6.1.2 Edit or add customer information

Click the `Edit` button left of a Customer's name to edit or add information. For example, add a `Code` to make Customers easier to find or distinguish from other Customers with identical names:



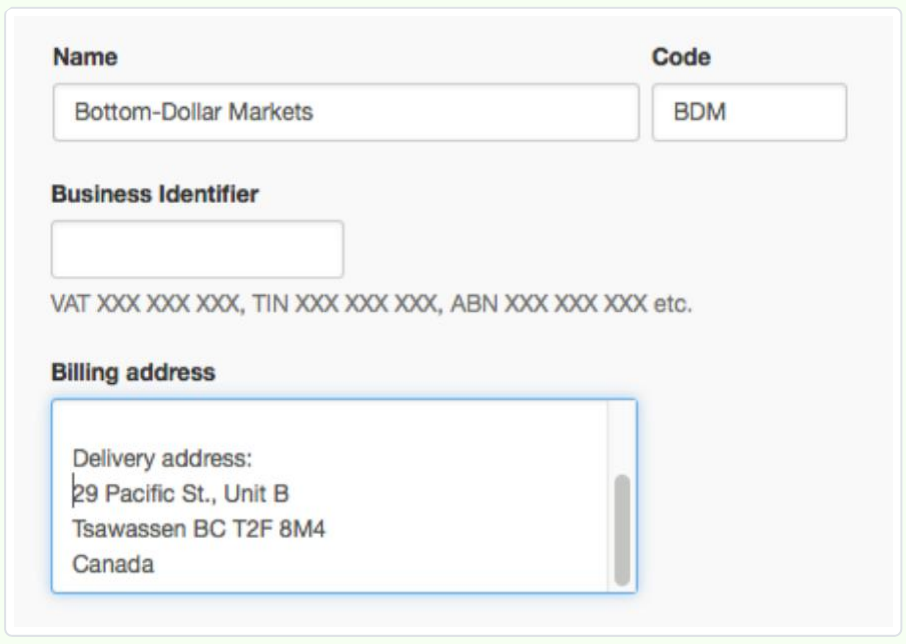
Codes will appear in the `Customers` tab if any are present:



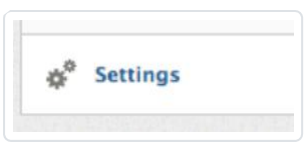
Codes will also appear on completed forms after the Customer's name. To suppress codes on forms, follow instructions in another Guide.

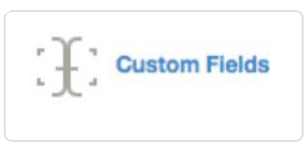
More information can also be placed into the `Address` field, remembering that anything there will appear on invoices.

Example
Bottom-Dollar Markets has different billing and delivery addresses. These can both be shown by including them in the `Address` field (scroll, if necessary, to see all content):



You can also add custom fields for other information about your Customers. Under `Settings`, click `Custom Fields` and locate the list for Customers. Click `New Custom Field`:

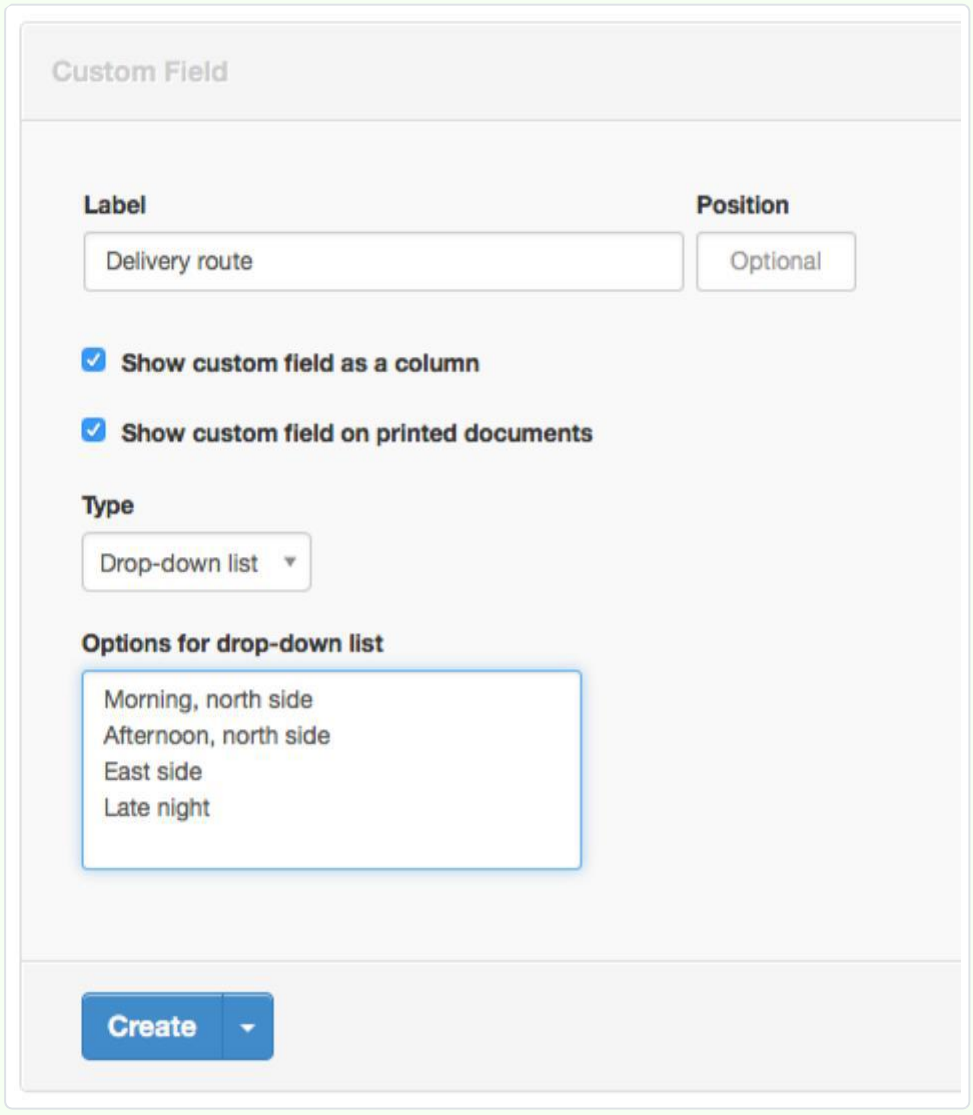




Define your custom field. Checkboxes allow you to determine whether the custom field will show as a column in the `Customers` tab list and on documents. The `Position` field controls the order in which custom fields appear. Enter a number there, if desired. Click `Create` at the bottom of the entry screen when finished.

Example

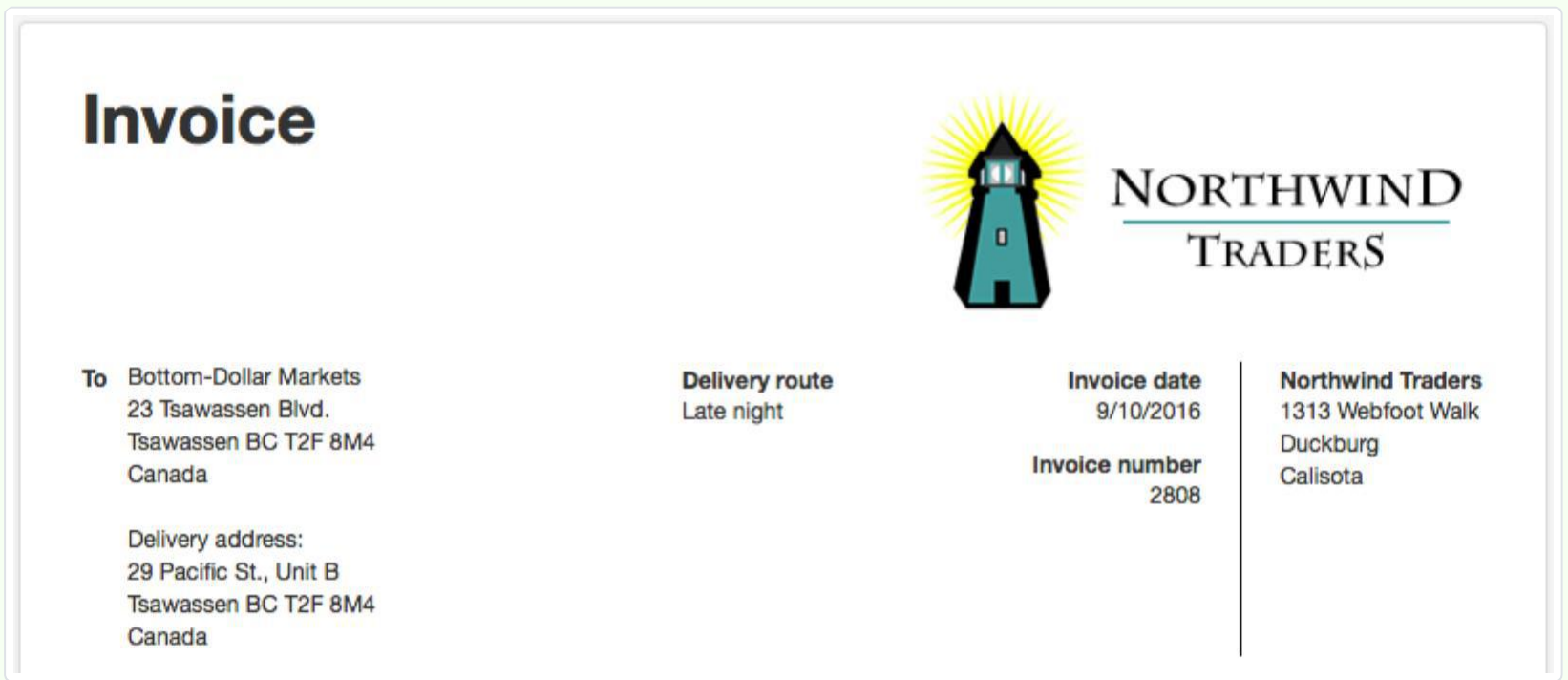
You can add a dropdown list for delivery routes.



The results of all these changes (including suppression of the customer code) appear as below:



	Code	Name	Telephone	Delivery route	Sales Invoices	Uninvoiced	Accounts receivable
Edit	BDM	Bottom-Dollar Markets	(604) 555-4729	Late night	27	206.25	-



6.1.3 Set starting balances for customers

Starting balances exist only if you are transferring an existing business to BILLBOOKS from another accounting system. In that case, you may need to set starting balances for customers who, on your start date:

- Have available credit unrelated to sales invoices, or
- Owe you money because of unpaid sales invoices.

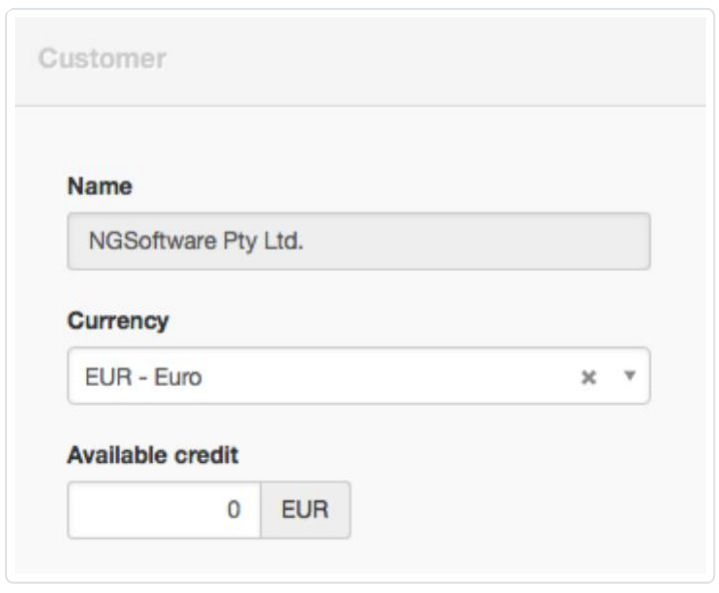
General procedures for entering starting balances are found in another Guide. Read it first. Before you can enter any type of starting balance, your customers must be created. Follow these procedures to enter them.

Enter available credit

If your customer has a credit balance that can be applied to future invoices, go the `Settings` tab and click `Starting Balances`:



Click the blue balance for *Accounts receivable*, then `Edit` beside the customer's name:



- Select a `Currency` (if a base currency is set).
- Enter `Available credit` amount.

Click `Update` .

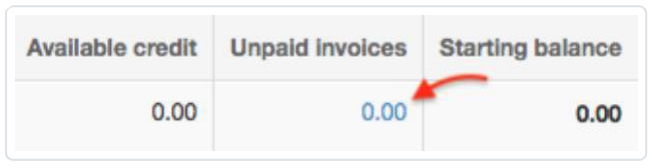
Enter unpaid sales invoices

You cannot enter the starting balance for unpaid invoices as a single figure. BILLBOOKS requires you to enter specific unpaid invoices, fully completed. This is so BILLBOOKS can generate accurate cash-basis reports. Even if you don't adopt cash-basis accounting, it is important to enter all unpaid sales invoices so you can issue detailed customer statements and enter eventual receipts against the correct invoices.

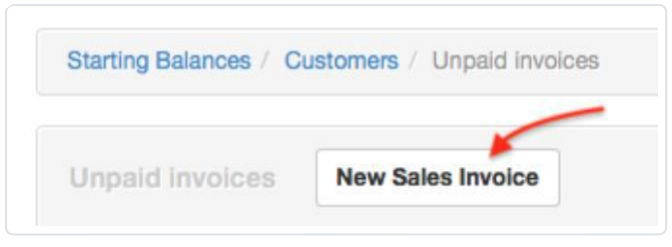
To enter a starting-balance invoice, go the `Settings` tab and click `Starting Balances`:



Click the blue balance for *Accounts receivable*, then the blue figure for `Unpaid invoices` on the line for the customer:



Click `New Sales Invoice` :



Complete the unpaid sales invoice in the same manner as a regular sales invoice. See this Guide for sales invoice instructions. The `Issue date` field will, by default, be prefilled with the date one day before your start date. Edit this to match the original issue date from your old accounting system. **Only sales invoices with issue dates before your start date will be treated as starting balance invoices.** When finished, click `Create` to save the invoice.

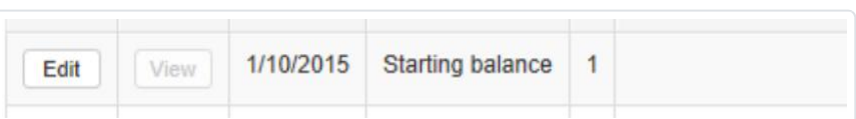
Adjusting the sales invoice

Now go to the `Sales Invoices` tab. You will notice that amounts in the `Invoice total` and `Balance due` columns for the unpaid invoice are equal:



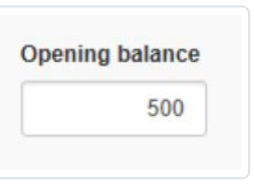
		Issue date	#	Customer	Invoice Total	Balance due	Status
Edit	View	13/08/2015	1	Brilliant Industries	2,000.00	2,000.00	21 days overdue
					2,000.00	2,000.00	

This is usually the correct scenario, unless the invoice entered had already been partially paid by the customer as of the start date. In that case, click on the amount under the `Balance due` column. You will see the starting balance with an amount of zero. Click `Edit` next to the starting balance transaction:



Edit	View	1/10/2015	Starting balance	1

Enter the amount previously paid by the customer toward this invoice in the `Opening balance` field:



Click `Update` to save the change. When you go back to the `Sales Invoices` tab, you will see the `Balance due` of the partially paid invoice has decreased by the amount paid:



		Issue date	#	Customer	Invoice Total	Balance due	Status
Edit	View	13/08/2015	1	Brilliant Industries	2,000.00	1,500.00	21 days overdue

Repeat for all sales invoices predating your start date.

> **Note**
> Starting balance sales invoices affect only the monetary balance of customers' subaccounts in _Accounts receivable. They do not affect starting balances of inventory items. Those should be set to match the physical count on the start date. See this Guide for more information.

6.1.4 Use customer codes

The `Code` field for customers is completely optional. It can be used for several purposes, including:

- Distinguishing customers with identical names
- Annotating different departments or cost centers at a single customer (with each department being created as a distinct customer)
- Assigning customers to regions, sales personnel, or routes

Assign a customer code

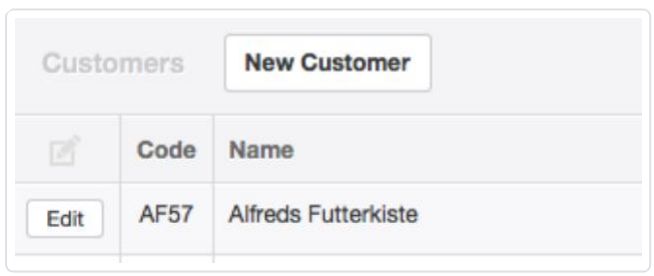
When creating or editing a customer in the `Customers` tab, enter any combination of letters or numbers in the `Code` field:



By default, the customer's code will be shown on printed documents next to customer's name:



The code will also show in the `Customers` listing and can be entered as a search parameter in other tabs:



Removing the customer code from documents

If you wish to remove the customer code from completed forms, edit the theme used to display them. While viewing the theme's computer code, find the line using the variable `{{ recipient.code }}`. This is a placeholder variable that inserts the customer code into your documents. To hide the customer code, simply remove `{{ recipient.code }}` from your theme. **Leave the rest of the line it was in unchanged.**

After you save your new or modified theme, the customer code will no longer show.



6.1.5 Manage inactive customers

Old, inactive Customers can clog your lists. You can delete them if you have never entered any type of transaction for them. `Edit` the Customer and click `Delete` at the bottom of the screen.

But if you have entered any transactions, BILLBOOKS will not allow you to delete a Customer, because doing so would also delete all related, historical transactions. Instead, you can make a Customer inactive. `Edit` the Customer and check the `Inactive` box. Click `Update`, and the Customer will no longer appear in the active portion of lists.

If the Customer ever returns to active status, scroll to the end of the customer list, where you will see inactive customers in light grey text with strike-through marking. Click `Edit` next to the customer's name:

Uncheck the `Inactive` box and click `Update`.

6.2 Sales Quotes

6.2.1 Create sales quotes

A **sales quote** offers goods or services at defined prices and terms. Strictly speaking, it is not an accounting transaction and has no financial or inventory impact. It does not involve actual provision of services, movement of inventory, or payment of money. In fact, it is not really necessary at all, but can be used for a variety of purposes:

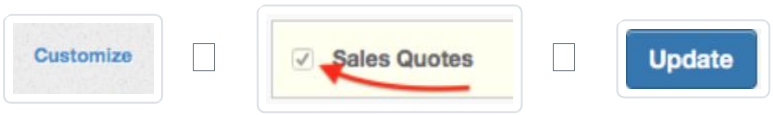
- Quoting prices in advance of receiving an order

- Documenting estimates in support of requests for a deposits
- Providing *pro forma* invoices for import/export clearance

If a sales quote is accepted by the customer, it can be converted to a purchase invoice, purchase order, sales order, sales invoice, or delivery note.

Enable the `Sales Quotes` tab

Before creating a sales quote, enable the `Sales Quotes` tab. Below the left navigation pane, click `Customize`, check the box for `Sales Quotes`, and click `Update`:

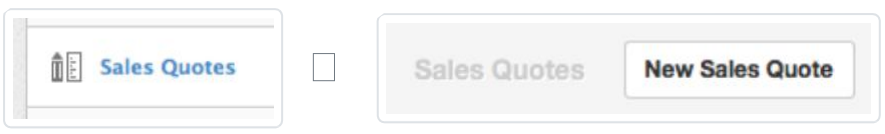


BILLBOOKS allows sales quotes to be created in three different ways:

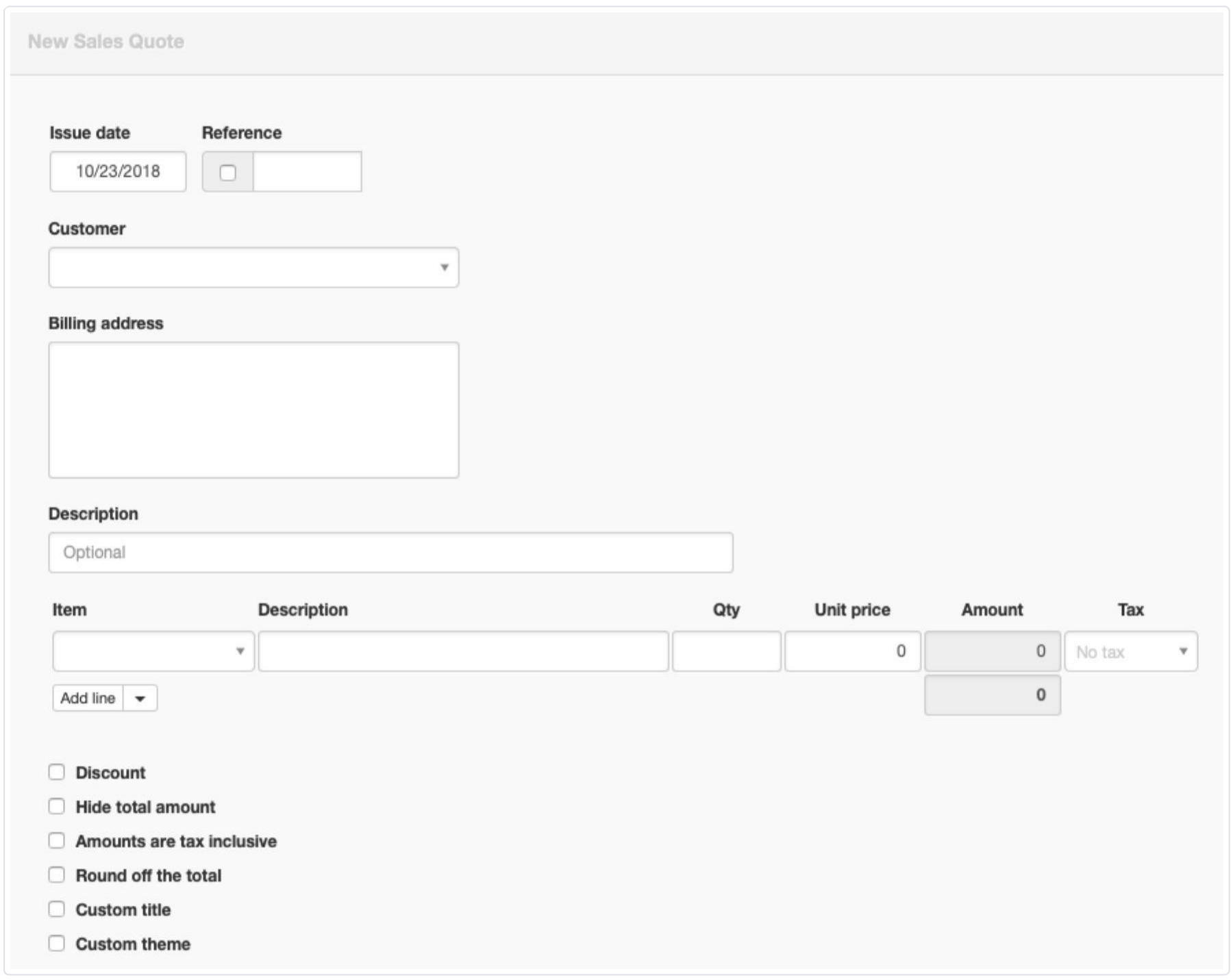
- Standard method
- By cloning
- From sales invoices

Standard method

In the `Sales Quotes` tab, select `New Sales Quote`:

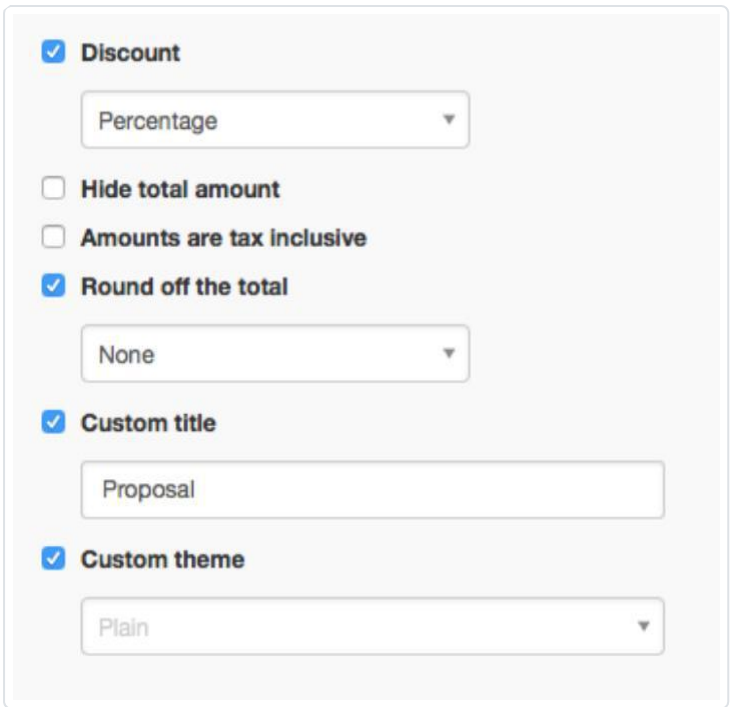


Complete the sales quote form:



- `Issue date` will be prepopulated with today's date. This may be edited.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing sales quotes and add 1.
- A previously defined `Customer` can be selected from the dropdown list.
- If a customer is selected, `Billing address` will autofill.
- An overall `Description` of the quote is optional.
- Line items can be entered semi-automatically by selecting inventory or non-inventory items in the `Item` field. Or they can be entered manually. `Tax` codes can be selected.

Near the bottom of the screen are checkboxes for various options. Additional fields appear when some options are checked; likewise, some options disappear when others are selected:



- When the `Discount` box is checked, options appear for *Percentage* or *Exact amount*. The discount entry must be made line item by line item.
- The `Hide total amount` box allows you to include several options in a quote without displaying a total higher than any option the customer might choose.
- A box can be checked to indicate `Amounts are tax inclusive`.
- You can `Round off the total`, choosing *Round to nearest* or *Round down*.
- A `Custom title` can be entered. Possible alternatives include: *Pro Forma Invoice*, *Proposal*, *Sales Quotation*, *Bid Sheet*, or *Sales Offer*. To change the title, check the box and enter your preferred choice. (Alternate titles set under Form Defaults will appear on new sales quotes, but may also be edited.)
- A `Custom theme` can be selected if any theme besides the default is active.

Click `Create` when finished.

Note
While sales quotes can be prepared for customers already defined in the `Customers` tab, they can also be created without first defining a customer. This is helpful when acceptance of the quote is doubtful, preventing unnecessary clutter in the customer database.

To create a sales quote for an entity not in your customer list, leave the `Customer` field blank. Enter the potential customer's name as the first line in the `Billing address` field. It will appear on the finished sales quote in the same position as if a defined customer had been selected.

Be aware, however, that if the sales quote is copied to a sales order or sales invoice, no customer or address will carry forward. You will have to define the customer before other transaction forms can be created.

Example

Northwind Traders sends a sales quote to Bottom-Dollar Markets for crab meat. No taxes are indicated. (These can be added, if necessary, to any resulting sales invoice.) Nor is a discount offered. But the amount is rounded down. Northwind has also added a custom field to its sales quotes, named *Notes*:

Quote

NORTHWIND TRADERS

Bottom-Dollar Markets
23 Tsawassen Blvd.
Tsawassen BC T2F 8M4
Canada

Issue date
9/29/2016

Reference
2

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Description	Box	Unit price	Amount
Box of frozen blue crab	1	18.40	18.40
		Sub-total	18.40
		Rounding	–0.40
		Total	**18.00**

Notes
Prices are subject to change without notice.

Quote is valid for 15 days.

The same quote could offer untotaled options:

Quote

NORTHWIND TRADERS

Bottom-Dollar Markets
23 Tsawassen Blvd.
Tsawassen BC T2F 8M4
Canada

Issue date
9/29/2016

Reference
2

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

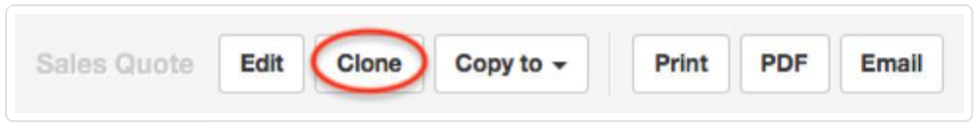
Description	Qty	Unit price	Amount
Box of frozen blue crab	1 Box	18.40	18.40
Frozen shrimp gumbo mix	1 Case	21.35	21.35

Notes
Prices are subject to change without notice.

Quote is valid for 15 days.

By cloning

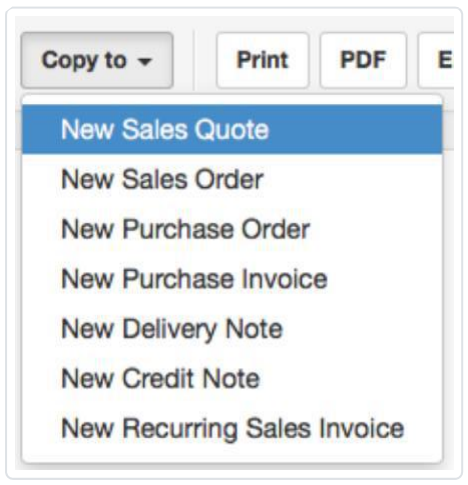
Repeat sales quotes can be easily prepared by cloning previous ones. While viewing a similar sales quote, click `Clone`. The new sales quote need not be identical to the previous one or even to the same customer. Anything can be edited or added:



From sales invoices

If a customer places an order similar to a previous sale, a sales quote can be generated from a prior sales invoice. Note, this may be backwards from the normal workflow of sales quote ☐ sales order ☐ sales invoice, but perfect for a situation where the customer wants updated pricing for the same thing purchased last time.

While viewing the prior sales invoice, select *New Sales Quote* from the `Copy to` dropdown box:



6.3 Sales Orders

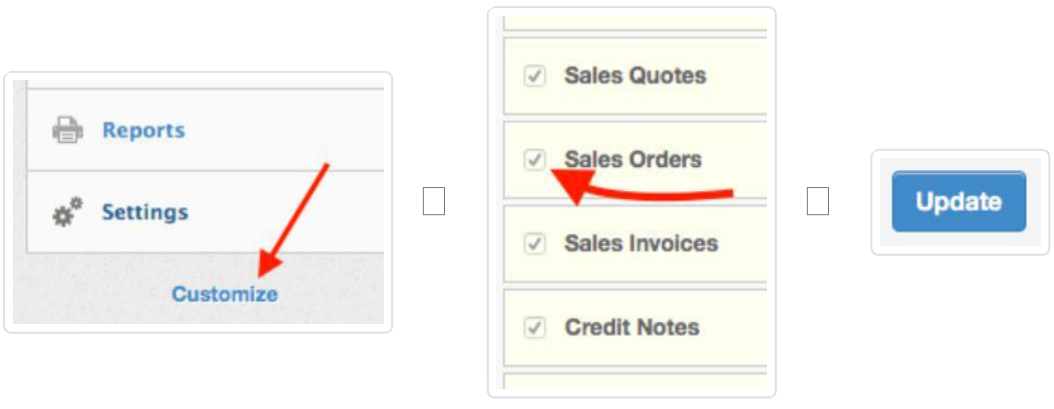
6.3.1 Create sales orders

A **sales order** records an order from a customer, usually for internal purposes. Strictly speaking, it is not an accounting transaction and has no financial or inventory impact. It does not involve actual provision of services, movement of inventory, or payment of money. In fact, it is not really necessary at all, but can be used for a variety of purposes:

- Internal manufacturing or fulfillment planning
- Documentation of agreed pricing
- Customer communication
- Drafts of purchase or sales invoices

Enable `Sales Orders` tab and define customer

Before creating a sales order, enable the `Sales Orders` tab. Below the left navigation pane, click `Customize`, check the box for `Sales Orders`, and click `Update`:



Next, be sure the customer for whom the sales order is being entered has been defined in the `Customers` tab. BILLBOOKS allows sales orders to be created in four different ways:

- Standard method

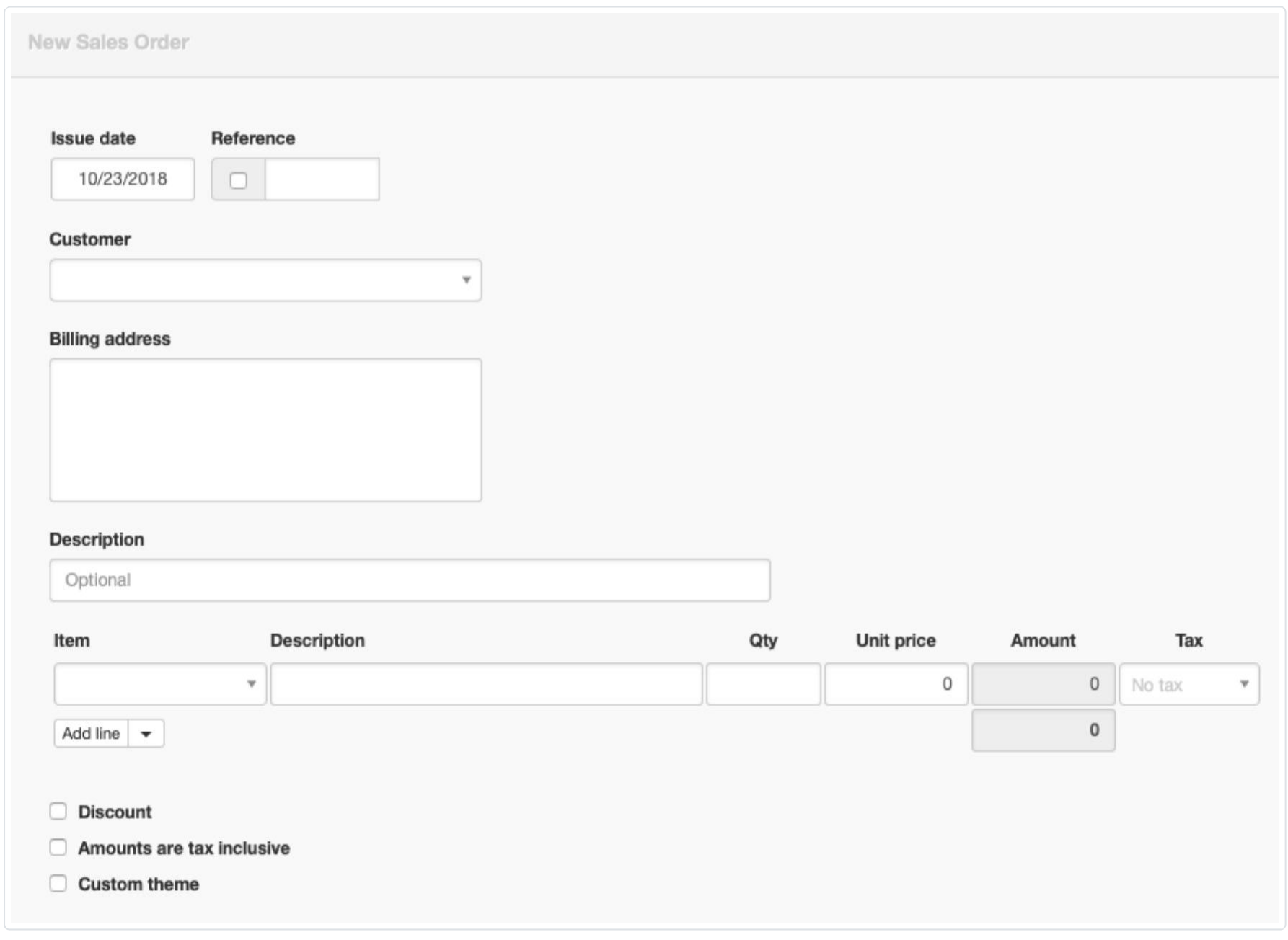
- By cloning
- From sales quotes
- From sales invoices

Standard method

In the `Sales Orders` tab, select `New Sales Order`:

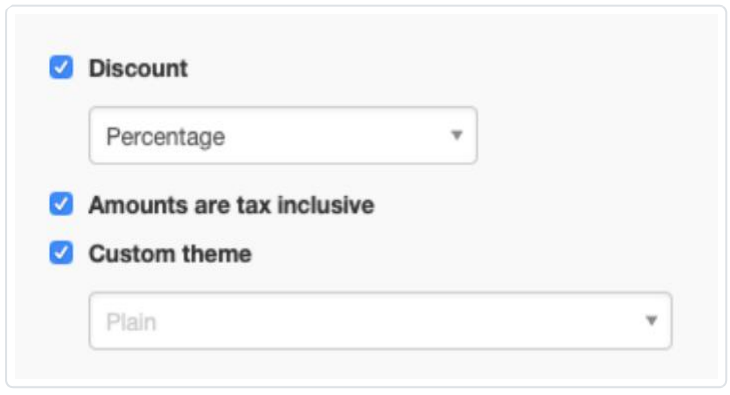


Complete the sales order form:



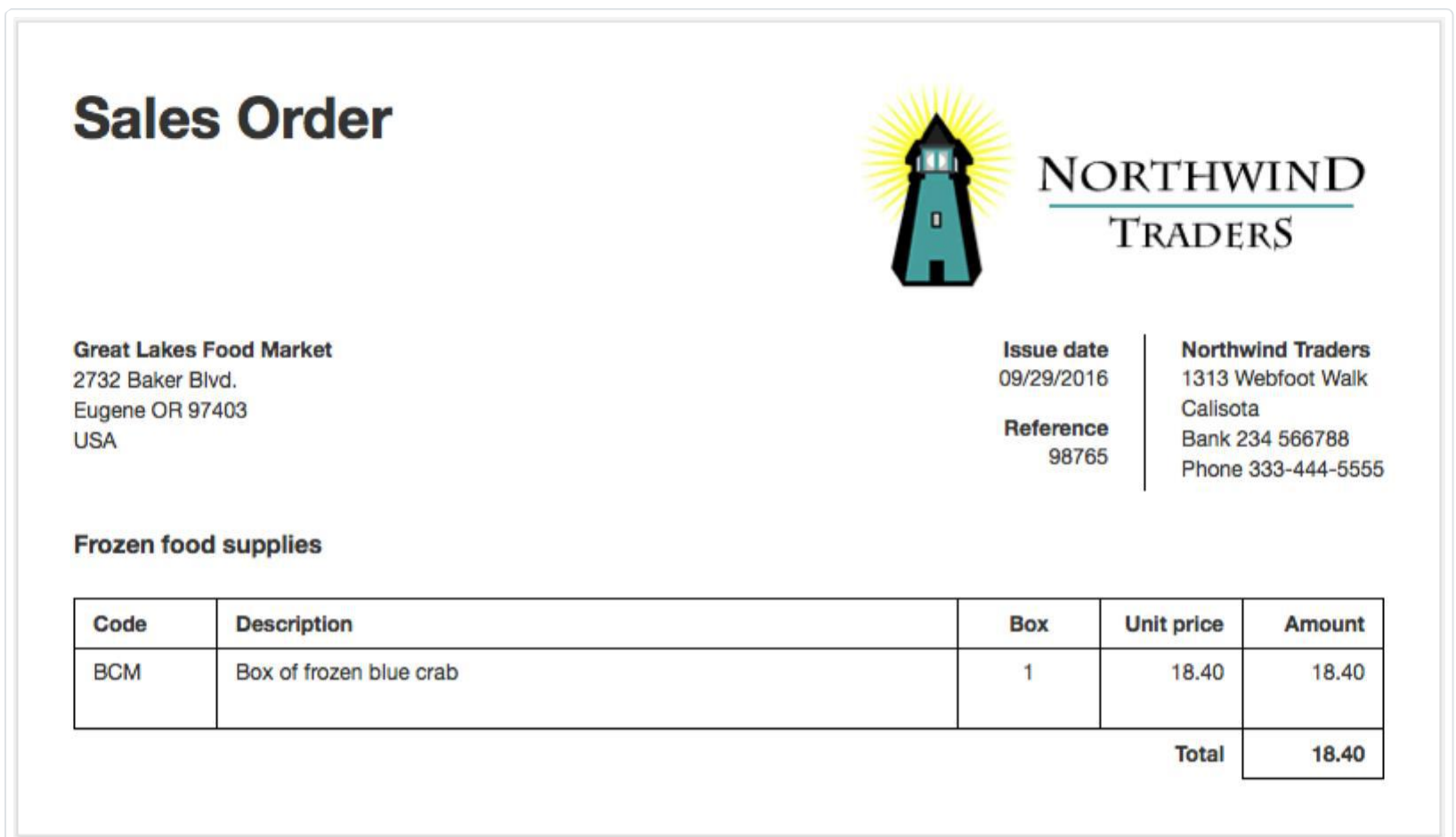
- **Issue date** is prefilled with today's date, which may be edited.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing sales orders and add 1.
- A `Customer` must be selected from the dropdown list.
- The customer's `Billing address` fills automatically.
- An optional summary `Description` of the sales order can be entered.
- Line items can be entered semi-automatically by selecting inventory or non-inventory items in the `Item` field. Or they can be entered manually.
- `Description` of the line item is optional.
- `Qty` is where you enter the number of items being sold. One is assumed if nothing is entered.
- `Unit price` is the sales price per item.
- `Tax` codes can be selected as applicable.

Near the bottom of the screen are checkboxes for various options. Additional fields appear when some options are checked:



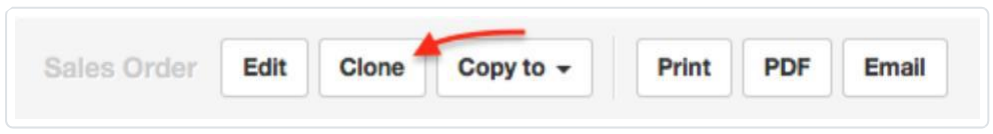
- When the `Discount` box is checked, options appear for *Percentage* or *Exact amount* . The discount entry must be made line item by line item.
- A box can be checked to indicate `Amounts are tax inclusive`.
- A `Custom theme` can be selected if any theme besides the default is active.

Click `Create` when finished:



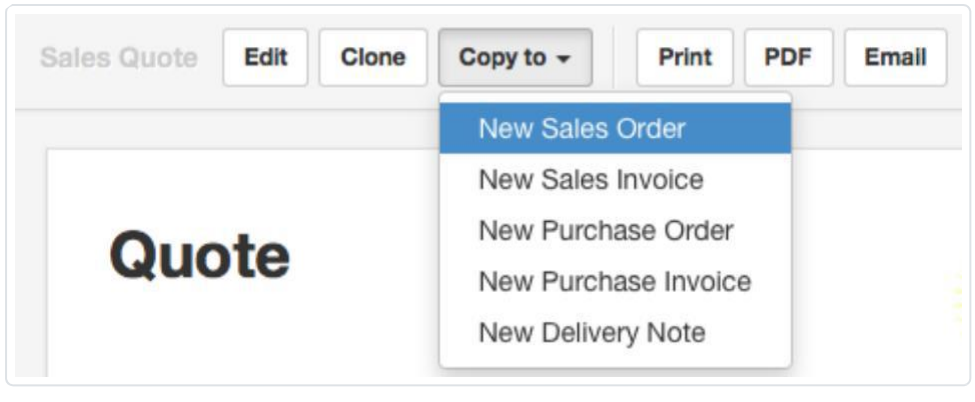
By cloning

Repeat sales orders can be entered by cloning previous ones. While viewing a similar sales order, click `Clone`. The new sales order need not be identical to the previous one. Anything can be edited or added:



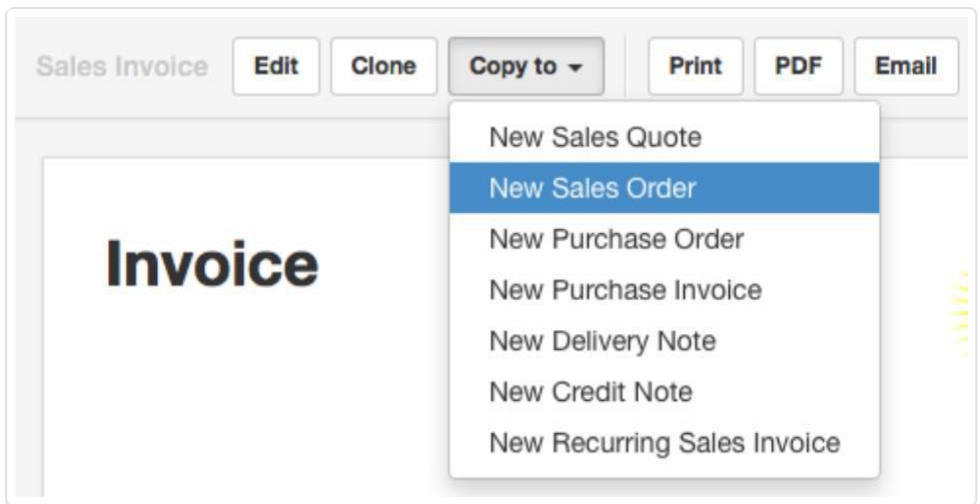
From sales quotes

If a sales quote was previously given to a customer, a sales order can be generated directly from the sales quote. While viewing the quote, select *New Sales Order* in the `Copy to` dropdown box and edit as required:



From sales invoices

When a customer enters an order for goods or services that have previously been sold to that customer, a sales order can by copied from the earlier sales invoice:



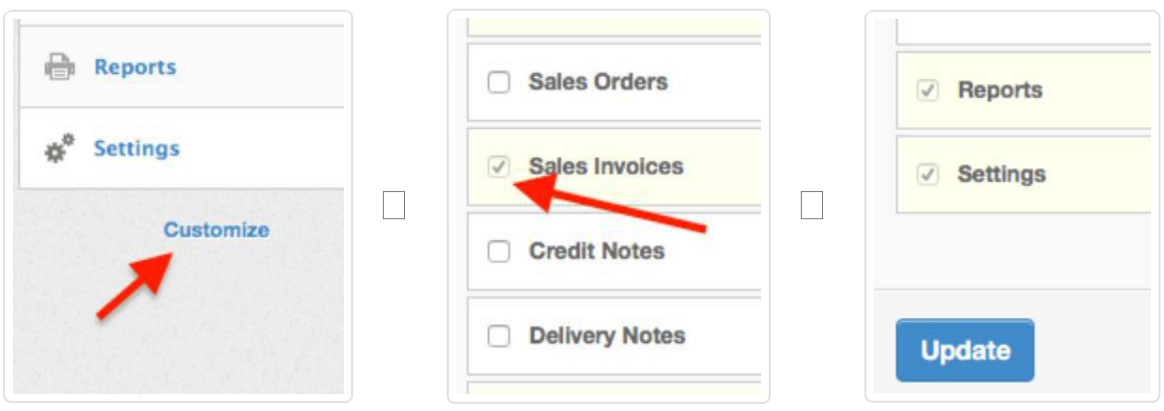
6.4 Sales Invoices

6.4.1 Create sales invoices

Sales invoices make demands for payment from customers for goods or services. They increase the balance of the customer's subaccount in *Accounts receivable* and, therefore, are used when selling on credit. They do not record receipt of money, which must be handled by a second transaction, even if the customer pays upon delivery. In a double-entry accounting system like BILLBOOKS, they also post income to appropriate accounts.

Enable the `Sales Invoices` tab

Before a sales invoice can be created, enable the `Sales Invoices` tab. Click `Customize` below the left navigation pane, check the box for `Sales Invoices`, and click `Update` below the list:



BILLBOOKS offers six methods for creating sales invoices:

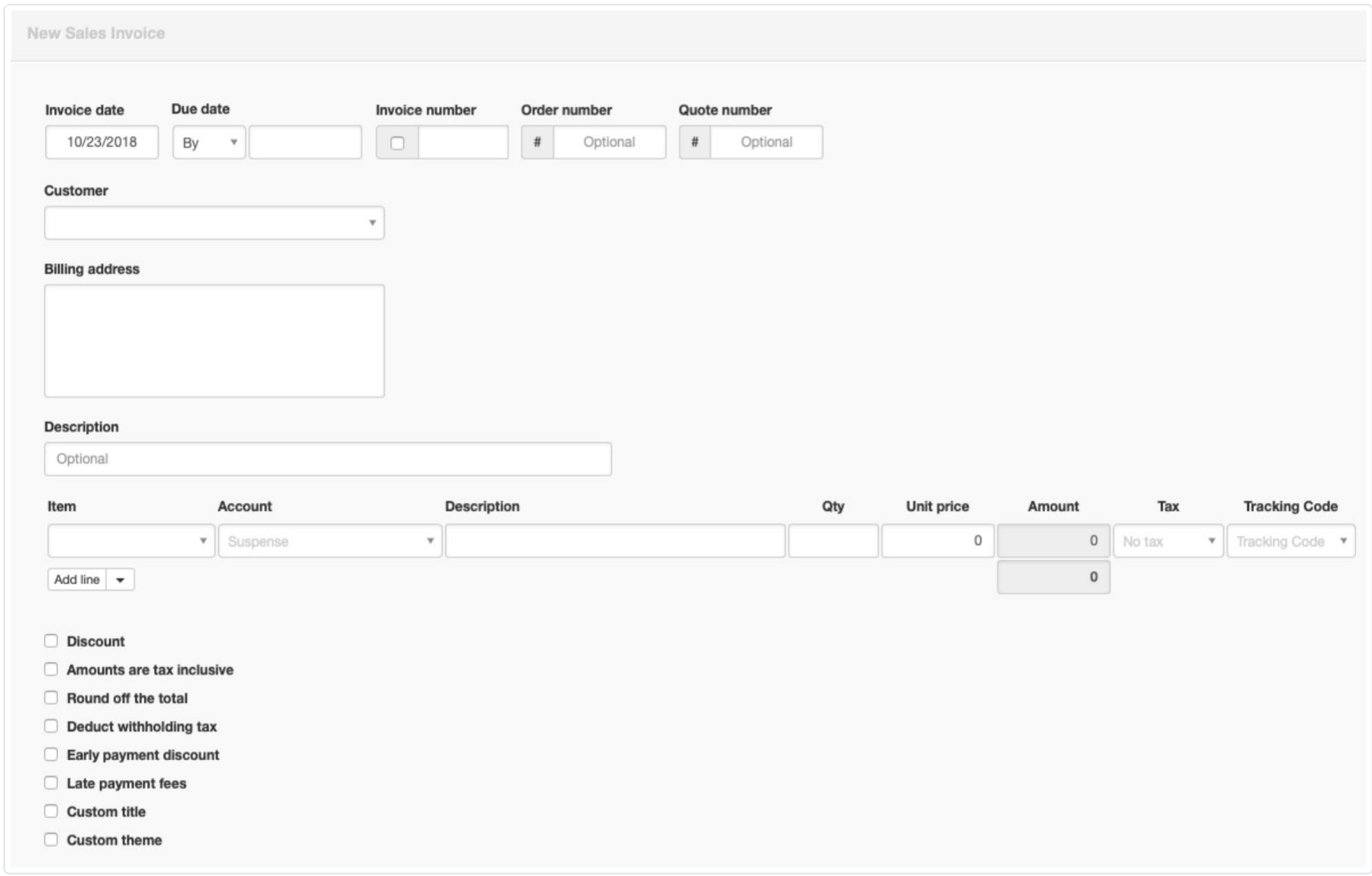
- Standard method
- By cloning
- From `Customers` tab
- From sales quotes
- From sales orders
- From purchase invoices

Standard method

In the `Sales Invoices` tab, click on `New Sales Invoice`:

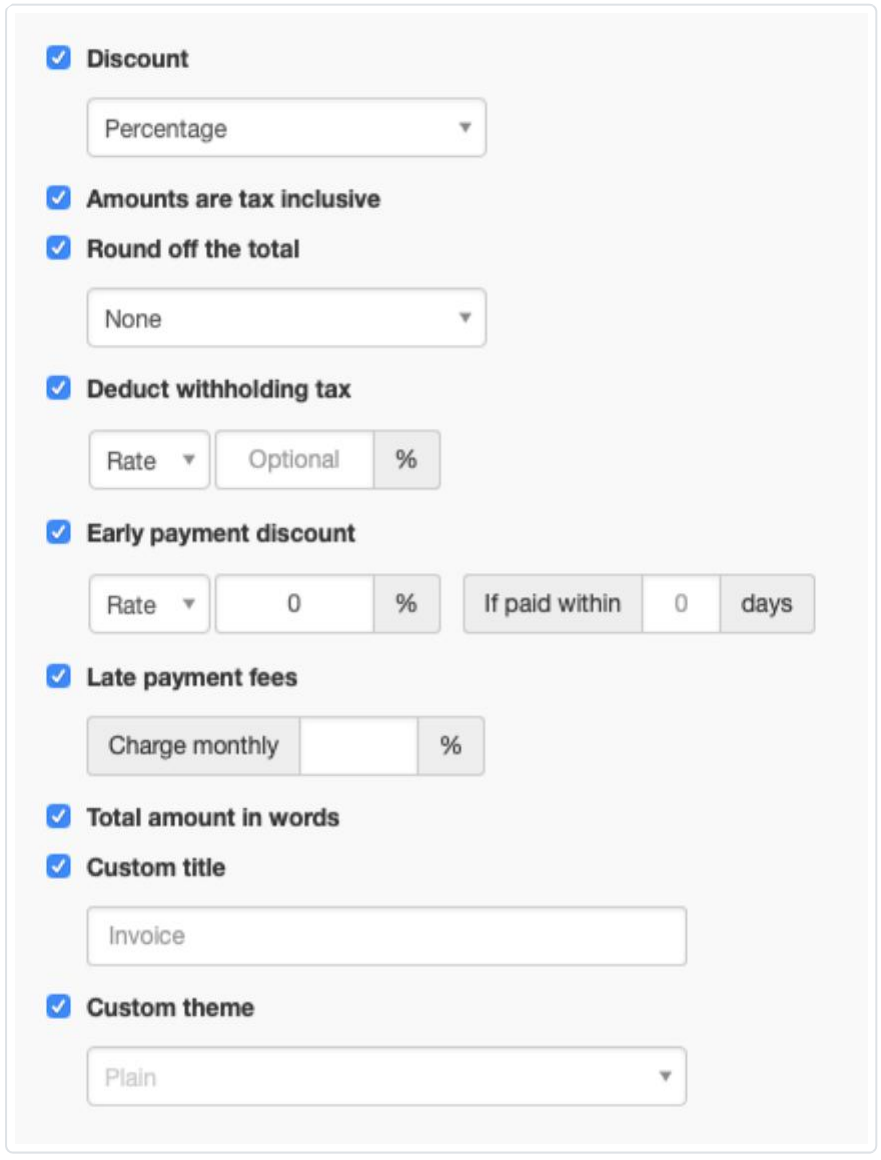


Complete the form:



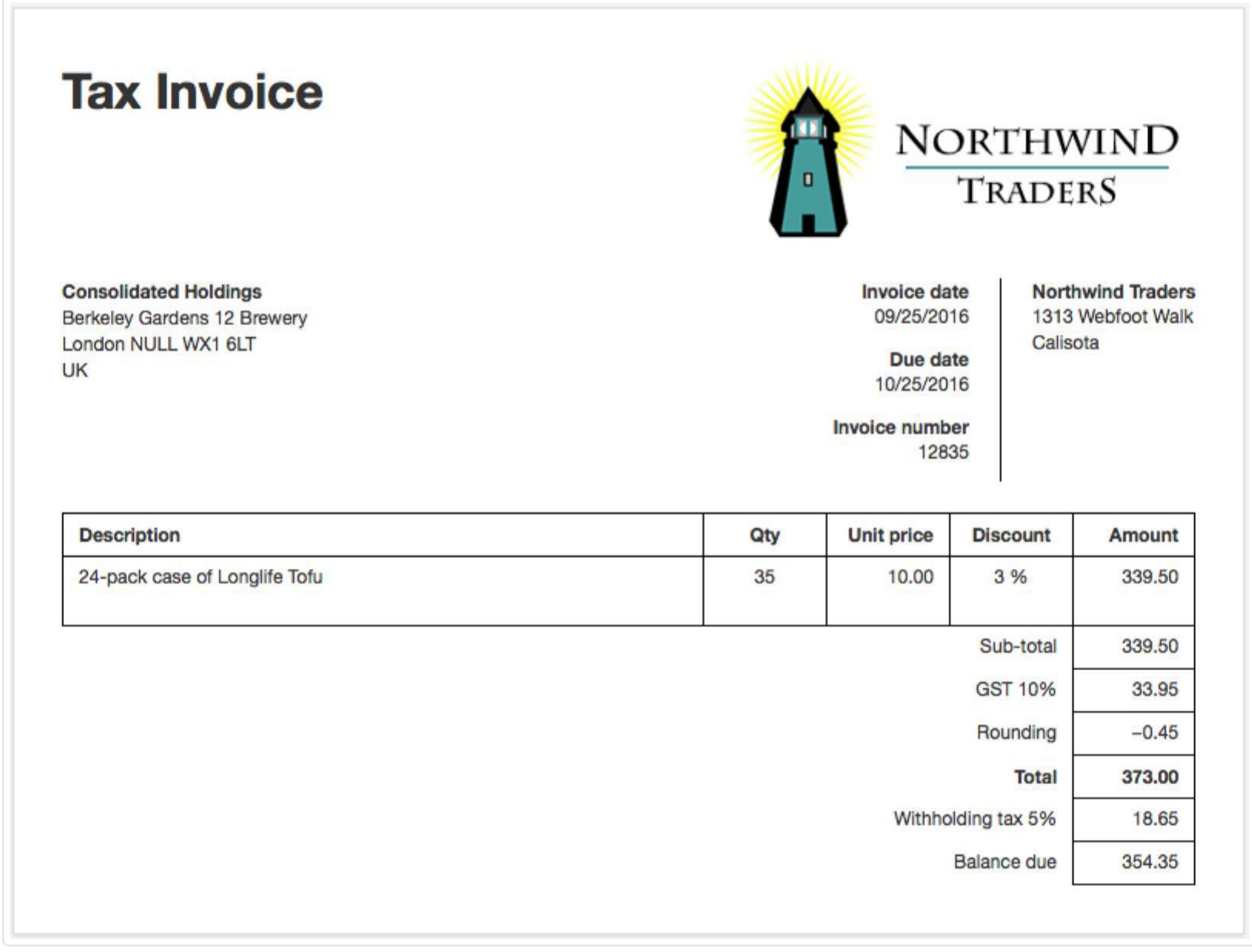
- By default, `Invoice date` is prepopulated with today's date.
- An optional `Due date` can be entered, either as a calendar date or as a number of days after the issue date (illustrated below). If a `Due date` is not entered, BILLBOOKS will automatically use the `Invoice date` as the `Due date`.
- `Invoice number` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing sales invoices and add 1.
- The `Order number` field can be used to enter a customer's purchase order number or an internal reference number. Completion of this field is optional.
- If the `Sales Quotes` tab is enabled, the `Quote number` field appears. Completion of this field is optional.
- A previously defined `Customer` must be selected in the dropdown box.
- The customer's `Billing address` is filled automatically, but may be edited.
- A summary `Description` of the overall invoice can be entered, if desired.
- Line items can be completed semi-automatically by selecting a predefined inventory or non-inventory `Item` and entering quantities. Or, they may be entered manually. Additional lines can be added 1, 5, 10, or 20 at a time.
- Applicable `Tax` codes can be selected.
- If tracking codes have been created, the `Tracking Code` field appears.

Near the bottom of the screen are checkboxes for various options. Additional fields appear when some options are checked:



- If the option to indicate a `Discount` is being applied is checked, further options appear for percentage or fixed amount discounts.
- Another option lets you indicate `Amounts are tax inclusive`. If this box is checked, tax amounts are deducted from the unit price; otherwise they are added to the invoiced amount.
- Options to `Round off the total` are available.
- Withholding of tax can also be selected by checking the box to `Deduct withholding tax` and entering the *Rate* or *Amount*.
- An `Early payment discount` can be offered.
- Options for `Late payment fees` can be selected.
- A `Custom title` can be entered, such as when local regulations require a sales invoice to be titled as a tax invoice.
- A `Custom theme` can be indicated.

Click `Create` to generate the finished sales invoice:



Tax Invoice

NORTHWIND TRADERS

Consolidated Holdings
Berkeley Gardens 12 Brewery
London NULL WX1 6LT
UK

Invoice date
09/25/2016

Due date
10/25/2016

Invoice number
12835

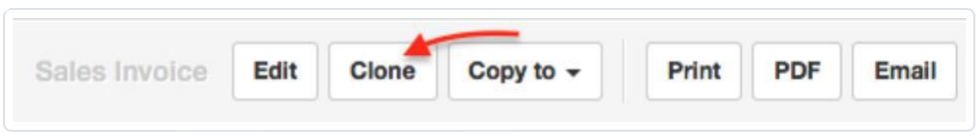
Northwind Traders
1313 Webfoot Walk
Calisota

Description	Qty	Unit price	Discount	Amount
24-pack case of Longlife Tofu	35	10.00	3 %	339.50
			Sub-total	339.50
			GST 10%	33.95
			Rounding	–0.45
			Total	**373.00**
			Withholding tax 5%	18.65
			Balance due	354.35

Note
Because of the specific in-built tax code selected, this sales invoice's heading has been changed to *Tax Invoice*. This happens when such a title is known to be required by local law. Automatic changes do not occur with custom tax codes.

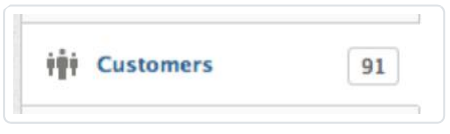
By cloning

For repeat sales, an existing sales invoice can be duplicated by cloning. While viewing the existing sales invoice, click `Clone`, edit as required, and click `Create`:

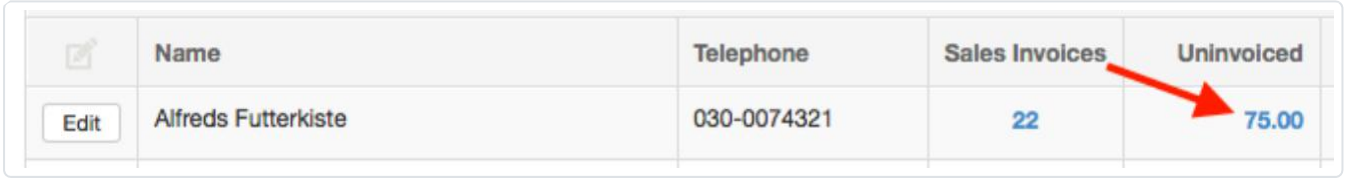


From `Customers` tab

If the `Billable Time` or `Billable Expenses` tabs are being used, sales invoices can be created from the `Customers` tab:

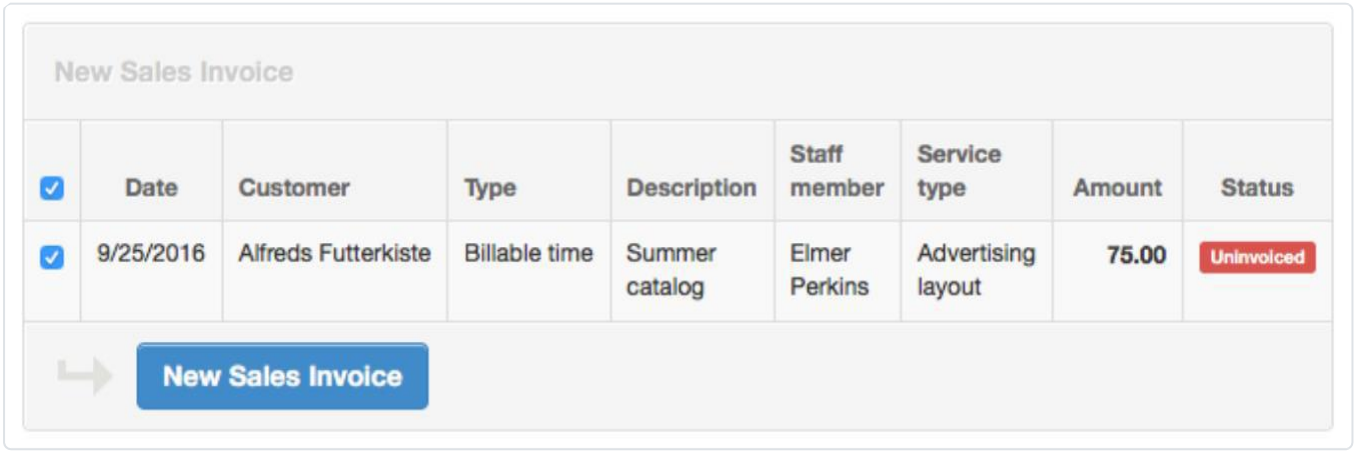


Drill down by clicking the blue balance in the `Uninvoiced` column for a customer:



	Name	Telephone	Sales Invoices	Uninvoiced
Edit	Alfreds Futterkiste	030-0074321	22	75.00

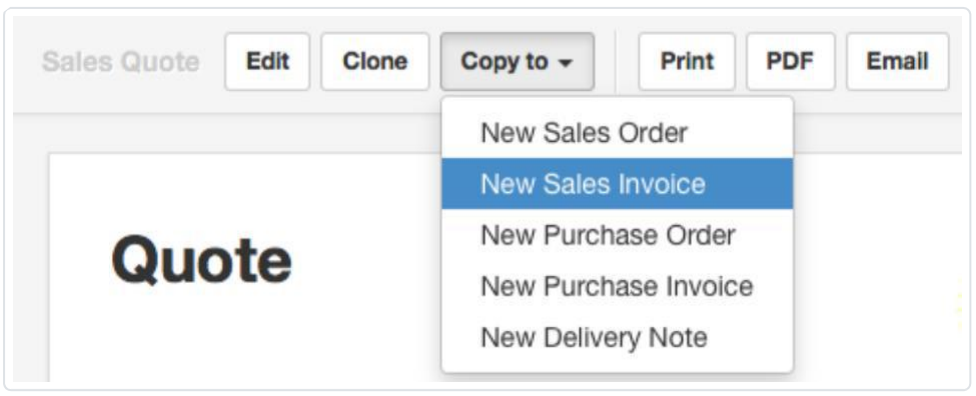
Select any uninvoiced billable time or billable expenses to be invoiced and click `New Sales Invoice`:



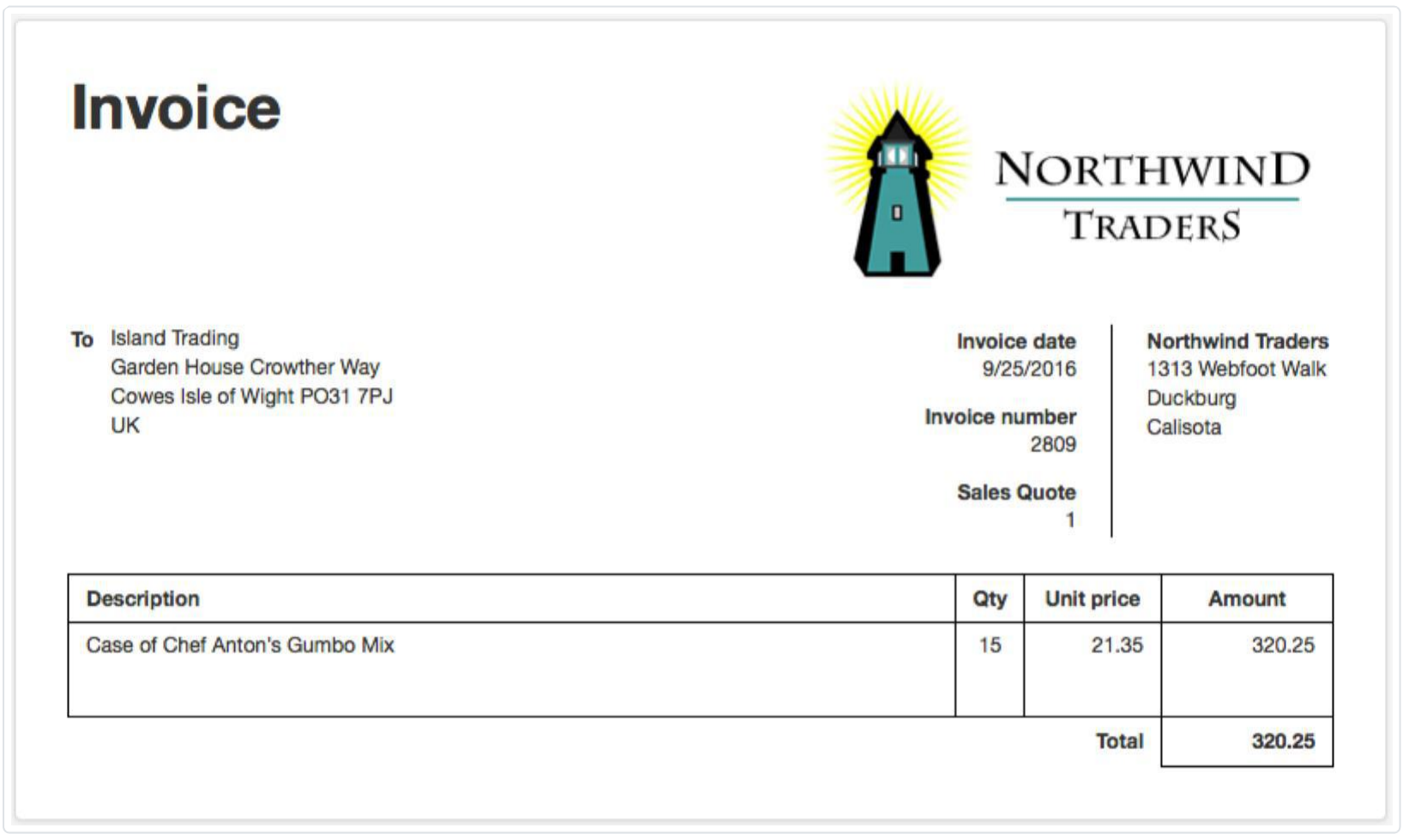
A sales invoice is created, which can be edited or added to. See this Guide for more information.

From sales quotes

If the customer was given a sales quote before goods or services were ordered, a sales invoice can be created directly from the sales quote without re-entering information. While viewing the sales quote, select *New Sales Invoice* from the `Copy to` dropdown box:

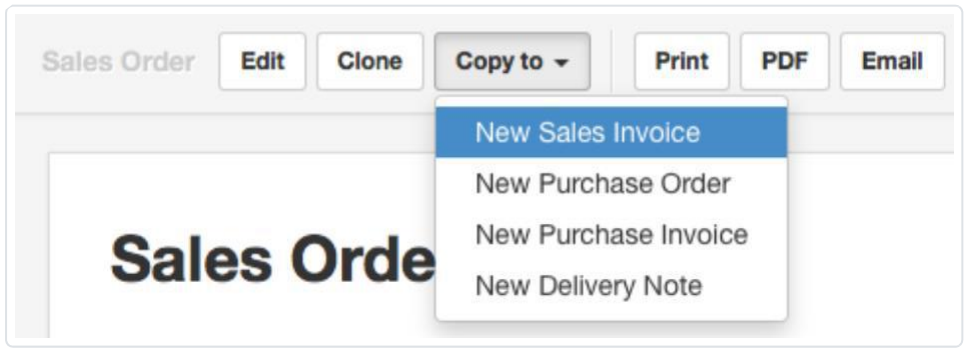


A sales invoice entry screen appears, carrying forward necessary information, including the quote number. This can be edited as needed. When `Create` is clicked, a sales invoice is generated. For this illustration, no tax code was used, so the default *Invoice* title appears:



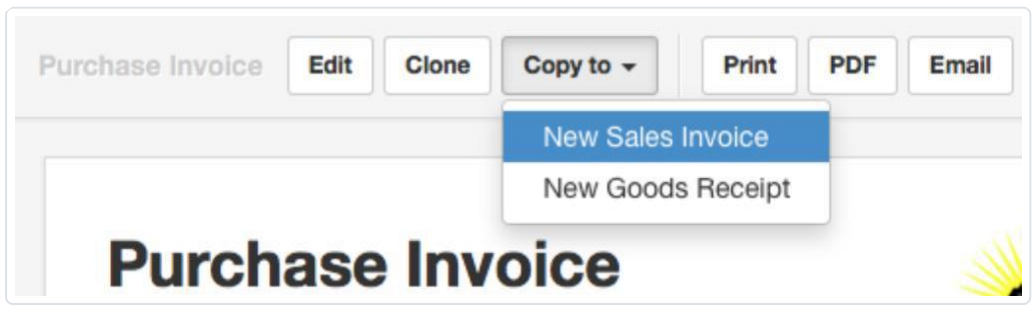
From sales orders

If a sales order has been created in response to a customer's purchase order, a sales invoice can be created directly from it. Exactly as when creating a sales invoice from a sales quote, select *New Sales Invoice* from the `Copy to` dropdown box:



From purchase invoices

If goods or services being invoiced to a customer were purchased from a supplier, and the supplier's sales invoice has been entered into BILLBOOKS as a purchase invoice, a sales invoice can be created directly from the purchase invoice. Again, while viewing the purchase invoice, `Copy to` select *New Sales Invoice* in the dropdown box:



6.4.2 Set up and manage recurring invoices

Recurring sales or purchase invoices are useful if your business routinely issues similar sales invoices to customers or receives similar invoices from suppliers. Once you have set them up, BILLBOOKS will notify you they are ready to be created when they come due at the prescribed intervals. Recurring invoices are often used for:

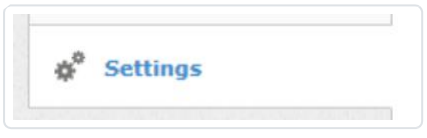
- Customer subscriptions
- Monthly service billings
- Insurance premiums
- Organizational memberships and dues
- Rent
- Utilities payments

Set up a recurring invoice

There are two methods for setting up recurring invoices. These are identical for sales and purchase invoices.

First method

The first method for creating a new recurring invoice is to go to the `Settings` tab and click `Recurring Sales Invoices` or `Recurring Purchase Invoices` :

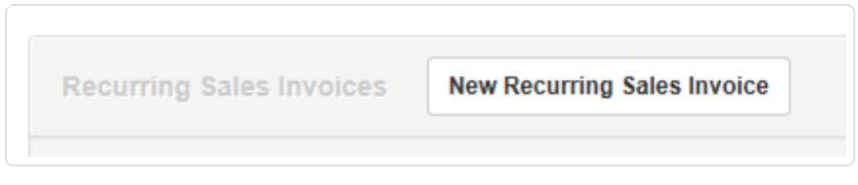




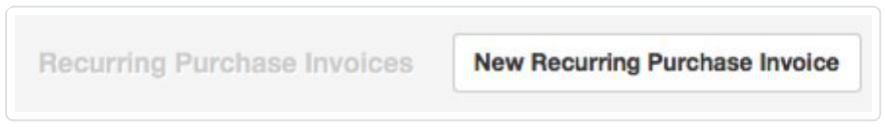
OR



Click `New Recurring Sales Invoice` or `New Recurring Purchase Invoice` :

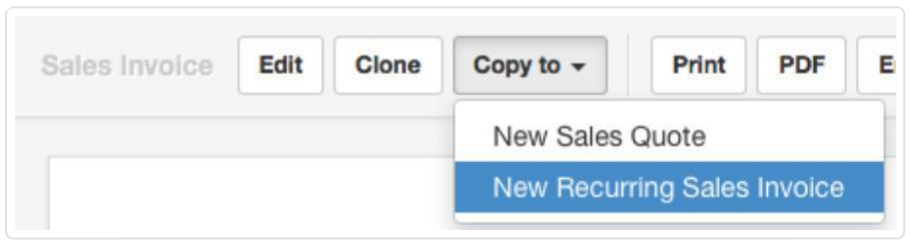


OR

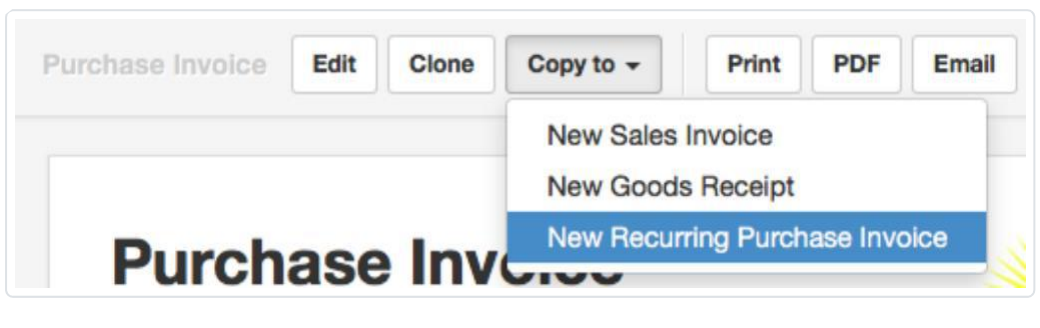


Second method

The second method is to use the `Copy to` function while viewing an existing invoice you want to make recurring:

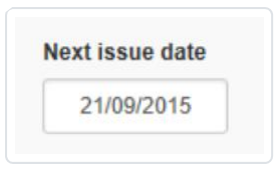


OR

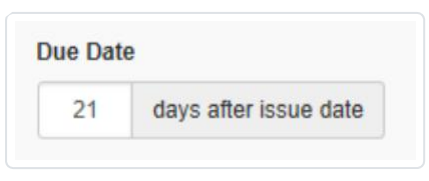


For either method

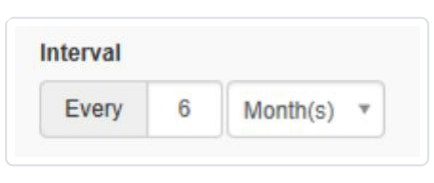
Whichever way you begin, enter `Next issue date` to establish when the first recurring invoice will be created:



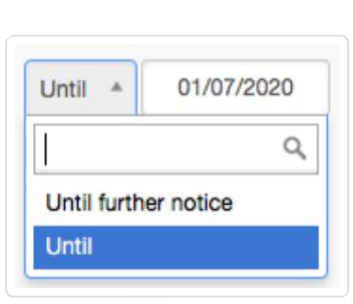
If desired, enter how the optional `Due Date` should be calculated. If nothing is entered, BILLBOOKS will assign the issue date as the due date:



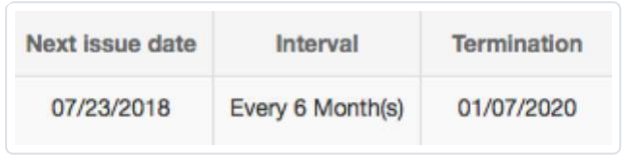
Select an `Interval` to control how often this recurring invoice will be created:



Select whether the recurring invoice will be good *Until further notice* or *Until* a specific date:



Enter remaining information as if creating a regular sales invoice or purchase invoice and click `Create`. On the `Recurring Sales Invoices` or `Recurring Purchase Invoices` screen, `Next issue date` will be updated based on the selected `Interval`. Termination date (if set) will also be shown:



Next issue date	Interval	Termination
07/23/2018	Every 6 Month(s)	01/07/2020

Caution
Recurring invoices in Manager are templates from which actual invoices will be generated later. Setting up a recurring invoice does not affect your customer or supplier balances, customer or supplier statements, inventory, income, or expenses. In fact, while Manager will notify you recurring invoices are pending, it will not automatically generate them for you. This avoids problems if you need to edit an invoice before issuing it or you forget to enter a service modification.

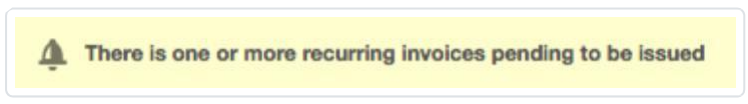
Generate invoices

When one or more recurring invoices are due (or past due) to be issued, two notifications are provided. The first is a yellow counter window in the left navigation pane showing the number of recurring invoices for which invoices are pending (not the number of pending invoices, which could be higher if you have not kept up by creating invoices that are due).

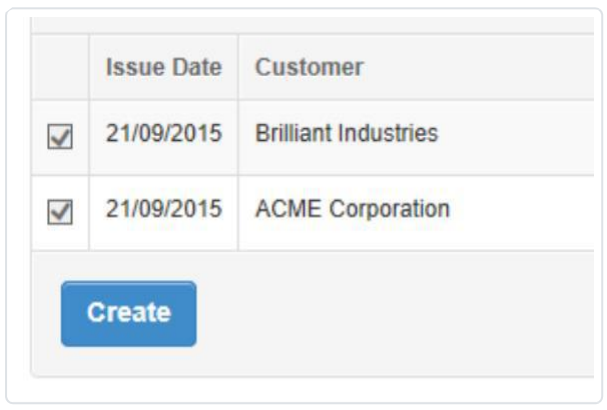
Example
One recurring sales invoice has generated pending invoices. The left navigation pane shows:



The second notification occurs any time you go to the `Sales Invoices` or `Purchase Invoices` tabs. You will see a yellow notice that at least one recurring invoice is pending:



Click on the yellow bar to review invoices to be generated, then press `Create`:

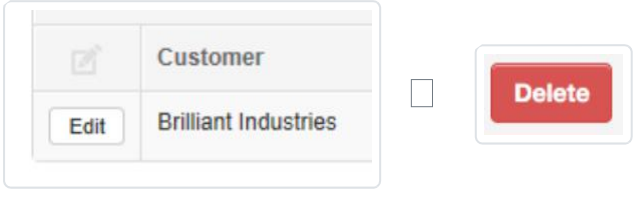


All pending invoices will be immediately created under the `Sales Invoices` or `Purchase Invoices` tab, depending on which you are in. You can further `Edit` or `View` them without affecting future recurring invoices:



Cancel a recurring invoice

When circumstances change, such as when a customer cancels a subscription or you stop regularly purchasing a product, you may want to cancel future recurring invoices. Click `Edit` for the recurring invoice in `Settings`, then `Delete`:



The recurring invoice will be removed from the list and no new invoices will be created from it. Cancelled recurring invoices cannot be restored. They must be recreated from scratch.

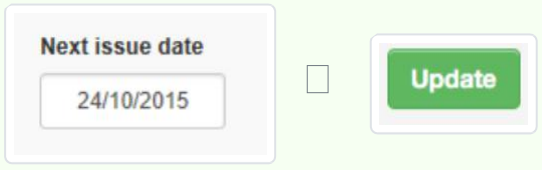
Skip an invoice

If recurring invoices must be skipped, but routine invoicing will resume in the future, click `Edit` for the recurring invoice in `Settings`. Set a new `Next issue date`, then click `Update` to save the change.

Example
Your customer's next recurring sales invoice for monthly service should be generated on 24 September 2015:

Next issue date	Interval
24/09/2015	Every 1 Month(s)

Your customer pauses the service subscription for one month; therefore, no invoice should be issued on 24 September. The next invoice should be issued on 24 October, so you edit the recurring sales invoice in `Settings`:



You now see the next sales invoice is due 24 October:

Next issue date	Interval
24/10/2015	Every 1 Month(s)

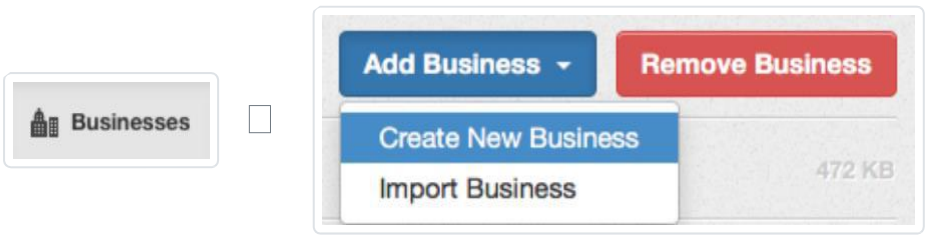
6.4.3 Issue your first invoice to a customer

You have just started your new business and completed your first job or sold your first merchandise. Now you want to be paid, but **your customer has requested an invoice from you**. What is that? It is basically a list of goods sent or services provided, indicating the amount due for these. You might think of it as a bill. For accounting purposes, many customers won't pay until a sales invoice is presented.

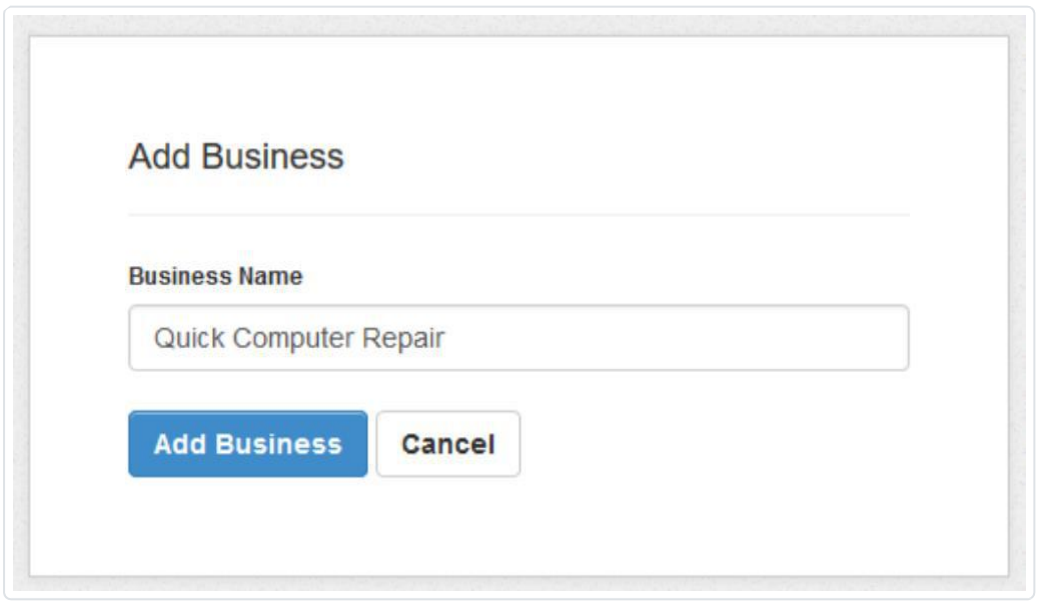
So let's say you are running a computer repair business. Before you can starting issuing invoices to customers, you need to set yourself up as a business in BILLBOOKS.

Create a business

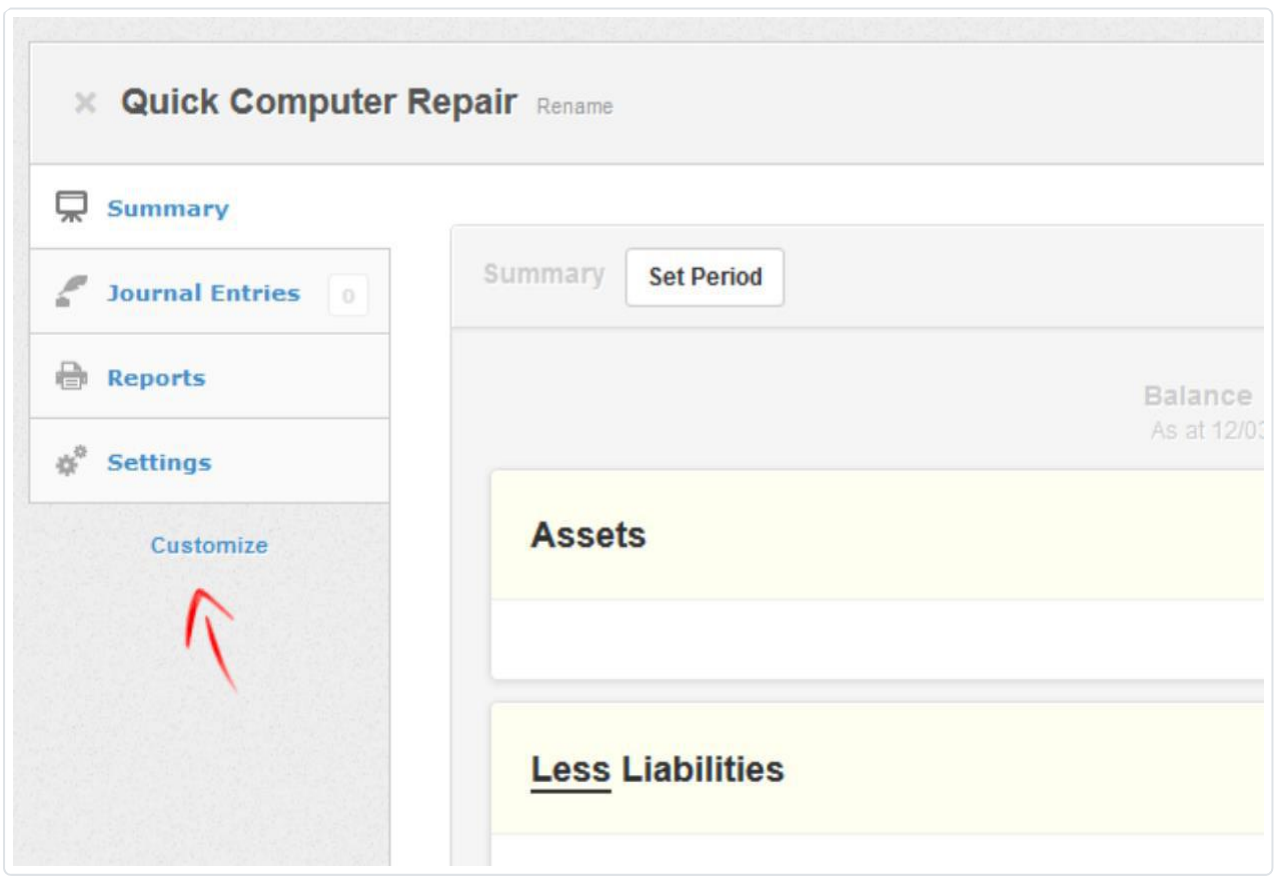
In the `Businesses` tab, click `Add Business` and select *Create New Business*:



Enter your business name and click `Add Business`:



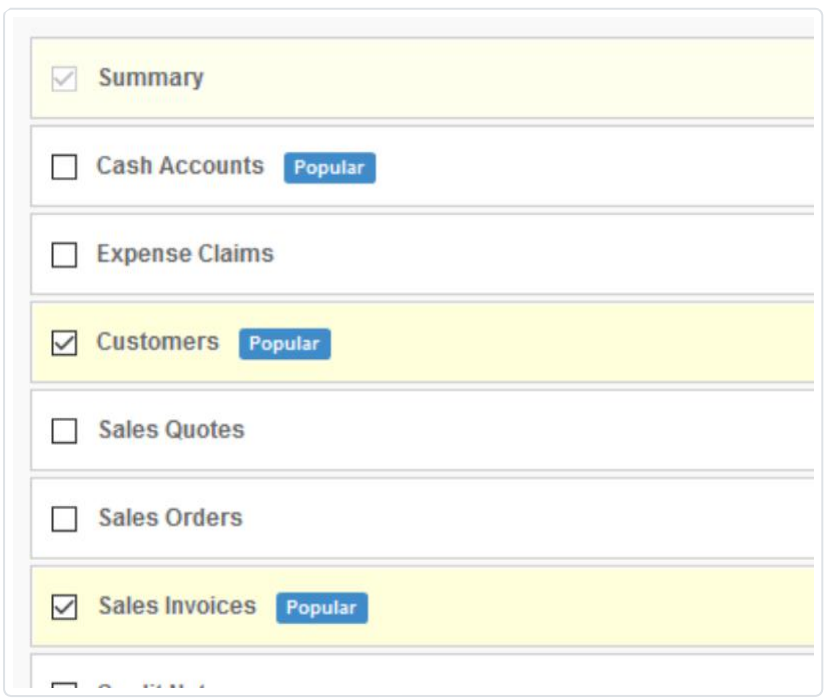
Your business will be created, but it will look nearly empty, with only a few tabs showing at the left:



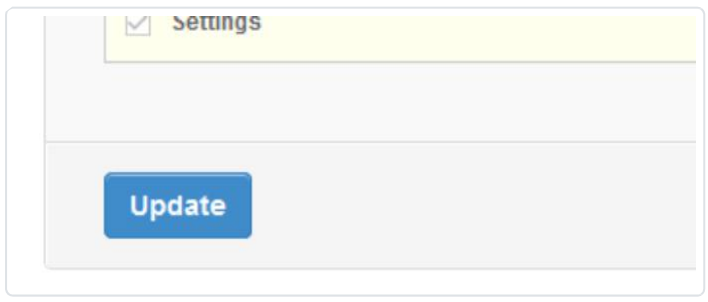
Customizing left navigation

Since every business is different, all but those four modules will be disabled by default. To issue a sales invoice to a customer, you will need to enable the `Customers` and `Sales Invoices` tabs.

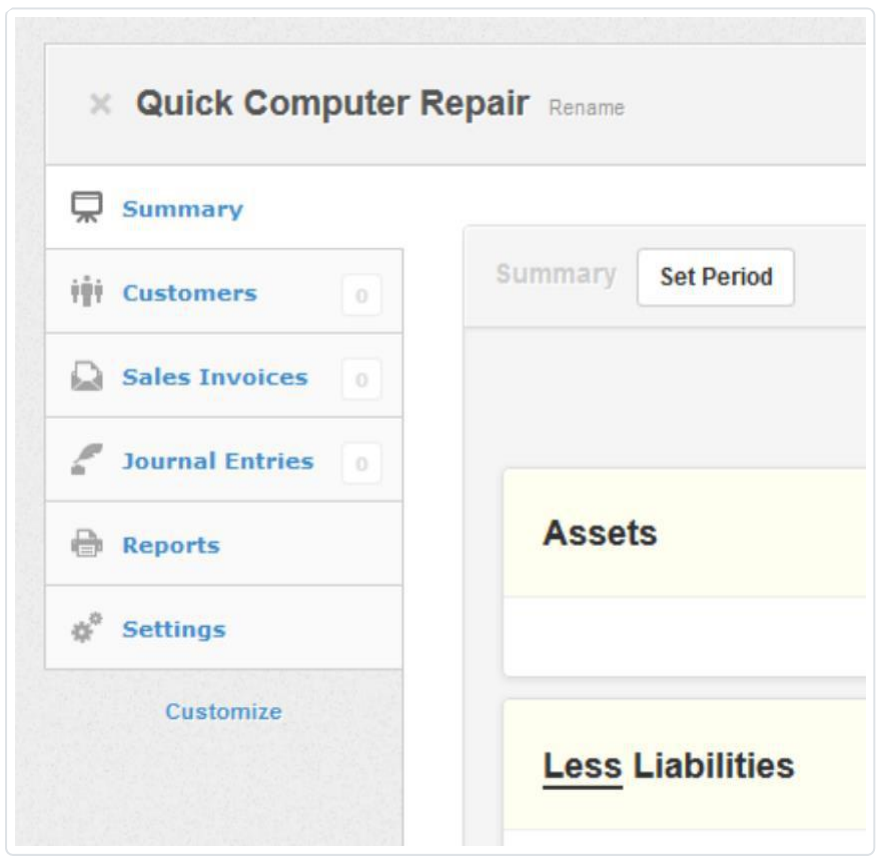
Click `Customize` below the left navigation pane and enable these two tabs:



Be sure to click `Update` at the bottom to save your choices:



Now you are getting somewhere. Your left navigation pane will contain two new tabs, `Customers` and `Sales Invoices`:

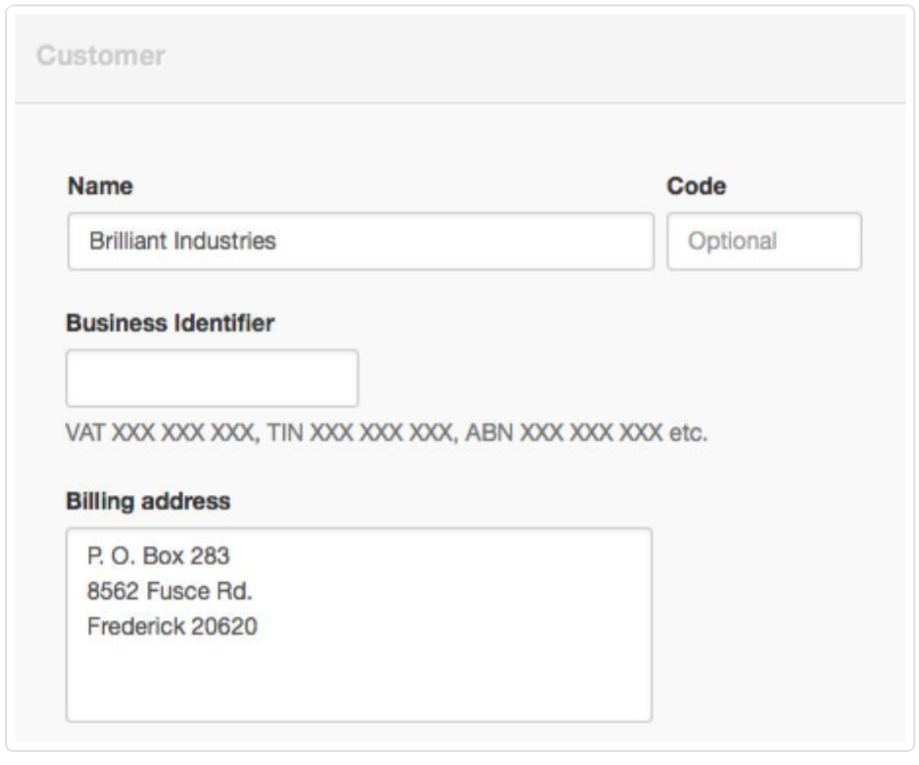


Adding a customer

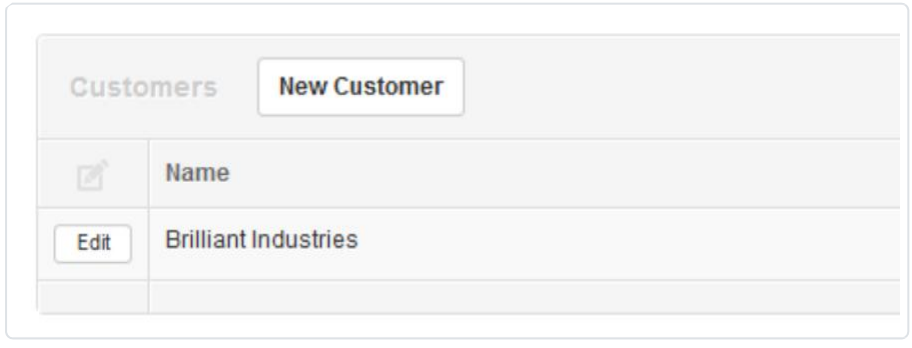
Before you can issue your first invoice, you must add at least one customer. Click on the `Customers` tab, then click `New Customer`:



Enter the customer's details:



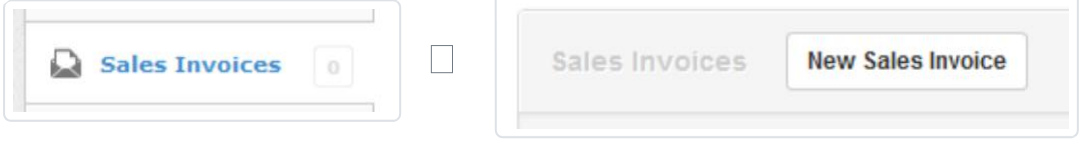
Click `Create`. Your customer is now saved and can be seen in the list of customers:



Now you are ready to issue an invoice to this customer.

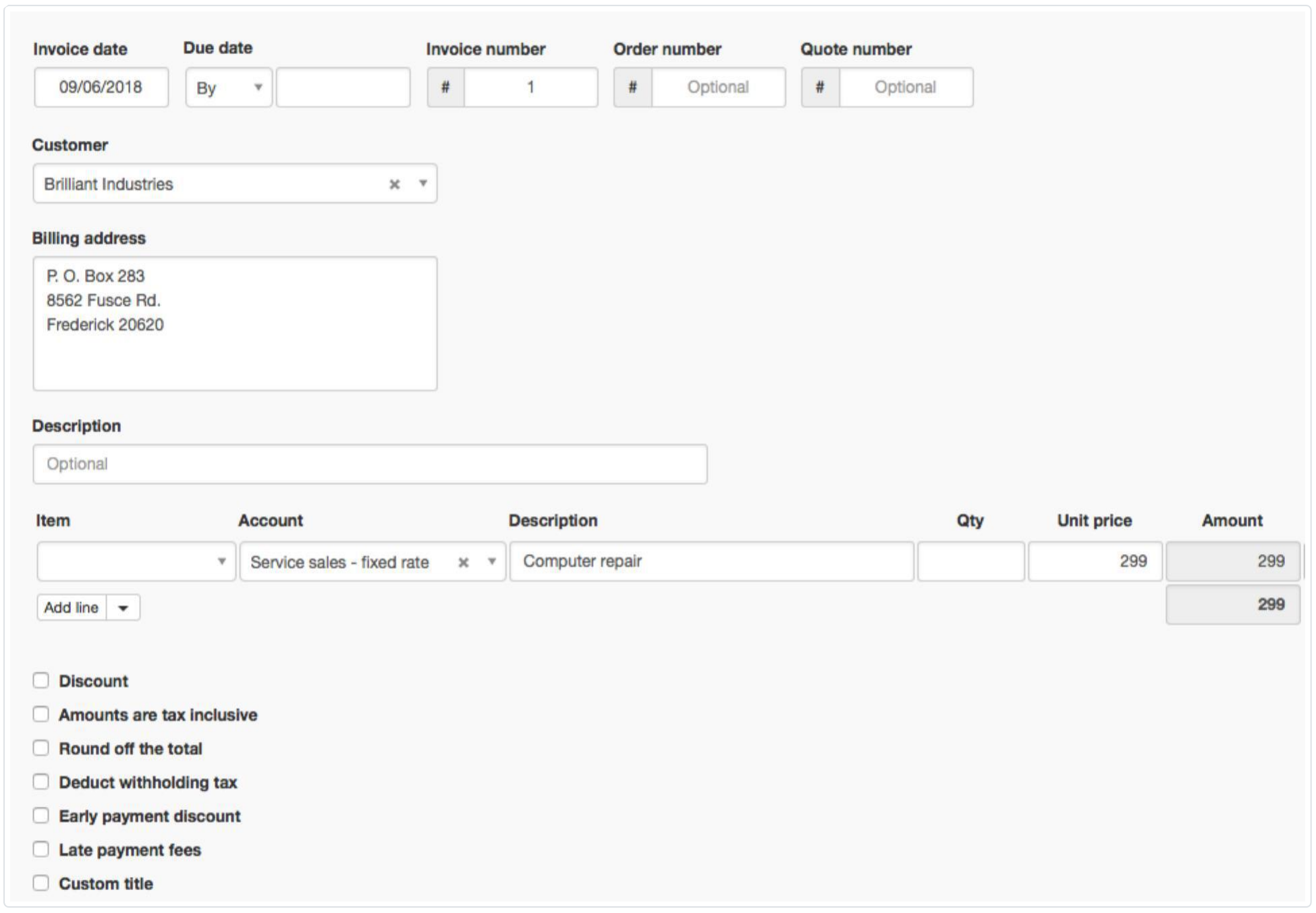
Issuing an invoice

In the `Sales Invoices` tab, click `New Sales Invoice`:



A sales invoice form will open, where you need to fill in at least three fields:

- `Customer`, which causes previously entered customer details to populate the form
- `Description` of what is being sold
- `Unit price`



Click `Create` to save the invoice. You will be instantly taken to a preview of your invoice:



Invoice

Brilliant Industries
P. O. Box 283
8562 Fusce Rd.
Frederick 20620

Invoice date
09/06/2018

Due date
09/06/2018

Invoice number
1

Quick Computer Repair
1313 Webfoot Walk
Duckburg
Calisota

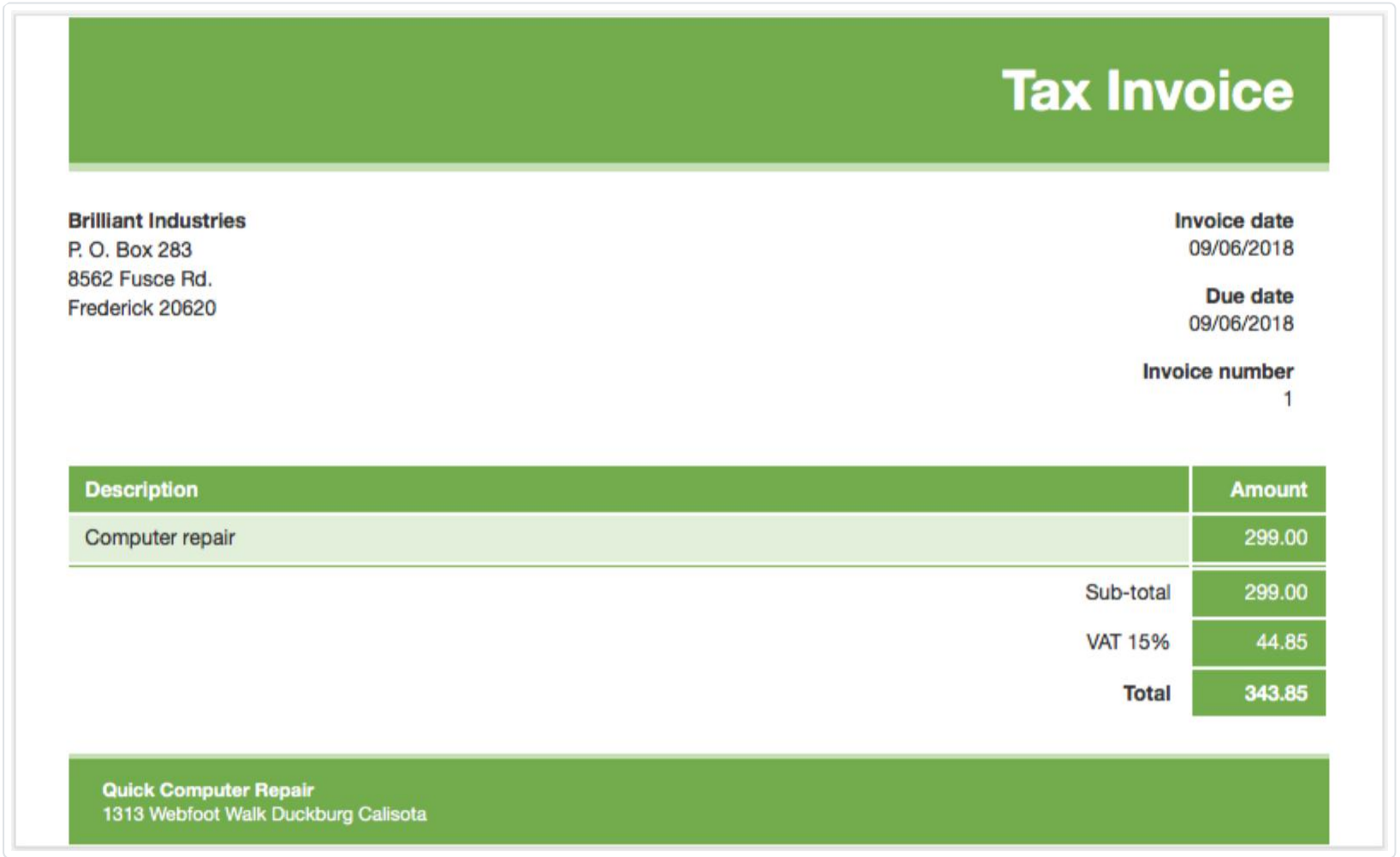
Description	Amount
Computer repair	299.00
Total	**299.00**

Notes

- `Unit price` doesn't show on the completed invoice because you didn't enter any `Qty`. Manager will always try to make the invoice as simple as possible. If you are not using the `Qty` field, Manager won't show `Qty` and `Unit price` columns on the invoice. It will show only the `Amount` column.
- By default, your business address will be fictional. You should click on `Settings`, then `Business Details` to provide your real business address so it will be shown on the invoice.
- If you are charging tax, such as GST, VAT, sales tax, or similar, go to the `Settings` tab, then `Tax Codes`, and create relevant tax codes. Then `Edit` this invoice to select the right tax code.
- If you want to show payment terms on the invoice, you can create a `Notes` or `Terms` custom field.
- If you would like to show your business logo, go to `Settings`, then `Business Logo`.

To change the overall look of your invoice, read about themes, which allow you to vary the appearance of your invoice and other forms.

After providing your real business address, applying tax codes, and changing the theme, your invoice could look like this:



Tax Invoice

Brilliant Industries
P. O. Box 283
8562 Fusce Rd.
Frederick 20620

Invoice date
09/06/2018

Due date
09/06/2018

Invoice number
1

Description	Amount
Computer repair	299.00
Sub-total	299.00
VAT 15%	44.85
Total	**343.85**

Quick Computer Repair
1313 Webfoot Walk Duckburg Calisota

Then use the `Email` button to email the invoice to your customer or use the `PDF` button to generate a PDF image to be saved or printed.

6.4.4 Offer early payment discounts on sales invoices

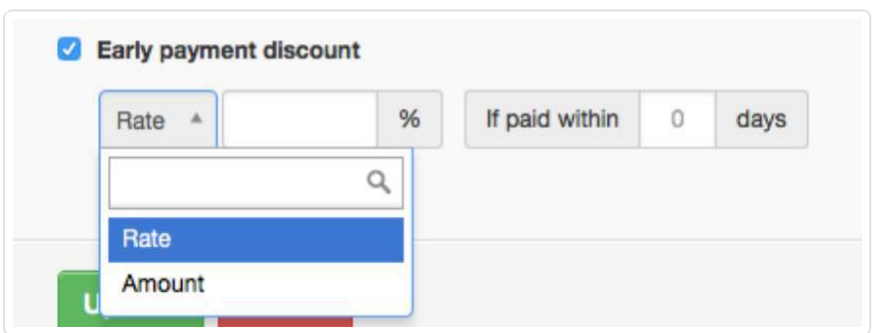
An **early payment discount** is a reduction of the balance due on a sales invoice offered to a credit customer for payment by a deadline earlier than the regular due date. Early payment discounts are usually offered to incentivize faster payment and minimize carrying costs of receivables.

Note
An early payment discount is not an ordinary discount as that term is generally used throughout Manager. Normally, a discount is a percentage or fixed amount price reduction on an individual line item. An early payment discount applies to an entire invoice.

Example
Brilliant Industries regularly extends credit to customers by issuing sales invoices net 30 days. In other words, the due date on each new invoice is 30 days in the future. But it offers a 5% early payment discount if customers pay within 10 days.

As issuer of a sales invoice, you cannot know in advance whether a customer will take advantage of your early payment discount or wait until the due date to pay the full amount. So your sales invoice cannot adjust prices in anticipation. Nor is it good practice to edit the sales invoice after the fact if the customer pays early. Yet when a customer pays early and reduces payment, you still must clear the full balance due for the sales invoice in *Accounts receivable*. Therefore, you must offer the early payment discount on the sales invoice, but adjust your accounting only if the customer pays early.

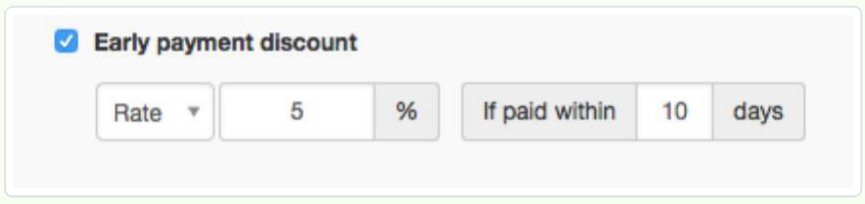
To offer an early payment discount, check the `Early payment discount` box near the bottom of the sales invoice entry screen. A dropdown box for *Rate* or *Amount* and a field for `If paid within____days` will appear:



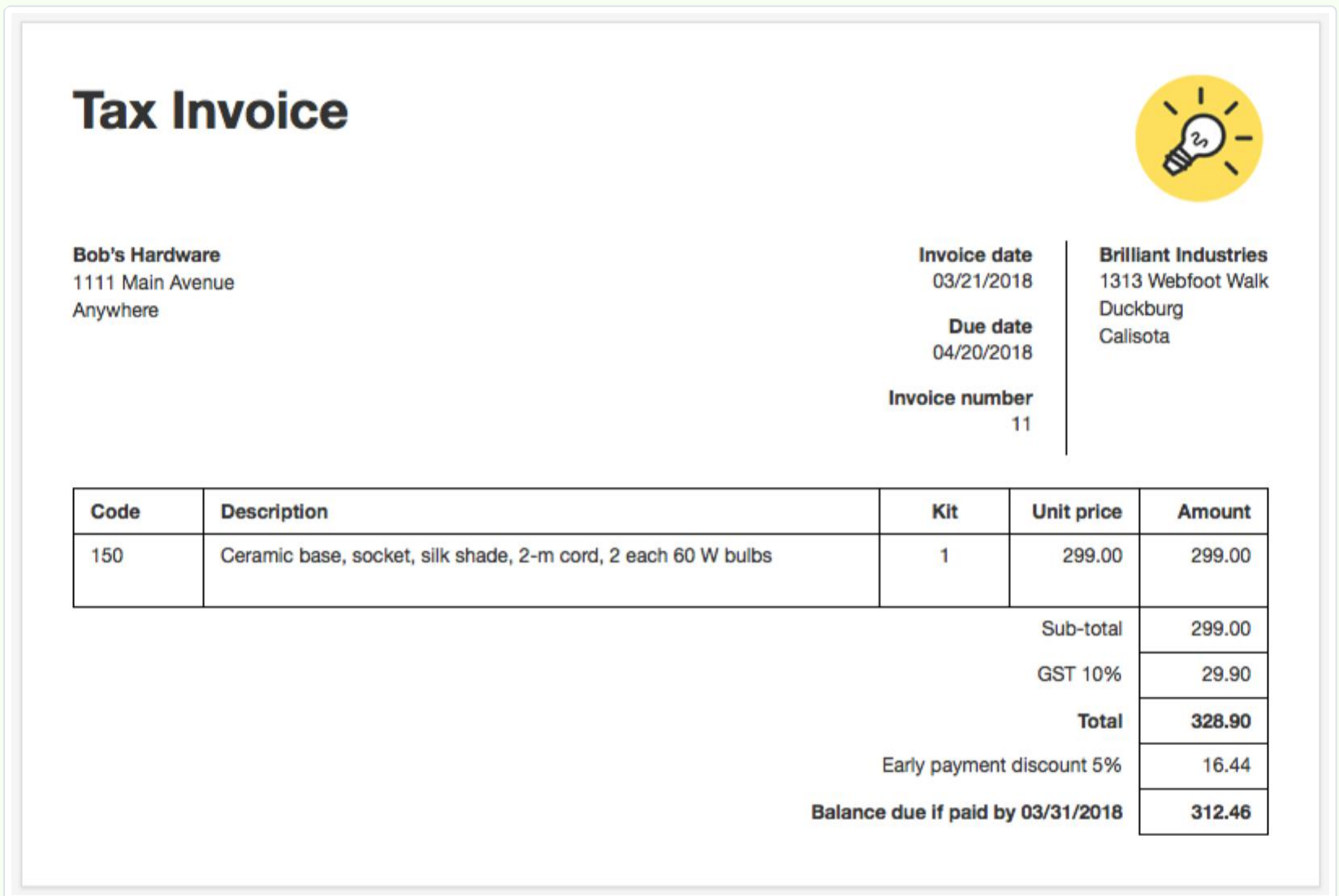
Choose a method; fill in the percentage discount rate or fixed amount, as appropriate; and enter the number of days until the payment deadline. The resulting sales invoice will include the early payment discount amount, the payment deadline, and the reduced balance due if payment is received by the deadline.

Example

Brilliant issues a sales invoice to Bob's Hardware for a lamp kit, offering its standard early payment discount described above. The sales invoice entry is completed as below:



The sales invoice appears like this:



Tax Invoice

Bob's Hardware
1111 Main Avenue
Anywhere

Invoice date
03/21/2018

Due date
04/20/2018

Invoice number
11

Brilliant Industries
1313 Webfoot Walk
Duckburg
Calisota

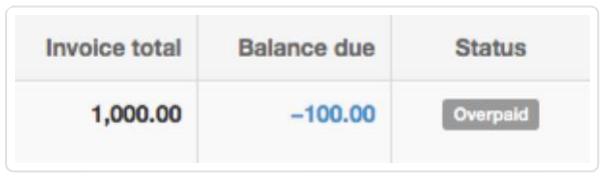
Code	Description	Kit	Unit price	Amount
150	Ceramic base, socket, silk shade, 2-m cord, 2 each 60 W bulbs	1	299.00	299.00
			Sub-total	299.00
			GST 10%	29.90
			Total	**328.90**
			Early payment discount 5%	16.44
			Balance due if paid by 03/31/2018	**312.46**

Caution

Early payment deadlines will override due dates entered elsewhere on the sales invoice. So, if sales invoices are not properly reviewed, a customer may qualify for an early payment discount when paying after the due date.

6.4.5 Resolve overpaid status on invoices

Since BILLBOOKS version 17.9.28, both sales and purchase invoices can become **overpaid** when more has been received (for a sales invoice) or paid (for a purchase invoice) than the original total of the invoice. This results in the `Balance due` for the invoice showing as a negative amount. BILLBOOKS will display *Overpaid* in the `Status` column of the main `Sales Invoices` or `Purchase Invoices` tab listing.



Invoice total	Balance due	Status
1,000.00	-100.00	Overpaid

There are many reasons an invoice could become overpaid:

- The customer pays more than the invoice total.
- A receipt from a customer or payment to a supplier is allocated to the wrong invoice.

- A credit or debit note is posted to an already-paid invoice.
- A receipt or payment is posted to a correct invoice to which BILLBOOKS has already distributed money automatically because an invoice was not selected during a previous transaction entry.

Overpaid invoices are considered bookkeeping errors. BILLBOOKS will display overpaid invoices at the top of `Sales Invoices` or `Purchase Invoices` tab listings so you can see and can resolve them. You should resolve overpaid status before sending out customer statements.

Viewing the invoice ledger

To determine the specific reason an invoice is overpaid, view the ledger for that invoice. To access the ledger, click on the blue amount under the `Balance due` column in the tab list:

Invoice total	Balance due	Status
1,000.00	–100.00	Overpaid

This will reveal all transactions posted against the specific invoice (including the invoice itself) and a running balance:

Amount	Balance	Status
–1,100.00	–100.00	
1,000.00	1,000.00	
–100.00		

Resolving overpaid status

Resolve overpaid status by editing one or more of the transactions in the invoice ledger.

Example
Brilliant Industries was issued a sales invoice for 1,000. By mistake, Brilliant paid 1,100, resulting in overpayment of 100 on the invoice:

Edit	View	11/28/2017	1001	Brilliant Industries	1,000.00	–100.00	Overpaid

To resolve this issue, you edit the transaction where you recorded the receipt of 1,100 and split the amount so only 1,000 is allocated to the invoice and 100 remains unallocated:

Account	Description	Qty	Unit price	Amount
Accounts receivable × / Brilliant Industries × / Invoice #1001 ×			1000	1,000
Accounts receivable × / Brilliant Industries × / Invoice (optional)			100	100
Add line				1,100

After the transaction is updated, the invoice status shows *Paid in full*:

Invoice total	Balance due	Status
1,000.00	0.00	Paid in full

The unallocated 100 is applied to any unpaid invoices Brilliant has, oldest due date first, or remains as a credit to be applied to future invoices.

Sometimes overpayment on invoices can be due to mixing automatic and explicit allocations. When you record a receipt from a customer or payment to a supplier, but do not specify the invoice, BILLBOOKS will automatically allocate the transaction to the unpaid invoice with the oldest due date. But if the transaction was intended for a specific invoice, it should be recorded that way.

Example
Brilliant Industries has two unpaid sales invoices. The first is for 5,000 and the second for 150:

Edit	View	11/28/2017	1002	Brilliant Industries	150.00	150.00	Due today
Edit	View	11/28/2017	1001	Brilliant Industries	5,000.00	5,000.00	Due today

They pay 150 and you record this receipt without specifying an invoice. Manager allocates 150 to the oldest invoice, decreasing its balance due from 5,000 down to 4,850, while keeping the balance due on the second invoice unchanged:

Invoice total	Balance due	Status
150.00	150.00	Due today
5,000.00	4,850.00	Due today

Then you receive 5,000 with a remittance advice specifying the payment is for the earlier invoice. If you allocate 5,000 to the first invoice, you would end up with over-payment of 150 on first invoice and the balance due still being 150 on the second invoice:

Invoice total	Balance due	Status
5,000.00	-150.00	Overpaid
150.00	150.00	4 days overdue

Obviously, Brilliant doesn't owe you anything. So you should click on the negative `Balance due` amount, find the payment of 150 that was automatically allocated to the bigger invoice and reallocate it to the smaller invoice. Now all invoices are shown correctly and the customer's *Accounts receivable* balance is correct:

Invoice total	Balance due	Status
150.00	0.00	Paid in full
5,000.00	0.00	Paid in full

6.4.6 Resolve issues with automatic credit allocations

When you enter a new sales or purchase invoice, you might find that BILLBOOKS automatically credits the invoice with some amount, making the `Balance due` less than the invoice `Total`:

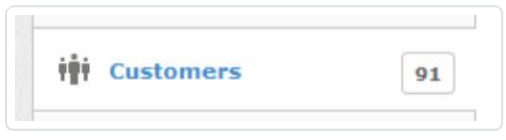
Example
You have issued a sales invoice to **Antonio Moreno Taquería** for **$3,370.00** and Manager has automatically applied credit of **$2,345.30**, leaving a balance due of **$1,024.70**:

Total	**3,370.00**
Less: Bank Receipt — 26/04/2017	2,345.30
Balance due	**1,024.70**

This automatic credit allocation happens when the customer or supplier has a pre-existing credit balance. In other words, you owe a customer money or a supplier owes you money. Normally this is the desired outcome. You want any credits to be automatically applied to invoices, so you are not trying to collect from a customer more than is really owed to you and you don't pay suppliers more than you really owe them. For example, if a customer has a credit balance of $100 due to a credit note, BILLBOOKS will remember this until the next invoice is issued to that customer and will automatically apply the $100 credit to it without your having to keep track of it. But if you are certain the customer or supplier didn't have a credit balance, such an automatic credit allocation indicates something has been recorded incorrectly.

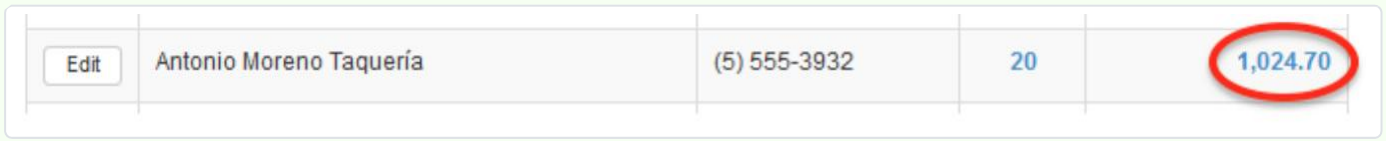
In the example above, the problem is easy to diagnose. A bank receipt was applied to the sales invoice. You can look up that receipt in BILLBOOKS, determine who it was from, and decide whether an error was made. Or, the customer may have simply overpaid its account, in which case everything is as it should be.

But suppose you know this customer didn't have any credit with your company, and the mini-statement on the invoice refers to something like a starting balance or a credit note. So you want to discover the origin of this credit. The best way is to view the customer ledger by going to the `Customers` tab:

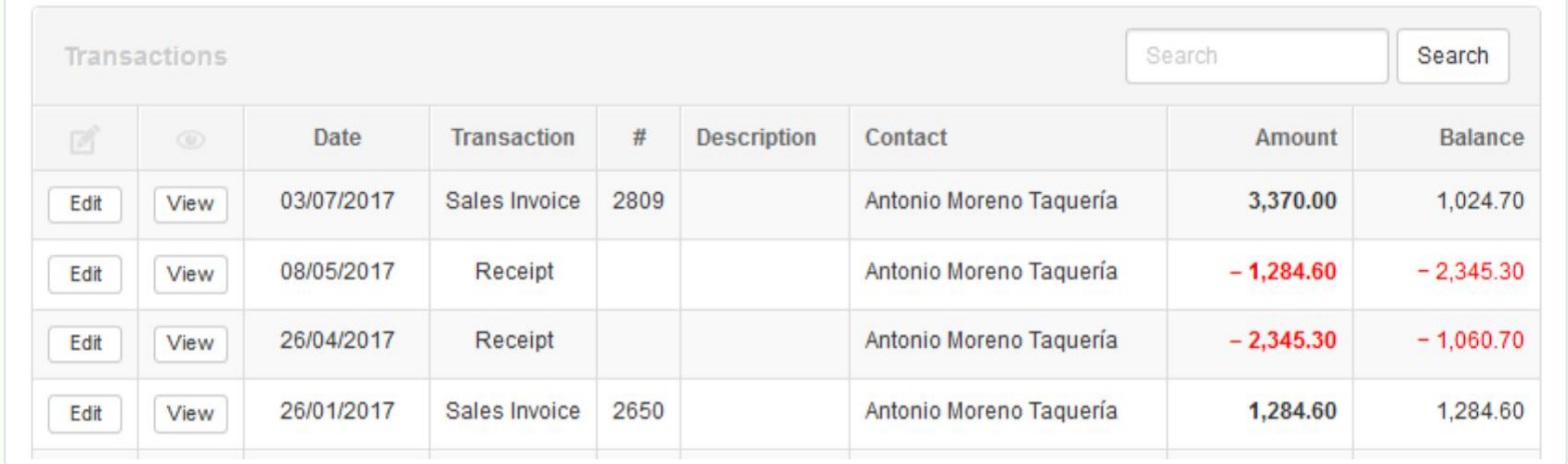


Locate the customer and click the balance in the `Accounts Receivable` column.

Example
To track down more information about the sales invoice in the first example, click the customer's balance:

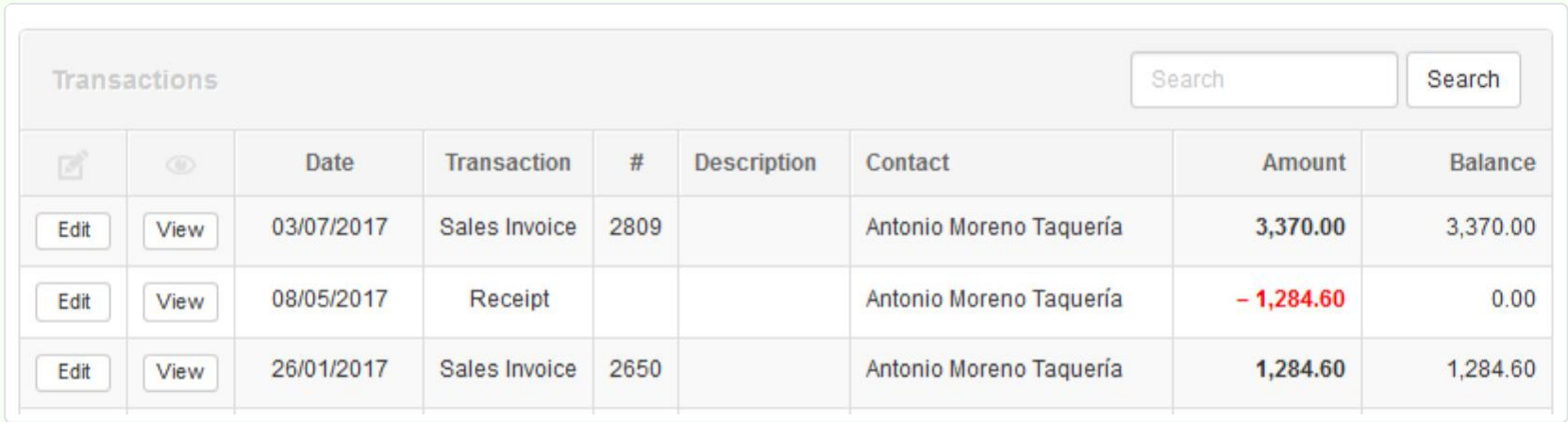


This will reveal the customer's ledger:

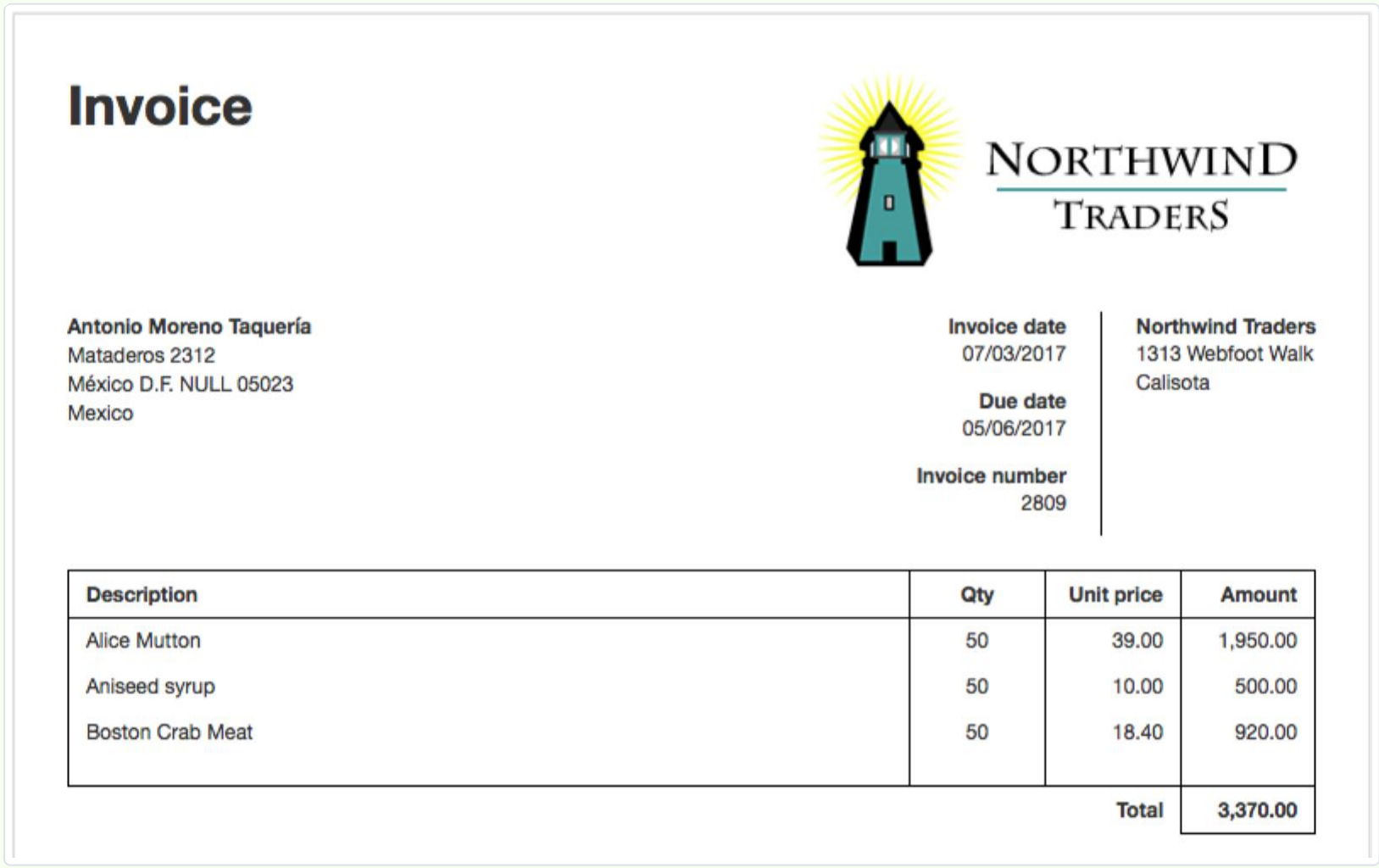


There, you see invoice **2650** for **$1,284.60** and a receipt for the same amount on 08/05/2017, which was payment for that invoice. However, you also see another receipt for **$2,345.30** on 26/04/2017, which you suspect was not paid by this customer. After looking at your bank statement, you discover this amount was actually paid by different customer and attributed to **Antonio Moreno Taquería** in error. You can `Edit` the receipt to fix the error and attribute the receipt to correct customer. Any other source would have been revealed in the same manner.

You take one final look at customer ledger to verify all transactions belong to this customer:



Now, when you view the invoice, no amount is automatically credited:



Invoice

NORTHWIND TRADERS

Antonio Moreno Taquería
Mataderos 2312
México D.F. NULL 05023
Mexico

Invoice date
07/03/2017

Due date
05/06/2017

Invoice number
2809

Northwind Traders
1313 Webfoot Walk
Calisota

Description	Qty	Unit price	Amount
Alice Mutton	50	39.00	1,950.00
Aniseed syrup	50	10.00	500.00
Boston Crab Meat	50	18.40	920.00
		Total	**3,370.00**

Some bookkeeping errors can be discovered immediately; some can take weeks or even months to discover. Used properly, BILLBOOKS's double-entry accounting system ensures all errors will be eventually discovered.

In the example above, even if you didn't notice the bookkeeping error, eventually the customer who actually paid **$2,345.30** on 26/04/2017 would complain that its customer statements did not reflect the payment. Or your Aged Receivables report would show that customer's account becoming more and more overdue. Sooner or later, you would discover the payment having been attributed to the wrong customer.

Note
While the example illustrates an erroneous credit being automatically applied to a sales invoice because of incorrect attribution of a receipt from a customer, similar mistakes can happen with purchase invoices and payments to suppliers. Detection and correction procedures are the same.

6.4.7 Account for withholding tax (tax withheld at source)

Some tax authorities require **withholding tax** (also called **tax withheld at the source**) to increase tax law compliance and secure earlier receipt of tax revenues. In simple terms, buyers are required to withhold a portion of the balance due on invoices and pay that portion directly to the tax authority. Then, either the buyer or the tax authority provides certification of payment of withheld amounts to the seller. The seller reduces subsequent payments of its tax liabilities by amounts already paid on its behalf by buyers.

Withholding tax may be a form of advance payment of income taxes, value added taxes, goods and service taxes, or some combination of these and other types of tax. Because the entire process involves both buyers and sellers, BILLBOOKS supports withholding tax accounting through both its sales invoice and purchase invoice processes, though procedures are somewhat different.

Notes
As implemented in Manager, withholding tax **does not** refer to deductions on payslips of taxes due from employees. These are referred to as `Payslip Deduction Items` and are explained in another Guide.

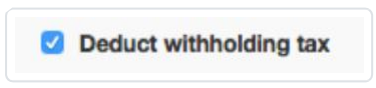
Withholding tax cannot be applied on cash receipts or payments, because the full amount of the transaction must be recorded. Further, cash receipts cannot be associated with individual customers' subaccounts as withholding tax must.

Sales invoice process

The sales invoice process applies when your business is the seller and you send sales invoices to your customers.

Activating withholding tax accounts

Withholding tax functionality for sales invoices does not require activation of any new tabs. Nor do you need to create any new accounts. All necessary accounts are added automatically to your chart of accounts the first time you check the `Deduct withholding tax` box on a sales invoice:

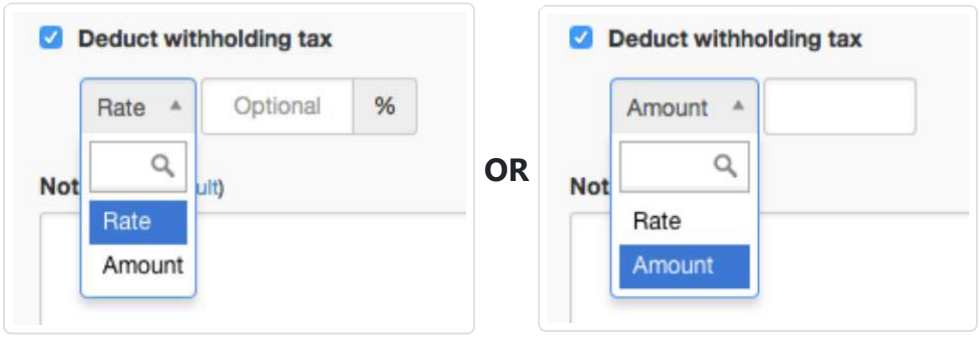


Two accounts are created in the *Assets* group, because the money they represent technically belongs to the business until it is eventually used to pay taxes owed. They are:

- ***Withholding tax*** - This account records amounts your customers have paid to the tax authority that are available to offset your tax bill.
- ***Withholding tax receivable*** - This account records amounts your customers owe to the tax authority on your behalf but have not yet paid. If withholding tax had not been deducted from sales invoice balances, amounts in this account would be included in *Accounts receivable*.

Applying withholding tax

When the `Deduct withholding tax` box is checked on a sales invoice, two options appear in a dropdown box, *Rate* and *Amount*:

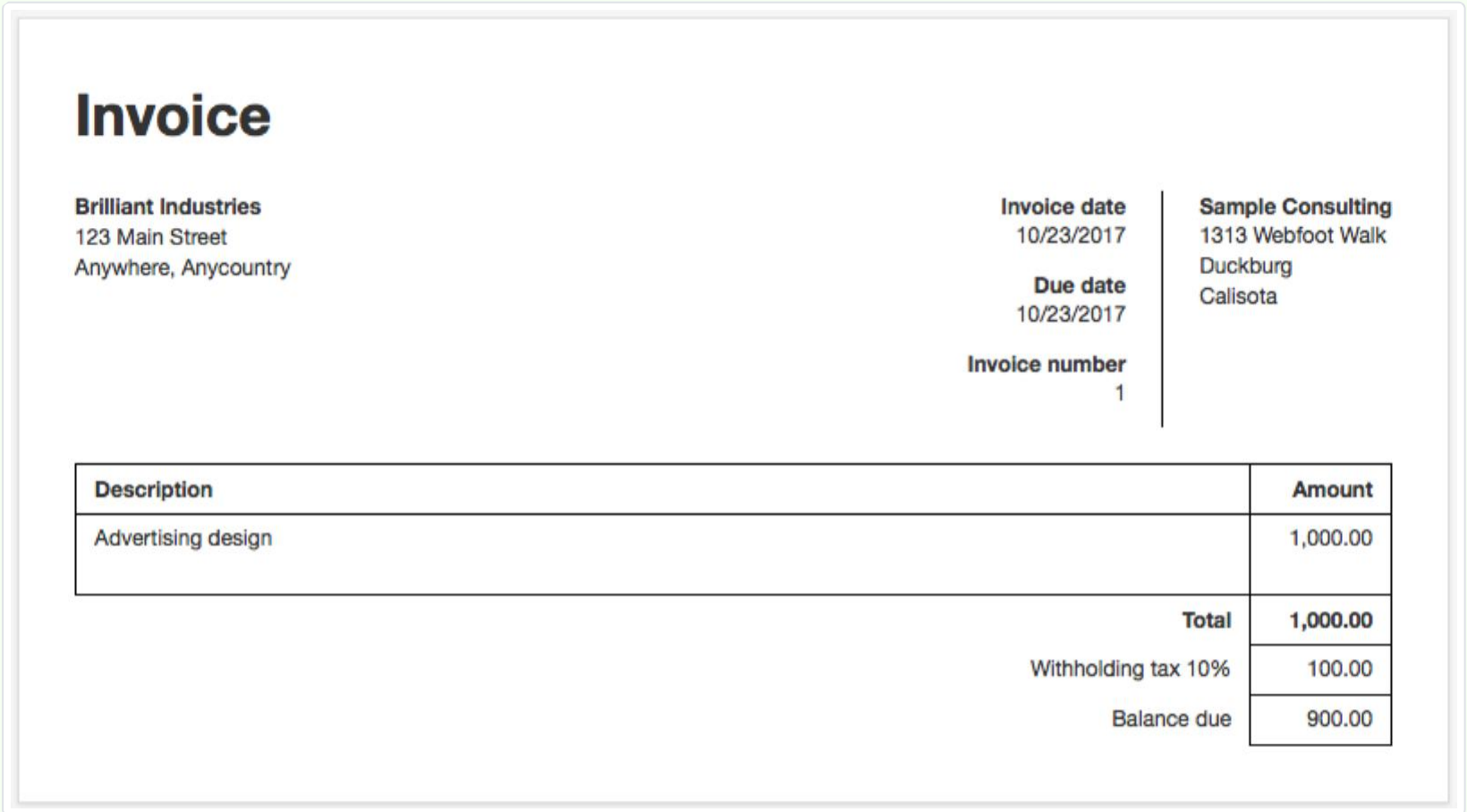


Because withholding tax is independent of any other tax code that may be applied, percentage amounts are calculated on the total due, including other taxes. (Remember, withholding tax is not an additional tax, only a way for the tax authority to collect prospective taxes earlier.)

Note
If various line items on the sales invoice are subject to different withholding rates, calculate the total amount to be withheld manually and enter as an *Amount*. You may wish to explain the calculation in the `Notes` field of the sales invoice.

Example

Sample Consulting invoices Brilliant Industries for advertising design services worth 1,000. (For clarity of illustration, all other transactions have been removed.) In this case, no tax is due directly on the design services, but 10% must be withheld by the customer against expected income tax. So the `Deduct withholding tax` box on the sales invoice is checked, and a *Rate* of 10% is entered. The resulting sales invoice shows the customer how much to withhold from payment:



Invoice

Brilliant Industries
123 Main Street
Anywhere, Anycountry

Invoice date
10/23/2017

Due date
10/23/2017

Invoice number
1

Sample Consulting
1313 Webfoot Walk
Duckburg
Calisota

Description	Amount
Advertising design	1,000.00
Total	**1,000.00**
Withholding tax 10%	100.00
Balance due	900.00

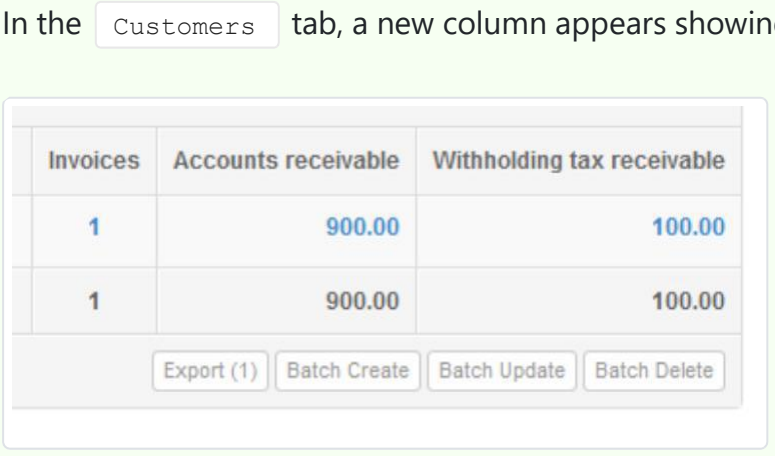
900 is posted to *Accounts receivable* and 100 to *Withholding tax receivable*:



Assets **1,000.00**

Accounts receivable	900.00
Withholding tax	-
Withholding tax receivable	100.00

In the `Customers` tab, a new column appears showing `Withholding tax receivable`:

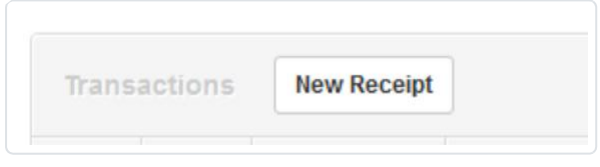


Invoices	Accounts receivable	Withholding tax receivable
1	900.00	100.00
1	900.00	100.00

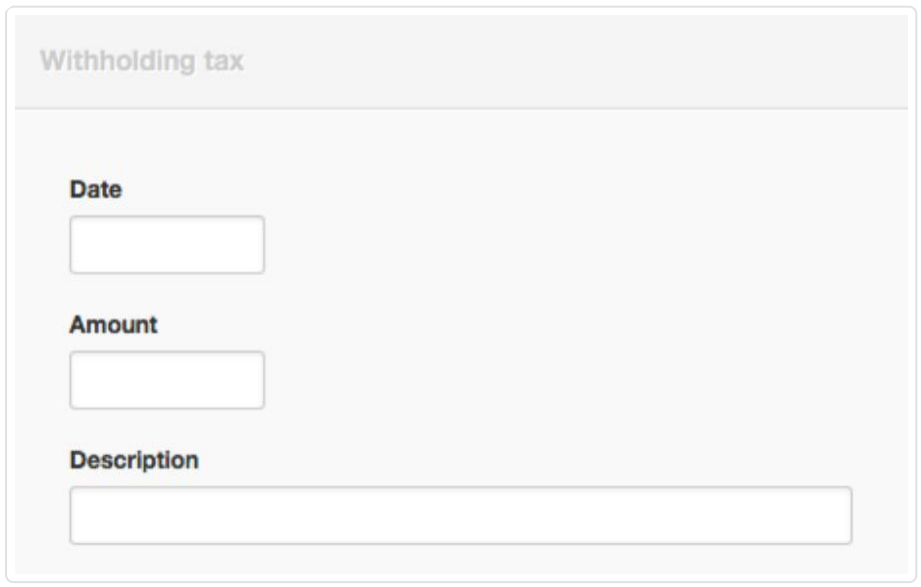
Export (1) Batch Create Batch Update Batch Delete

Recording customer remittance

When the customer remits the withheld tax, either the customer or the tax authority will send you some form of "proof" of the remittance (a certificate, account statement, voucher, etc.). This "proof" can be recorded in BILLBOOKS by clicking on the `Withholding tax receivable` figure in the `Customers` tab, then on `New Receipt`:



Enter `Date` and `Amount` of the customer's remittance. A `Description` is optional:



Click `Create` to record the transaction. The transaction amount will move from *Withholding tax receivable* to *Withholding tax* .

Example
Sample Consulting receives proof of remittance by Brilliant Industries. It enters a transaction for 100. The balance sheet shows the movement between the two accounts:



Using *Withholding tax* to pay tax bill

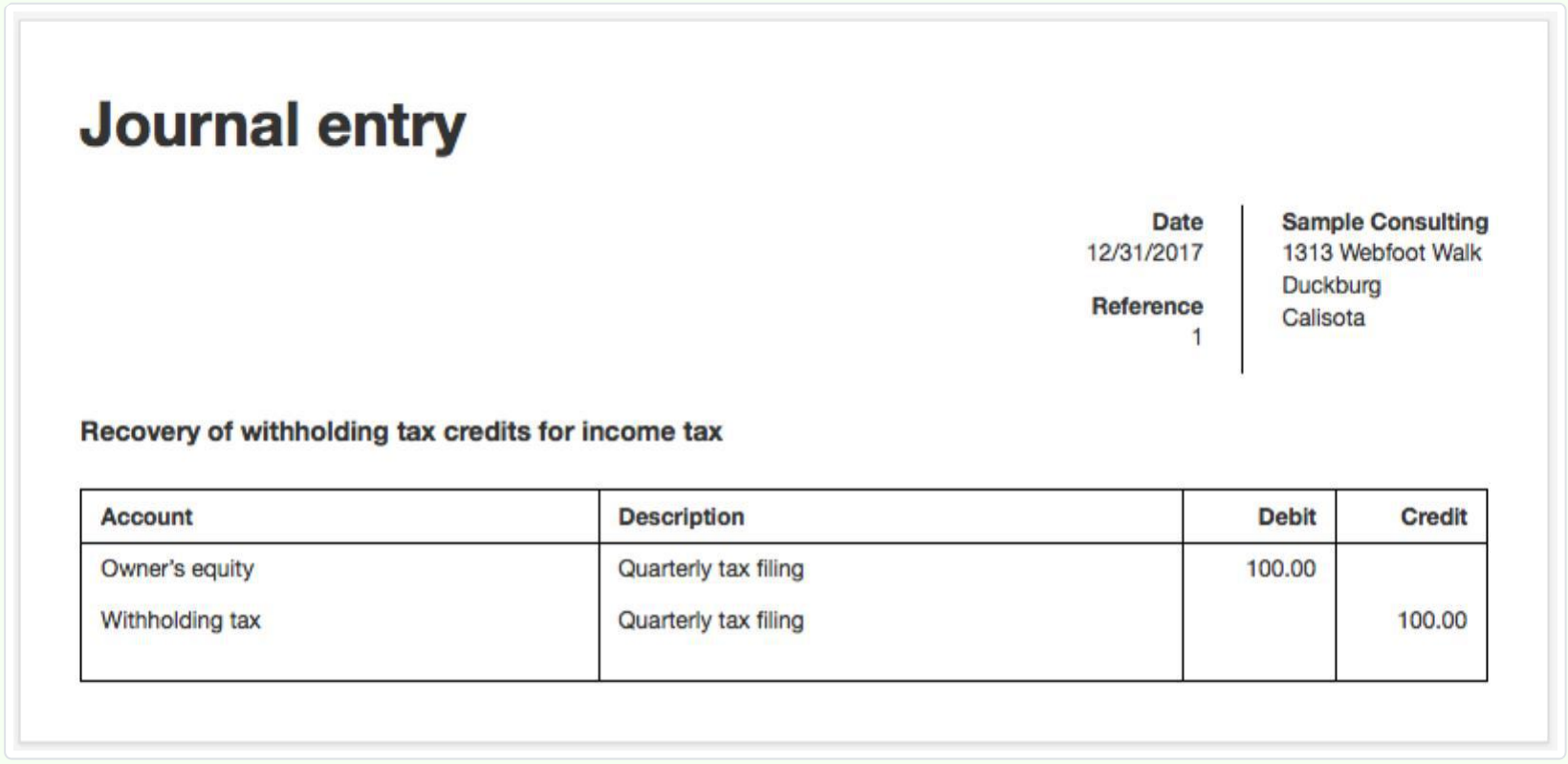
When a tax filing is made, the balance of *Withholding tax* is available to offset your tax due. Indicate the amount being applied on the appropriate forms of the tax authority and submit with your filing. **This step in the process does not occur in BILLBOOKS, only in your tax filing.**

To record your application of available withholding tax credits in BILLBOOKS, use a journal entry. Credit *Withholding tax* and debit either:

- An appropriate expense account, such as *Taxes paid*, if the tax is an obligation of the business, or
- An equity account, such as *Owner's equity* or *Capital accounts*, depending on your form of organization, if the tax is an obligation of the owner or partners.

Example

When it submits its tax filing, Sample Consulting applies the 100 from *Withholding tax* to its total bill. Sample Consulting is a sole proprietorship, so its income is taxed on the owner's tax return. Therefore, it makes a journal entry debiting *Owner's equity* and crediting *Withholding tax*. That account is zeroed out on the Balance Sheet.



Journal entry

Date
12/31/2017

Reference
1

Sample Consulting
1313 Webfoot Walk
Duckburg
Calisota

Recovery of withholding tax credits for income tax

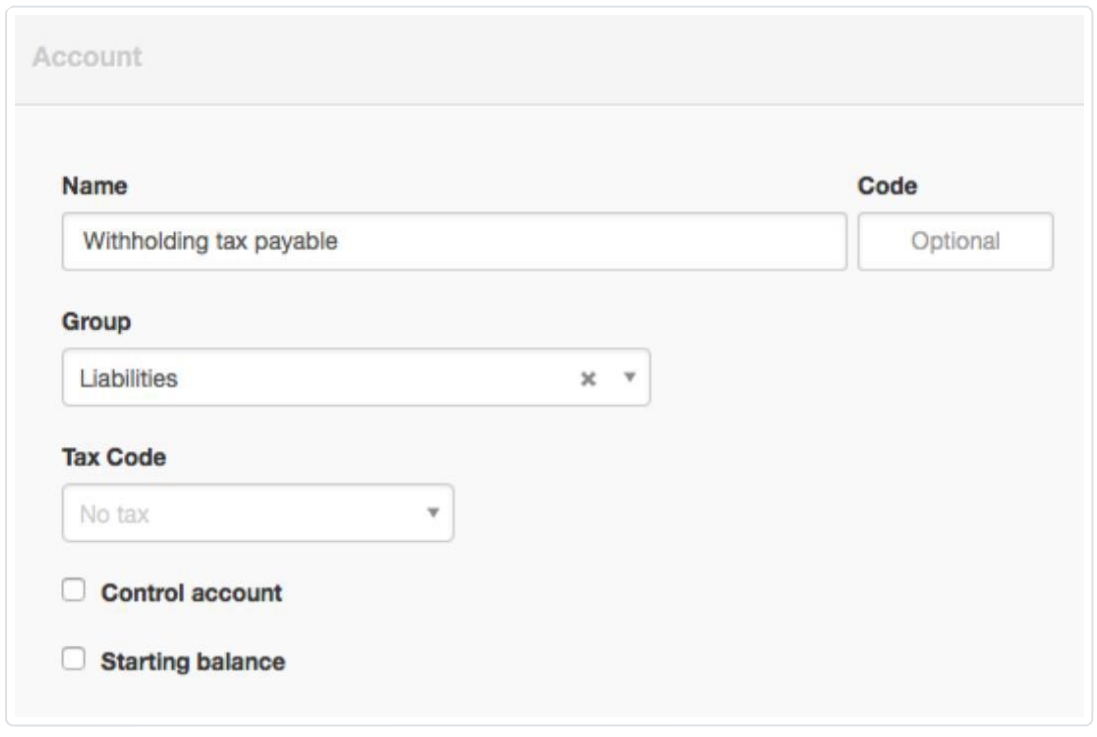
Account	Description	Debit	Credit
Owner's equity	Quarterly tax filing	100.00	
Withholding tax	Quarterly tax filing		100.00

Purchase invoice process

The purchase invoice process is simpler, and no automatic accounts are involved, because there is no need to transfer withholding tax amounts between accounts based on actions outside the company. When your business is a buyer, you need only withhold tax, remit it to the tax authority, and possibly provide notification (if required by local law) to the supplier.

Setting up a *Withholding tax payable* account

Tax you withhold from payments to suppliers is a liability of your company, because you owe that tax to the tax authority. So you must add a *Withholding tax payable* account to the *Liabilities* group of your chart of accounts. Follow procedures in another Guide to add the account:



Recording withheld tax

When entering a purchase invoice to which tax withholding applies, you have two concerns:

- **Posting the full amount of purchases** to the appropriate asset or expense accounts. This ensures fixed assets, inventory, and operating expenses are reflected at their actual costs. (Remember, withholding tax is not an expense of your company, so it should not affect other financial results. You are only acting as collection agent for the tax authority of amounts that will eventually be due from the supplier.)

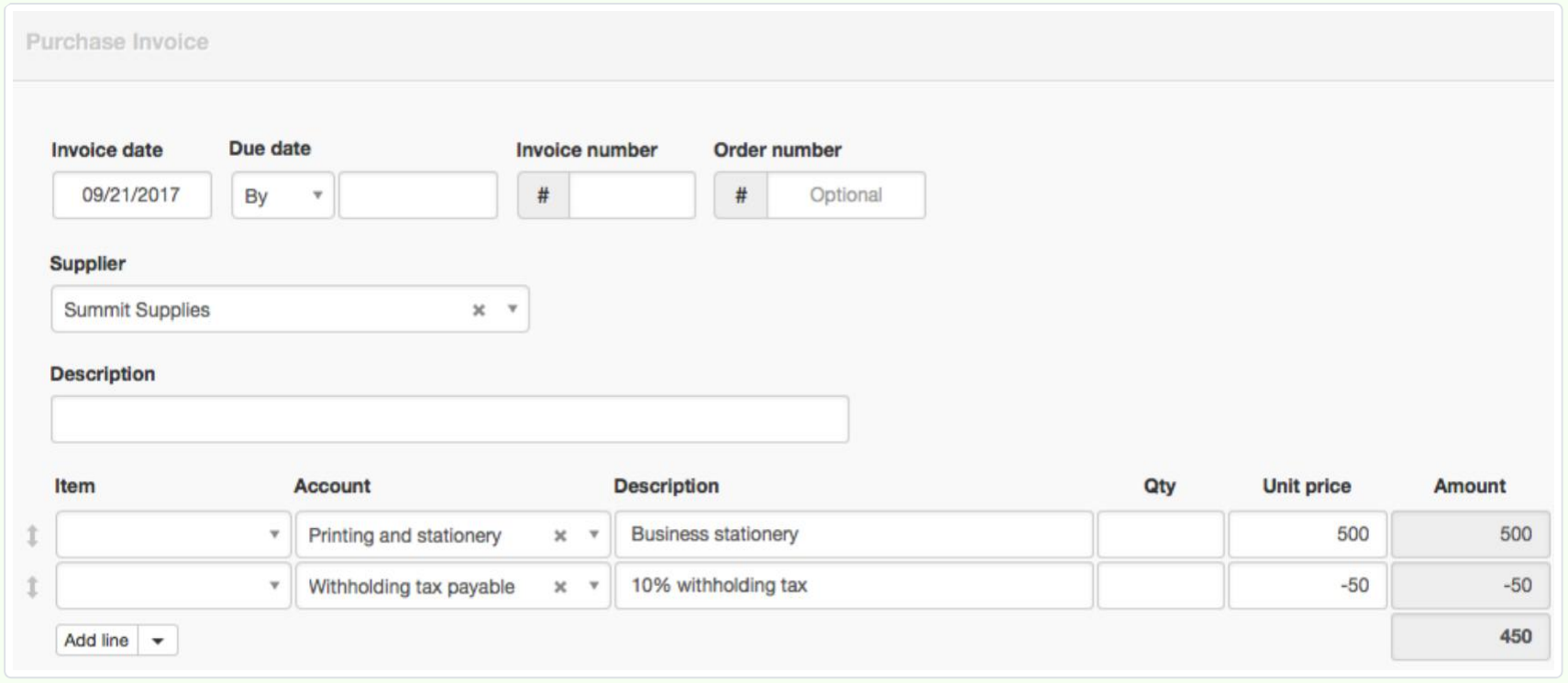
- **Recording tax withheld** for later remittance.

These two goals mean you need at least two line items on the purchase invoice. First, record purchased line items at their full costs, using as many lines as necessary, just as though no withholding tax was involved. Post these line items to the same accounts you normally would.

Second, add a line item for withholding tax at the amount indicated on your supplier's sales invoice. **Enter the withholding tax as a negative quantity** so it reduces the balance due on the purchase invoice. Post this line item to *Withholding tax payable*, the account you created for this purpose.

Example

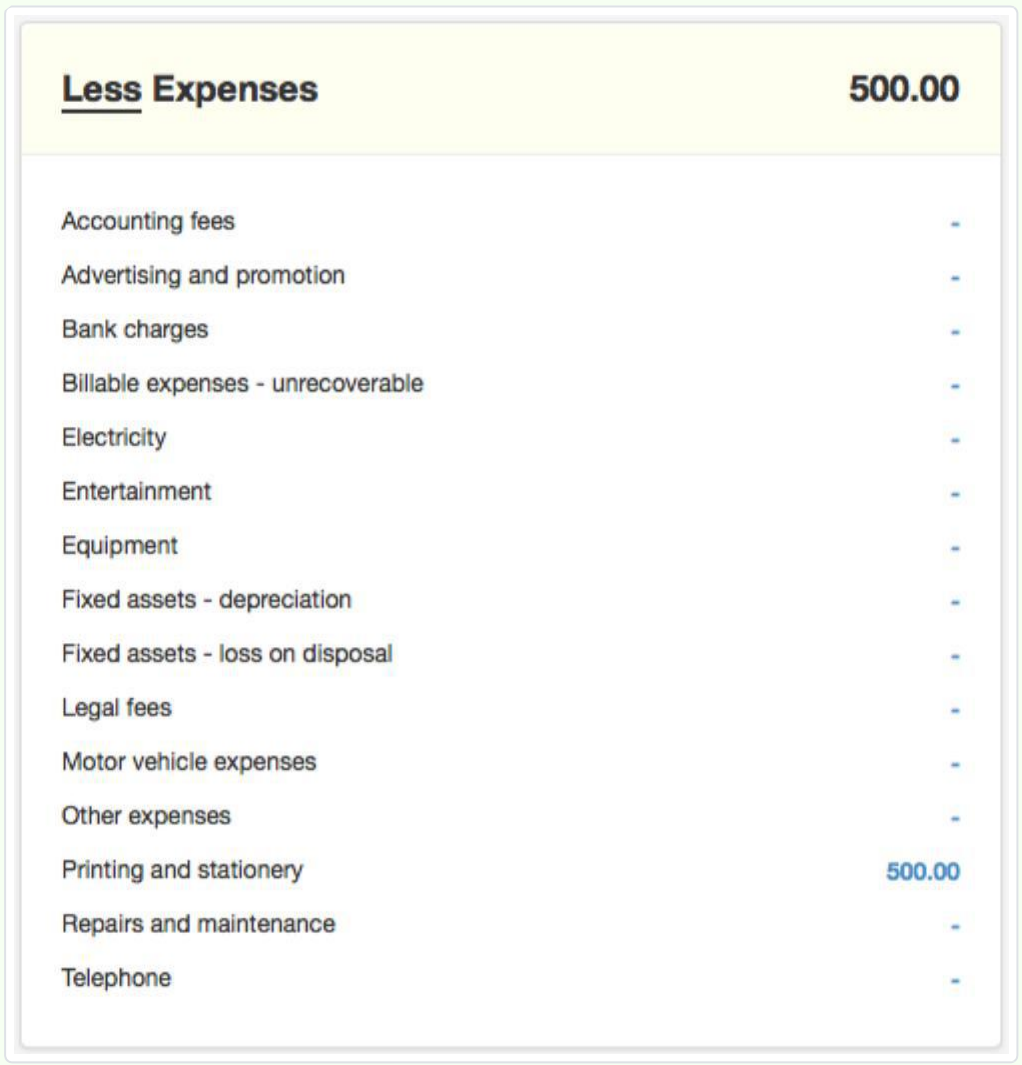
Sample Consulting purchases stationery worth 500 from Summit Supplies. Summit's sales invoice shows a 10% deduction for withholding tax is necessary. Sample enters the following information in its purchase invoice:



450 is posted to *Accounts payable* and 50 to the *Withholding tax payable* liability account:



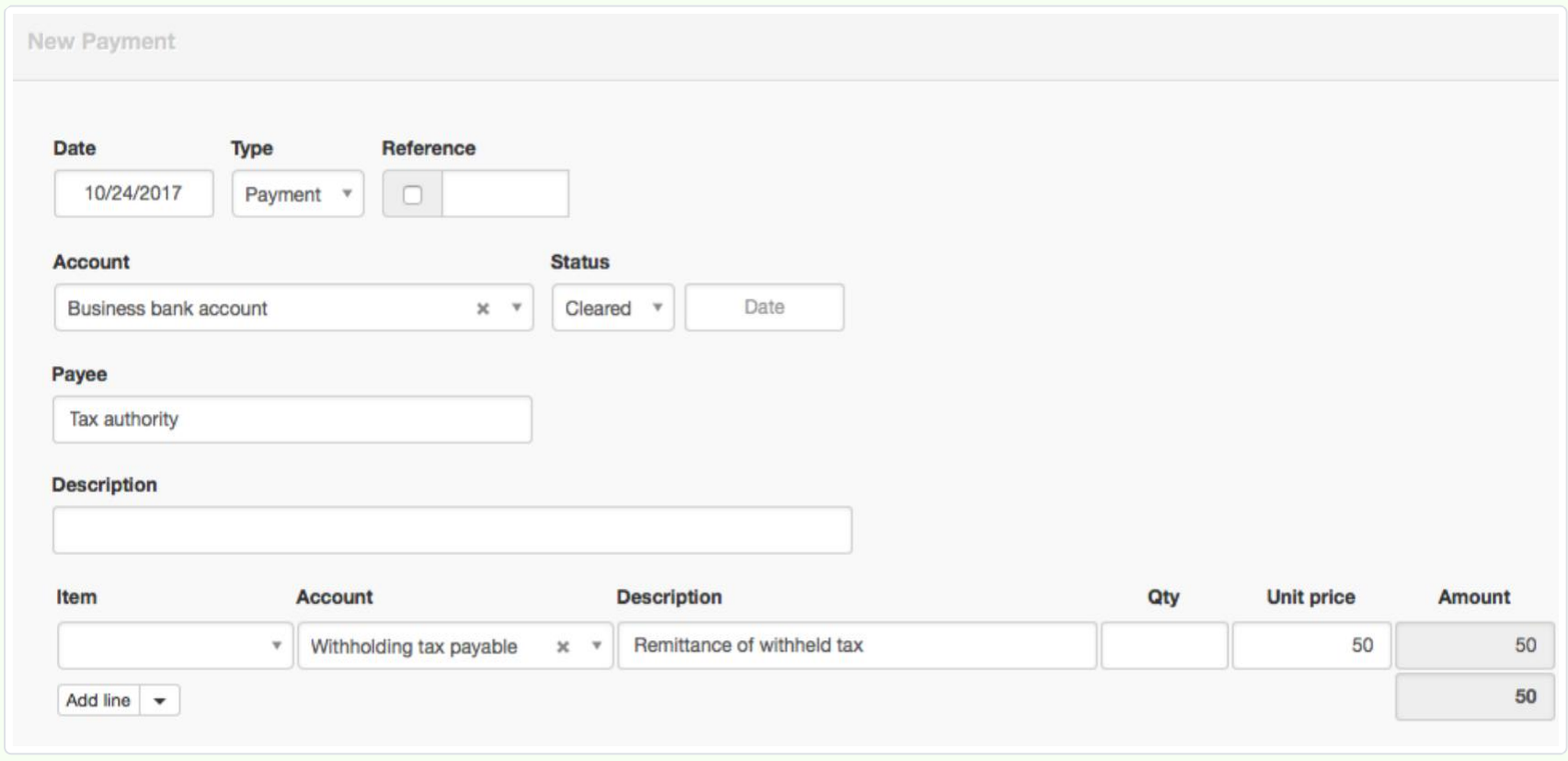
The full 500 cost of stationery is posted to an expense account:



Remitting withheld tax

When withheld tax is remitted to the tax authority, a payment is posted to the *Withholding tax payable* account.

Example
Sample Consulting remits the 50 withheld from its payment to Summit Supplies via a bank payment:



The liability is cleared, but the reduced *Accounts payable* balance remains unchanged. The expense account where the purchase was originally posted is also not affected:



Submitting notifications

Comply with local procedures when remitting withheld tax:

- File necessary information with the tax authority to indicate which suppliers' withheld tax you are remitting.
- Notify suppliers of your remittance if required by law.

For assistance preparing notifications, drill down on the balance (or dash, if the balance is zero) of *Withholding tax payable*. All relevant transactions will be listed.

Example
Sample Consulting drills down on its *Withholding tax payable* account balance and obtains the following list:

Withholding tax payable

Search | Search

		Date	Transaction	Description	Contact	Debit	Credit	Balance
Edit	View	10/24/2017	Bank Transaction	Remittance of withheld tax	Tax authority	**50.00**		0.00
Edit	View	9/21/2017	Purchase Invoice	10% withholding	Summit Supplies		**50.00**	50.00
						50.00	**50.00**	

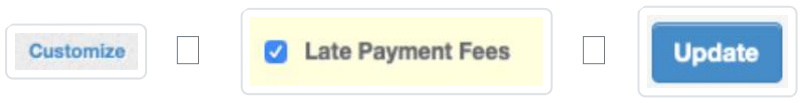
6.4.8 Assess late payment fees

BILLBOOKS can automatically determine **late payment fees** on overdue sales invoices. You can also add, delete, or edit late payment fees manually.

Enable the `Late Payment Fees` tab

Late payment fees are recorded in a separate tab, `Late Payment Fees`. For fees determined automatically, BILLBOOKS will enable this tab when the first late payment fee is assessed. No action by the user is necessary.

If late payment fees will be added, deleted, or edited manually, but the tab is not yet enabled, click on `Customize` below the left navigation pane. Check the box for `Late payment fees`. Then click `Update`:

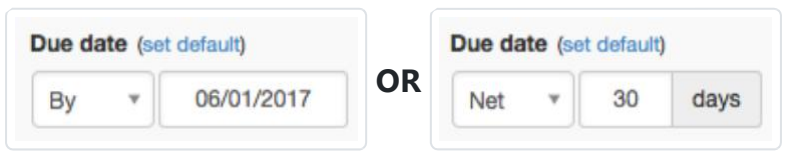


Determine late payment fees automatically

Automatic determination of late payment fees is set up when creating or editing a sales invoice in the `Sales Invoices` tab. Follow three steps:

1. Enter a due date

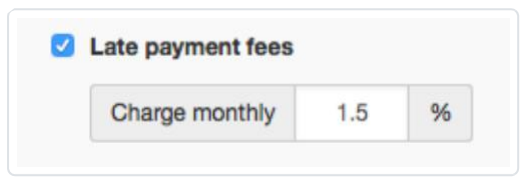
The `Due date` field is blank by default, but offers two choices, a fixed calendar date or net payment days:



If no date is entered, BILLBOOKS will assign the `Invoice date` as the `Due date` when you create the sales invoice.

2. Select a charging option and rate

By default, late payment fees are not charged. To determine them automatically, check the `Late payment fees` box in the list of options. An auxiliary rate field will appear. Enter the percentage to be used for determining the late fee:

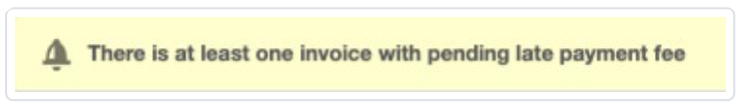


BILLBOOKS will now automatically generate a notice that a late fee is due on the first day after the due date. If the sales invoice remains overdue, additional late payment fees will be determined on the same day of each following month until the invoice is paid in full. The fee is compounded by being calculated on the total balance due of the unpaid invoice, including any prior late fees.

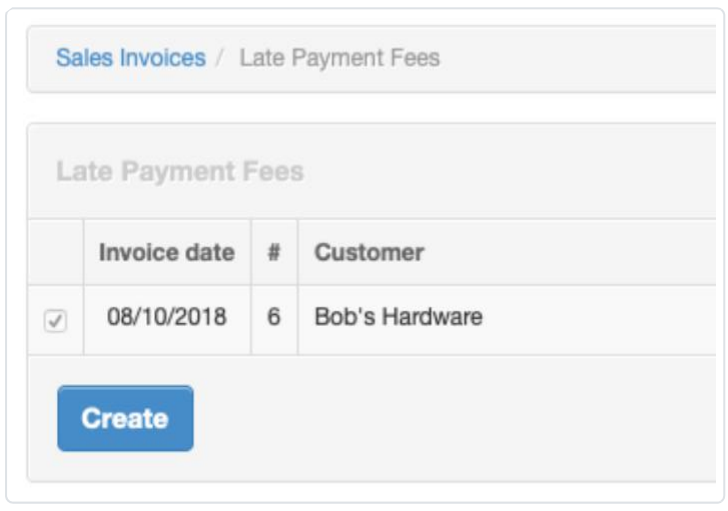
> **Note**
> If a late payment fee would become due on a day of the month that does not occur, such as the 31st of a 30-day month, Manager will determine the fee on the latest day that does occur. So, for example, a late fee due on October 31st will next be determined on November 30th. Subsequent fees will be determined December 30th and January 30th, then on February 28th (or 29th in leap years), March 28th, etc. This is done so one late payment fee falls in every calendar month.

3. Assess late payment fees

When one or more sales invoices are eligible to be charged late payment fees, a notice appears when the `Sales Invoices` tab is entered:



Click on the yellow banner to see a list of sales invoices with pending late payment fees:



Click `Create` to assess the fee(s) for the first month of eligibility. If additional late payment fees are pending, the list of sales invoices and the notice will appear again. Repeat the process until all pending late payment fees have been assessed and the notice no longer appears. This repetitive approach is necessary because every monthly determination of late payment fees depends on the prior assessments.

> **Note**
> If more than one sales invoice is shown, a late payment fee will be generated for each one every time you click `Create`.

Example

On June 1, 2018, a sales invoice is raised for 100.00 with payment terms of net 30 days and a monthly late payment fee of 1.5%:

	Qty	Unit price	Amount
	10	10.00	100.00
		Total	**100.00**

The day the invoice becomes overdue, the pending late payment fee notice appears. A late payment fee is assessed, and 1.5% of the total is added. The invoice is sent to the customer again with a new balance due of 101.50. One month later, the invoice remains unpaid, so another late payment fee is assessed, adding 1.5% of 101.50 (1.52), for total late fees of 3.02:

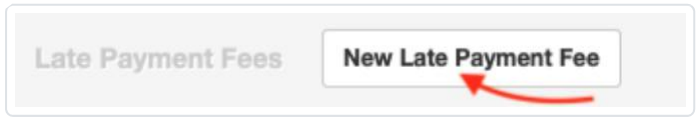
	Each	Unit price	Amount
	10	10.00	100.00
		Total	**100.00**
		Late Payment Fee — 06/02/2018	1.50
		Late Payment Fee — 07/02/2018	1.52
		Balance due	**103.02**

Determine late payment fees manually

Late payment fees can be added, deleted, or edited manually in the `Late Payment Fees` tab.

Add a late payment fee

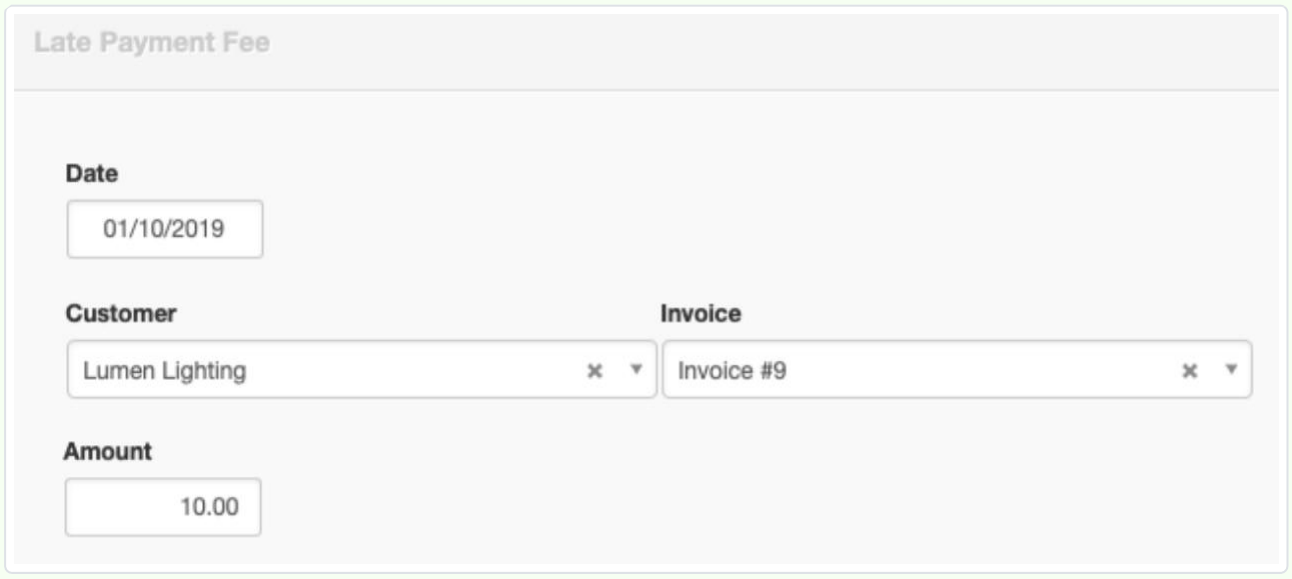
Late payment fees can be added manually on any desired schedule (daily, weekly, etc.). To add a fee, click `New Late Payment Fee`:



Complete the form and click `Create`.

Example

The sales invoice from the previous example continues to accrue late payment fees for eight months, accruing 12.65 in late fees. Eventually, the customer asks whether the invoice can be settled for 10.00 in total late fees if payment is made within 3 days. The business agrees on the condition that 20.00 will be assessed if payment is late again. A manual late payment fee is entered:



Note

When a late payment fee is added manually, it will be shown on the sales invoice whether or not the `Late payment fees` box is checked.

Delete a late payment fee

To delete a late payment fee, go to the `Late Payment Fees` tab and click `Edit` beside the fee to be deleted. Click the `Delete` button.

Example

Because all the automatically determined late payment fees in the previous examples will be replaced by the agreed 10.00 fee, they are deleted as described above. (Note that `Batch Delete` can be used.) Only the manually entered late payment fee remains:

	Each	Unit price	Amount
	10	10.00	100.00
		Total	**100.00**
		Late Payment Fee — 01/10/2019	10.00
		Balance due	**110.00**

Edit a late payment fee

To edit a late payment fee, go to the `Late Payment Fees` tab and click `Edit` beside the relevant transaction. Modify any field and click `Update`.

Example

The payment in the previous example is late. So the 10.00 late payment fee that was entered manually is edited to 20.00:

	Each	Unit price	Amount
	10	10.00	100.00
		Total	**100.00**
		Late Payment Fee — 01/10/2019	20.00
		Balance due	**120.00**

Caution

If the first late payment fee is manually entered, Manager will not determine or notify you of subsequent automatic late payment fees.

If a late payment fee is deleted after subsequent fees have been automatically determined and assessed, Manager will not redetermine the deleted fee. However, if the latest fee is deleted, Manager will redetermine it automatically and notify you it is pending.

Where are late fees posted?

Late fees are posted automatically to an uncategorized income account named *Late payment fees*. This account appears in your chart of accounts when the first late fee is assessed:

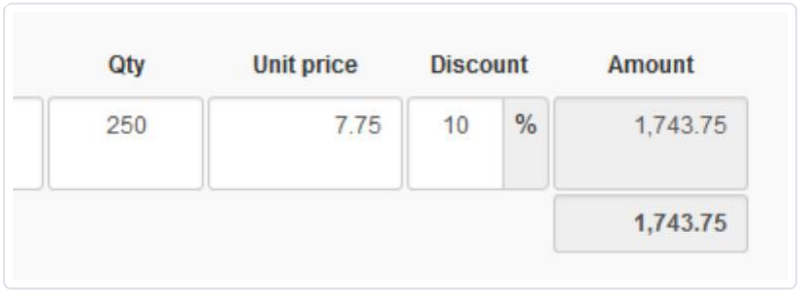


No action on your part is required unless you wish to rename the account or place it into an existing group. Both steps are accomplished by editing the account under `Settings` `Chart of Accounts` after it appears.

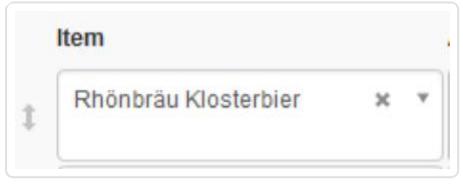
6.4.9 Refresh unit prices on sales invoices

When a customer purchases items on a regular basis, instead of creating a new sales invoice from scratch for every purchase, it may be convenient to use the `Clone` button to replicate a previous invoice:

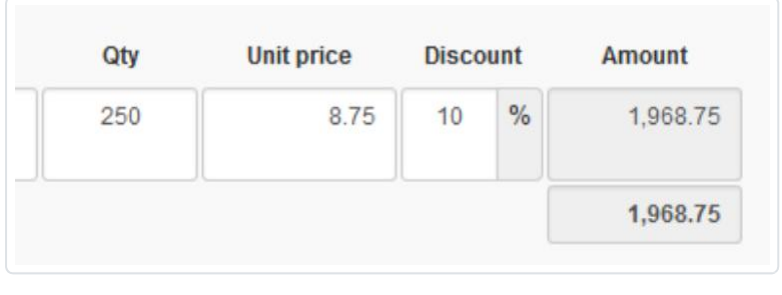
When cloning an existing sales invoice, everything is cloned into the new invoice, including quantity, unit price and discount:



This may not be completely desirable if your prices have changed since you issued the prior invoice. But there is a quick way to remedy the problem. If you need to refresh the unit price of an inventory or non-inventory item, click the `X` inside the `Item` field to clear it. Then select the same item again:



This refreshes the `Unit price` field to the current sale price. `Qty` and `Discount` fields will not change:



As always, any aspect of the new invoice can be edited before clicking `Create`. And the same procedure works when editing an invoice that has already been created.

6.4.10 Offset simultaneous sales and purchase invoices

If you have a customer who is also a supplier, you may sometimes have simultaneous, outstanding sales and purchase invoices with the same business. In BILLBOOKS, all sales invoices are subaccounts of *Accounts receivable*, while purchase invoices are subaccounts of *Accounts payable*. This lets you easily **offset outstanding sales and purchase invoices** against one another using contra journal entries.

Example
You have a customer who owes you 1,000 from a sales invoice:

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	11/14/2017	5	ACME Corporation	1,000.00	1,000.00	Due in 30 days

At the same time you have made a credit purchase for 200 from this same business (as a supplier):

		Invoice date	#	Supplier	Invoice total	Balance due	Status
Edit	View	11/14/2017		ACME Corporation	200.00	200.00	Due in 30 days

Instead of paying your customer 200 while receiving 1000, you can make a contra entry decreasing the balance due on your sales invoice by the amount of the purchase invoice.

It makes no difference whether the sales or purchase invoice is larger; the procedure is identical. To make an offsetting contra entry, go to the `Journal Entries` tab and click `New Journal Entry`:



In your journal entry, **debit *Accounts payable*** for the supplier by the smaller of the sales or purchase invoice balances. If the purchase invoice has a reference number, it can be selected. Otherwise, leave the `Invoice` field blank. **Credit *Accounts receivable*** for the customer and the sales invoice by the same amount.

Example
The smaller amount in the example above is the 200 purchase invoice. So a journal entry is created:

Account			Description	Debit	Credit
Accounts payable	ACME Corporation	Invoice (optional)	Sales and purchase invoices offset	200	
Accounts receivable	ACME Corporation	Invoice #5	Sales and purchase invoices offset		200
Add line				200	200

If there are more invoices, do not select invoice numbers. Instead, enter as the contra amount the smaller of the total *Accounts payable* or *Accounts receivable* balances for the business. (Check these in the `Customers` and `Suppliers` tabs.) BILLBOOKS will automatically offset outstanding sales and purchase invoices on the basis of oldest due dates. But still debit *Accounts payable* and credit *Accounts receivable*.

Example
After making the journal entry illustrated above, your purchase invoice will be marked as paid in full, even though your payment was actually via contra entry:

		Invoice date	#	Supplier	Invoice total	Balance due	Status
Edit	View	11/14/2017		ACME Corporation	200.00	0.00	Paid in full

The balance due on the sales invoice will decrease by 200:

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	11/14/2017	5	ACME Corporation	1,000.00	800.00	Due in 30 days

6.5 Credit Notes

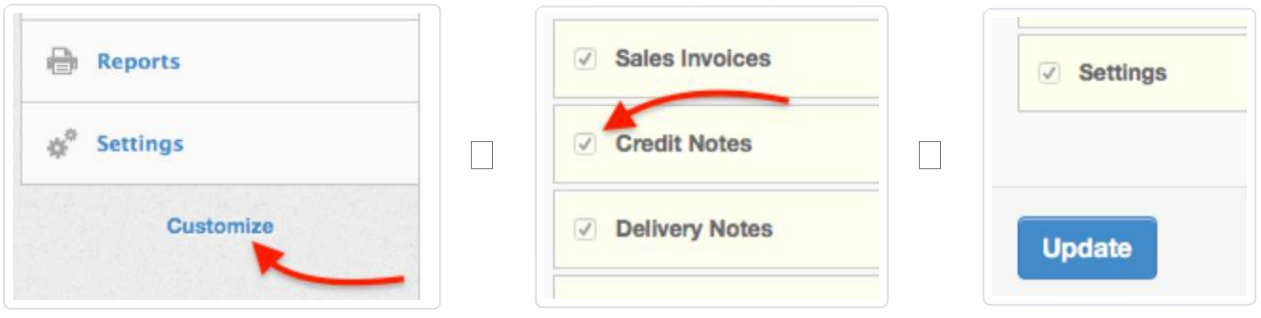
6.5.1 Use credit notes for customer returns and refunds

A **credit note** records the return of goods by a customer or a credit adjustment (refund) to a customer's account for goods or services previously invoiced. It makes all necessary corrections to inventory and income accounts. A credit note does not record actual payment of money to the customer, but only adjusts the customer's balance in *Accounts receivable*. A credit note can be created regardless of whether the customer has yet paid for the goods or services.

NOTE
A credit note should not normally be used if the original transaction was a cash sale, because the sale will not have been recorded in the customer's subaccount in *Accounts receivable*. In such situations, a direct refund should usually be made via a bank or cash payment under the `Receipts & Payments` tab. However, if the cash buyer has also been defined as a customer and prefers an account credit rather than a cash refund, a credit note may be used.

Enable the `Credit Notes` tab

Before credit notes can be created, the `Credit Notes` tab must be enabled. Click `Customize` below the left navigation pane, check the box for `Credit Notes`, and click `Update` below the list:

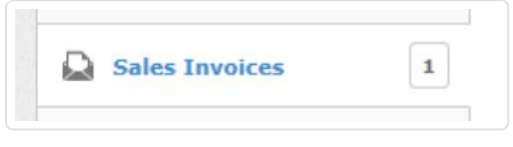


BILLBOOKS offers two methods for creating credit notes:

- From a sales invoice (most common)
- Manual method

From a sales invoice

The easiest way is to create a credit note directly from the original sales invoice. Go to the `Sales Invoices` tab:

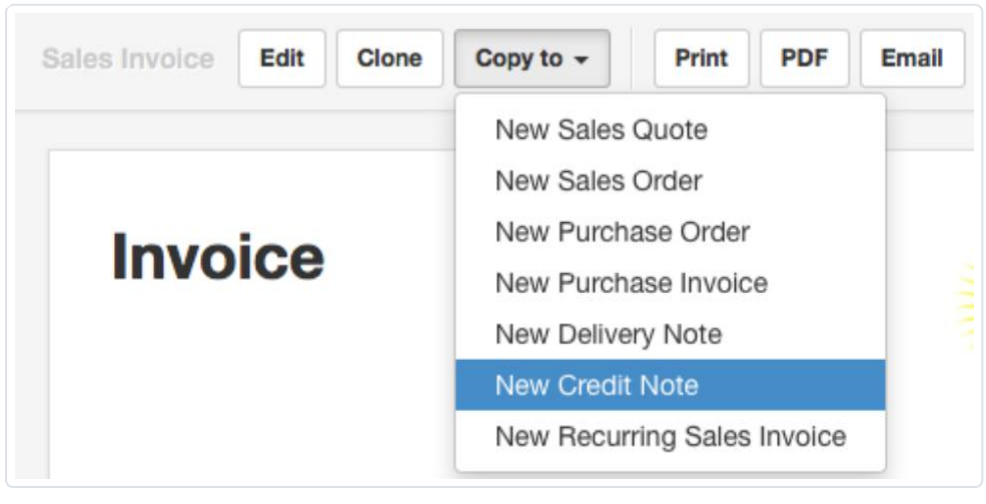


Click the `View` button alongside the sales invoice issued for the goods or services being returned or adjusted:



		Issue date	#	Customer	Invoice Total	Balance due	Status
Edit	View	13/08/2015	1	Brilliant Industries	150.00	0.00	Paid in full

Then click the `Copy to` button and select *New Credit Note* to open a credit note from the existing sales invoice:



A credit note entry screen will open, prefilled with information from the sales invoice. This avoids re-entering information manually. If the customer is to receive a full refund, no changes to the credit note are required, because the credit note will match the original sales invoice:



	Qty	Unit price	Amount
	2 boxes	46.00	92.00
	3 jars	14.00	42.00
	4 pieces	4.00	16.00
		Total	150.00

CAUTION
If a line item was allocated to *Billable expenses* on the original sales invoice, no account designation will transfer to the credit note. Manager cannot determine which account to post the expense to, since it is no longer billable. In this situation, select an expense account manually.

If a customer is to receive a partial refund or credit, reduce quantities or amounts on the credit note to match. Remove line items for goods or services not being adjusted. (If the price of an inventory item is being partially or fully refunded, but the item itself will not be returned, enter the refund amount and change the quantity to zero.)



	Qty	Unit price	Amount
	2 boxes	46.00	92.00
	4 pieces	4.00	16.00
		Total	108.00

When finished editing, click `Create` to issue the credit note. BILLBOOKS can automatically apply a sequential `Reference` number to the credit note. (See below.)

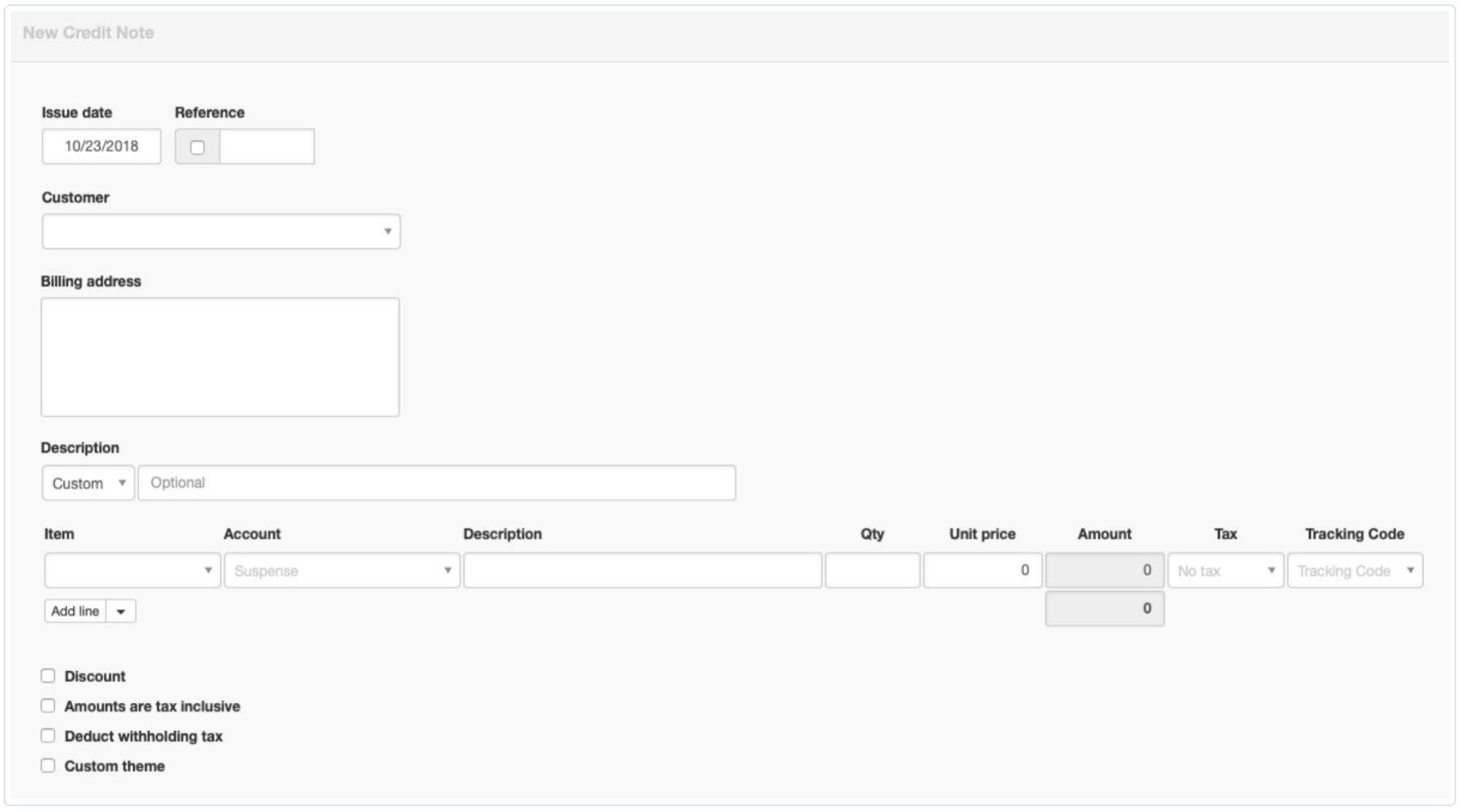
The credit amount will be applied to the original sales invoice. If the customer has not paid or only partially paid the invoice, the balance due on the invoice will be reduced by the credit note amount. If a credit note is applied to a fully paid sales invoice, the credit note amount will be credited to the customer's subaccount in *Accounts receivable*. Any credit balance will be automatically applied to the next (or the oldest existing) sales invoice for that customer.

Manual method

If no sales invoice exists or can be found, create a credit note manually. In the `Credit Notes` tab, click on `New Credit Note`:

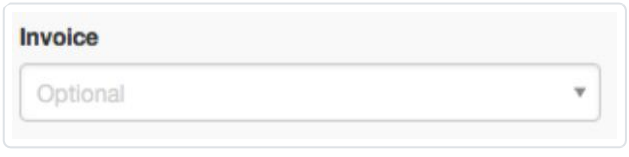


Complete the form:



- By default, today's `Issue date` is prepopulated.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing credit notes and add 1.
- A previously defined `Customer` must be selected in the dropdown box.

- After a customer is selected, an optional `Invoice` field appears. If the credit note applies to a specific invoice, select it there:



- The customer's `Billing address` is filled automatically.

- By default, a manually created credit note will show as *Custom* on the `Description` line. This option is correct for most situations. The other option is *Early payment discount*, but should only be used when such a discount was offered on the the corresponding sales invoice. General information about the credit note can be entered in the other field on the `Description` line.

- Line items can be completed semi-automatically by selecting predefined inventory or non-inventory items in the `Item` field and entering quantities. Or, they may be entered manually.

- Applicable `Tax` codes can be selected.

- A `Tracking Code` can be chosen.

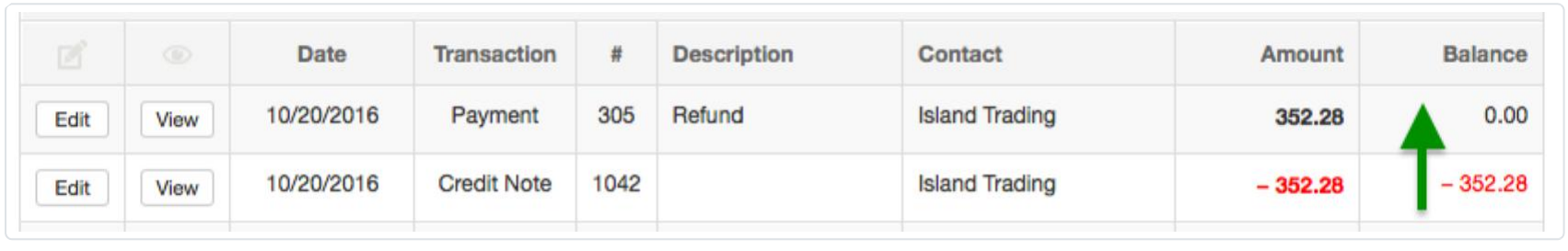
- Additional lines can be added 1, 5, 10, or 20 at a time.

- Checkboxes at the bottom of the form offer the same options as when creating sales invoices.

Save the transaction by clicking `Create`.

Paying out a refund

If a customer requests a refund of the credit balance, record a payment from a bank or cash account and allocate the refund to *Accounts receivable* and the customer's subaccount. When a refund payment is recorded, the balance of *Accounts receivable* for the customer will move in the positive direction:



		Date	Transaction	#	Description	Contact	Amount	Balance
Edit	View	10/20/2016	Payment	305	Refund	Island Trading	352.28	0.00
Edit	View	10/20/2016	Credit Note	1042		Island Trading	– 352.28	– 352.28

6.6 Billable Time

6.6.1 Record billable time

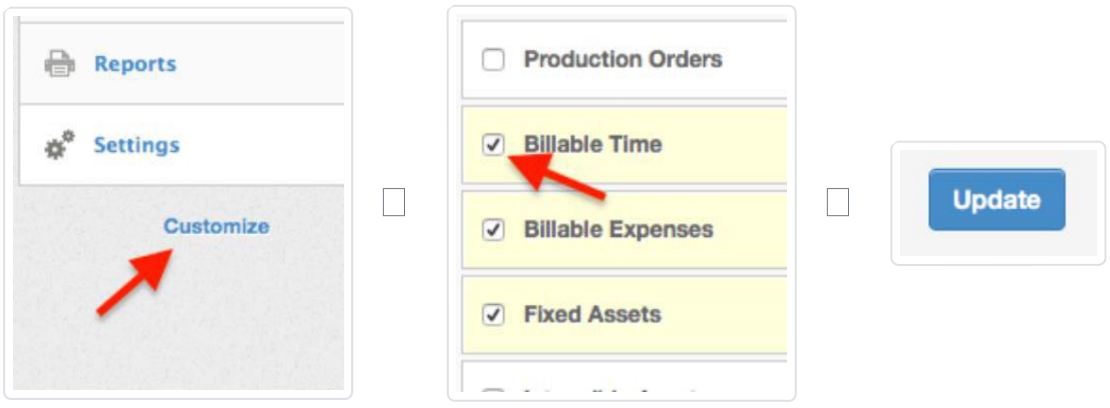
`Billable Time` records work for a customer who will be invoiced on an hourly basis at a defined rate. It is suitable for a wide range of business applications, such as:

- Consultants who bill by the hour rather than the project
- Lawyers who charge different rates for research than for courtroom time
- Repair technicians billing for time and materials

`Billable Time` is not a time clock. It does not record start or stop times of tasks. It cannot be used to monitor employee attendance or directly support payslip generation.

Enable the `Billable Time` tab

Enable the `Billable Time` tab by clicking `Customize` below the left navigation pane, ticking the `Billable Time` box, and clicking `Update` below the list:

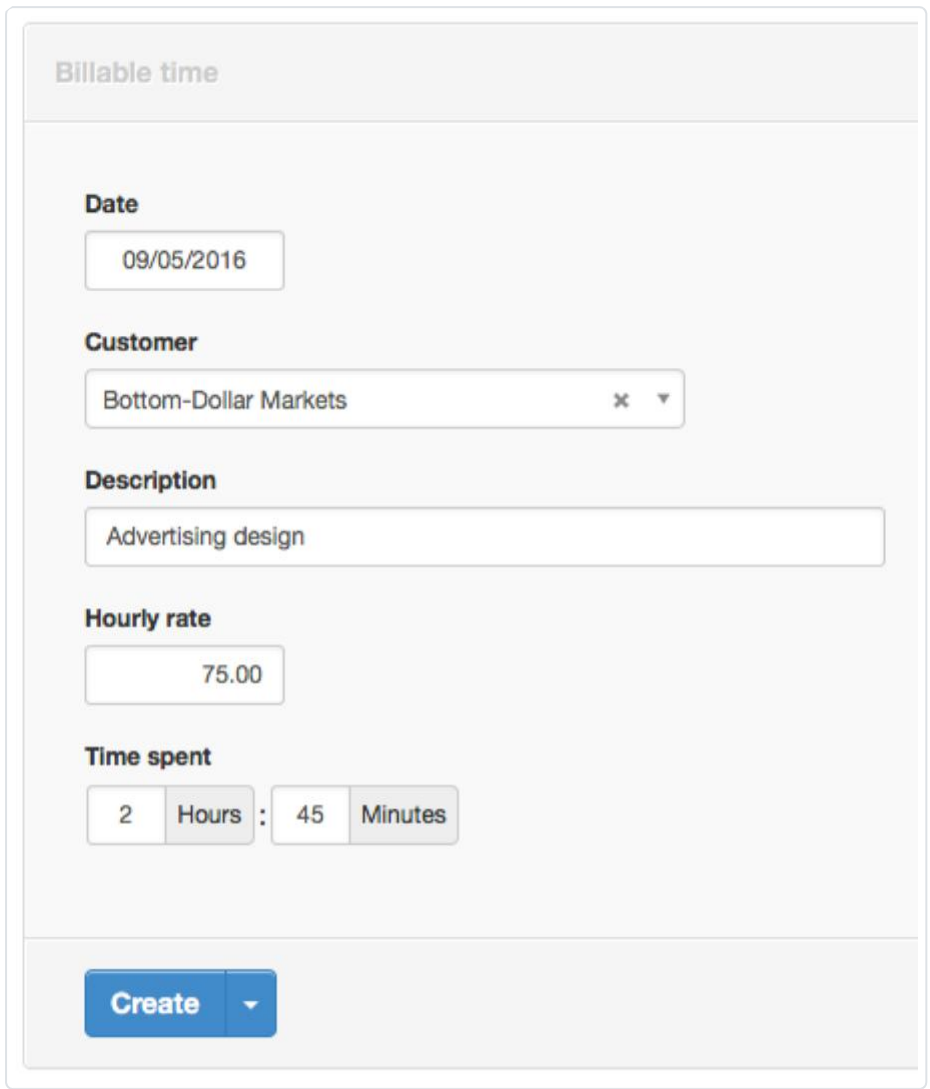


Enter billable time

Now, you can make a basic entry of billable time. Select the `Billable Time` tab and click `New Billable Time`:



Complete the entry:



- `Date` will be profiled with today's date.
- A `Customer` must be selected from the dropdown list of predefined customers. If you do not select a customer, you will not be able to invoice the billable time.
- `Description` allows you to record the nature of work performed during the billable time.
- Enter `Hourly rate` in your base currency.
- Record `Time spent` in hours and minutes.

Click `Create` when finished.

Changes to your chart of accounts

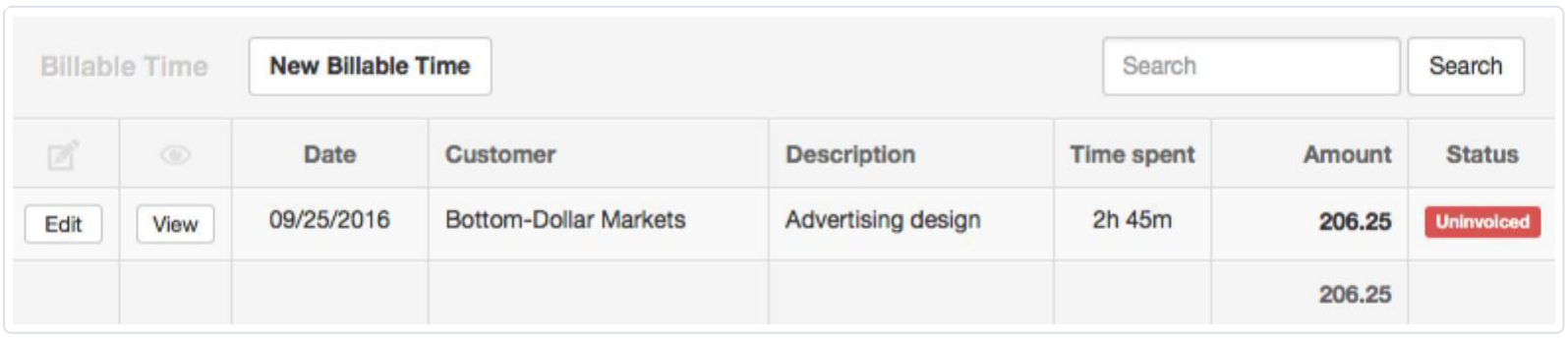
When you create your first `Billable Time` entry, BILLBOOKS will automatically add three new accounts to your chart of accounts:

Account	Type	Purpose
Billable time	Asset	Records asset value of billable time until it is invoiced
Billable time – invoiced	Income	Records revenue from billable time after it is invoiced
Billable time – movement	Income	Temporarily stores value of billable time (work in progress) until it is invoiced

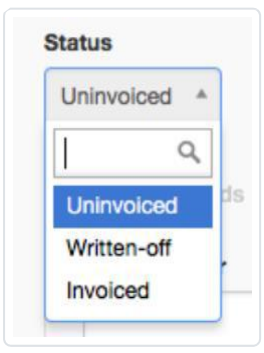
These accounts can be renamed under `Settings` ☐ `Chart of Accounts`, but cannot be deleted while the tab is in use. You can assign them to Groups of your choosing and give them numerical `Codes` to control their positions on your Balance Sheet or Profit and Loss Statement.

Edit billable time

`Edit` the completed entry in the `Billable Time` tab:



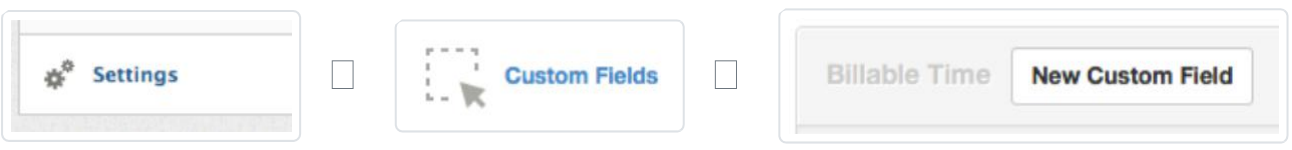
Since the billable time entry has already been created, another field appears on the form:



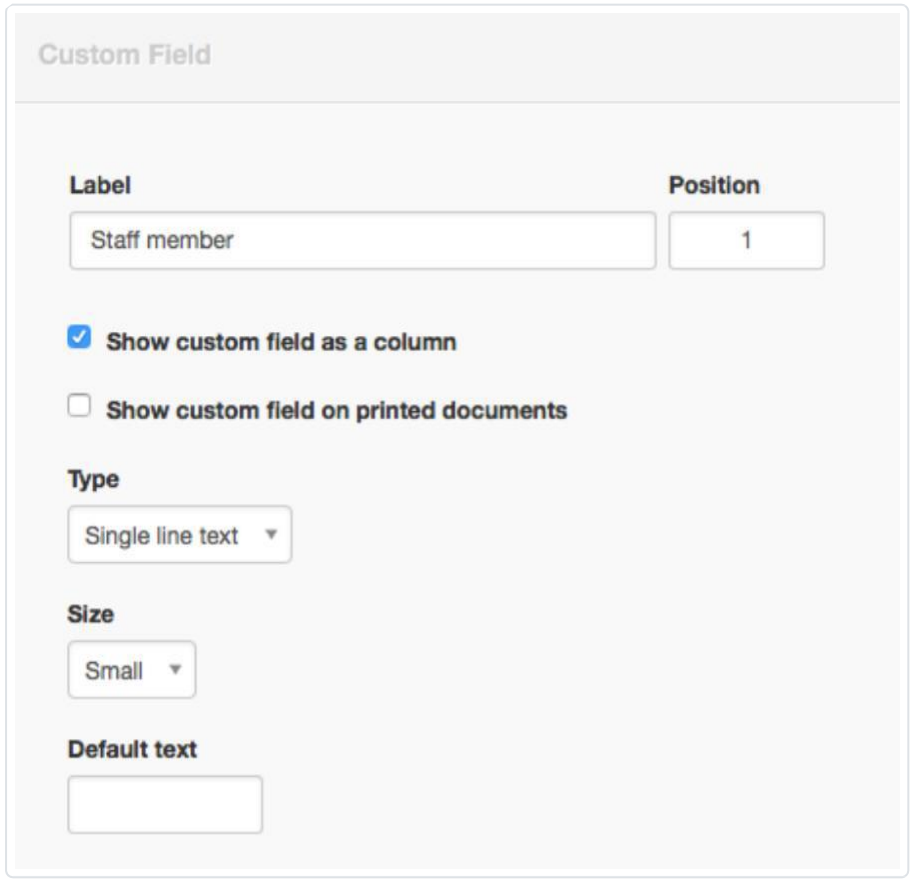
However, this field is not used for normal invoicing. Invoicing of billable time is described in another Guide. Remember to click `Update` to save any changes.

6.6.2 Add billable time details with custom fields

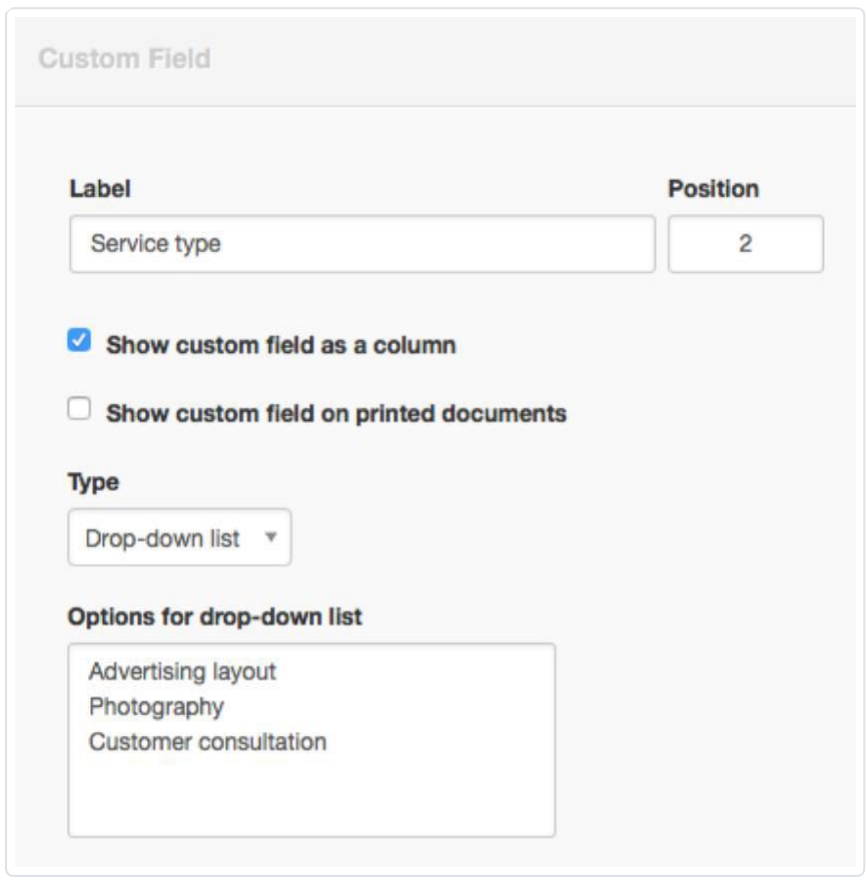
Standard `Billable Time` entries can be made more useful by adding custom fields. In the `Settings` tab, select `Custom Fields`. Locate the `Billable Time` group and click `New Custom Field`:



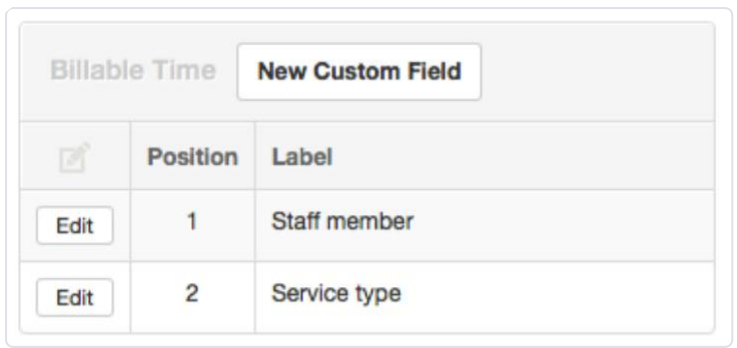
Define your custom field. This first example adds a single, free-text line for a staff member's name. It is positioned to be first among custom fields. A check mark indicates the field will show as a column in the `Billable Time` listing:



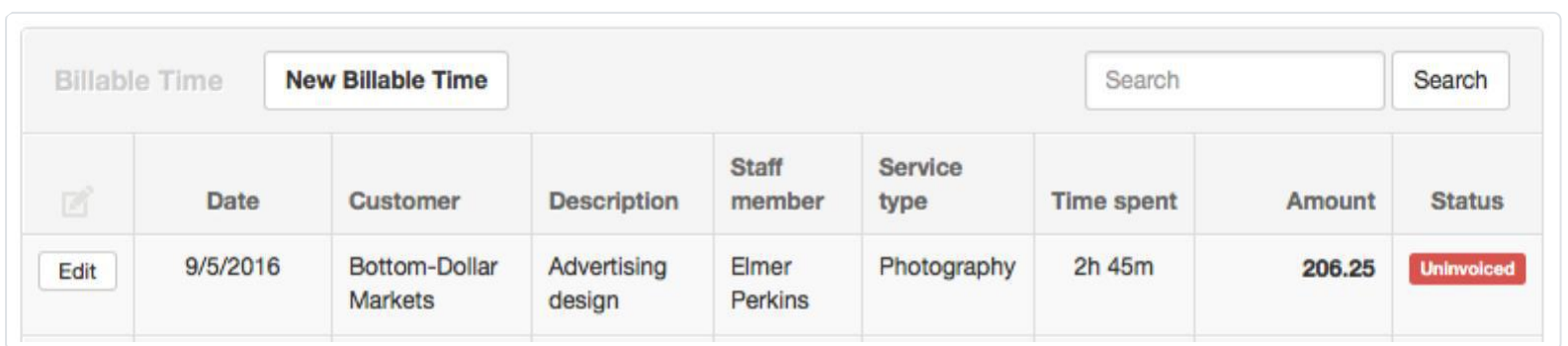
Additional fields can be added in the same way as the first. The second example adds a service type from a dropdown list, assigned to the second position. Such lists help standardize time entries. More options are available, including paragraph text and images:



The resulting `Custom Fields` list shows the result:



Now the `Billable Time` listing provides more useful information that can be used for searching and sorting:



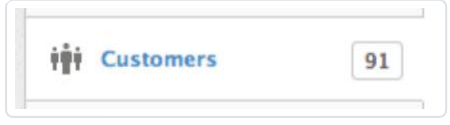
> **Note**
> Entries made before defining custom fields must be edited if you want them to show the new information.

6.6.3 Invoice billable time

BILLBOOKS can directly **invoice billable time**. When you first record an instance of billable time, its status will be set to *Uninvoiced*:



To invoice billable time to a customer, go to the `Customers` tab:



Under the `Uninvoiced` column, click the amount for the customer you are invoicing:

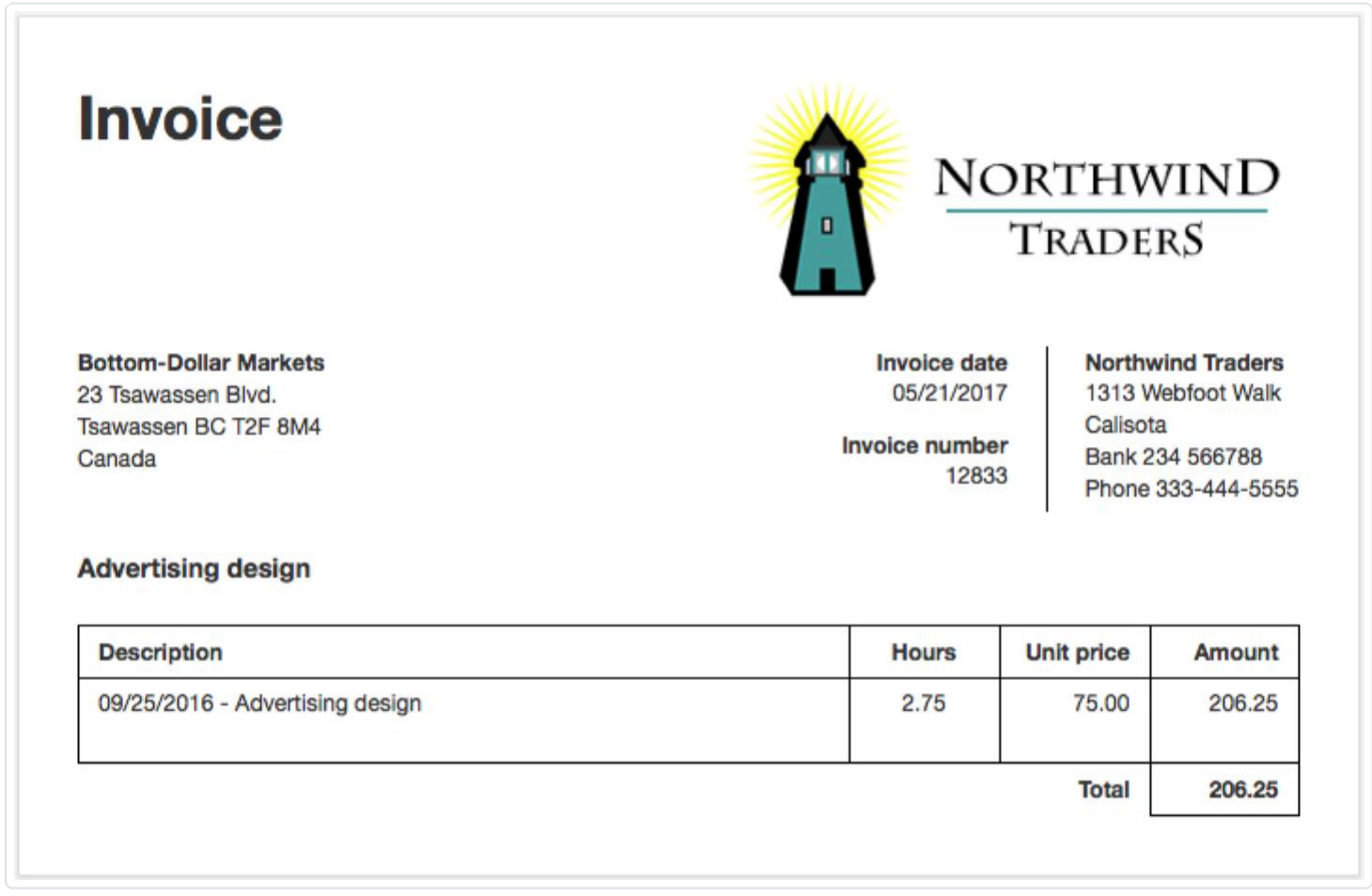


Select the items you want to bill to the customer, then click `New Sales Invoice`:



> **Note**
> If you have also entered billable expenses for the customer, these will appear in the same list and can be selected for invoicing along with billable time.

A sales invoice will be created instantly:



Invoice

NORTHWIND TRADERS

Bottom-Dollar Markets
23 Tsawassen Blvd.
Tsawassen BC T2F 8M4
Canada

Invoice date
05/21/2017

Invoice number
12833

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Advertising design

Description	Hours	Unit price	Amount
09/25/2016 - Advertising design	2.75	75.00	206.25
		Total	**206.25**

If you wish to modify the invoice, especially to add additional line items, offer discounts, or mark up the billed time for additional profit, click `Edit`, make any changes, and click `Update`.

When you go back to the `Billable Time` tab, you will see the status of your uninvoiced items has changed to *Invoiced*:

		Date	Customer	Description	Time spent	Amount	Status
Edit	View	09/25/2016	Bottom-Dollar Markets	Setup billable time	2h 45m	**206.25**	Invoiced

Caution
You cannot add billable time to an existing sales invoice. Generate a sales invoice from the `Customers` tab first, then add any other necessary line items.

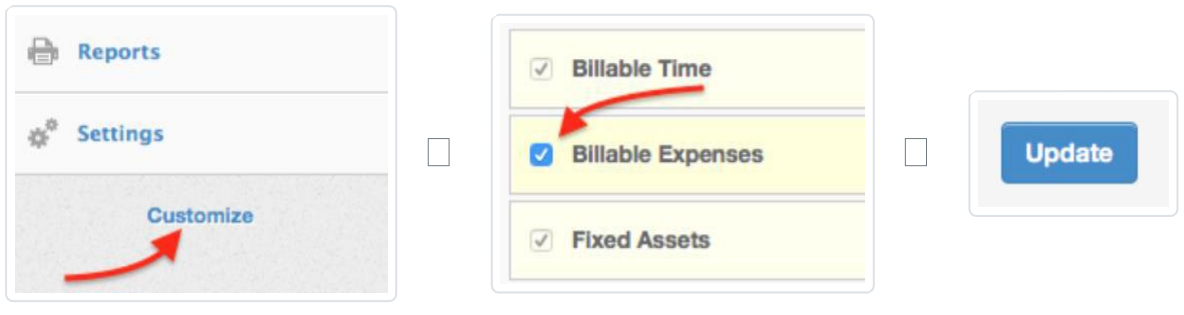
6.7 Billable Expenses

6.7.1 Record billable expenses

Billable expenses are expenses incurred on behalf of a customer. They do not appear on your Profit and Loss Statement, because they are not expenses of your business. Instead, they will reside temporarily on your Balance Sheet and be passed through to the customer by invoicing.

Enable the `Billable Expenses` tab

Enable the `Billable Expenses` tab by clicking `Customize` below the left navigation pane, ticking the `Billable Expenses` box, and clicking `Update` below the list:



Changes to your chart of accounts

When you enable the `Billable Expenses` tab, BILLBOOKS automatically adds three new accounts to your chart of accounts:

Account	Type	Purpose
Billable expenses	*Asset*	Records asset value of billable expenses until invoiced
Billable expenses – markup	*Income*	Records income from markup of billable expenses above actual cost
Billable Expenses – unrecoverable	*Expense*	Records losses on billable expenses not reimbursed by customer or written off for other reasons

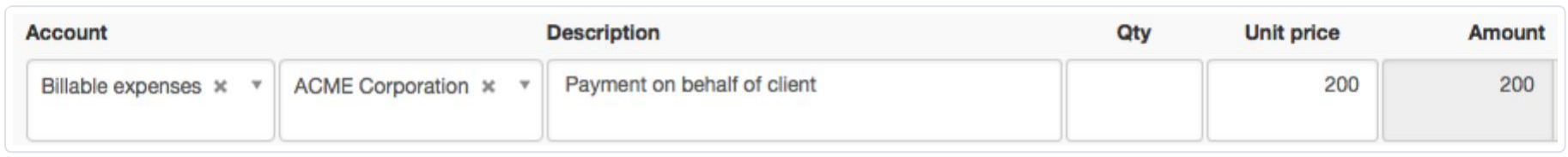
These accounts can be renamed under `Settings` ☐ `Chart of Accounts`, but cannot be deleted while the tab is in use. You can assign them to Groups of your choosing and give them numerical `Codes` to control their positions on your Balance Sheet or Profit and Loss Statement.

Record a billable expense

Unlike most entries in BILLBOOKS, you cannot record billable expenses directly under the `Billable Expenses` tab using a `New Billable Expense` button. Instead, billable expenses are recorded in one of these tabs:

- `Receipts & Payments`
- `Expense Claims`
- `Purchase Invoices`

To enter a billable expense, post the applicable line item to the *Billable expenses* asset account, then select the customer to be billed later:

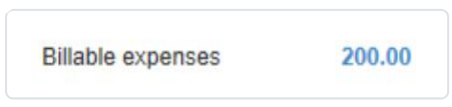


☐ **Note**
A customer must be defined under the `Customers` tab before a billable expense can be entered on its behalf.

Any payment, claim, or invoice line item categorized this way will appear as a disbursement under the `Billable Expenses` tab:



Any expense categorized this way will appear on the Balance Sheet in the *Billable expenses* asset account instead of inflating your expenses:



The amounts under *Billable expenses* can be cleared by two methods:

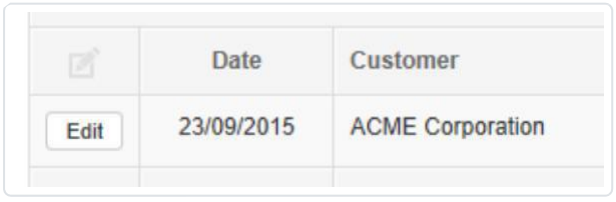
- Invoicing billable expenses to the customer
- Writing off billable expenses

6.7.2 Write off billable expenses

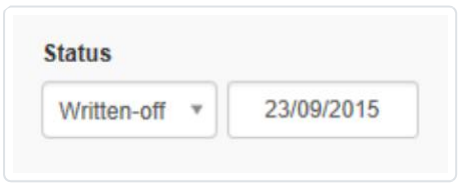
If your customer refuses to reimburse you for a billable expense or you cannot invoice it for any reason, you will need to write it off. To write off a billable expense, go to the `Billable expenses` tab:



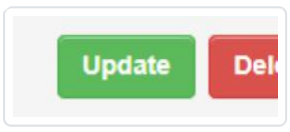
Find the billable expense to be written off and click `Edit`:



Change `Status` from *Uninvoiced* to *Written-off*, then enter the date the billable expense should be written off:



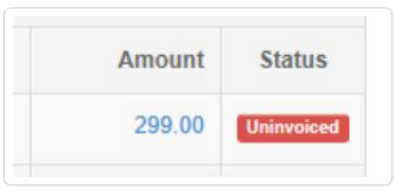
Click the `Update` button:



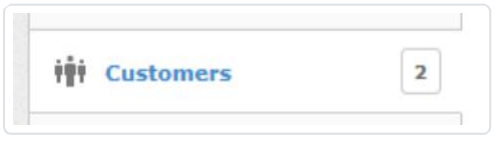
You must enter the write-off date because, from an accounting point of view, the billable expense was recoverable from the date it was incurred until you decided it should be written-off. Therefore, it was not truly an expense of your business, but of your customer's. When it is written-off, it becomes your expense. The amount will be transferred from the *Billable expenses* asset account to the *Billable expenses - unrecoverable* expense account.

6.7.3 Invoice billable expenses

BILLBOOKS can directly **invoice billable expenses**. When you first record a billable expense, its status will be set to *Uninvoiced*:



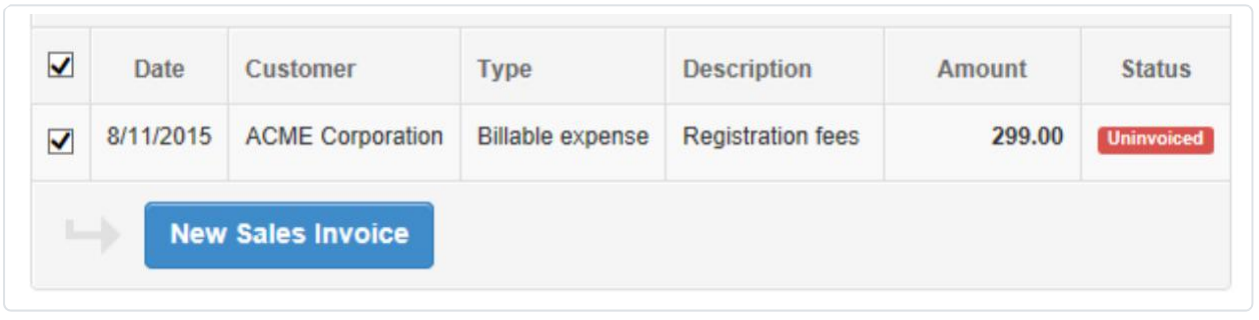
To invoice billable expenses to a customer, go to the `Customers` tab:



Under the `Uninvoiced` column, click the amount for the customer you are invoicing:



Select the items you want to bill to the customer, then click `New Sales Invoice`:



> **Note**
> If you have also entered billable time for the customer, these entries will appear in the same list and can be selected for invoicing along with billable expenses.

A sales invoice will be created instantly:

Description	Amount
8/11/2015 - Registration fees	299.00
Total	299.00

If you wish to modify the invoice, such as to add other line items, apply a discount, or mark up the expenses for additional profit, click `Edit`, make changes, then click `Update`.

If you mark up billable expense amounts, the difference between the original expense amount and the marked-up amount will be posted to the special *Billable expenses - markup* income account. If you allow a discount on a billable expense to your customer, you will incur a loss. This loss will be posted to the *Billable expenses - unrecoverable* expense account. This makes it's easy for you to track how well you recoup the billable expenses you incur on behalf of your customers.

When you go back to the `Billable Expenses` tab, you will see the status of your billable expenses has changed to *Invoiced*:

Description	Amount	Status
Registration fees	299.00	Invoiced

Caution

You cannot add billable expenses to an existing sales invoice. Generate a sales invoice from the `Customers` tab first, then add any other necessary line items.

Chapter 7: Accounts Payable

Guides in this group cover ordering and buying goods or services on credit from suppliers.

7.1 Suppliers

7.1.1 Enter suppliers

A **Supplier** in BILLBOOKS is an entity (person, business, or other organization) with whom you have or plan to have an *Accounts payable* relationship. Suppliers in BILLBOOKS are actually subaccounts of *Accounts payable*. You must first create a Supplier before you can:

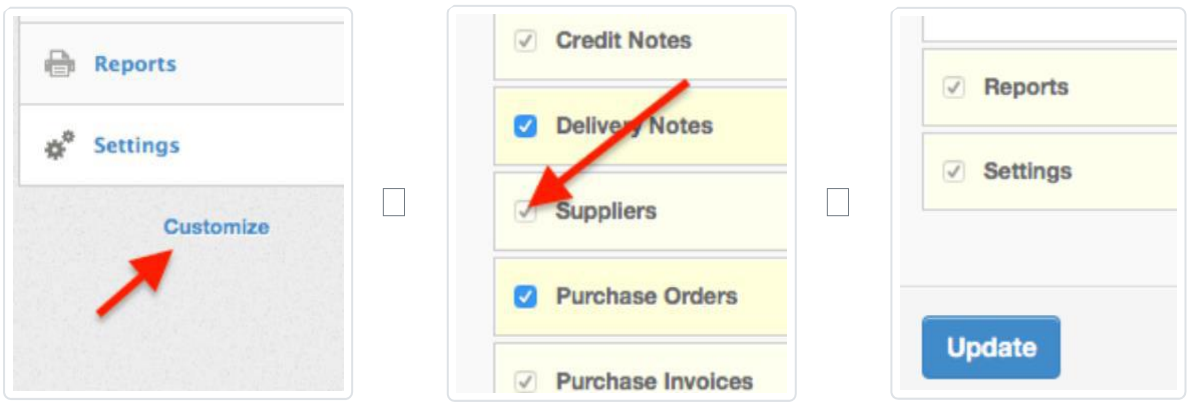
- Enter a purchase invoice corresponding to a received sales invoice
- Buy on credit for future payment
- Create a supplier statement showing balances due or summarizing past transactions
- Generate a purchase order
- Make a deposit or advance against future work or delivery of goods by someone else
- Issue a debit note for return of goods to someone else
- Track your complete purchase and payment history with another entity

Not everyone from whom you buy must necessarily be a Supplier. You can make a cash purchase involving immediate payment without creating a Supplier simply by entering a name as `Payee` when spending money from a cash account. But such transactions will not be recorded in a history for that Payee, even if the Payee is already defined as a Supplier. Examples of purchases where a Supplier might not be needed include:

- Purchases by cash or check from a merchant
- Timely payment of monthly utility bills
- Credit card payments for business expenses

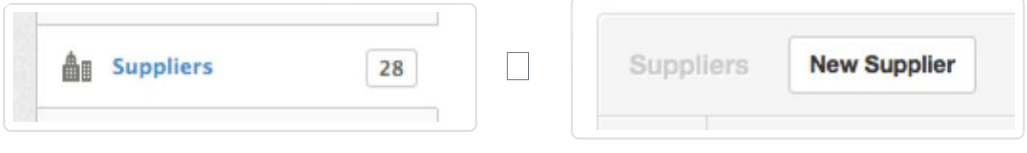
Enable the `Suppliers` tab

To enable the `Suppliers` tab, click `Customize` below the left navigation pane, check the box for `Suppliers`, and click `Update` below the list.

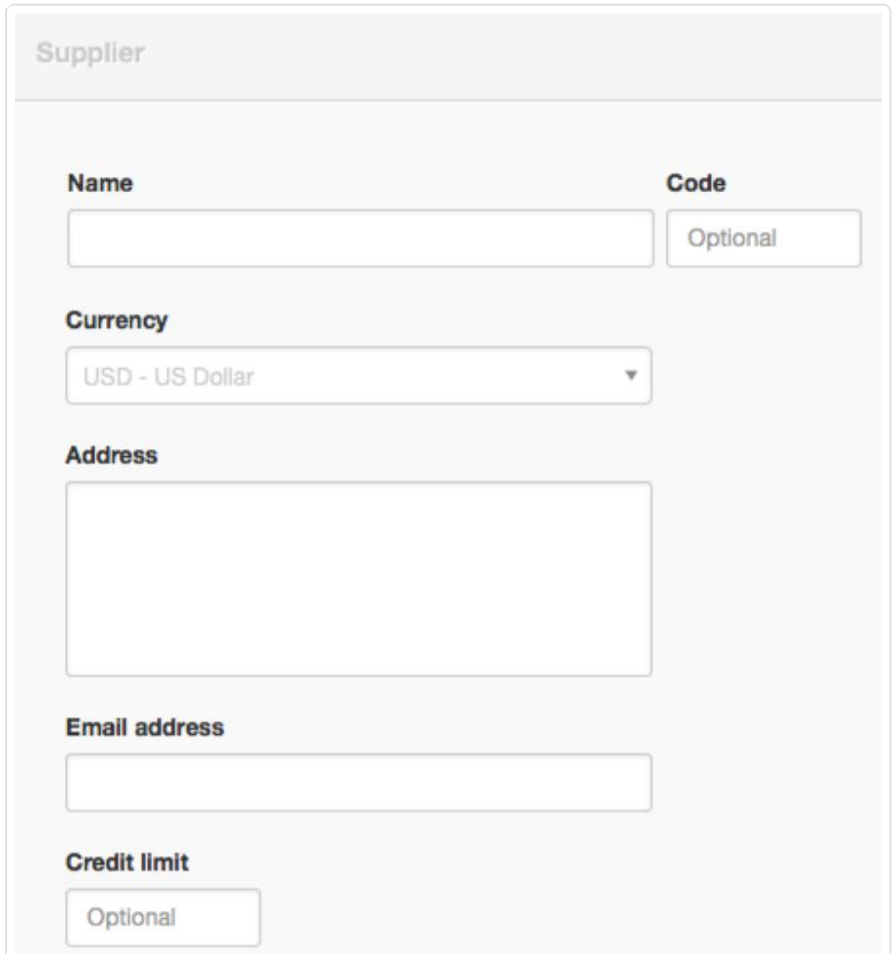


Create a Supplier

Select the `Suppliers` tab, then click the `New Supplier` button:

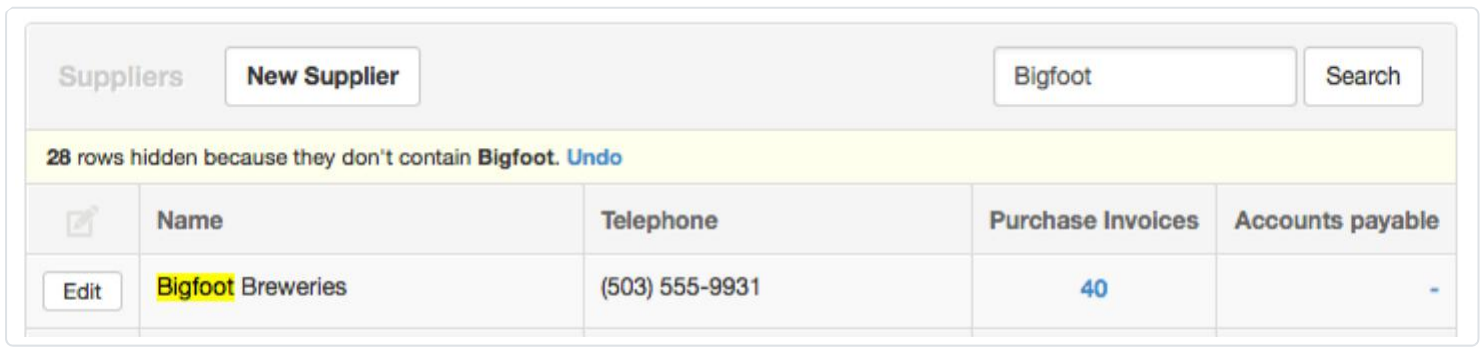


Complete the entry. This information will appear on purchase invoices and similar documents:



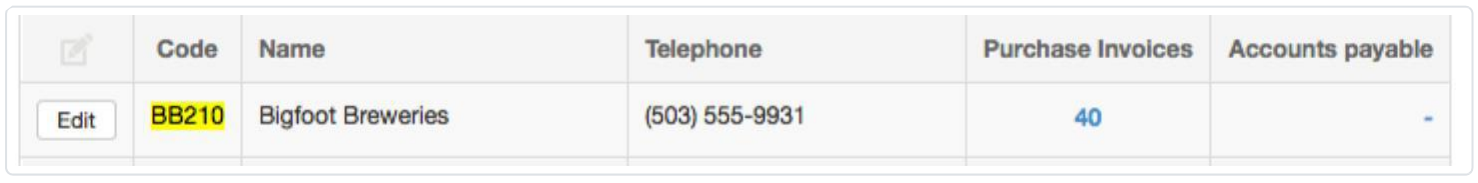
- `Name` is the legal name of the supplier
- `Code` is a short alphabetic or numeric designation of your supplier. If used, the code will appear after the supplier's name on transactions.
- `Currency` in which the supplier operates can be selected if a base currency has been set for the business. Transactions for the supplier will be denominated in the designated currency.
- `Address` should be the mailing address of the supplier.
- `Email address` is where documents will be emailed from within the program.
- `Credit limit` is informational. If used, the `Suppliers` tab listing will show available credit.

Your Supplier will now appear in the `Suppliers` tab. Suppliers are listed in alphabetical order according to their names. Use scrolling, paging, and search functions to find them. The listing shows the number of purchase invoices created for a Supplier and the Supplier's *Accounts payable* balance. Click on blue numbers for more details of any column.



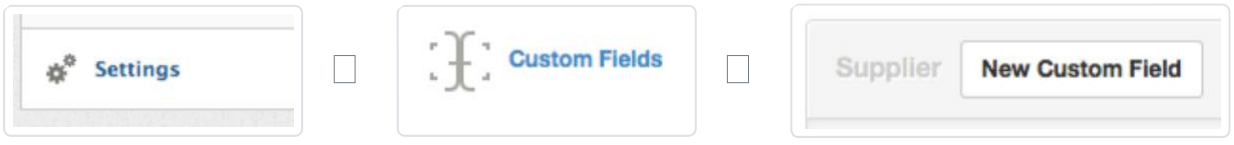
7.1.2 Edit or add supplier information

Click the `Edit` button left of a Supplier's name to edit or add information. For example, add a `Code` to make Suppliers easier to find or distinguish from other Suppliers with identical names. Codes will appear in the `Suppliers` tab listing if any are present:



Codes will appear on completed forms after the Supplier's name. To suppress codes on forms, follow instructions in this Guide.

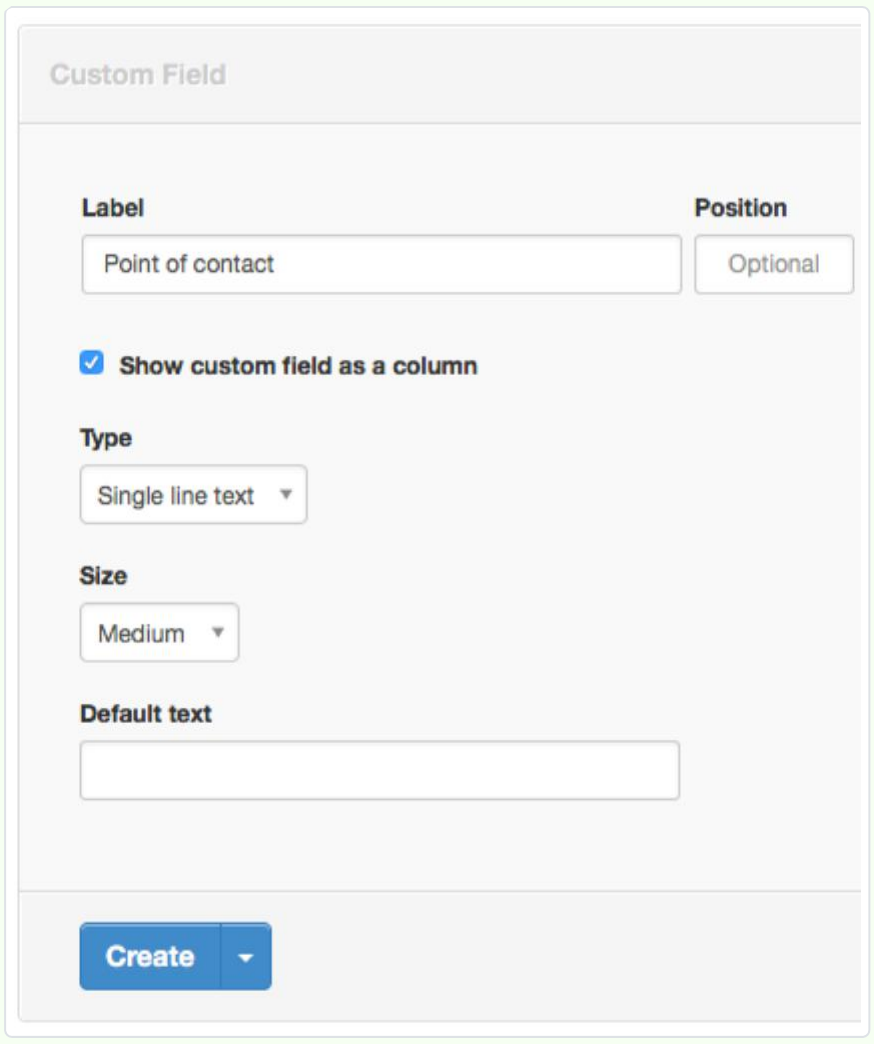
You can also add custom fields for other information about your Suppliers. Under `Settings`, click `Custom Fields` and locate the list for Suppliers. Click `New Custom Field`:



Define your custom field. A checkbox allows you to determine whether the custom field will show as a column in the `Suppliers` tab list. The `Position` field controls the order in which custom fields appear. Enter a number there, if desired. Click `Create` when finished.

Example

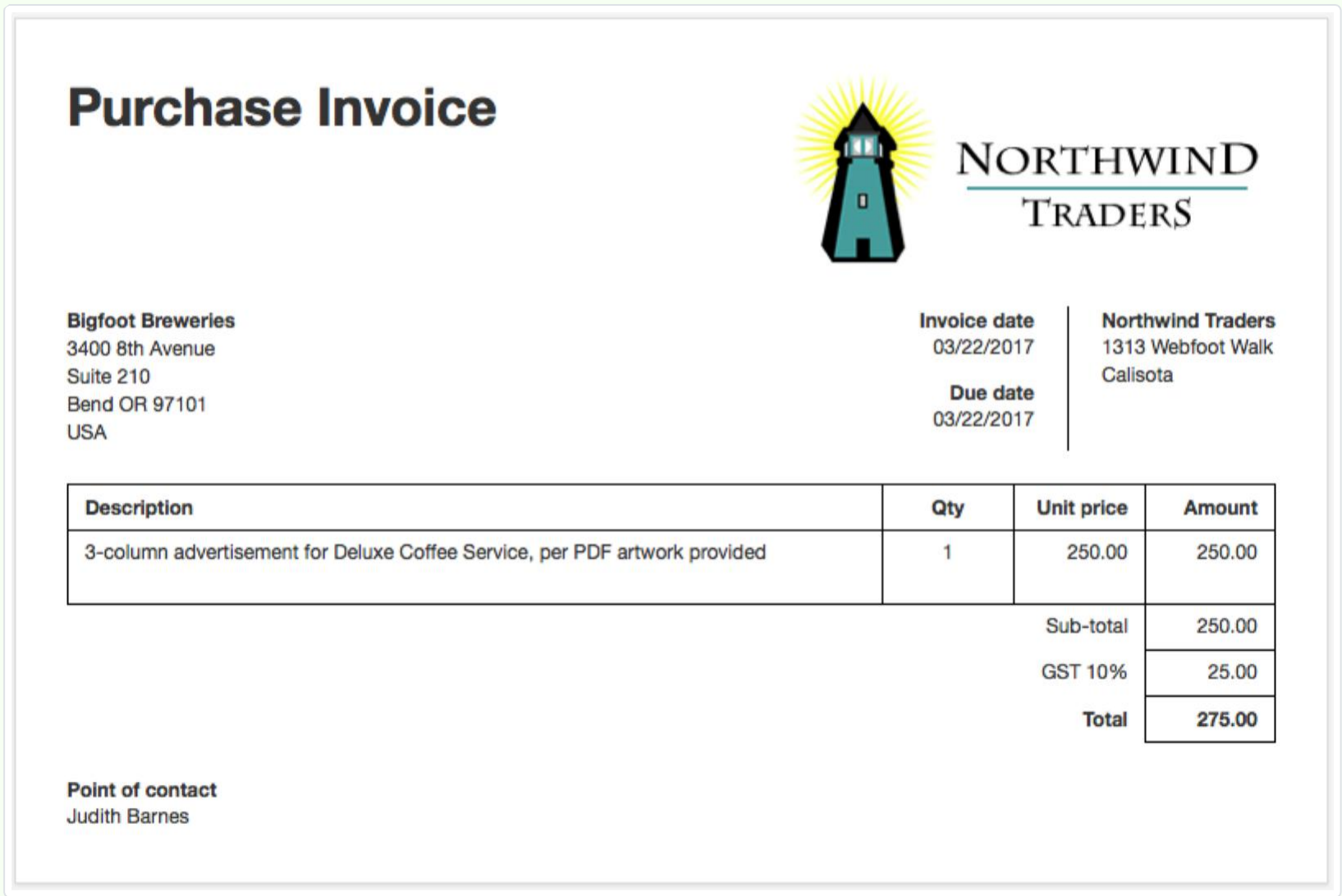
You can add a custom field for a point of contact at your Supplier:



When the custom field is completed on a purchase invoice, the results (including a customer code) appear as below:



	Code	Name	Telephone	Point of contact	Purchase Invoices	Accounts payable
Edit	BB210	Bigfoot Breweries	(503) 555-9931	Judith Barnes	40	-



Purchase Invoice

NORTHWIND TRADERS

Bigfoot Breweries
3400 8th Avenue
Suite 210
Bend OR 97101
USA

Invoice date
03/22/2017

Due date
03/22/2017

Northwind Traders
1313 Webfoot Walk
Calisota

Description	Qty	Unit price	Amount
3-column advertisement for Deluxe Coffee Service, per PDF artwork provided	1	250.00	250.00
		Sub-total	250.00
		GST 10%	25.00
		Total	**275.00**

Point of contact
Judith Barnes

7.1.3 Set starting balances for suppliers

Starting balances exist only if you are transferring an existing business to BILLBOOKS from another accounting system. In that case, you may need to set starting balances for suppliers with or to whom, on your start date:

- You have available credit unrelated to purchase invoices, or
- You owe money because of unpaid purchase invoices.

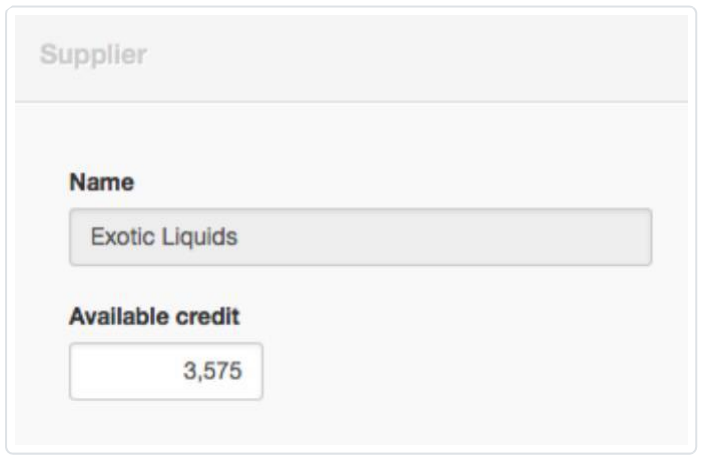
General procedures for entering starting balances are found in another Guide. Read it first. Before you can enter any type of starting balance, your suppliers must be created. Follow these procedures to enter them.

Enter available credit

If you have a credit balance with a supplier that is not related to a specific purchase invoice, but can be applied to future purchase invoices, go the `Settings` tab and click `Starting Balances`:



Click the blue balance for *Accounts payable*, then `Edit` beside the supplier's name:



- Select a `Currency` (if a base currency is set).
- Enter `Available credit` amount.

Click `Update` to save the change. The available supplier credit shows as a negative amount under the `Accounts payable` column in the `Suppliers` tab:



	Name	Telephone	Point of contact	Purchase Invoices	Accounts payable
Edit	Exotic Liquids	(171) 555-2222	Gilbert Barnes	49	– 3,575.00

Repeat for all suppliers with whom you have credit balances.

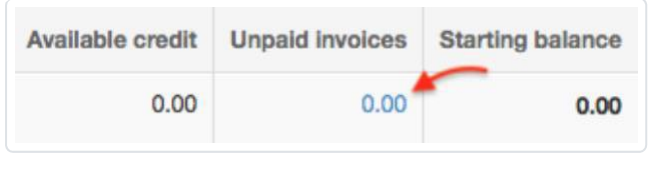
Enter unpaid purchase invoices

You cannot enter the starting balance for unpaid purchase invoices as a single figure. BILLBOOKS requires you to enter the specific unpaid purchase invoices, fully completed. This is so BILLBOOKS can assign future payments to proper purchase invoices, generate accurate cash-basis reports, and produce detailed supplier statements.

To enter a starting-balance invoice, go the `Settings` tab and click `Starting Balances`:

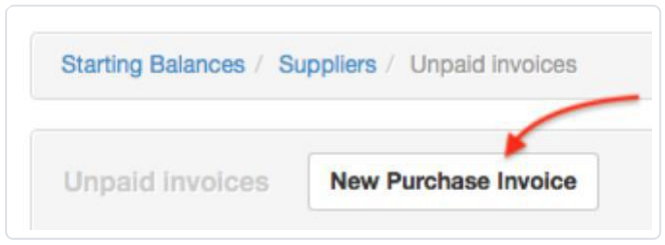


Click the blue balance for *Accounts payable*, then the blue figure for `Unpaid invoices` on the line for the supplier:



Available credit	Unpaid invoices	Starting balance
0.00	0.00	0.00

Click `New Purchase Invoice`:



Complete the unpaid purchase invoice in the same manner as a regular purchase invoice. See this Guide for purchase invoice instructions. The `Invoice date` field will, by default, be prefilled with the date one day before your start date. Edit this to match the original invoice date from your old accounting system. **Only purchase invoices with invoice dates before your start date will be treated as starting balance invoices.** When finished, click `Create` to save the invoice.

Repeat for all open purchase invoices preceding your start date.

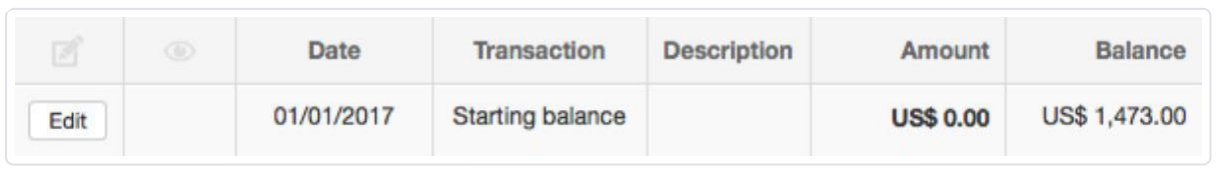
Adjusting the purchase invoice

Now go to the `Purchase Invoices` tab. You will notice that amounts in the `Invoice total` and `Balance due` columns for the unpaid invoice(s) are equal:



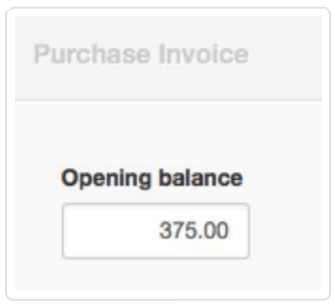
		Invoice date ▲	#	PO #	Supplier	Description	Invoice total	Balance due
Edit	View	12/31/2016			ACME Distributing	Unpaid invoice	US$ 1,473.00	US$ 1,473.00

This is usually the correct scenario, unless you have already partially paid a purchase invoice as of your start date. In that case, click on the amount under the `Balance due` column. You will see the starting balance with an amount of zero. Click `Edit` next to the starting balance transaction:



		Date	Transaction	Description	Amount	Balance
Edit		01/01/2017	Starting balance		US$ 0.00	US$ 1,473.00

Enter the amount you previously paid the supplier toward this purchase invoice in the `Opening balance` field:



Click `Update` to save the change. When you go back to the `Purchase Invoices` tab, you will see the `Balance due` of the partially paid purchase invoice has decreased by the amount already paid:



		Invoice date ▲	#	PO #	Supplier	Description	Invoice total	Balance due
Edit	View	12/31/2016			ACME Distributing	Unpaid invoice	US$ 1,473.00	US$ 1,098.00



Note
Starting balance purchase invoices affect only the monetary balance of suppliers' subaccounts in *Accounts payable*. They do not affect starting balances of inventory items. Those should be set to match the physical count on the start date. See this Guide for more information.

7.1.4 Use supplier codes

The `Code` field for suppliers is completely optional. It can be used for several purposes, including:

- Distinguishing suppliers with identical names
- Annotating different departments or ordering centers at a single supplier (with each department being created as a distinct supplier)

- Assigning suppliers to regions, purchasing personnel, or facilities

Assign a supplier code

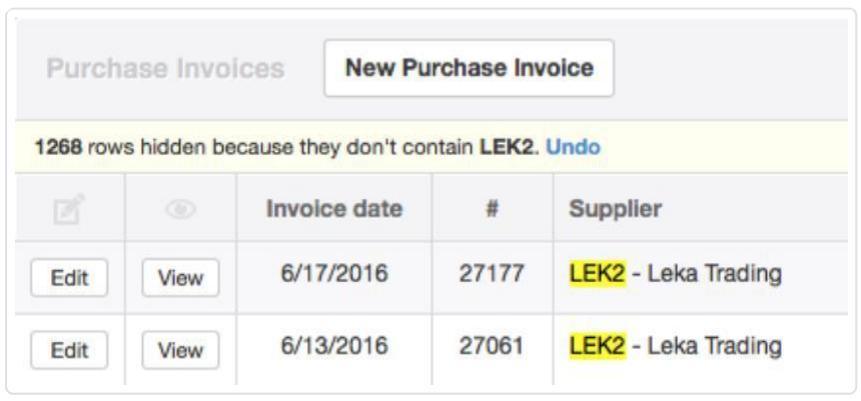
When creating or editing a supplier in the `Suppliers` tab, enter any combination of letters or numbers in the `Code` field:



By default, the supplier's code will be shown on printed documents next to supplier's name:



The code will also show in the `Suppliers` listing and can be entered as a search parameter in other tabs:



Removing the supplier code from documents

If you wish to remove the supplier code from completed forms, edit the theme used to display them. While viewing the theme's computer code, find the line using the variable `{{ recipient.code }}`. This is a placeholder variable that inserts the supplier code into your documents. To hide the supplier code, simply remove `{{ recipient.code }}` from your theme. **Leave the rest of the line it was in unchanged.**

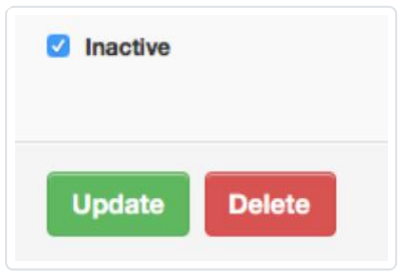
After you save your new or modified theme, the supplier code will no longer show.



7.1.5 Manage inactive suppliers

Old, inactive Suppliers can clog your lists. You can delete them if you have never entered any type of transaction for them. `Edit` the Supplier and click `Delete` at the bottom of the screen.

But if you have entered any transactions, BILLBOOKS will not allow you to delete a Supplier, because doing so would also delete all related transactions. Instead, you can make a Supplier inactive. `Edit` the Supplier and check the `Inactive` box. Click `Update` and the Supplier will no longer appear in active lists:



If the Supplier ever returns to active status, scroll to the bottom of the suppliers list, where you will see the Supplier's name in light grey text with strike-through markings. Click `Edit` next to the Supplier's name:

Uncheck the `Inactive` box and click `Update`.

7.2 Purchase Orders

7.2.1 Issue purchase orders

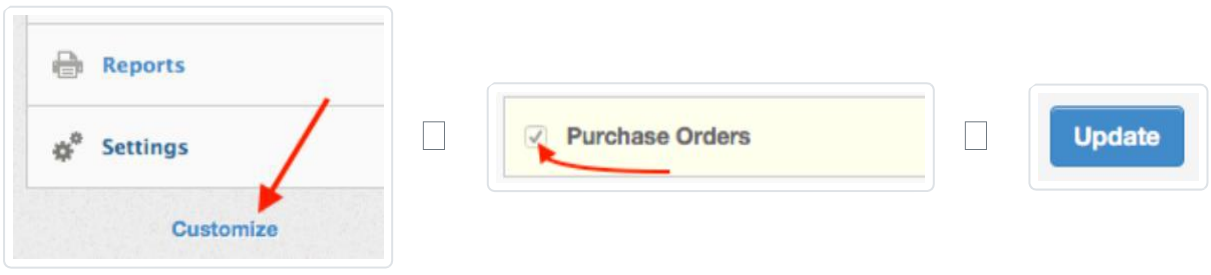
A **purchase order** is sent to suppliers to order goods or services. It authorizes the supplier to deliver items at listed prices and quantities by a specified date. Legally, it may be considered an offer to purchase which, if accepted by the supplier for the consideration enumerated, forms the basis of a contract.

Unlike most records in BILLBOOKS, purchase orders have no financial or inventory impact. They do not involve actual provision of services, movement of inventory, or payment of money. Accordingly, they can be used for a variety of purposes:

- Internal requests for purchase authorization
- Documentation of order pricing
- Inventory planning
- Supplier communication
- Drafts of purchase or sales invoices

Enable `Purchase Orders` tab and define supplier

Before creating a purchase order, enable the `Purchase Orders` tab. Below the left navigation pane, click `Customize`, check the box for `Purchase Orders`, and click `Update`:

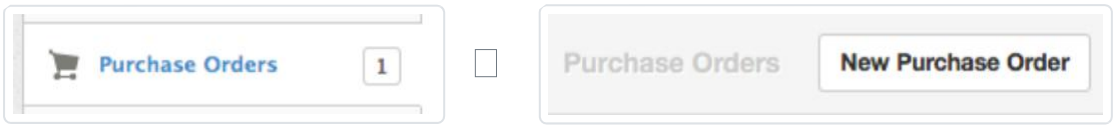


Next, be sure the supplier to whom the purchase order will be sent has been defined in the `Suppliers` tab. Because of their wide applicability, BILLBOOKS allows purchase orders to be created in five different ways:

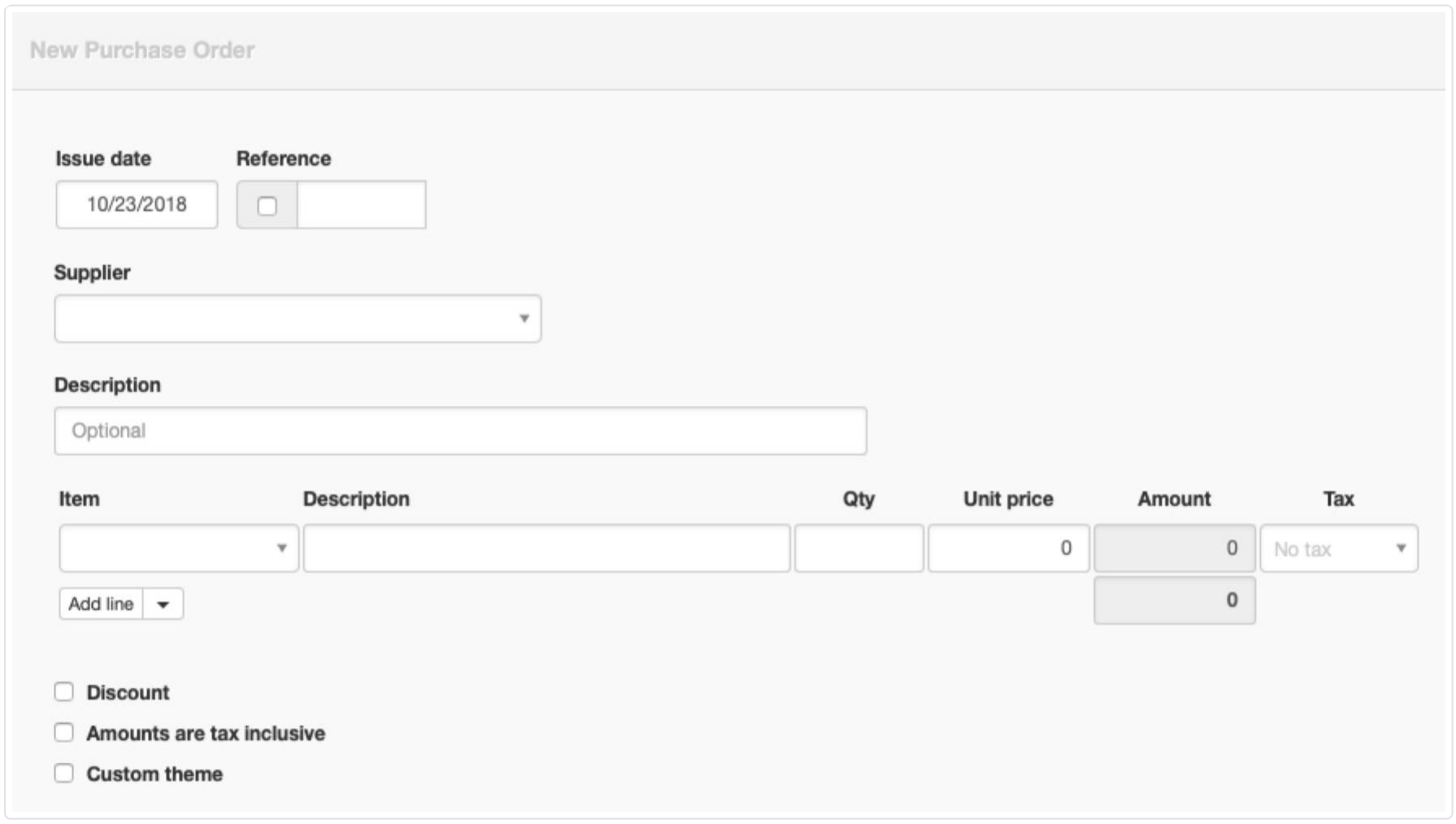
- Standard method
- By cloning
- From sales quotes
- From sales orders
- From your own sales invoices

Standard method

In the `Purchase Orders` tab, select `New Purchase Order`:

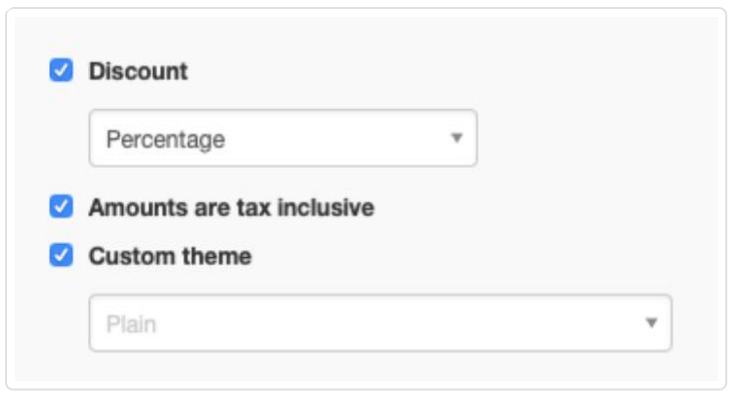


Complete the purchase order form:



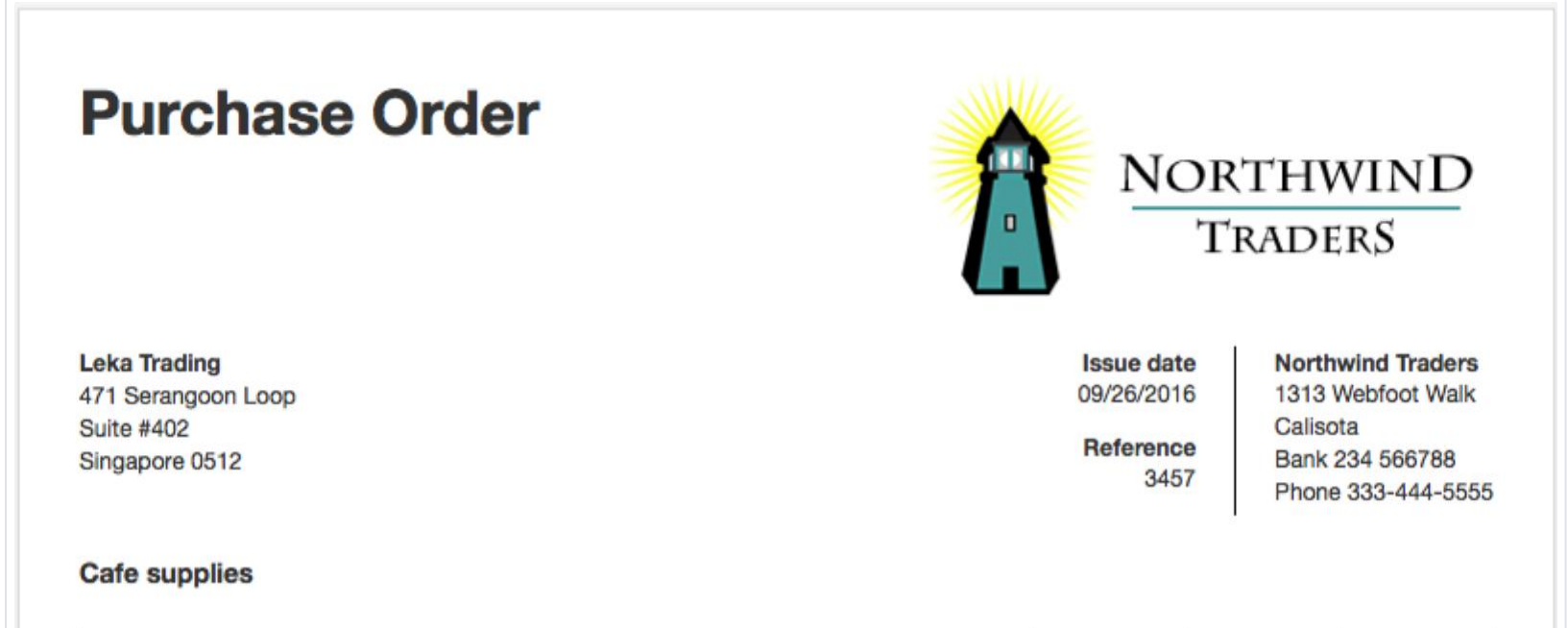
- `Issue date` will be prefilled with today's date, which may be edited.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing purchase orders and add 1.
- A `Supplier` must be selected from the dropdown list.
- Line items can be entered semi-automatically by selecting inventory or non-inventory items in the `Item` field. Or they can be entered manually. `**Description**`, `Qty`, and `Unit price` for each line item are entered in their fields.
- Select an appropriate `Tax` code.

Near the bottom of the screen are checkboxes for various options. Additional fields appear when some options are checked:



- When the `Discount` box is checked, options appear for *Percentage* or *Exact amount* . The discount entry must be made line item by line item.
- A box can be checked to indicate `Amounts are tax inclusive`.
- A `Custom theme` can be selected if any theme besides the default is active.

Click `Create` when finished:



Purchase Order

NORTHWIND TRADERS

Leka Trading
471 Serangoon Loop
Suite #402
Singapore 0512

Issue date
09/26/2016

Reference
3457

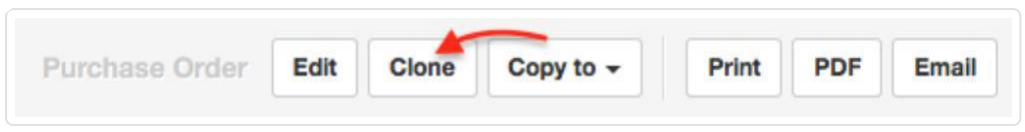
Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Cafe supplies

Description	Qty	Unit price	Amount
24-pack case of Chef Anton's Gumbo Mix	1	14.73	14.73
		Sub-total	14.73
		GST 10%	1.47
		Total	**16.20**

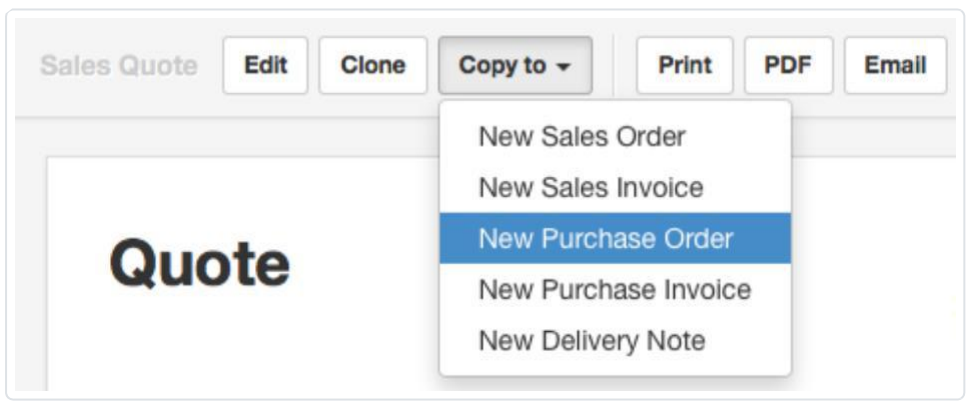
By cloning

Repeat purchase orders can be entered by cloning previous ones. While viewing a similar purchase order, click `Clone`. The new purchase order need not be identical to the previous one. Anything can be edited or added:



From sales quotes

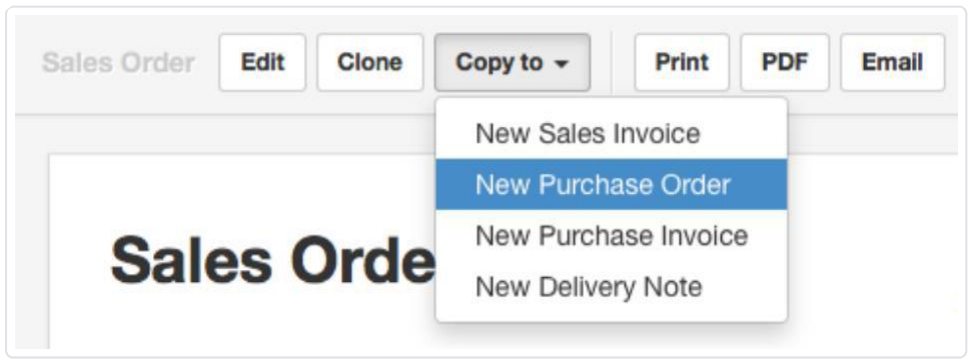
If a sales quote was given to a customer including items that must be purchased from a supplier, a purchase order to the supplier can be generated directly from the sales quote. While viewing the quote, select *New Purchase Order* in the `Copy to` dropdown box and edit as required:



When items on the sales quote are purchased from several suppliers, several copies can be made and inapplicable line items deleted from each supplier's purchase order.

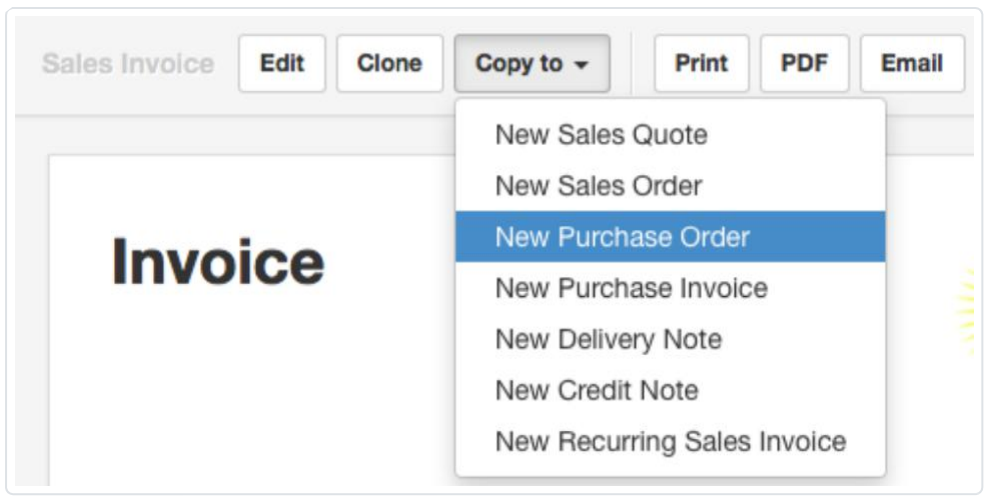
From sales orders

If a sales order was created after receiving a customer's order, a purchase order can be created directly from it. Select *New Purchase Order* in the `Copy to` dropdown box and edit as required:



From your own sales invoices

If items are purchased only as the customer is invoiced for them (such as when inventory is shipped directly from the supplier), or if they are being purchased as part of a repeat sale, a purchase order can be generated from a sales invoice:



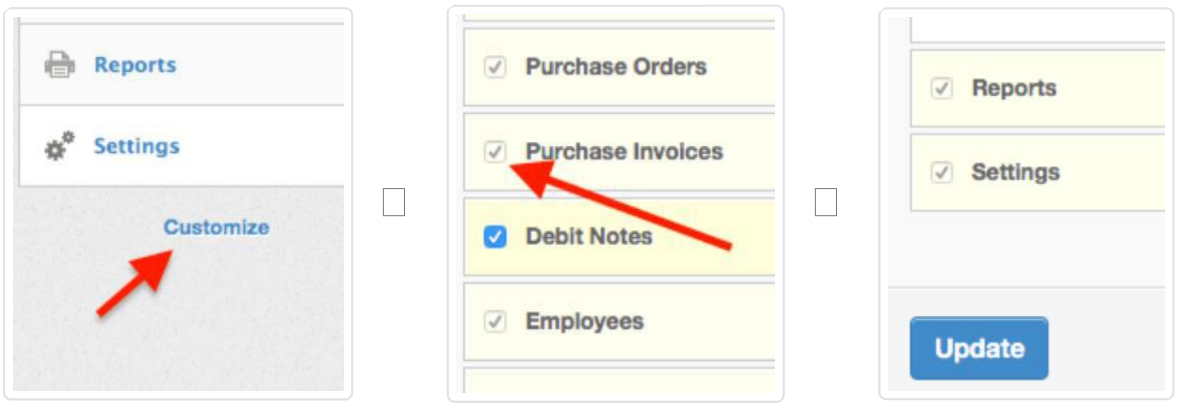
7.3 Purchase Invoices

7.3.1 Create purchase invoices

Purchase invoices are the method by which sales invoices received from suppliers are entered into BILLBOOKS. They increase the balance of the supplier's subaccount in *Accounts payable* and, therefore, are used when buying on credit. They can also be used to maintain a record of transactions with a supplier. They do not, however, record payment of money, which must be handled by a second transaction, even if the supplier is paid upon delivery. In a double-entry accounting system like BILLBOOKS, they also post expenses to appropriate accounts and record additions to inventory.

Enable the `Purchase Invoices` tab

To enable the `Purchase Invoices` tab, click `Customize` below the left navigation pane, check the box for `Purchase Invoices`, and click `Update` below the list:

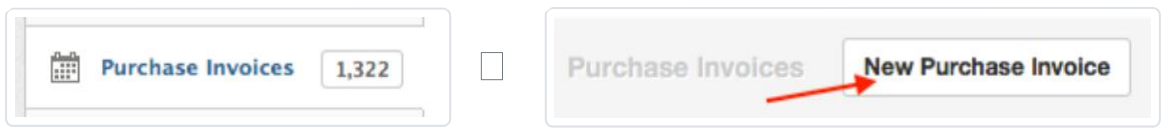


BILLBOOKS offers six methods for creating purchase invoices:

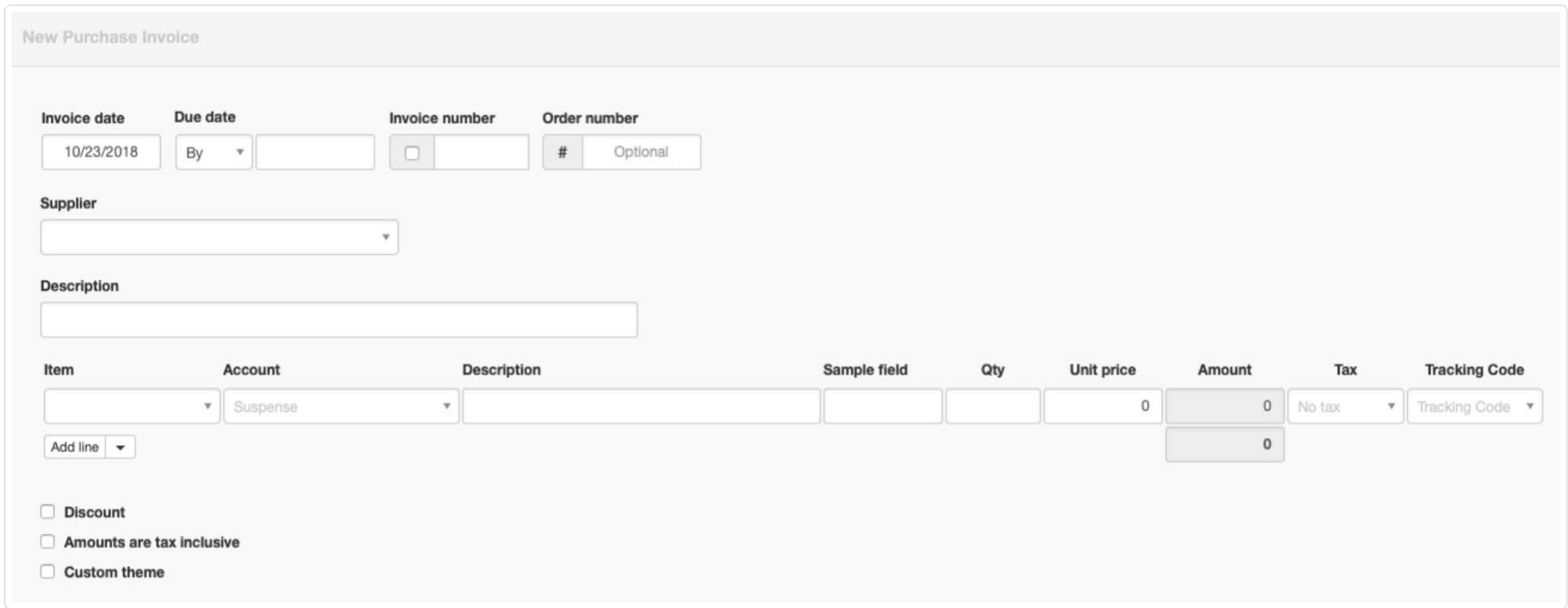
- Standard method (from suppliers' sales invoices)
- By cloning
- From purchase orders
- From sales quotes
- From sales orders
- From your own sales invoices
- From goods receipts

Standard method

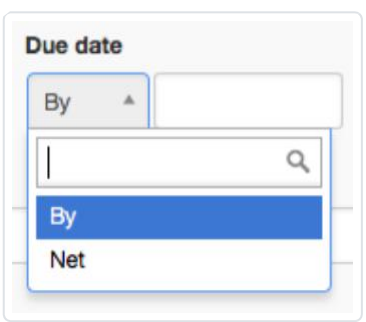
In the `Purchase Invoices` tab, click on `New Purchase Invoice` :



Complete the form:



- By default, the `Invoice date` field is prepopulated with today's date.
- A `Due date` can be entered from the supplier's invoice. The date can be entered as *By* a certain date or *Net* in days:

  If a date is not entered, BILLBOOKS will automatically use the `Invoice date` as the `Due date`.

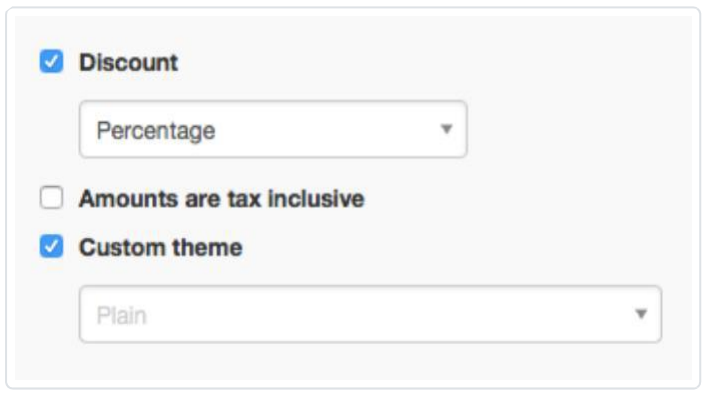
- `Invoice number` can be the supplier's sales invoice number or an internally assigned reference. If the box within the field is checked, BILLBOOKS will automatically assign a sequence number. The program will find the highest number among all existing purchase invoices and add 1.

  > **Caution**
  > If automatic sequencing is used, the number assigned will be higher than any previously assigned number, including suppliers' numbers. Therefore, best practice is to use either all suppliers' numbers or all automatic numbers.

- The `Order number` field can be used to record your own purchase order number, if you issued one.
- A previously defined `Supplier` must be selected in the dropdown box.
- A summary-level `Description` of the invoice can be entered.

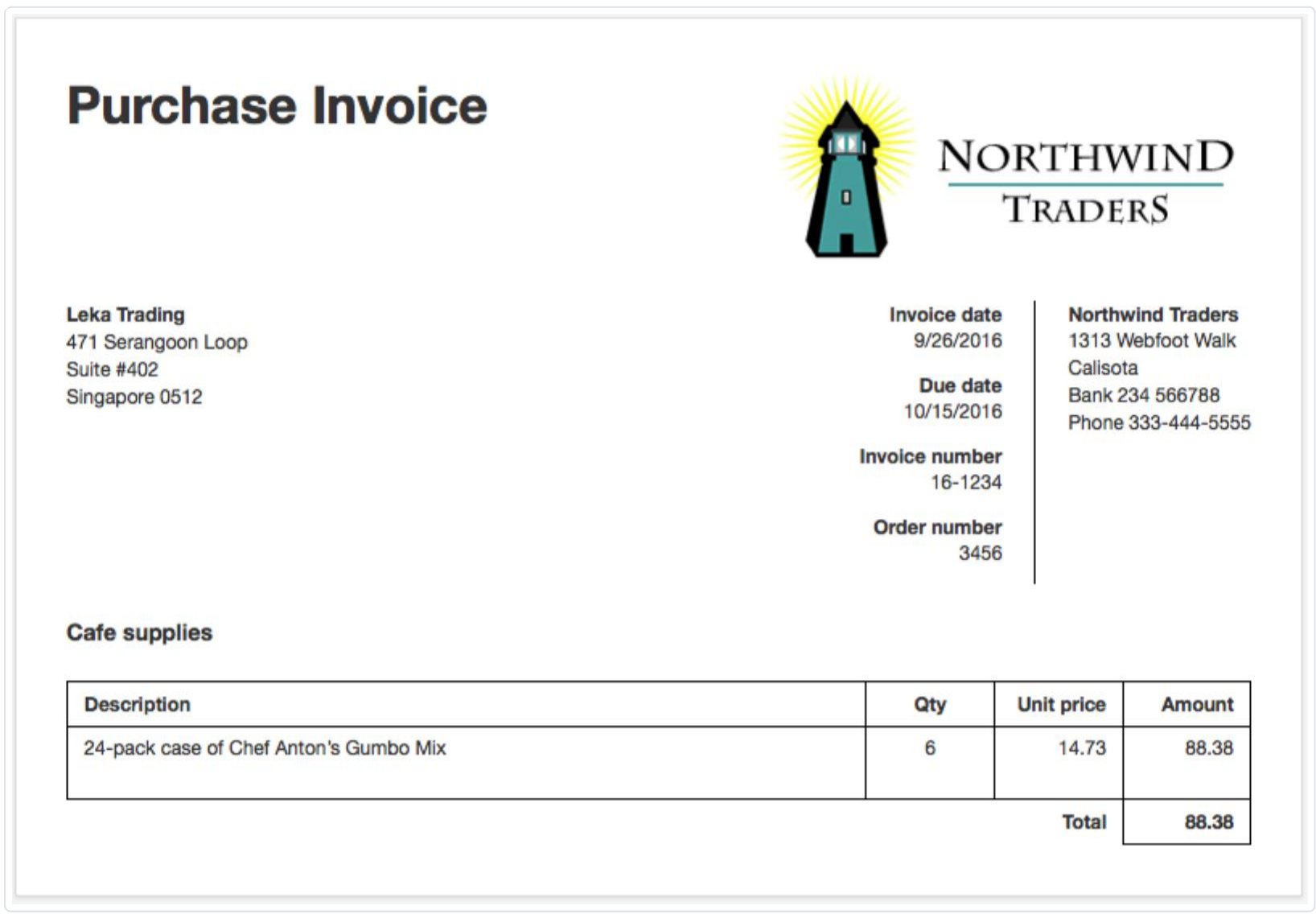
- Line items can be completed semi-automatically by selecting predefined inventory or non-inventory items in the `Item` field. If they are, `Account`, `Description`, and `Unit price` will fill automatically.
- Enter quantity in the `Qty` field.
- Applicable `Tax` codes can be selected.
- A `Tracking code` can be selected.
- Additional lines can be added 1, 5, 10, or 20 at a time.

Near the bottom of the screen are checkboxes for various options. Additional fields appear when some options are checked:



- A checkbox allows you to indicate whether a `Discount` was applied. When checked, further options of *Percentage* or *Exact amount* discounts appear.
- Note the option to indicate `Amounts are tax inclusive`. If this box is checked, tax amounts are deducted from the unit price; otherwise they are added.
- A `Custom theme` can be selected if any are enabled.

Click `Create` to generate the finished purchase invoice. (Note that in the illustration below, no discount has been applied.):



Purchase Invoice

NORTHWIND TRADERS

Leka Trading
471 Serangoon Loop
Suite #402
Singapore 0512

Invoice date
9/26/2016

Due date
10/15/2016

Invoice number
16-1234

Order number
3456

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

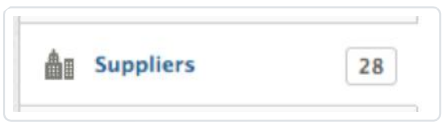
Cafe supplies

Description	Qty	Unit price	Amount
24-pack case of Chef Anton's Gumbo Mix	6	14.73	88.38
		Total	**88.38**

The transaction is now listed in the `Purchase Invoices` tab:



It can also be located by drilling down in the `Suppliers` tab and clicking on the number of invoices for a particular supplier:





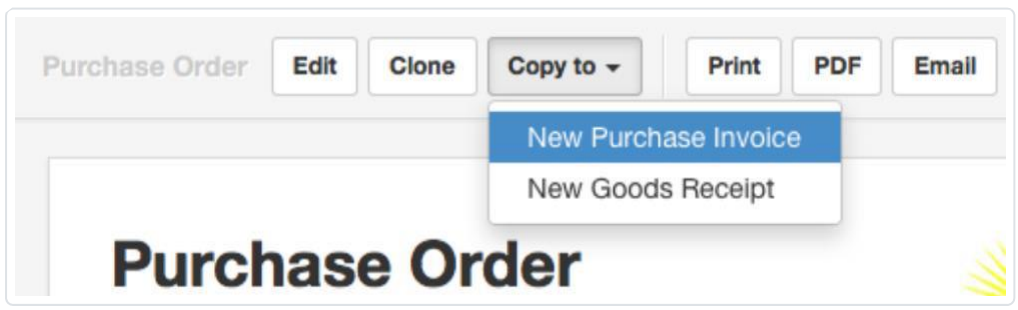
By cloning

For a repeat purchase, an existing purchase invoice can be duplicated by cloning. While viewing the existing purchase invoice, click `Clone`:



From purchase orders

If a purchase order was issued from BILLBOOKS and the supplier's sales invoice matches it, a corresponding purchase invoice can be created directly from the existing purchase order. This eliminates the need to enter information a second time. While viewing the purchase order, select *New Purchase Invoice* in the `Copy to` dropdown box:



The resulting purchase invoice can be edited, if necessary, in case of differences from the purchase order.

From sales quotes

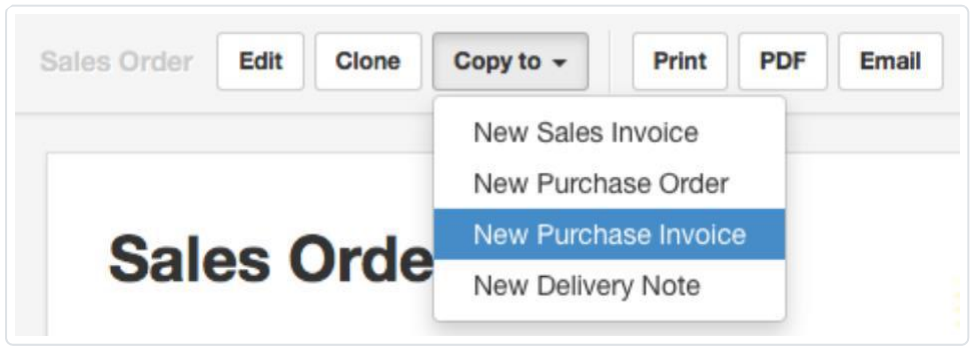
If a customer was given a sales quote for items that now have been provided by a supplier, the supplier's sales invoice may closely match the sales quote. A purchase invoice can be created directly from the sales quote without re-entering information. When viewing the sales quote, select *New Purchase Invoice* from the `Copy to` dropdown box:

A purchase invoice entry screen appears. After the actual supplier is selected, a purchase invoice is created, carrying forward relevant information.

From sales orders

If an internal sales order was created in response to a customer's order, but items to fulfill it were purchased from outside suppliers, a purchase invoice representing the supplier's sales invoice can be created directly from the sales order. This is useful when no purchase order was created in BILLBOOKS. (If one was, create the purchase invoice from the purchase order, as described above.)

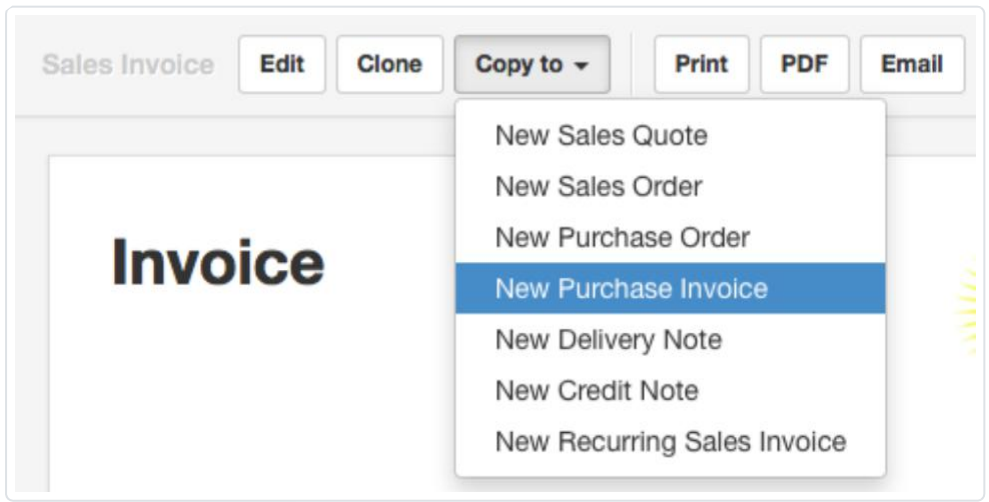
Exactly as when creating a purchase invoice from a sales quote, select *New Purchase Invoice* from the `Copy to` dropdown box:



From your own sales invoices

Another method for creating a purchase invoice is from your own customer sales invoice. This option might be useful when a business keeps records of goods and services from a supplier and does not require a sales invoice from the supplier. Instead, the business assumes it must pay its supplier for what it has invoiced its customer.

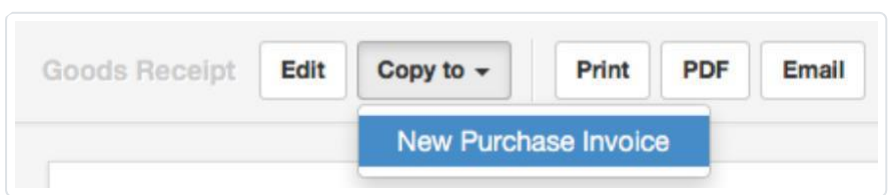
Again, select *New Purchase Invoice* from the `Copy to` dropdown box on the sales invoice:



From goods receipts

A final method is from a goods receipt. This method can be helpful when suppliers send merchandise for inspection prior to issuing an invoice or automatically replenish stock based on contractual terms.

As with other methods, select *New Purchase Invoice* from the `Copy to` dropdown box on the goods receipt:



7.3.2 Set up and manage recurring invoices

Recurring sales or purchase invoices are useful if your business routinely issues similar sales invoices to customers or receives similar invoices from suppliers. Once you have set them up, BILLBOOKS will notify you they are ready to be created when they come due at the prescribed intervals. Recurring invoices are often used for:

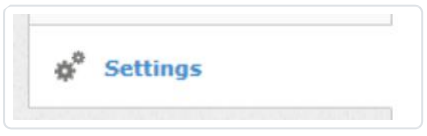
- Customer subscriptions
- Monthly service billings
- Insurance premiums
- Organizational memberships and dues
- Rent
- Utilities payments

Set up a recurring invoice

There are two methods for setting up recurring invoices. These are identical for sales and purchase invoices.

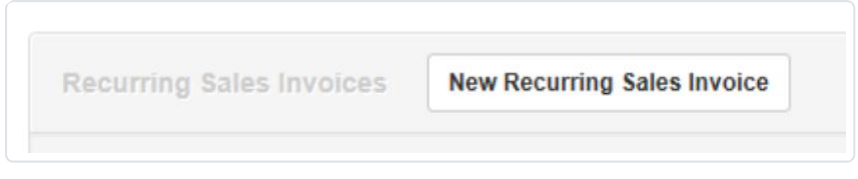
First method

The first method for creating a new recurring invoice is to go to the `Settings` tab and click `Recurring Sales Invoices` or `Recurring Purchase Invoices`:

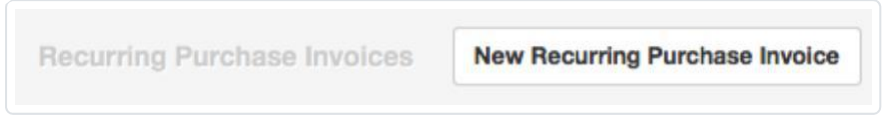




Click `New Recurring Sales Invoice` or `New Recurring Purchase Invoice` :

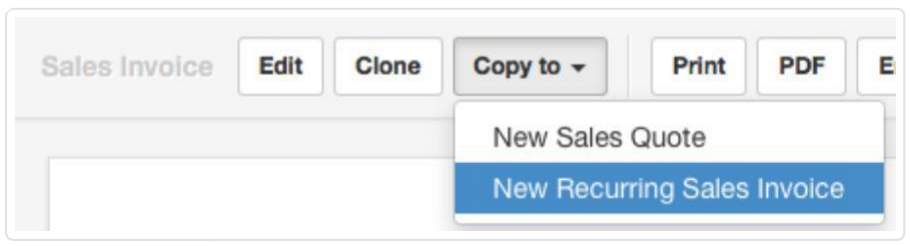


OR

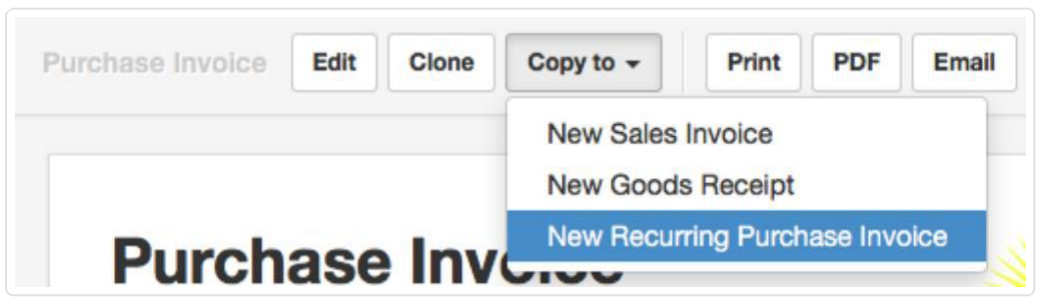


Second method

The second method is to use the `Copy to` function while viewing an existing invoice you want to make recurring:

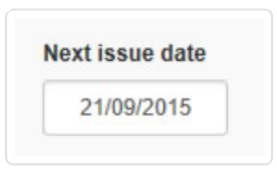


OR

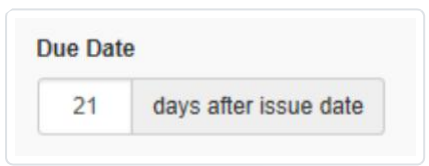


For either method

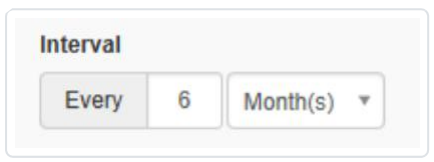
Whichever way you begin, enter `Next issue date` to establish when the first recurring invoice will be created:



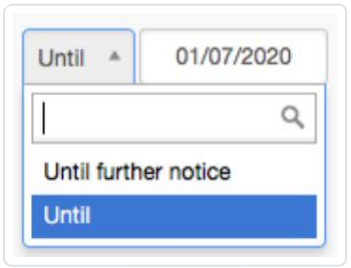
If desired, enter how the optional `Due Date` should be calculated. If nothing is entered, BILLBOOKS will assign the issue date as the due date:



Select an `Interval` to control how often this recurring invoice will be created:



Select whether the recurring invoice will be good *Until further notice* or *Until* a specific date:



Enter remaining information as if creating a regular sales invoice or purchase invoice and click `Create`. On the `Recurring Sales Invoices` or `Recurring Purchase Invoices` screen, `Next issue date` will be updated based on the selected `Interval`. Termination date (if set) will also be shown:

Next issue date	Interval	Termination
07/23/2018	Every 6 Month(s)	01/07/2020

Caution
Recurring invoices in Manager are templates from which actual invoices will be generated later. Setting up a recurring invoice does not affect your customer or supplier balances, customer or supplier statements, inventory, income, or expenses. In fact, while Manager will notify you recurring invoices are pending, it will not automatically generate them for you. This avoids problems if you need to edit an invoice before issuing it or you forget to enter a service modification.

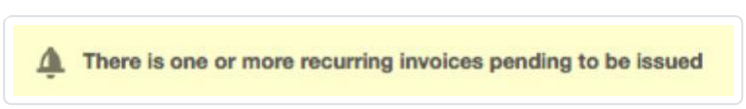
Generate invoices

When one or more recurring invoices are due (or past due) to be issued, two notifications are provided. The first is a yellow counter window in the left navigation pane showing the number of recurring invoices for which invoices are pending (not the number of pending invoices, which could be higher if you have not kept up by creating invoices that are due).

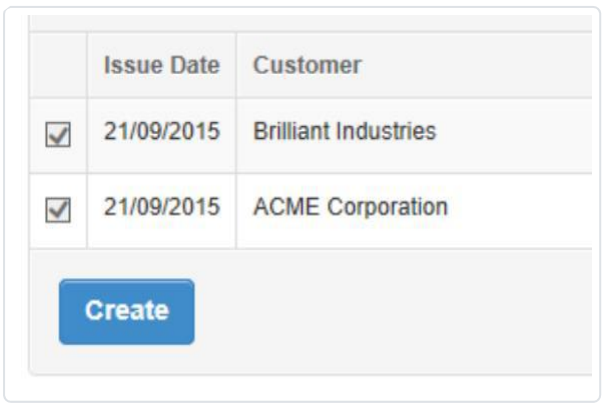
Example
One recurring sales invoice has generated pending invoices. The left navigation pane shows:



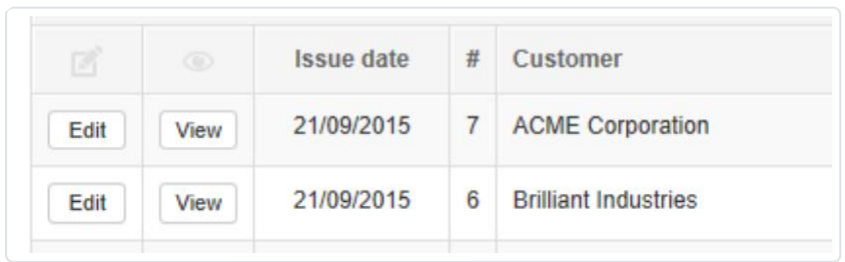
The second notification occurs any time you go to the `Sales Invoices` or `Purchase Invoices` tabs. You will see a yellow notice that at least one recurring invoice is pending:



Click on the yellow bar to review invoices to be generated, then press `Create`:



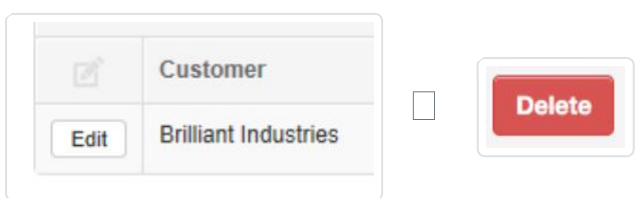
All pending invoices will be immediately created under the `Sales Invoices` or `Purchase Invoices` tab, depending on which you are in. You can further `Edit` or `View` them without affecting future recurring invoices:



		Issue date	#	Customer
Edit	View	21/09/2015	7	ACME Corporation
Edit	View	21/09/2015	6	Brilliant Industries

Cancel a recurring invoice

When circumstances change, such as when a customer cancels a subscription or you stop regularly purchasing a product, you may want to cancel future recurring invoices. Click `Edit` for the recurring invoice in `Settings`, then `Delete`:



The recurring invoice will be removed from the list and no new invoices will be created from it. Cancelled recurring invoices cannot be restored. They must be recreated from scratch.

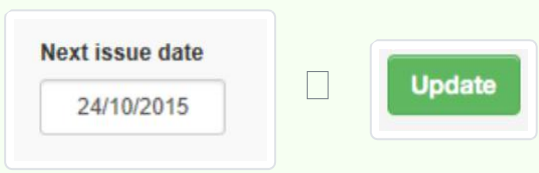
Skip an invoice

If recurring invoices must be skipped, but routine invoicing will resume in the future, click `Edit` for the recurring invoice in `Settings`. Set a new `Next issue date`, then click `Update` to save the change.

Example
Your customer's next recurring sales invoice for monthly service should be generated on 24 September 2015:

Next issue date	Interval
24/09/2015	Every 1 Month(s)

Your customer pauses the service subscription for one month; therefore, no invoice should be issued on 24 September. The next invoice should be issued on 24 October, so you edit the recurring sales invoice in `Settings`:



You now see the next sales invoice is due 24 October:

Next issue date	Interval
24/10/2015	Every 1 Month(s)

7.3.3 Add freight-in to inventory item costs

Freight-in represents the cost of obtaining goods from a supplier. This obviously includes transportation and shipping costs, but could also include handling and brokerage fees, customs charges, and so forth, as long as you do not need to record those as expenses in separate accounts. For typical accounting purposes, freight-in is added into the cost of goods, just as though the supplier charged a higher price.

Example
Northwind Traders purchases 100 units of an inventory item at a unit price of 4.00. Northwind's supplier adds a shipping charge of 20.00. The fully delivered average cost of the items is not 4.00, but 4.20.

BILLBOOKS provides two methods for entering freight-in costs:

- Manual allocation
- Automatic freight-in distribution

Manual allocation

To manually allocate freight-in costs to an inventory item, add a separate line item to a purchase invoice or cash payment form. Choose the same inventory item, but leave the `Qty` field blank. Edit the `Description` field to describe the freight-in costs.

Example

Northwind's purchase and related freight-in cost are manually entered as below:

Item	Account	Description	Qty	Unit price	Discount		Amount
Chef Anton's Gumbo Mix	Inventory on hand		100	4	0	%	400
Chef Anton's Gumbo Mix	Inventory on hand	Freight-in		20	0	%	20
Add line							420

The freight-in cost is added to the average cost of the item without affecting the quantity on hand:

Qty	Average cost	Total cost
100	4.20	420.00

Notes
Manual allocation is the only method available for cash payments (non-credit purchases).

It should be used whenever freight-in costs of separate inventory items can be determined independently, such as from separate line items on shipping invoices.

Manual allocation should also be used when freight-in costs are not proportional to line item amounts, such as when inexpensive but heavy items cost more to ship than lighter but more expensive items. Just add multiple line items and allocate the separate freight-in costs to their appropriate inventory items. Of course, to use this method, freight-in costs attributable to different inventory items must be separately determinable.

Automatic freight-in distribution

Automatic freight-in distribution to a single item

When recording purchases with purchase invoices, freight-in can be added to inventory cost by adding a line item and selecting *Freight-in* in the `Item` field. As for manual allocation, the `Qty` field can be left blank. Or it can be used to force BILLBOOKS to calculate an `Amount`:

Example

In the same situation as the previous example, Northwind Traders enters a purchase invoice and selects *Freight-in* in the `Item` field:

Item	Account	Description	Qty	Unit price	Amount
Chef Anton's Gumbo Mix	Inventory on hand		100	4	400
Freight-in	Inventory on hand			20	20
Add line					420

Results are identical to the manual allocation method.

Automatic freight-in distribution to multiple items

If you record the purchase of multiple inventory items **on the same purchase invoice**, you do not need to manually calculate the freight-in cost per inventory item. Instead, add a line item and select *Freight-in* in the `Item` field. Leave the `Qty` field blank or use it to force calculation of a *Freight-in* `Amount`. BILLBOOKS will distribute the freight-in `Amount` proportionally (based on total amounts) to all inventory items purchased. This is exactly the same process described above for automatic distribution to a single item. But in the prior case, all freight-in cost went to the single item because it constituted 100 percent of the purchase.

Example

Northwind purchases two items from the same supplier and wants to distribute freight-in costs proportionally. It enters the following purchase invoice:

Item	Account	Description	Qty	Unit price	Amount
Chef Anton's Cajun Seasoning	Inventory on hand		100	6	600
Chef Anton's Gumbo Mix	Inventory on hand		100	4	400
Freight-in	Inventory on hand			100	100
Add line					1,100

Freight-in costs are split according to the line item totals:

Qty	Average cost	Total cost
100	6.60	660.00
100	4.40	440.00

Entering separate freight-in charges

When freight-in charges are billed by and paid to different suppliers than inventory item(s), separate payment forms or purchase invoices are required. After all, you cannot record amounts paid to one entity on a transaction form for another. Examples include:

- Direct billing by freight companies
- Separate invoices from freight forwarders
- Fees from brokers
- Customs charges

For these situations, both manual allocation and automatic distribution are available. Manual allocation can be used in all cases. Automatic distribution can be used under limited circumstances and includes drawbacks some users (or their accountants or auditors) may not like.

Manual allocation of separate freight-in charges

Manual allocation is most convenient when only one or very few inventory items are involved. (But see the Note below on a simple way to enter data for many items.) It is required when freight-in costs are not proportionally distributed according to line item totals.

To use the manual allocation method, choose the inventory item to which a freight-in charge applies when entering the payment or purchase invoice to the freight-in supplier, but leave `Qty` blank. Edit the description to describe the freight-in charge. Enter the freight-in amount in the `Unit price` field. Repeat this process for every inventory item to which freight-in charges are being allocated. Dates on forms for the purchase and freight-in do not need to match. Average costs will be correctly adjusted as of the transaction date for the freight-in charge.

Example
Northwind purchases the same two inventory items from the same supplier as in the last example. They are shipped by a separate shipping company at different times. The freight-in charges are billed by the shipping company on the same sales invoice, broken out by inventory item. The freight-in charges are not proportional, so manual allocation is mandatory. The payment form or purchase invoice is completed as below:

Item	Account	Description	Qty	Unit price	Amount
Chef Anton's Cajun Seasoning	Inventory on hand	Freight-in		25	25
Chef Anton's Gumbo Mix	Inventory on hand	Freight-in		75	75
Add line					100

Freight-in charges are allocated differently to inventory item average costs than in the previous automatic distribution example:

Qty owned	Average cost	Total cost
100	6.25	**625.00**
100	4.75	**475.00**

Note
Entering freight-in charges manually for purchases involving many inventory items may seem tedious. But there is a simple shortcut that can streamline the process. View the payment or purchase invoice by which the items were purchased. Click `Clone` to generate a purchase form of the same type (payment or purchase invoice) listing all the same inventory items. Edit the form for the different `Payee` or `Supplier`. Delete quantities and enter the desired freight-in allocations in appropriate `Unit price` fields. Click `Create`.

A shortcoming of this method is that payments can only be cloned to payments and purchase invoices to purchase invoices. So you cannot generate a freight-in purchase invoice in this way if the original purchase was by cash payment. Nor can you create a payment form if the original purchase was by purchase invoice. In practical application, however, these restrictions are usually not limiting.

Automatic distribution for separate freight-in charges

Automatic distribution is most convenient when there are many inventory items affected by the same freight-in charge. But it can only be used when **all** these circumstances exist:

- Freight-in is to be distributed proportionally by line item amounts.

- Inventory items to which freight-in charges apply were all purchased via the same purchase invoice. (Automatic distribution cannot be used if they were purchased via cash payment.)
- No other inventory items were on the purchase invoice.
- The purchase invoice does not predate a lock date set to prevent alteration of prior account periods' records.

The drawbacks mentioned earlier are:

- A separate balance sheet clearing account must be created and used. This account can be an asset or liability account, since its normal balance will be zero.
- Prior purchase invoices for inventory items must be modified with line items not on the original supplier's sales invoices. This could cause confusion if disputes arise or lead to adverse findings by auditors.

The automatic distribution method requires two separate transactions. First, create a payment or purchase invoice for the freight-in supplier. Post the freight-in amount to *Freight clearing* or a similarly named balance sheet account. Second, reopen the original purchase invoice on which affected inventory items were purchased. Add two line items to it. On the first, select *Freight-in* in the `Item` field. Make sure `Qty` is blank (not zero). Enter the freight-in charge as the `Unit price`. On the second added line, leave `Item` blank. Select the freight clearing account. Enter the freight-in charge as a **negative number** in `Unit price.`

Example

Northwind Traders buys the same two inventory items. They are shipped by a separate shipping company. Northwind enters the purchase invoice with no freight-in charges. When the sales invoice for shipping charges arrives, Northwind enters another purchase invoice for the shipping supplier, posting the charge to *Freight clearing*.

Northwind then reopens the original purchase invoice for the inventory items, adds the *Freight-in* line and a second reversing line:

Item	Account	Description	Qty	Unit price	Amount
Chef Anton's Cajun Seasoning	Inventory on hand		100	6	600
Chef Anton's Gumbo Mix	Inventory on hand		100	4	400
Freight-in				100	100
	Freight clearing			-100	-100
Add line					1,000

The clearing account is zeroed and average costs are adjusted as below. The result is identical to entering *Freight-in* using the automatic distribution method when freight-in charges are invoiced by the supplier of the inventory items (as in the example two above):

Qty owned	Average cost	Total cost
100	6.60	**660.00**
100	4.40	**440.00**

The extra complexity arises because of the separate freight-in supplier.

Note

Whether using manual allocation or automatic distribution, if there are additional suppliers, such as for customs fees or warehouse charges, the same process must be repeated for each one.

7.3.4 Account for withholding tax (tax withheld at source)

Some tax authorities require **withholding tax** (also called **tax withheld at the source**) to increase tax law compliance and secure earlier receipt of tax revenues. In simple terms, buyers are required to withhold a portion of the balance due on invoices and pay that portion directly to the tax authority. Then, either the buyer or the tax authority provides certification of payment of withheld amounts to the seller. The seller reduces subsequent payments of its tax liabilities by amounts already paid on its behalf by buyers.

Withholding tax may be a form of advance payment of income taxes, value added taxes, goods and service taxes, or some combination of these and other types of tax. Because the entire process involves both buyers and sellers, BILLBOOKS supports withholding tax accounting through both its sales invoice and purchase invoice processes, though procedures are somewhat different.

Notes
As implemented in Manager, withholding tax **does not** refer to deductions on payslips of taxes due from employees. These are referred to as `Payslip Deduction Items` and are explained in another Guide.

Withholding tax cannot be applied on cash receipts or payments, because the full amount of the transaction must be recorded. Further, cash receipts cannot be associated with individual customers' subaccounts as withholding tax must.

Sales invoice process

The sales invoice process applies when your business is the seller and you send sales invoices to your customers.

Activating withholding tax accounts

Withholding tax functionality for sales invoices does not require activation of any new tabs. Nor do you need to create any new accounts. All necessary accounts are added automatically to your chart of accounts the first time you check the `Deduct withholding tax` box on a sales invoice:

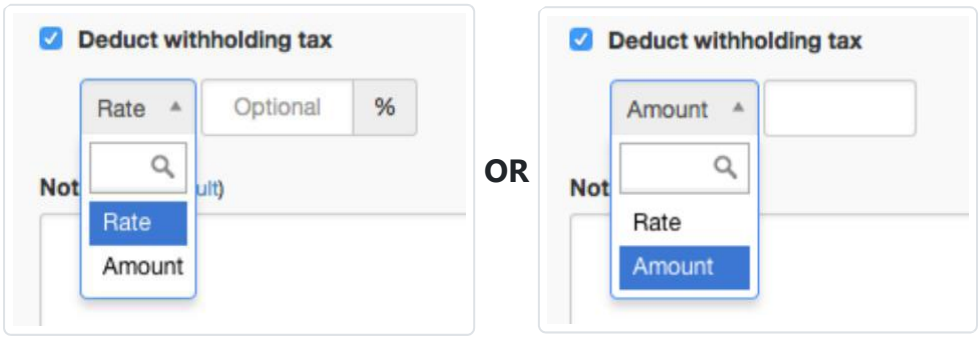


Two accounts are created in the *Assets* group, because the money they represent technically belongs to the business until it is eventually used to pay taxes owed. They are:

- ***Withholding tax*** - This account records amounts your customers have paid to the tax authority that are available to offset your tax bill.
- ***Withholding tax receivable*** - This account records amounts your customers owe to the tax authority on your behalf but have not yet paid. If withholding tax had not been deducted from sales invoice balances, amounts in this account would be included in *Accounts receivable*.

Applying withholding tax

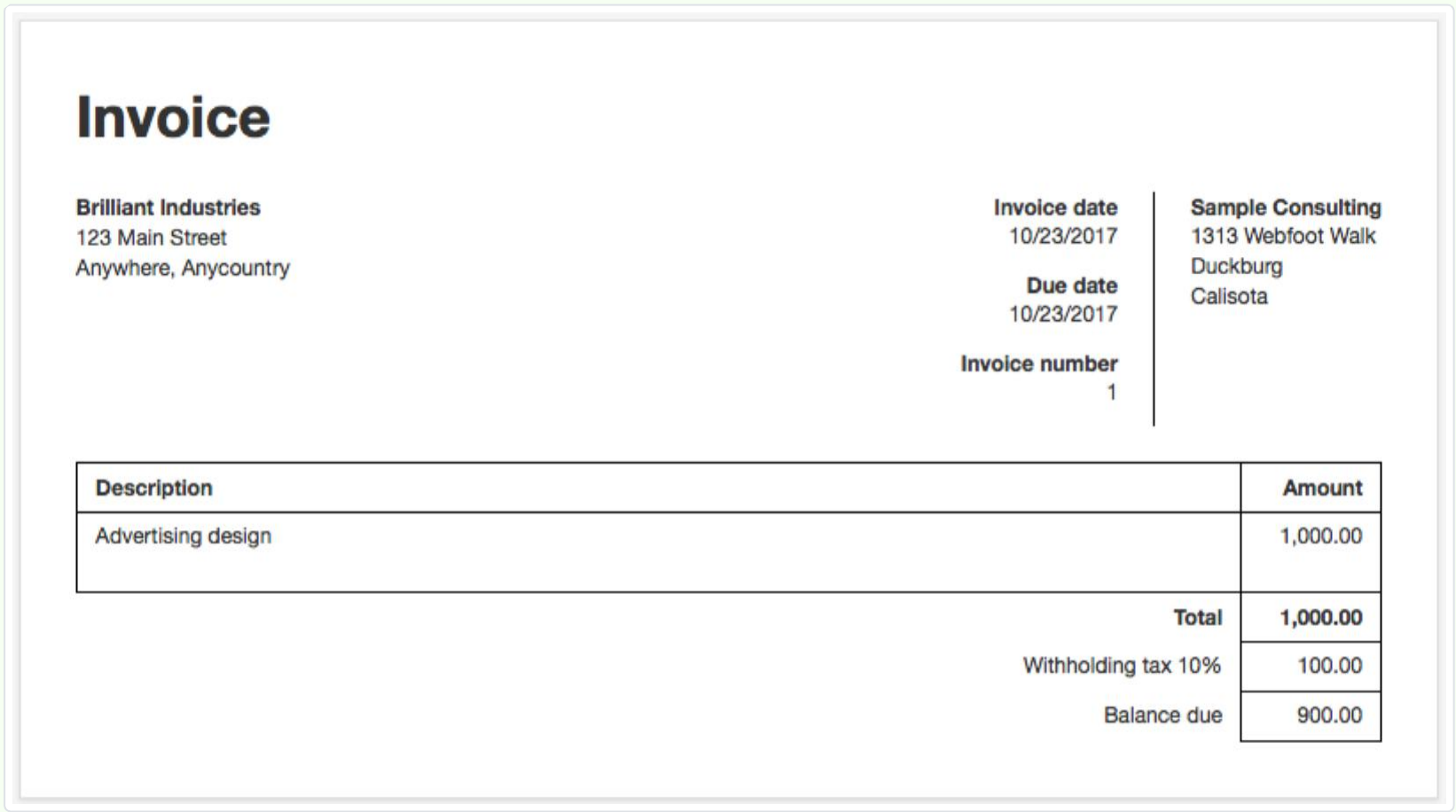
When the `Deduct withholding tax` box is checked on a sales invoice, two options appear in a dropdown box, *Rate* and *Amount*:



Because withholding tax is independent of any other tax code that may be applied, percentage amounts are calculated on the total due, including other taxes. (Remember, withholding tax is not an additional tax, only a way for the tax authority to collect prospective taxes earlier.)

Note
If various line items on the sales invoice are subject to different withholding rates, calculate the total amount to be withheld manually and enter as an *Amount*. You may wish to explain the calculation in the `Notes` field of the sales invoice.

Example
Sample Consulting invoices Brilliant Industries for advertising design services worth 1,000. (For clarity of illustration, all other transactions have been removed.) In this case, no tax is due directly on the design services, but 10% must be withheld by the customer against expected income tax. So the `Deduct withholding tax` box on the sales invoice is checked, and a *Rate* of 10% is entered. The resulting sales invoice shows the customer how much to withhold from payment:



Invoice

Brilliant Industries
123 Main Street
Anywhere, Anycountry

Invoice date
10/23/2017

Due date
10/23/2017

Invoice number
1

Sample Consulting
1313 Webfoot Walk
Duckburg
Calisota

Description	Amount
Advertising design	1,000.00
Total	**1,000.00**
Withholding tax 10%	100.00
Balance due	900.00

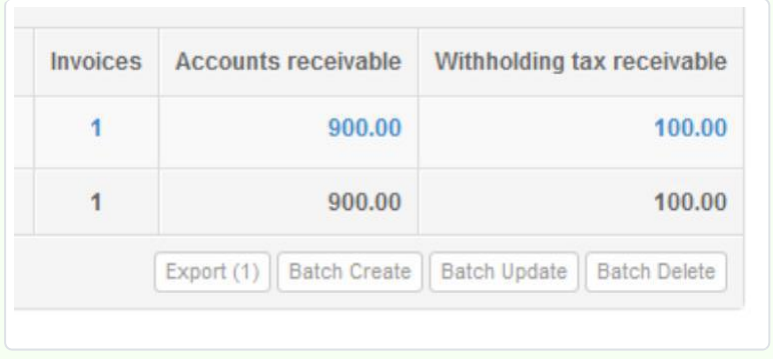
900 is posted to *Accounts receivable* and 100 to *Withholding tax receivable*:



Assets 1,000.00

Accounts receivable	900.00
Withholding tax	-
Withholding tax receivable	100.00

In the `Customers` tab, a new column appears showing `Withholding tax receivable`:

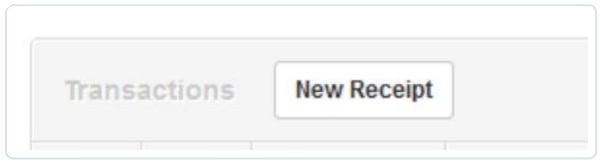


Invoices	Accounts receivable	Withholding tax receivable
1	900.00	100.00
1	900.00	100.00

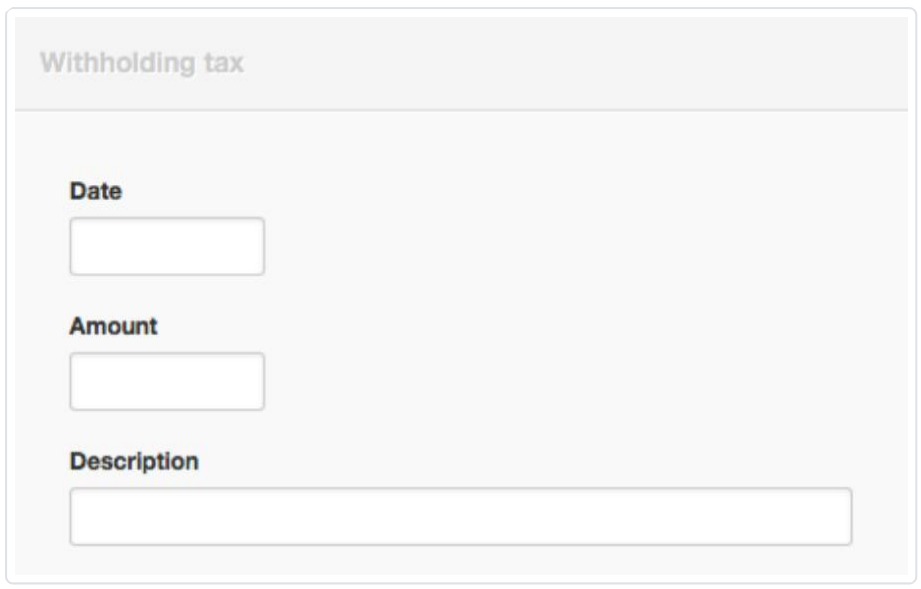
Export (1) Batch Create Batch Update Batch Delete

Recording customer remittance

When the customer remits the withheld tax, either the customer or the tax authority will send you some form of "proof" of the remittance (a certificate, account statement, voucher, etc.). This "proof" can be recorded in BILLBOOKS by clicking on the `Withholding tax receivable` figure in the `Customers` tab, then on `New Receipt`:



Enter `Date` and `Amount` of the customer's remittance. A `Description` is optional:



Click `Create` to record the transaction. The transaction amount will move from *Withholding tax receivable* to *Withholding tax* .

Example
Sample Consulting receives proof of remittance by Brilliant Industries. It enters a transaction for 100. The balance sheet shows the movement between the two accounts:



Assets	1,000.00
Accounts receivable	900.00
Withholding tax	100.00
Withholding tax receivable	-

Using *Withholding tax* to pay tax bill

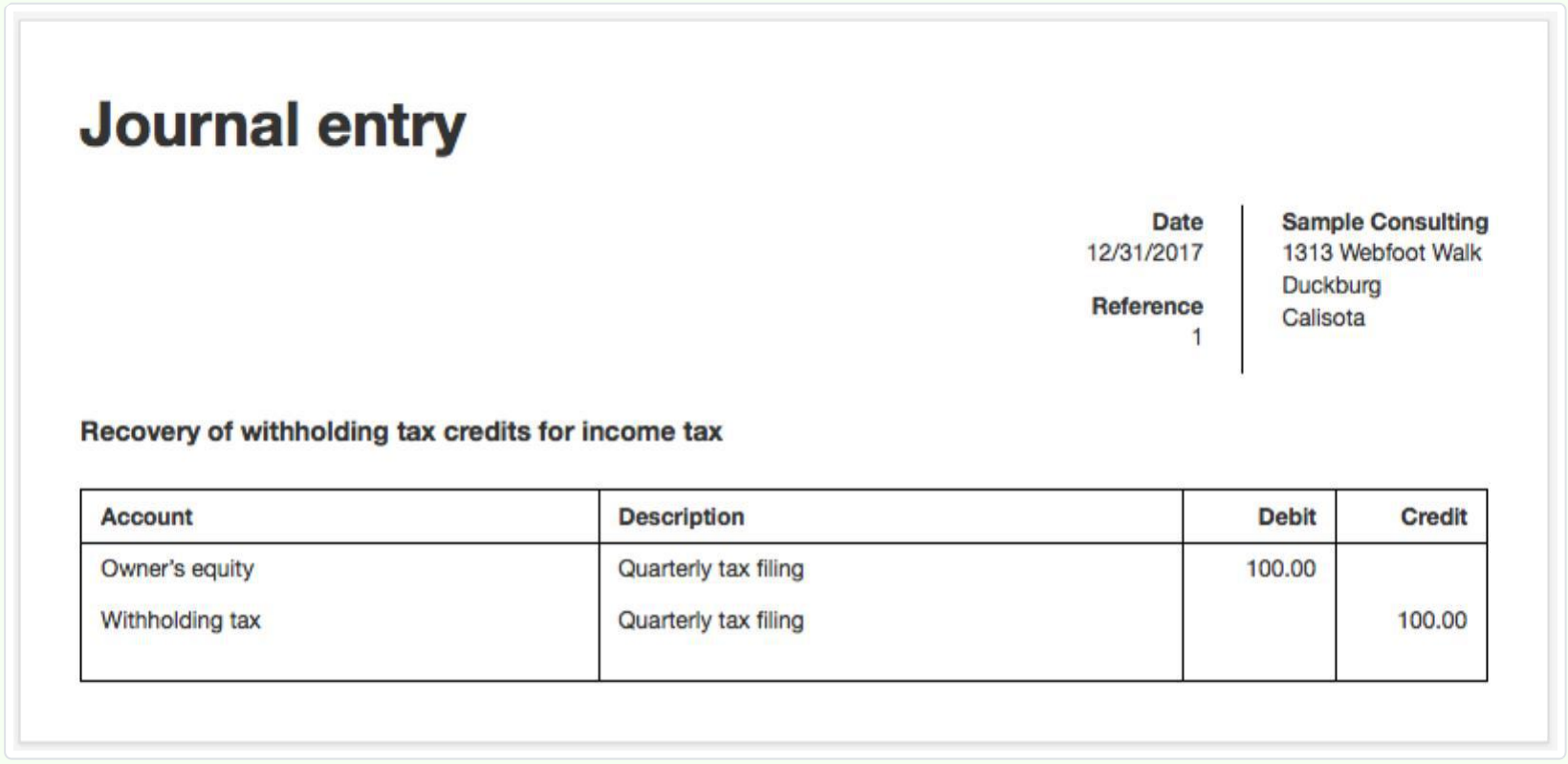
When a tax filing is made, the balance of *Withholding tax* is available to offset your tax due. Indicate the amount being applied on the appropriate forms of the tax authority and submit with your filing. **This step in the process does not occur in BILLBOOKS, only in your tax filing.**

To record your application of available withholding tax credits in BILLBOOKS, use a journal entry. Credit *Withholding tax* and debit either:

- An appropriate expense account, such as *Taxes paid*, if the tax is an obligation of the business, or
- An equity account, such as *Owner's equity* or *Capital accounts*, depending on your form of organization, if the tax is an obligation of the owner or partners.

Example

When it submits its tax filing, Sample Consulting applies the 100 from *Withholding tax* to its total bill. Sample Consulting is a sole proprietorship, so its income is taxed on the owner's tax return. Therefore, it makes a journal entry debiting *Owner's equity* and crediting *Withholding tax*. That account is zeroed out on the Balance Sheet.



Journal entry

Date
12/31/2017

Reference
1

Sample Consulting
1313 Webfoot Walk
Duckburg
Calisota

Recovery of withholding tax credits for income tax

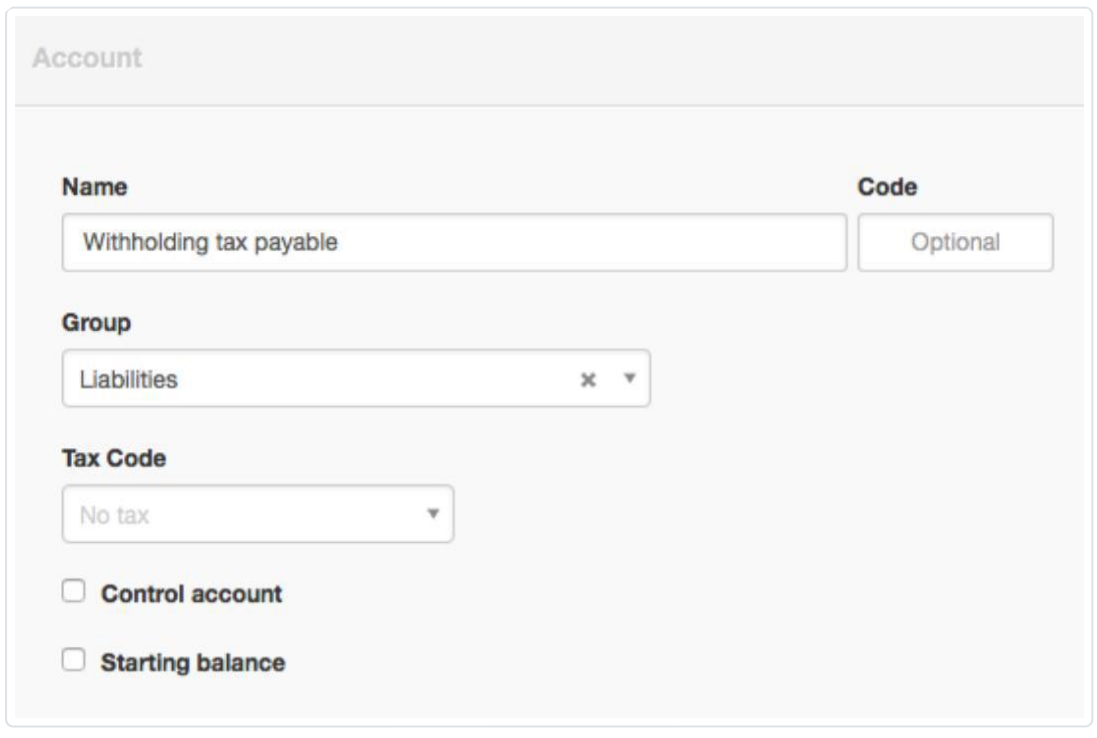
Account	Description	Debit	Credit
Owner's equity	Quarterly tax filing	100.00	
Withholding tax	Quarterly tax filing		100.00

Purchase invoice process

The purchase invoice process is simpler, and no automatic accounts are involved, because there is no need to transfer withholding tax amounts between accounts based on actions outside the company. When your business is a buyer, you need only withhold tax, remit it to the tax authority, and possibly provide notification (if required by local law) to the supplier.

Setting up a *Withholding tax payable* account

Tax you withhold from payments to suppliers is a liability of your company, because you owe that tax to the tax authority. So you must add a *Withholding tax payable* account to the *Liabilities* group of your chart of accounts. Follow procedures in another Guide to add the account:



Recording withheld tax

When entering a purchase invoice to which tax withholding applies, you have two concerns:

- **Posting the full amount of purchases** to the appropriate asset or expense accounts. This ensures fixed assets, inventory, and operating expenses are reflected at their actual costs. (Remember, withholding tax is not an expense of your company, so it should not affect other financial results. You are only acting as collection agent for the tax authority of amounts that will eventually be due from the supplier.)

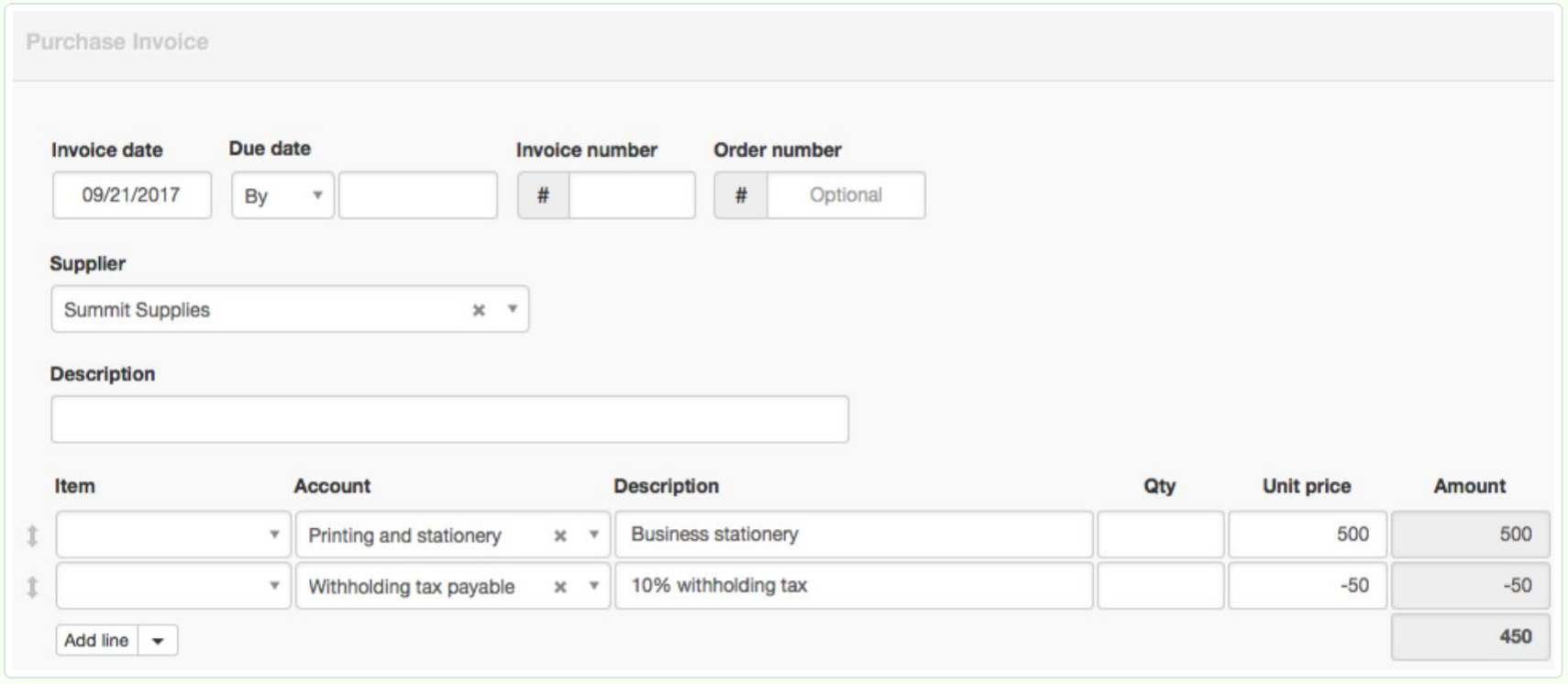
- **Recording tax withheld** for later remittance.

These two goals mean you need at least two line items on the purchase invoice. First, record purchased line items at their full costs, using as many lines as necessary, just as though no withholding tax was involved. Post these line items to the same accounts you normally would.

Second, add a line item for withholding tax at the amount indicated on your supplier's sales invoice. **Enter the withholding tax as a negative quantity** so it reduces the balance due on the purchase invoice. Post this line item to *Withholding tax payable*, the account you created for this purpose.

Example

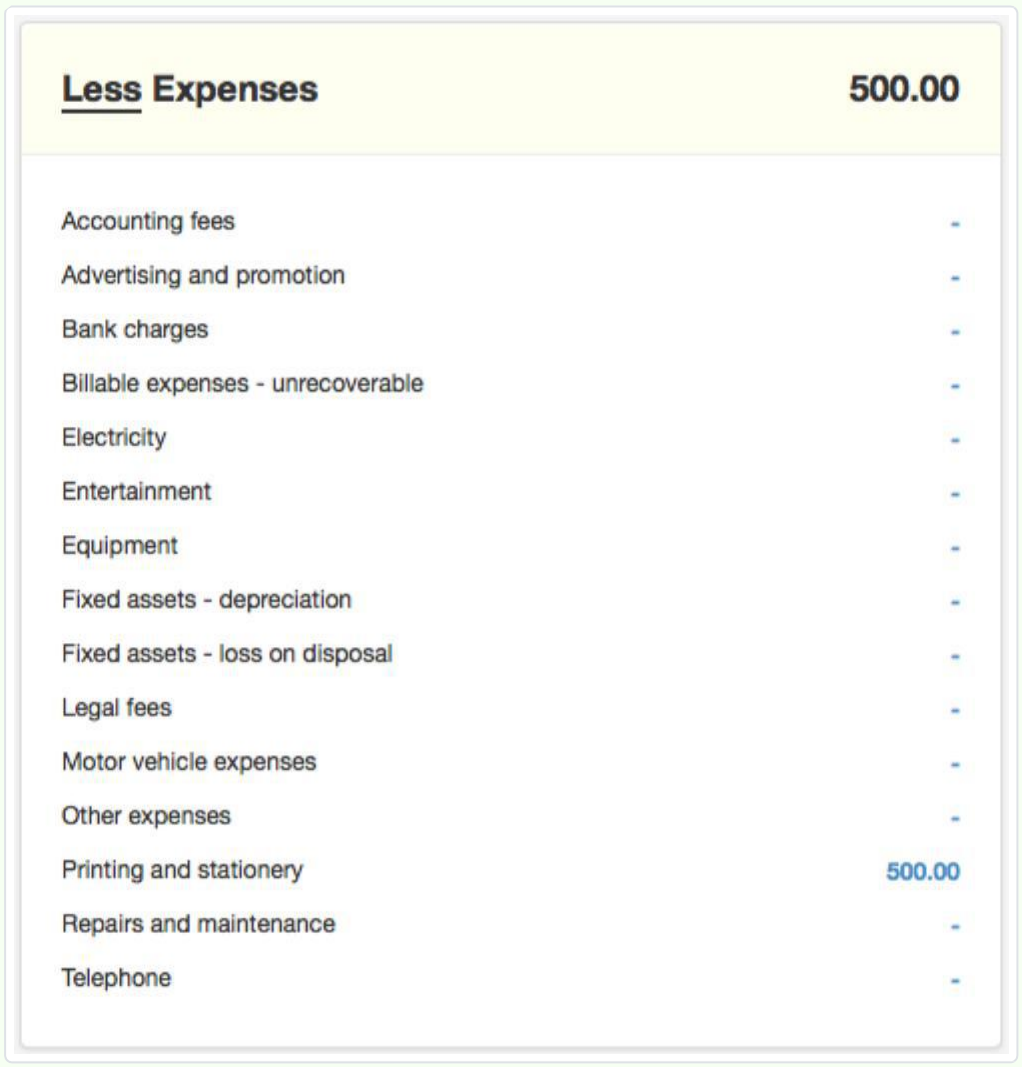
Sample Consulting purchases stationery worth 500 from Summit Supplies. Summit's sales invoice shows a 10% deduction for withholding tax is necessary. Sample enters the following information in its purchase invoice:



450 is posted to *Accounts payable* and 50 to the *Withholding tax payable* liability account:



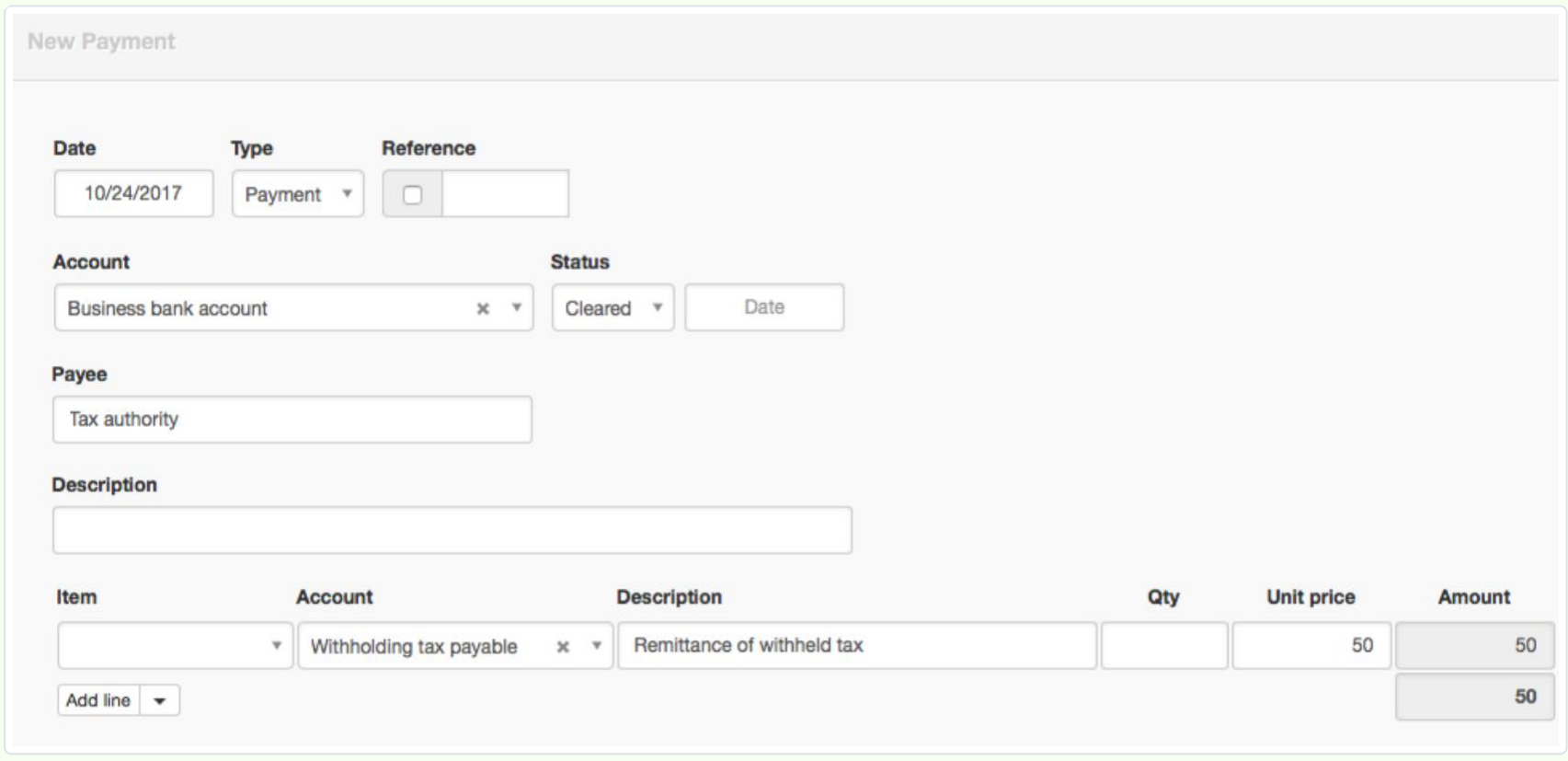
The full 500 cost of stationery is posted to an expense account:



Remitting withheld tax

When withheld tax is remitted to the tax authority, a payment is posted to the *Withholding tax payable* account.

Example
Sample Consulting remits the 50 withheld from its payment to Summit Supplies via a bank payment:



The liability is cleared, but the reduced *Accounts payable* balance remains unchanged. The expense account where the purchase was originally posted is also not affected:



Submitting notifications

Comply with local procedures when remitting withheld tax:

- File necessary information with the tax authority to indicate which suppliers' withheld tax you are remitting.
- Notify suppliers of your remittance if required by law.

For assistance preparing notifications, drill down on the balance (or dash, if the balance is zero) of *Withholding tax payable*. All relevant transactions will be listed.

Example
Sample Consulting drills down on its *Withholding tax payable* account balance and obtains the following list:

Withholding tax payable

Search | Search

		Date	Transaction	Description	Contact	Debit	Credit	Balance
Edit	View	10/24/2017	Bank Transaction	Remittance of withheld tax	Tax authority	**50.00**		0.00
Edit	View	9/21/2017	Purchase Invoice	10% withholding	Summit Supplies		**50.00**	50.00
						50.00	50.00	

7.3.5 Adjust rounding differences on purchase invoices

Rounding differences can occur when a supplier uses different methods to calculate discounts or taxes on its sales invoices than BILLBOOKS uses when you record those supplier sales invoices as purchase invoices. When a supplier sends you a sales invoice, you typically enter the invoice into BILLBOOKS as a purchase invoice, exactly the same way it appears on the supplier's invoice.

Example
Derek purchases 2 items for $100 each. The transaction would normally be recorded as follows:

Qty	Unit price	Discount		Amount
2	100	0	%	200
				200

The problem

A problem can arise if you are charged tax or when a discount is applied. Your supplier might use either of two methods for calculating taxes and discounts:

1. Calculate tax and discount on each line item individually, round the amounts, then total them.
2. Total line item amounts, then apply taxes and discounts.

Most automated accounting systems (including BILLBOOKS) use the first method, because individual line items are often posted to different accounts and it is necessary that rounding be applied to each line item. The second method is typically used when invoices are prepared manually, because fewer calculations are needed when taxes and discounts are calculated on the total invoice amount rather than each line item. If your supplier uses the second method, the calculated total in BILLBOOKS may be different from the total on the supplier's invoice.

Example
Derek buys two different items from his supplier for $11.55 and $24.59 and receives a 3% discount. No tax is assessed.

Derek creates a purchase invoice in Manager (using the first method), so the discount is applied to individual amounts, the line figures are rounded, then the two discounted prices are totaled. $11.55 is discounted to $11.2035 and rounded to **$11.20**. $24.59 is discounted to $23.8523 and rounded to **$23.85**. The total using the first method is **$35.05**, shown on his purchase invoice as below:

Discount	Amount
3 %	11.20
3 %	23.85
Total	35.05

But Derek's supplier used the second method. Both prices were added before any discount, that is:

$11.55 + $24.59 = $36.14

Then the 3% discount was applied and the result rounded:

$36.14 x 0.97 = $35.0558 ~= **$35.06**

So there is a small difference between Manager and Derek's supplier. Derek is tempted to ignore it. But if he wants his accounting for *Accounts payable* and *Tax payable* (if tax codes are used) to be correct, he must resolve the difference.

Note
The example shown above used discounts to illustrate the problem. Similar discrepancies can occur when tax codes are used.

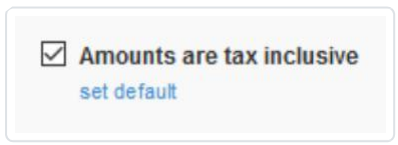
The solution

If a rounding discrepancy like this occurs, do not enter any amount in the `Discount` column on your purchase invoice. Instead, calculate discounted unit prices manually and enter those in the `Unit price` fields. This gives you complete freedom to adjust the discounted, rounded amounts manually so they add up to the total amount charged on the sales invoice received from the supplier. The selection of which line item price to adjust is arbitrary and will generally have negligible impact on average unit cost of any inventory items involved. Regardless, the difference must be taken up somewhere so your purchase invoice total matches the supplier's sales invoice.

Example
Derek manually calculates discounted unit prices. He rounds and enters them in his purchase invoice. But he notices his total is $0.01 low compared to the supplier's invoice. So he adds one cent to the first unit price:

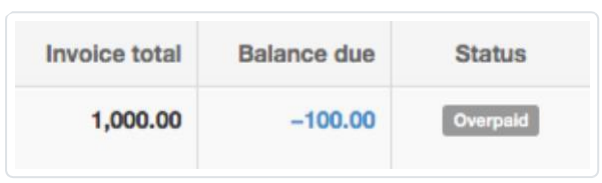
Unit price	Discount		Amount
11.21	0	%	11.21
23.85	0	%	23.85
			35.06

If a discrepancy occurs due to tax calculations, enter into the `Unit price` field the tax-inclusive price and check the box on the purchase invoice form to make the amounts tax-inclusive.



7.3.6 Resolve overpaid status on invoices

Since BILLBOOKS version 17.9.28, both sales and purchase invoices can become **overpaid** when more has been received (for a sales invoice) or paid (for a purchase invoice) than the original total of the invoice. This results in the `Balance due` for the invoice showing as a negative amount. BILLBOOKS will display *Overpaid* in the `Status` column of the main `Sales Invoices` or `Purchase Invoices` tab listing.



Invoice total	Balance due	Status
1,000.00	−100.00	Overpaid

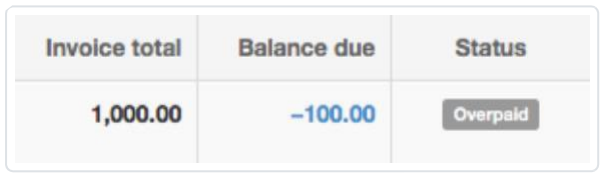
There are many reasons an invoice could become overpaid:

- The customer pays more than the invoice total.
- A receipt from a customer or payment to a supplier is allocated to the wrong invoice.
- A credit or debit note is posted to an already-paid invoice.
- A receipt or payment is posted to a correct invoice to which BILLBOOKS has already distributed money automatically because an invoice was not selected during a previous transaction entry.

Overpaid invoices are considered bookkeeping errors. BILLBOOKS will display overpaid invoices at the top of `Sales Invoices` or `Purchase Invoices` tab listings so you can see and can resolve them. You should resolve overpaid status before sending out customer statements.

Viewing the invoice ledger

To determine the specific reason an invoice is overpaid, view the ledger for that invoice. To access the ledger, click on the blue amount under the `Balance due` column in the tab list:



Invoice total	Balance due	Status
1,000.00	−100.00	Overpaid

This will reveal all transactions posted against the specific invoice (including the invoice itself) and a running balance:



Amount	Balance	Status
−1,100.00	−100.00	
1,000.00	1,000.00	
−100.00		

Resolving overpaid status

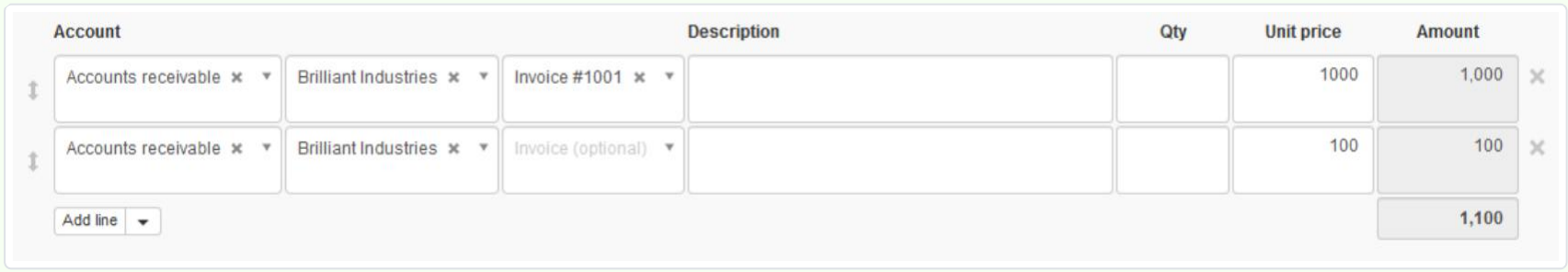
Resolve overpaid status by editing one or more of the transactions in the invoice ledger.

Example

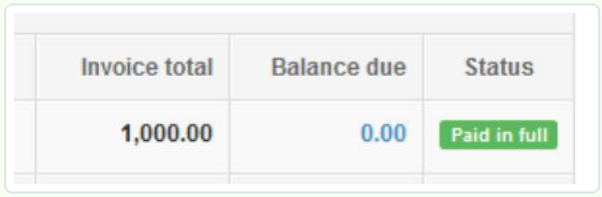
Brilliant Industries was issued a sales invoice for 1,000. By mistake, Brilliant paid 1,100, resulting in overpayment of 100 on the invoice:



To resolve this issue, you edit the transaction where you recorded the receipt of 1,100 and split the amount so only 1,000 is allocated to the invoice and 100 remains unallocated:



After the transaction is updated, the invoice status shows *Paid in full*:



The unallocated 100 is applied to any unpaid invoices Brilliant has, oldest due date first, or remains as a credit to be applied to future invoices.

Sometimes overpayment on invoices can be due to mixing automatic and explicit allocations. When you record a receipt from a customer or payment to a supplier, but do not specify the invoice, BILLBOOKS will automatically allocate the transaction to the unpaid invoice with the oldest due date. But if the transaction was intended for a specific invoice, it should be recorded that way.

Example
Brilliant Industries has two unpaid sales invoices. The first is for 5,000 and the second for 150:

Edit	View	11/28/2017	1002	Brilliant Industries	**150.00**	150.00	Due today
Edit	View	11/28/2017	1001	Brilliant Industries	**5,000.00**	5,000.00	Due today

They pay 150 and you record this receipt without specifying an invoice. Manager allocates 150 to the oldest invoice, decreasing its balance due from 5,000 down to 4,850, while keeping the balance due on the second invoice unchanged:

Invoice total	Balance due	Status
150.00	150.00	Due today
5,000.00	4,850.00	Due today

Then you receive 5,000 with a remittance advice specifying the payment is for the earlier invoice. If you allocate 5,000 to the first invoice, you would end up with over-payment of 150 on first invoice and the balance due still being 150 on the second invoice:

Invoice total	Balance due	Status
5,000.00	–150.00	Overpaid
150.00	150.00	4 days overdue

Obviously, Brilliant doesn't owe you anything. So you should click on the negative `Balance due` amount, find the payment of 150 that was automatically allocated to the bigger invoice and reallocate it to the smaller invoice. Now all invoices are shown correctly and the customer's *Accounts receivable* balance is correct:

Invoice total	Balance due	Status
150.00	0.00	Paid in full
5,000.00	0.00	Paid in full

7.3.7 Resolve issues with automatic credit allocations

When you enter a new sales or purchase invoice, you might find that BILLBOOKS automatically credits the invoice with some amount, making the `Balance due` less than the invoice `Total`:

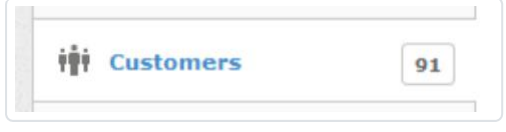
Example
You have issued a sales invoice to **Antonio Moreno Taquería** for **$3,370.00** and Manager has automatically applied credit of **$2,345.30**, leaving a balance due of **$1,024.70**:

Total	**3,370.00**
Less: Bank Receipt — 26/04/2017	2,345.30
Balance due	**1,024.70**

This automatic credit allocation happens when the customer or supplier has a pre-existing credit balance. In other words, you owe a customer money or a supplier owes you money. Normally this is the desired outcome. You want any credits to be automatically applied to invoices, so you are not trying to collect from a customer more than is really owed to you and you don't pay suppliers more than you really owe them. For example, if a customer has a credit balance of $100 due to a credit note, BILLBOOKS will remember this until the next invoice is issued to that customer and will automatically apply the $100 credit to it without your having to keep track of it. But if you are certain the customer or supplier didn't have a credit balance, such an automatic credit allocation indicates something has been recorded incorrectly.

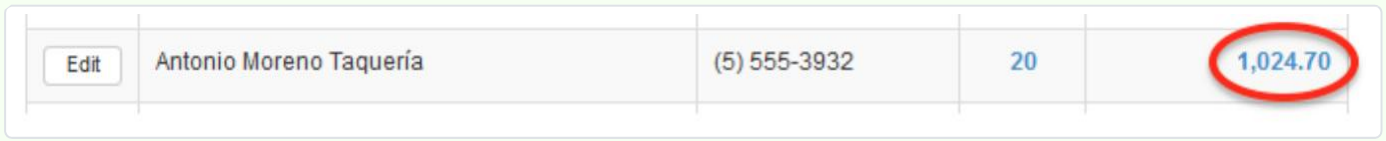
In the example above, the problem is easy to diagnose. A bank receipt was applied to the sales invoice. You can look up that receipt in BILLBOOKS, determine who it was from, and decide whether an error was made. Or, the customer may have simply overpaid its account, in which case everything is as it should be.

But suppose you know this customer didn't have any credit with your company, and the mini-statement on the invoice refers to something like a starting balance or a credit note. So you want to discover the origin of this credit. The best way is to view the customer ledger by going to the `Customers` tab:

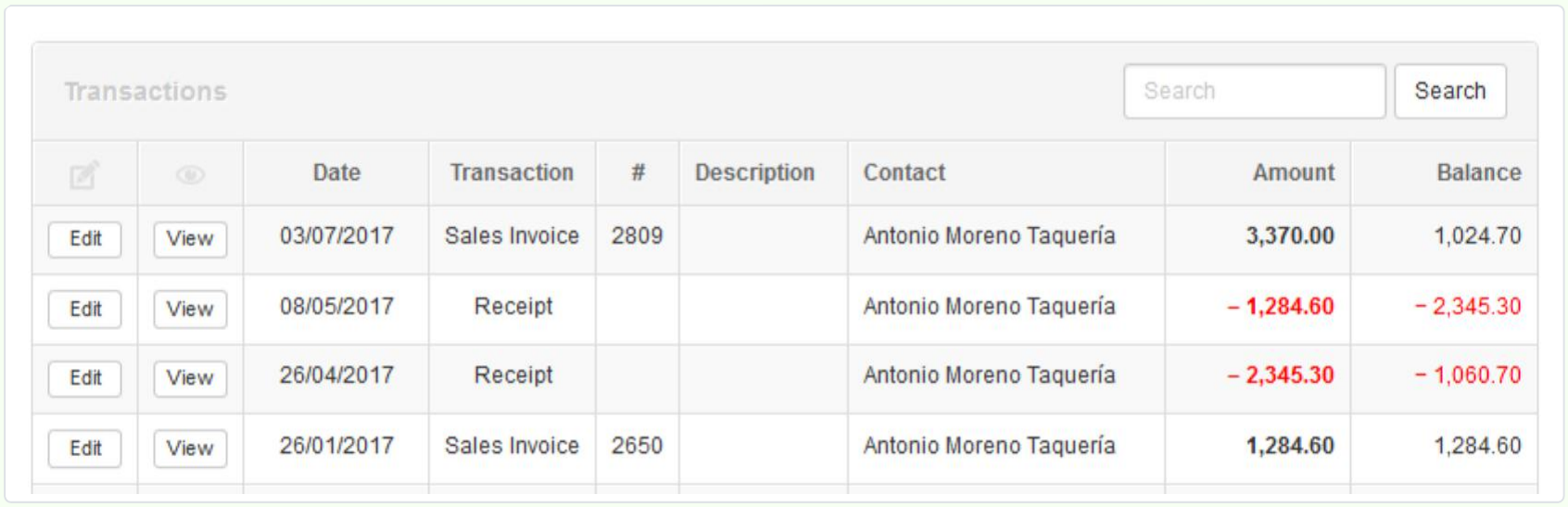


Locate the customer and click the balance in the `Accounts Receivable` column.

Example
To track down more information about the sales invoice in the first example, click the customer's balance:



This will reveal the customer's ledger:

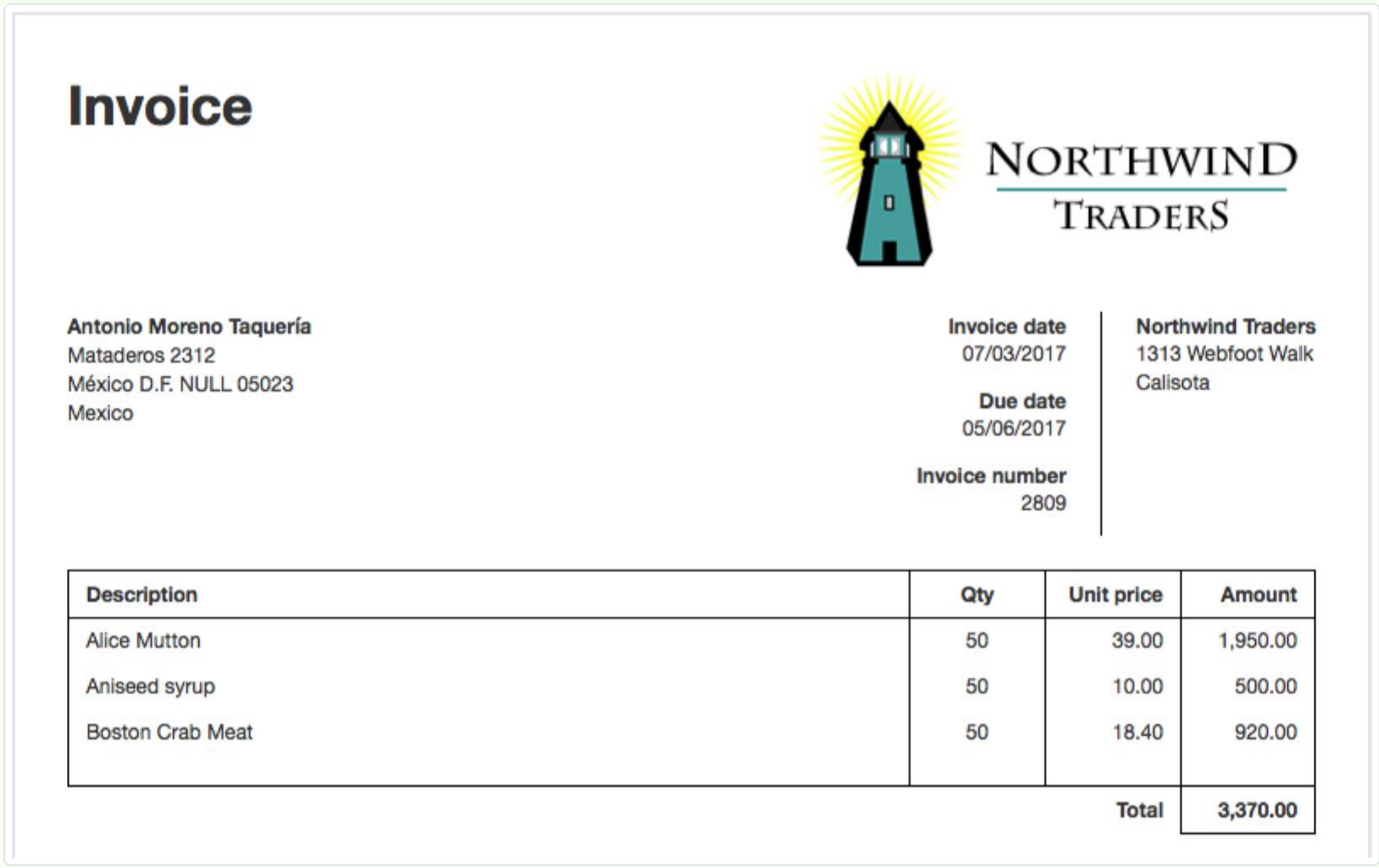


There, you see invoice **2650** for **$1,284.60** and a receipt for the same amount on 08/05/2017, which was payment for that invoice. However, you also see another receipt for **$2,345.30** on 26/04/2017, which you suspect was not paid by this customer. After looking at your bank statement, you discover this amount was actually paid by different customer and attributed to **Antonio Moreno Taquería** in error. You can `Edit` the receipt to fix the error and attribute the receipt to correct customer. Any other source would have been revealed in the same manner.

You take one final look at customer ledger to verify all transactions belong to this customer:



Now, when you view the invoice, no amount is automatically credited:



Invoice

NORTHWIND TRADERS

Antonio Moreno Taquería
Mataderos 2312
México D.F. NULL 05023
Mexico

Invoice date
07/03/2017

Due date
05/06/2017

Invoice number
2809

Northwind Traders
1313 Webfoot Walk
Calisota

Description	Qty	Unit price	Amount
Alice Mutton	50	39.00	1,950.00
Aniseed syrup	50	10.00	500.00
Boston Crab Meat	50	18.40	920.00
		Total	**3,370.00**

Some bookkeeping errors can be discovered immediately; some can take weeks or even months to discover. Used properly, BILLBOOKS's double-entry accounting system ensures all errors will be eventually discovered.

In the example above, even if you didn't notice the bookkeeping error, eventually the customer who actually paid **$2,345.30** on 26/04/2017 would complain that its customer statements did not reflect the payment. Or your Aged Receivables report would show that customer's account becoming more and more overdue. Sooner or later, you would discover the payment having been attributed to the wrong customer.

Note
While the example illustrates an erroneous credit being automatically applied to a sales invoice because of incorrect attribution of a receipt from a customer, similar mistakes can happen with purchase invoices and payments to suppliers. Detection and correction procedures are the same.

7.3.8 Offset simultaneous sales and purchase invoices

If you have a customer who is also a supplier, you may sometimes have simultaneous, outstanding sales and purchase invoices with the same business. In BILLBOOKS, all sales invoices are subaccounts of *Accounts receivable*, while purchase invoices are subaccounts of *Accounts payable*. This lets you easily **offset outstanding sales and purchase invoices** against one another using contra journal entries.

Example
You have a customer who owes you 1,000 from a sales invoice:

		Invoice date	#	Customer	Invoice total	Balance due	Status
Edit	View	11/14/2017	5	ACME Corporation	1,000.00	1,000.00	Due in 30 days

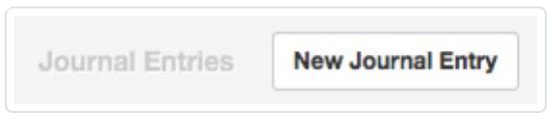
At the same time you have made a credit purchase for 200 from this same business (as a supplier):

		Invoice date	#	Supplier	Invoice total	Balance due	Status
Edit	View	11/14/2017		ACME Corporation	200.00	200.00	Due in 30 days

Instead of paying your customer 200 while receiving 1000, you can make a contra entry decreasing the balance due on your sales invoice by the amount of the purchase invoice.

It makes no difference whether the sales or purchase invoice is larger; the procedure is identical. To make an offsetting contra entry, go to the `Journal Entries` tab and click `New Journal Entry`:





In your journal entry, **debit *Accounts payable*** for the supplier by the smaller of the sales or purchase invoice balances. If the purchase invoice has a reference number, it can be selected. Otherwise, leave the `Invoice` field blank. **Credit *Accounts receivable*** for the customer and the sales invoice by the same amount.

Example
The smaller amount in the example above is the 200 purchase invoice. So a journal entry is created:

Account			Description	Debit	Credit
Accounts payable ×	ACME Corporation ×	Invoice (optional)	Sales and purchase invoices offset	200	
Accounts receivable ×	ACME Corporation ×	Invoice #5 ×	Sales and purchase invoices offset		200
Add line				200	200

If there are more invoices, do not select invoice numbers. Instead, enter as the contra amount the smaller of the total *Accounts payable* or *Accounts receivable* balances for the business. (Check these in the `Customers` and `Suppliers` tabs.) BILLBOOKS will automatically offset outstanding sales and purchase invoices on the basis of oldest due dates. But still debit *Accounts payable* and credit *Accounts receivable*.

Example
After making the journal entry illustrated above, your purchase invoice will be marked as paid in full, even though your payment was actually via contra entry:



The balance due on the sales invoice will decrease by 200:



7.4 Debit Notes

7.4.1 Use debit notes for supplier returns and refunds

A **debit note** records an adjustment by a supplier of the amount owed to that supplier by a business. Typically, a debit note is created in response to a credit note received by the business from a supplier, although not all supplier credits are formally documented. Debit notes are internal; that is, they are not normally provided to the supplier. They might be for:

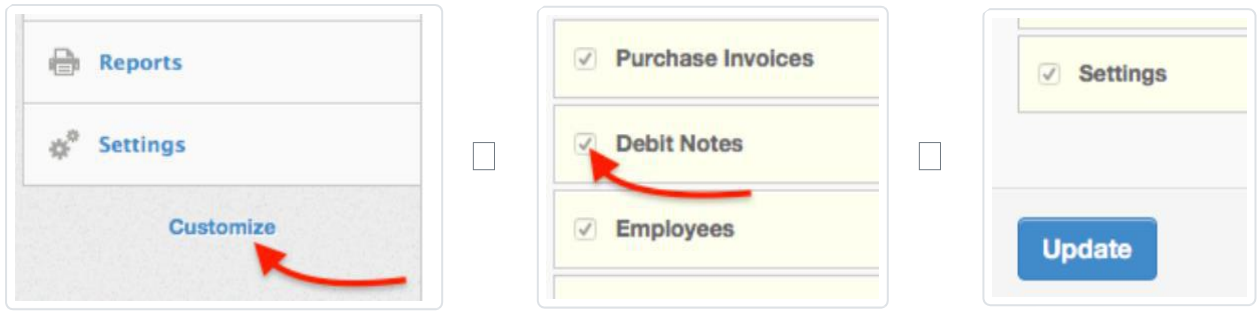
- Return of goods
- Adjustment (refund) of price for goods or services previously delivered
- Overpayment of amounts billed

A debit note makes all necessary corrections to inventory, expense, and tax accounts. It does not record actual receipt of money from the supplier, but only adjusts the supplier's balance in *Accounts payable*. A debit note can be created regardless of whether the supplier has yet been paid for the goods or services.

NOTE
A debit note should not normally be used if the original transaction was a cash purchase, because the purchase will not have been recorded in the supplier's subaccount in *Accounts payable*. In such situations, a direct receipt should usually be entered in the `Receipts & Payments` tab. In these cases, enter quantities returned to the supplier as negative numbers. However, if the cash seller has also been defined as a supplier and offers an account credit rather than a cash refund, a debit note may be used.

Enable the `Debit Notes` tab

Before debit notes can be created, the `Debit Notes` tab must be enabled. Click `Customize` below the left navigation pane, check the box for `Debit Notes`, and click `Update` below the list:

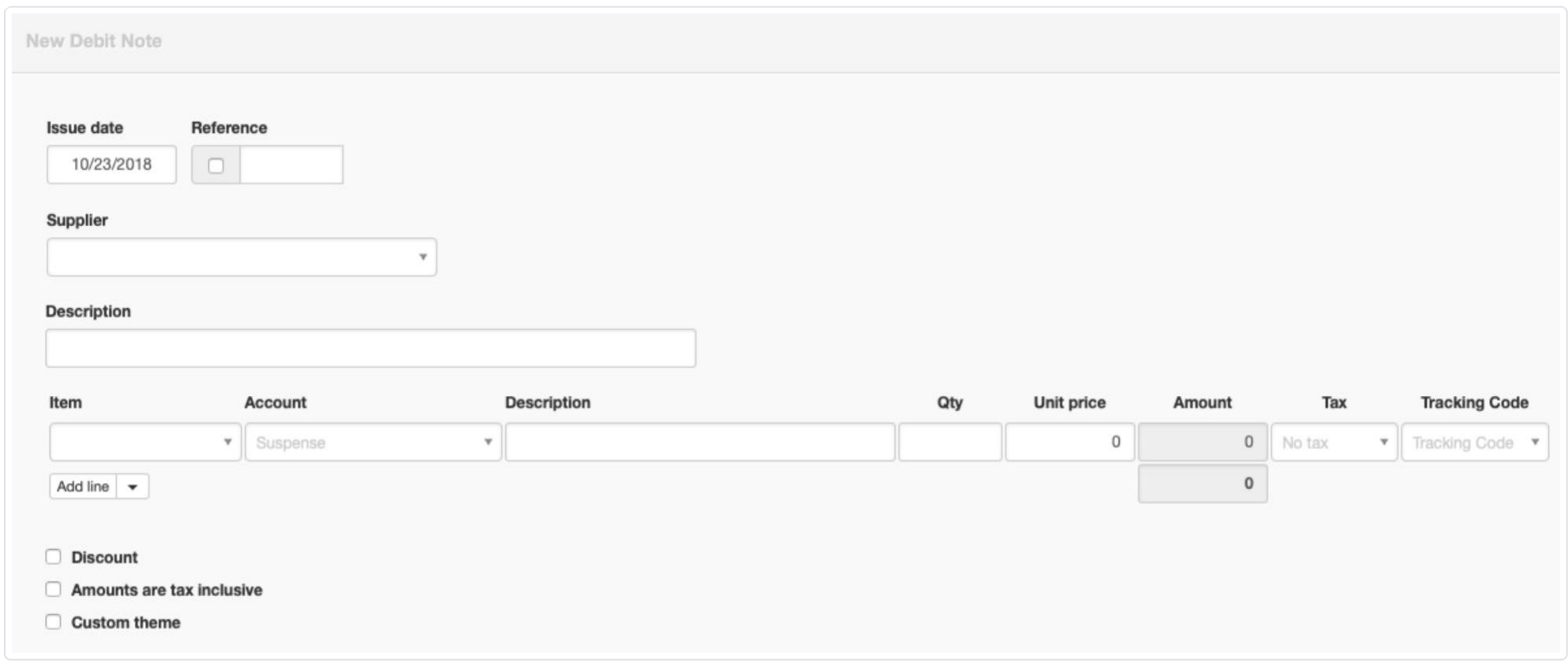


Create a debit note manually

In the `Debit Notes` tab, click on `New Debit Note`:



Complete the form:



- By default, today's `Issue date` is prepopulated. Normally, this date is edited to match the date of the supplier's credit note.
- `Reference` can be used to enter the supplier's credit note number. If the box within the field is checked, BILLBOOKS will assign a number automatically. The program will find the highest number among all existing debit notes and add 1.

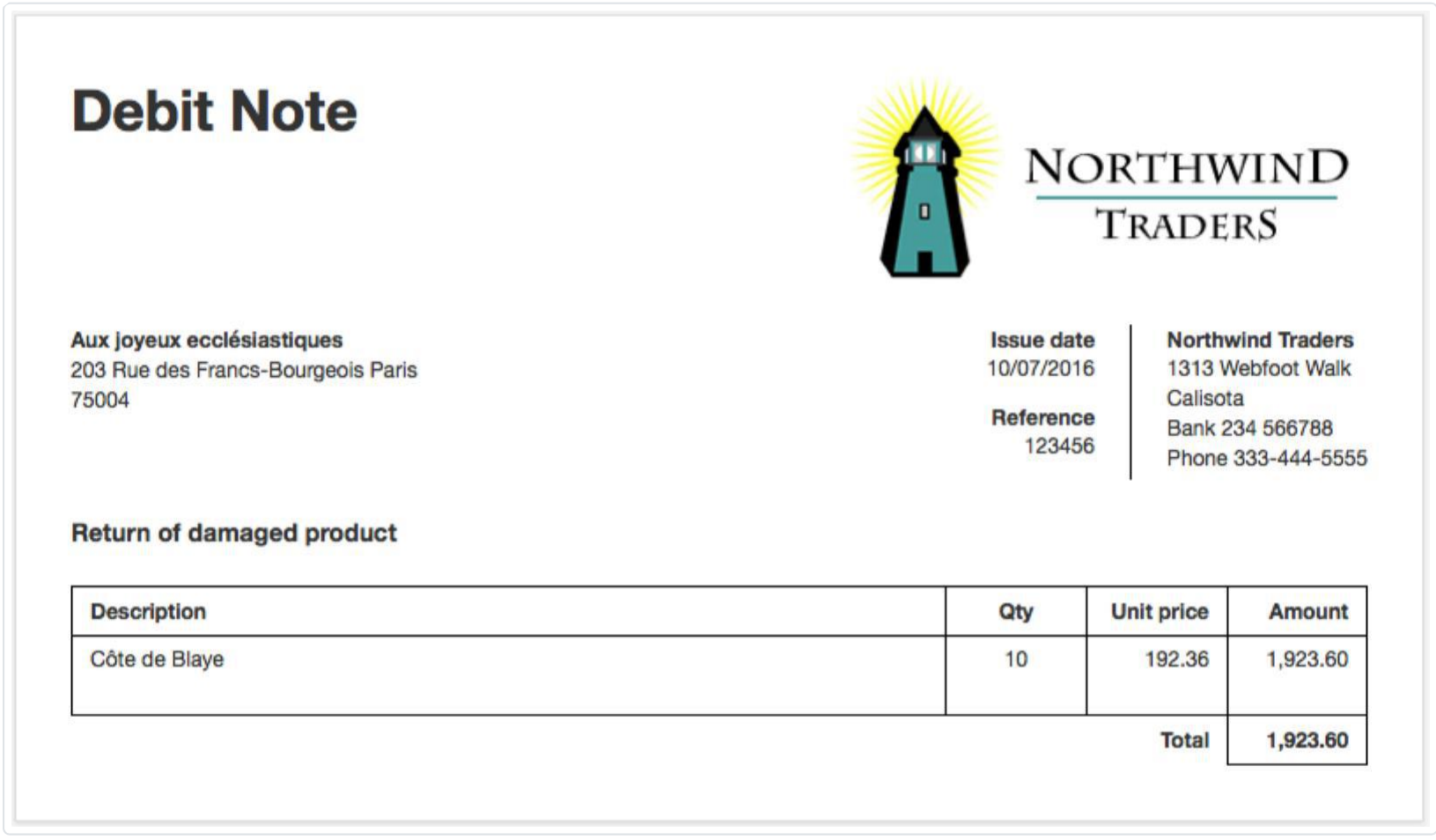
> **Caution**
> If automatic sequencing is used, the number assigned will be higher than any previously assigned number, including suppliers' numbers. Therefore, best practice is to use either all suppliers' numbers or all automatic numbers.

- A previously defined `Supplier` must be selected in the dropdown box.
- After a supplier has been selected, an optional `Invoice` field appears. If the debit note applies to a specific invoice, select it from the dropdown list:



- Line items being returned or adjusted can be completed semi-automatically by selecting predefined inventory or non-inventory items in the `Item` field and entering quantities. Or, they may be entered manually.
- Applicable `Tax` codes can be selected.
- A Tracking Code can be selected, if they have been defined.
- Additional lines can be added 1, 5, 10, or 20 at a time.

Save the transaction by clicking `Create`:



Debit Note

NORTHWIND TRADERS

Aux joyeux ecclésiastiques
203 Rue des Francs-Bourgeois Paris
75004

Issue date
10/07/2016

Reference
123456

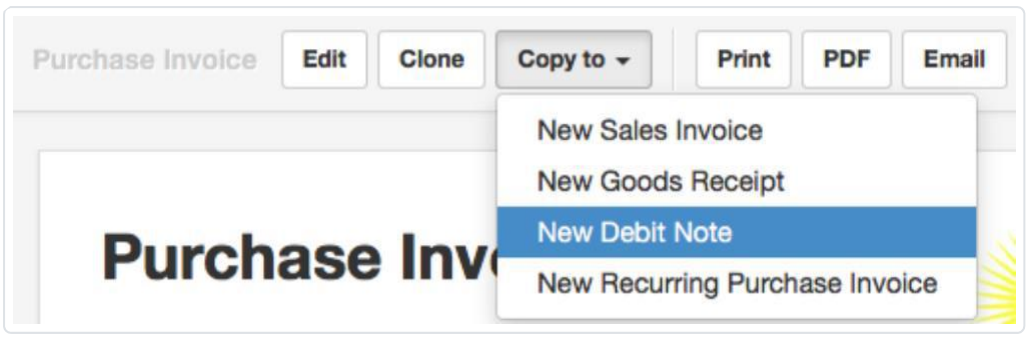
Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Return of damaged product

Description	Qty	Unit price	Amount
Côte de Blaye	10	192.36	1,923.60
		Total	**1,923.60**

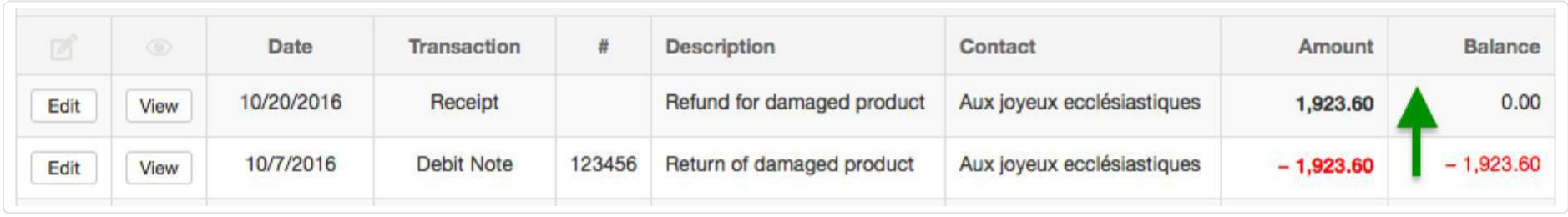
Copy a purchase invoice to a debit note

Debit notes can also be copied from purchase invoices. While viewing a purchase invoice, click `Copy to` and select *New Debit Note*:



Receiving a refund

If a supplier refunds the credit balance, receive money into a bank or cash account, allocating the refund to *Accounts payable* and the supplier's subaccount. When a receipt is recorded, the balance of *Accounts payable* to the supplier will move in the positive direction:



		Date	Transaction	#	Description	Contact	Amount	Balance
Edit	View	10/20/2016	Receipt		Refund for damaged product	Aux joyeux ecclésiastiques	1,923.60	0.00
Edit	View	10/7/2016	Debit Note	123456	Return of damaged product	Aux joyeux ecclésiastiques	– 1,923.60	– 1,923.60

Chapter 8: Inventory

Inventory includes tangible goods held for sale or production. Inventory management can be complex, and BILLBOOKS's behavior changes, depending on which functional tabs are enabled. Read Guides in the Overview section first to see which capabilities you want to use.

8.1 Overview

8.1.1 Manage inventory - Part 1 Introduction

Inventory comprises goods held by a business for sale or production. It does not include fixed assets, such as equipment or buildings. Nor does it include tools or consumable supplies used during operations. The value of inventory is an asset, because it can generate future income. Therefore, it appears on a company's balance sheet.

So inventory must be counted and valued. It must be tracked as it is produced, bought, or sold. BILLBOOKS includes many features to help **manage inventory**. Some are essential; others are optional. Program behavior changes, depending on which tools are used. This Guide explains how various tools and capabilities interact so you can decide which to use in your situation. It is divided into three parts: Introduction, Continuation, and Conclusion. You are reading Part 1 Introduction.

The three parts of this Guide do not furnish detailed, step-by-step instructions for enabling functional tabs, completing transaction forms, or generating reports. Those can be found in other Guides, to which hyperlinks are provided. Instead, they focus on relationships between the inventory management features of the program:

- **Inventory items** are defined elements by which inventory is managed. They can have purchase and sales prices, specified tax codes to be applied, and individual units of measure. Their costs and revenues can be assigned to custom accounts. Most importantly, they have standard item codes, names, and descriptions by which they can be referenced.
- **Purchase invoices** record purchases of inventory items from suppliers on credit.
- **Sales invoices** record sales of inventory items to customers on credit.
- **Cash sales and purchases** record transactions of inventory items paid at the time.
- **Production orders** record in-house manufacture of inventory items from other inventory items and non-inventory cost inputs.
- **Inventory kits** are sales entry shortcuts for combinations of inventory items stocked individually but sold together under a single identification. (The items may also be sold individually in other transactions.)
- **Delivery notes** document delivery of goods to a location or customer.
- **Goods receipts** document receipt of goods at a location or from a supplier.
- **Inventory locations** are discrete places where inventory items are physically stored, such as different warehouses or shops.
- **Inventory transfers** record movement of inventory items between inventory locations.
- **Inventory write-offs** document the loss, damage, or other non-revenue-producing reduction of inventory.
- **Inventory reports** provide information on changes in quantities, values, or locations of inventory. They also list profitability and price of inventory items.



Note
Purchase orders and sales orders are not included in this discussion because they are not actual financial transactions and have no impact on inventory. They are convenient shortcuts for recording orders to suppliers or from customers. And they can by copied to other transactions that affect inventory. But in the current version of Manager, purchase orders do not adjust inventory availability or backorder status. Nor do sales orders commit inventory to a particular customer or future sales transaction.

Example

All three parts of this Guide illustrate various aspects of inventory management using an example company, Brilliant Industries. Brilliant Industries sells electric lamps and lamp parts at wholesale. It is not required to collect or pay any taxes on sales or purchases in its jurisdiction. Brilliant has 6 different items in inventory and assigns 3-digit item codes:

Inventory Items **New Inventory Item**

	Item code	Item name	Description	Category	Purchase price	Sales price	Unit Name
Edit	101	Table lamp	White ceramic lamp with silk shade	Finished lamps	195.00	345.00	Each
Edit	222	Lamp kit	Ceramic lamp base with socket		87.00	123.00	Each
Edit	388	Lamp shade	Ivory silk lamp shade		24.35	55.99	Each
Edit	395	Lamp cord	2-meter replacement lamp cord		3.25	5.79	Each
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs		75.00	100.00	Case
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs		3.50	7.95	Pack

Brilliant currently has two customers and two suppliers:

Customers **New Customer**

	Name
Edit	Bob's Hardware
Edit	Lumen Lighting

AND

Suppliers **New Supplier**

	Name
Edit	ACME Distributing
Edit	Edison Electrical Supply

So far, Brilliant Industries has enabled just three tabs related to inventory management (`Reports` is always enabled for all businesses):

- `Customers`
- `Suppliers`
- `Inventory Items`

Purchasing inventory

Inventory can be purchased with purchase invoices or cash payments.

Example

Brilliant Industries buys an initial stock of inventory via a combination of purchase invoice and cash payment. ACME Distributing presents its sales invoice upon delivery of the merchandise. So as soon as Brilliant enters the corresponding purchase invoice, the items are considered to be in stock. Edison Electrical Supply sells only over the counter. So Brilliant's owner leaves Edison's warehouse with purchased items in hand, having written a check on the spot.

Brilliant enables the `Purchase Invoices` tab. The `Bank Accounts` and `Receipts & Payments` tabs were enabled when the company's bank account was established. The two transactions are entered as below:

Purchase Invoice

Invoice date	Due date	Invoice number	Order number
08/09/2017	By	#	# Optional

Supplier: ACME Services Company

Description: Initial inventory purchase

Item	Account	Description	Qty	Unit price	Amount
101 - Table lamp	Inventory on hand	White ceramic lamp with silk shade	20	195.00	3,900
222 - Lamp kit	Inventory on hand	Ceramic lamp base with socket	10	87.00	870
388 - Lamp shade	Inventory on hand	Ivory silk lamp shade	10	24.35	243.5
Add line					5,013.5

Payment

Date	Type	Reference
08/09/2017	Payment	1

Account: Checking account — Status: Cleared — Date

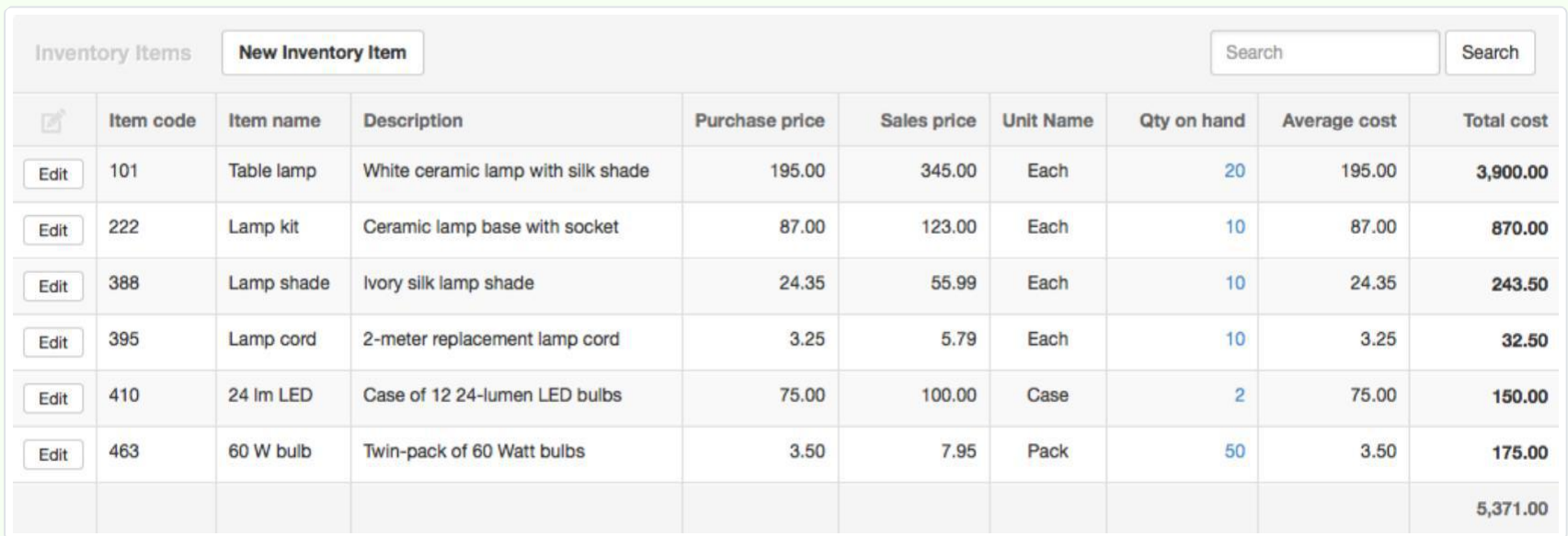
Payee: Edison Electrical Supply

Description: Initial inventory purchase

Item	Account	Description	Qty	Unit price	Amount
395 - Lamp cord	Inventory on hand	2-meter replacement lamp cord	10	3.25	32.5
410 - 24 lm LED bulbs	Inventory on hand	Case of 12 24-lumen LED bulbs	2	75.00	150
463 - 60 W bulb	Inventory on hand	Twin-pack of 60 Watt bulbs	50	3.50	175
Add line					357.5

Since all transactions were complete when they were entered, there is no need for Brilliant Industries to enable the

`Goods Receipts` tab. The `Inventory Items` list shows the results of the two purchases:



Inventory Items | New Inventory Item | Search | Search

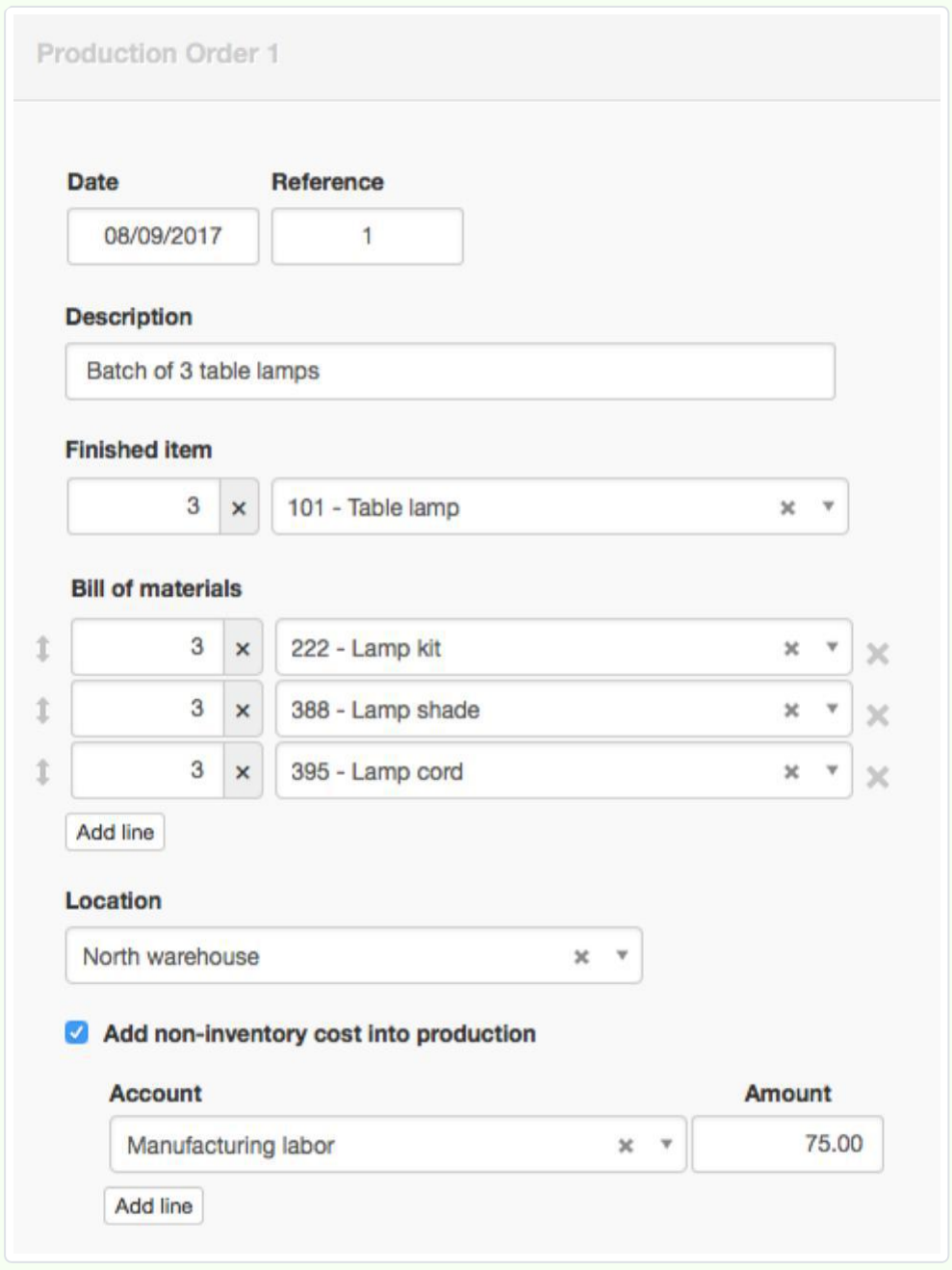
	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	20	195.00	**3,900.00**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	10	87.00	**870.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	10	24.35	**243.50**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	10	3.25	**32.50**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	2	75.00	**150.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	50	3.50	**175.00**
									5,371.00

Producing inventory

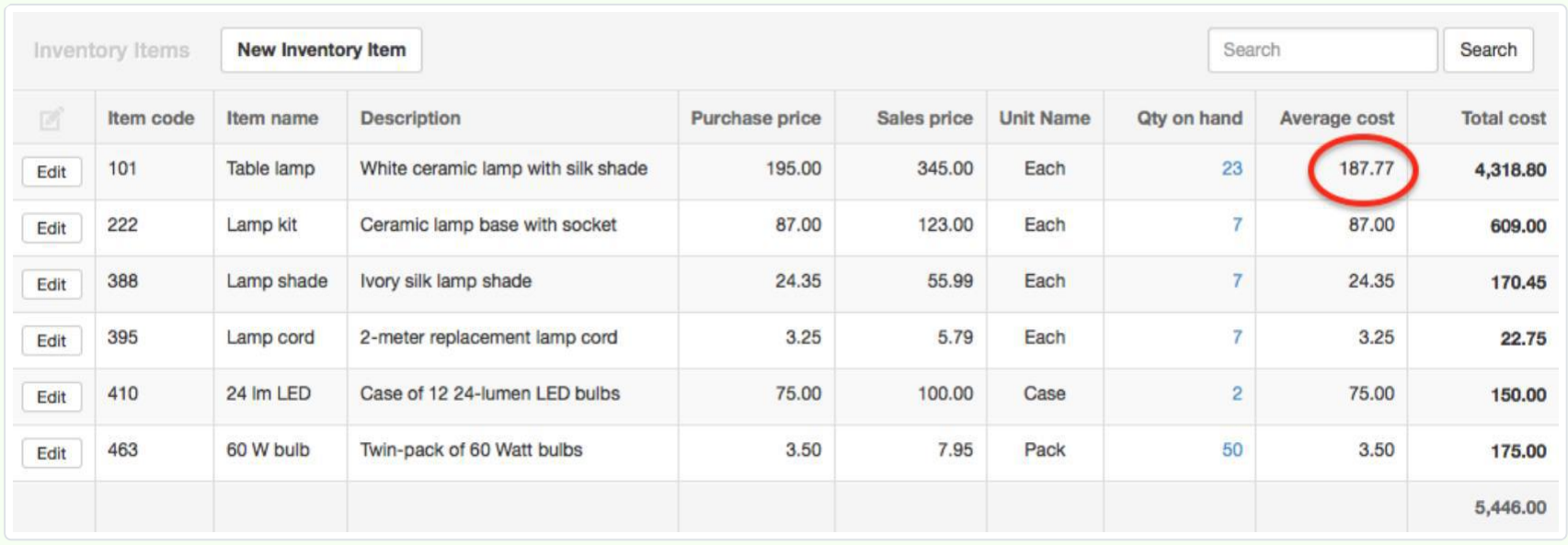
When inventory items are produced in-house, production orders record consumption of resources and output of new finished goods.

Example

Brilliant Industries can buy finished table lamps from ACME Distributing. But it can also produce them from parts purchased from various suppliers. It decides to manufacture a batch of 3 table lamps. So it enables the `Production Orders` tab and enters the following production order:



The inventory listing shows the increase in finished table lamps, as well as reductions in the three items that went into production. Also notice that average cost of table lamps has declined because of the production order. The cost of input items for a lamp (87.00 + 24.35 + 3.25 = 114.60) plus labor (75.00 / 3 = 25.00) is less (139.60) than the purchase cost of a finished lamp (195.00). In other words, Brilliant Industries can assemble table lamps itself for less than it can buy them, potentially allowing more profit:



	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	23	187.77	**4,318.80**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	7	87.00	**609.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	7	24.35	**170.45**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	7	3.25	**22.75**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	2	75.00	**150.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	50	3.50	**175.00**
									5,446.00

Also note that total value of inventory has risen because of the 75.00 labor cost to manufacture 3 lamps. The company now has more invested in its inventory. But it can also sell that same inventory for much more because of the value added through manufacturing operations.

Selling inventory

Inventory can be sold with sales invoices or cash receipts.

Example

Brilliant Industries sells products to Bob's Hardware. It enables the `Sales Invoices` tab and records the sale on the following sales invoice:

Sales Invoice 1

Invoice date	Due date	Invoice number	Order number	Quote number
08/09/2017	By	# 1	# Optional	# Optional

Customer: Bob's Hardware

Billing address: 1111 Main Avenue
Anywhere

Description: Optional

Item	Account	Description	Qty	Unit price	Amount
101 - Table lamp	Inventory - sales	White ceramic lamp with silk shade	4	345	1,380
463 - 60 W bulb	Inventory - sales	Twin-pack of 60 Watt bulbs	6	7.95	47.7
Add line					1,427.7

It also sells 1 case of LED bulbs to Lumen Lighting for cash, and enters that transaction as a receipt. Quantities on hand have decreased for table lamps, 60 Watt bulbs, and LED bulbs:

Inventory Items — New Inventory Item — Search

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	19	187.77	**3,567.70**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	7	87.00	**609.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	7	24.35	**170.45**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	7	3.25	**22.75**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	1	75.00	**75.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	44	3.50	**154.00**
									4,598.90

Because the goods were delivered immediately and either accompanied by a sales invoice or a cash receipt, Brilliant Industries did not use the `Delivery Notes` tab. BILLBOOKS treated all inventory movements as having happened immediately.

Understanding backorders

When you have sold more inventory items than you own (have on hand) the situation is described as a ***backorder***. That term is somewhat misleading, because additional stock has not necessarily been ordered. This situation shows up in BILLBOOKS as negative inventory quantities. The negative quantity indicates how many units of the inventory item must be purchased or produced to satisfy existing sales.

Example
If Brilliant Industries had sold 3 cases of LEDs to Lumen Lighting in the previous example, a backorder situation would exist, because only 2 had been purchased and were on hand. The inventory list would show a quantity on hand of -1:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Average cost	Total cost
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	-1	0.00	**0.00**

Inventory reports

Four reports became available when the `Inventory Items` tab was enabled:

- **Inventory Value Movement** lists opening balances, value added through purchases or production orders, cost (on an average cost basis) of inventory sold, adjustments, and closing balances. The report can be generated for any defined period of time. An inventory item that is out of stock for the entire period will not be listed, because there will be neither value nor value movement at any time during the period. But an item that is in stock but has no movement will be included.

Example
Brilliant Industries began the year with no inventory, made initial purchases, produced some lamps, and made sales. Its Inventory Value Movement report is shown below. Notice that only the 2 cases of LEDs actually delivered are included; the backordered merchandise will not appear until more are purchased and delivered:

Brilliant Industries

Inventory Value Movement

For the period from 1/1/2017 to 12/31/2017

	Opening balance	Purchases	Production Orders	Cost of sales	Adjustments	Closing balance
101 Table lamp	-	3,900.00	418.80	– 751.10	-	**3,567.70**
222 Lamp kit	-	870.00	– 261.00	-	-	**609.00**
388 Lamp shade	-	243.50	– 73.05	-	-	**170.45**
395 Lamp cord	-	32.50	– 9.75	-	-	**22.75**
410 24 lm LED	-	150.00	-	– 150.00	-	**-**
463 60 W bulb	-	175.00	-	– 21.00	-	**154.00**
	0.00	5,371.00	75.00	– 922.10	0.00	**4,523.90**

- **Inventory Quantity Movement** corresponds closely with the previous report, but lists quantities instead of values. Items are included only when movement occurs during the period, regardless of whether stock exists on the opening and closing dates.

Example
Brilliant Industries' matching Inventory Quantity Movement report is below. Note the backordered LED near the bottom of the list:

Brilliant Industries

Inventory Quantity Movement

For the period from 1/1/2017 to 12/31/2017

	Opening balance	Purchases	Production Orders	Sales	Adjustments	Closing balance
101 Table lamp	-	20	3	-4	-	**19**
222 Lamp kit	-	10	-3	-	-	**7**
388 Lamp shade	-	10	-3	-	-	**7**
395 Lamp cord	-	10	-3	-	-	**7**
410 24 lm LED	-	2	-	-3	-	**-1**
463 60 W bulb	-	50	-	-6	-	**44**
	0	102	-6	-13	0	**83**

- **Inventory Profit Margin** tabulates profits and margin rates on inventory items sold during a period. Items not sold during the period are omitted.

Example
Brilliant Industries sold only 3 different items during the reporting period, so only those show on the Inventory Profit Margin report:

Brilliant Industries

Inventory Profit Margin

For the period from 1/1/2017 to 12/31/2017

	Sales	Cost of sales	Profit	Margin
101 Table lamp	1,380.00	– 751.10	628.90	45.57%
410 24 lm LED	200.00	– 150.00	50.00	25%
463 60 W bulb	47.70	– 21.00	26.70	55.97%
	1,627.70	– 922.10	705.60	43.35%

- **Inventory Price List** includes all current sales prices of inventory items. If a sales price is not defined, the item will not appear on the list. If a custom field has been defined for inventory items, the report can be filtered by content of the custom field.

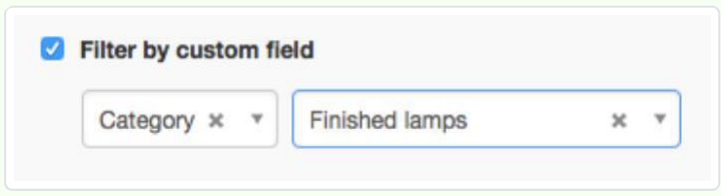
Example
Brilliant Industries' full current price list is show below:

Brilliant Industries

Inventory Price List

	Sales price
101 Table lamp	345.00
222 Lamp kit	123.00
388 Lamp shade	55.99
395 Lamp cord	5.79
410 24 lm LED	100.00
463 60 W bulb	7.95

Brilliant adds a custom field for inventory categories. It filters the report for *Finished lamps*, with a corresponding title:



The resulting report appears below:

Brilliant Industries

Inventory Price List

Finished lamps

	Sales price
101 Table lamp	345.00

Note
Because Inventory Value Movement and Inventory Quantity Movement reports are related to transactions within a specified time period, they will not necessarily reflect total value or quantities of inventory on hand. That information can be obtained by drilling down on the *Inventory on hand* account in the `Summary` tab or by clicking on the `Inventory Items` tab. Both resulting lists can be exported to a spreadsheet program.

8.1.2 Manage inventory - Part 2 Continuation

Part 1 of this Guide on how to **manage inventory** covers purchasing, producing, and selling inventory items in BILLBOOKS. It also covers backorders and content of inventory reports when only basic functions are enabled. If you have not yet read Part 1, you should read it first.

This Part 2 covers more advanced features, including inventory kits, delivery notes, and goods receipts. It describes how the program's behavior changes when these additional functions are used. Information in Part 1 is not repeated here.

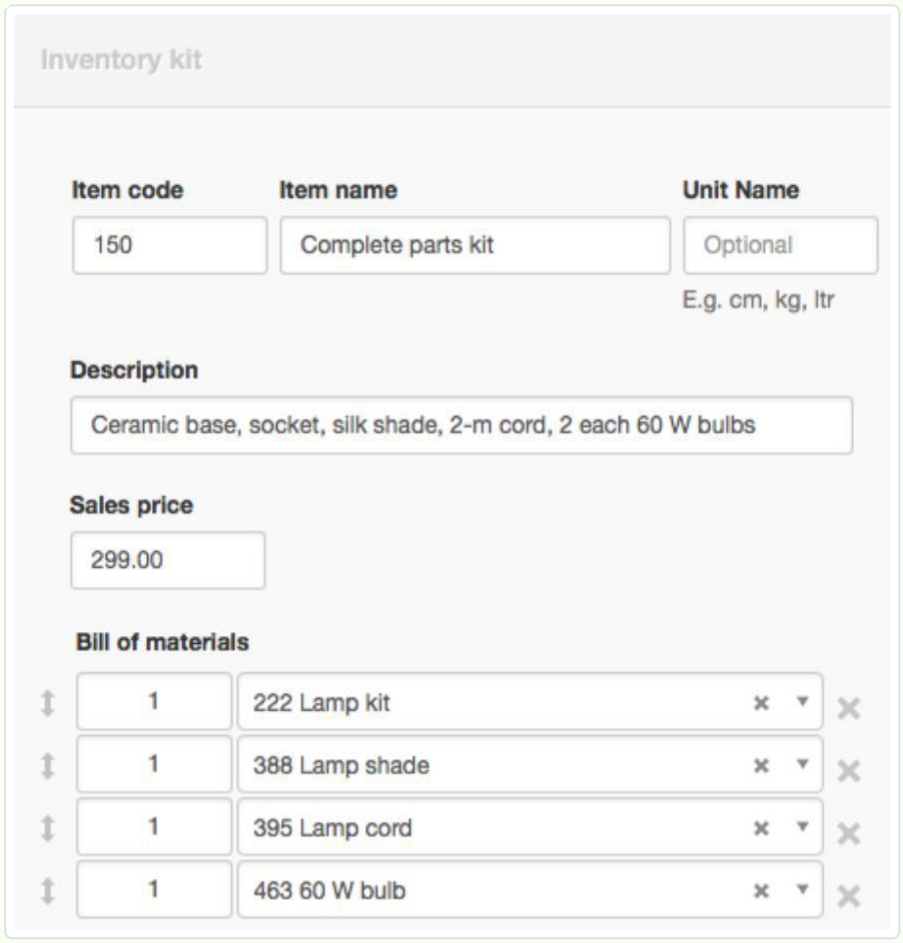
Part 3 describes additional capabilities: inventory locations, transfers, and write-offs. You will need to understand information in Parts 1 and 2 before you can use the capabilities discussed in Part 3.

Inventory kits

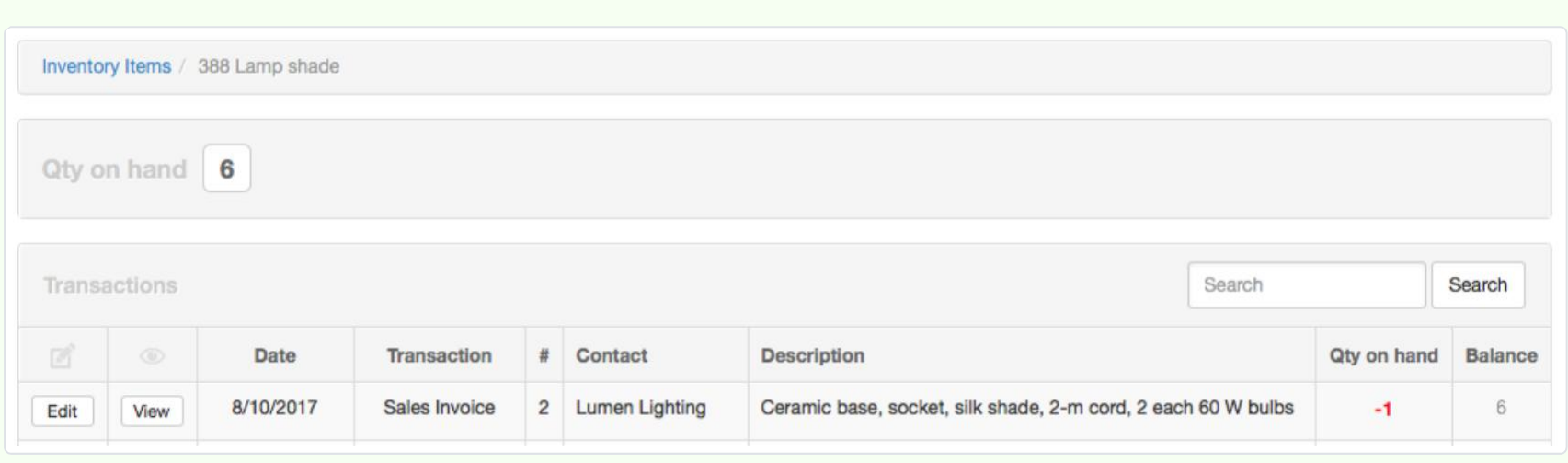
The simplest enhancement of inventory management is use of inventory kits. These are not additional inventory items, but rather groups of already-defined items that are sold together. The items that make them up may also be sold separately. They are defined in the `Settings` tab.

Inventory kits are not pre-assembled, but are grouped together only as sold. They are not counted during physical inventory verification, because they do not exist until sold, so they have no value in *Inventory on hand*. When an inventory kit is sold, its constituent items are subtracted from inventory quantities on hand (quantities owned) as though they had been sold individually, at their existing average cost. Prices for inventory kits can be different from the sum of constituent prices.

Example
Brilliant Industries sells table lamps. It also sells a complete parts kit from which an end user can assemble a finished lamp. It sells the kit for more than it would sell the individual components, making additional profit from the confidence a consumer gains that all parts are compatible. Brilliant defines the following inventory kit:



Brilliant sells one of these kits to Lumen Lighting. The quantities and values of all four constituent items go down. For example, the number of lamp shades in stock decreases by 1, as shown by this drill-down report from the `Inventory Items` list:



Delivery notes

A major step up in complexity comes by using delivery notes. These document delivery of goods to a location or customer. Their use implies that physical delivery of goods does not always occur simultaneously with issuance of a sales invoice or cash receipt. Possible reasons include:

- Customer credit is not approved, so goods will not be delivered until payment is received.
- Items sold are backordered.
- Deliveries are spaced in time per contractual agreement.
- Products will be drop-shipped to an end user for the customer.
- Sales invoices are issued immediately, with delivery notes serving as packing lists.

When the `Delivery Notes` tab is enabled, the `Inventory Items` list immediately changes. Two additional columns are added for quantity to be delivered and quantity owned. The original quantity on hand column now shows what should be found on premises, while quantity owned represents what is available to sell.

Example
Brilliant Industries enables the `Delivery Notes` tab. Its `Inventory Items` list changes, even though no new transactions have been entered. Notice that everything previously sold by sales invoice (4 table lamps, 6 packs of 60 W bulbs, and 1 complete parts inventory kit) now shows as still to be delivered, including those items sold as part of an inventory kit. Only items sold by cash receipt are considered to have been delivered. However, note that the backorder situation with LEDs still exists. Because that sale of 3 cases exceeded stock on hand of 2 cases, Brilliant Industries still owes 1 case to Lumen Lighting:

Inventory Items — New Inventory Item — Search

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	23	4	19	187.77	**3,567.70**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	7	1	6	87.00	**522.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	7	1	6	24.35	**146.10**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	7	1	6	3.25	**19.50**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	-1	0	-1		
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	50	7	43	3.50	**150.50**
											4,405.80

Brilliant Industries enters delivery notes by copying from previous sales invoices. It also purchases 5 additional cases of LEDs from Edison Electrical. The backorder is cleared and all quantities to be delivered are zero:

Inventory Items — New Inventory Item — Search

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	19	0	19	187.77	**3,567.70**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	6	0	6	87.00	**522.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	6	0	6	24.35	**146.10**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	6	0	6	3.25	**19.50**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	4	0	4	75.00	**300.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	43	0	43	3.50	**150.50**
											4,705.80

Caution
Manager does not alert you to deliver backordered items sold by cash receipt when stock is replenished. Because the program assumes all cash sales are delivered at the time of transaction, it does not designate unfulfilled quantities as still needing to be delivered. Therefore, if you accept cash payment for inventory you do not have on hand, you will need a separate method to remind you to deliver the remaining quantity. You can, however, drill down on a negative quantity in the `Inventory Items` list to see transactions responsible for the backorder situation. And if a single transaction was responsible, Manager will have split it into two entries representing the portions that could and could not be fulfilled. Using this approach, it is easy to confirm who the backordered quantity (shown by a negative balance) should be delivered to.

Goods Receipts

Goods receipts provide capability that is a mirror image of delivery notes. That is, they record receipt of goods at a location or from a supplier. When the `Goods Receipts` tab is enabled, another column is added to the `Inventory Items` list showing quantity to be received. Now, the inventory picture is complete. Quantities purchased (owned) but not yet received are displayed, as are quantities on hand, which should be verifiable by checking stock. Quantities committed to delivery from previous sales and not available to sell to others are listed. Quantities still owned and available for sale without additional purchases or production are visible, too.

Example

Brilliant Industries is worried that some inventory may not be delivered immediately in the future. So it enables the `Goods Receipts` tab to track goods it is awaiting from suppliers. All its back purchase invoice quantities now show as to be received. Quantities purchased with cash payments are assumed to have been delivered immediately:

Inventory Items | New Inventory Item | Search | Search

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	20	-1	0	19	187.77	**3,567.70**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	10	-4	0	6	87.00	**522.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	10	-4	0	6	24.35	**146.10**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	0	6	0	6	3.25	**19.50**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	0	4	0	4	75.00	**300.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	0	43	0	43	3.50	**150.50**
												4,705.80

Brilliant copies past purchase invoices to goods receipts, and the quantities to be received are zeroed out. Quantities on hand now match quantities owned:

Inventory Items | New Inventory Item | Search | Search

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	101	Table lamp	White ceramic lamp with silk shade	195.00	345.00	Each	0	19	0	19	187.77	**3,567.70**
Edit	222	Lamp kit	Ceramic lamp base with socket	87.00	123.00	Each	0	6	0	6	87.00	**522.00**
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each	0	6	0	6	24.35	**146.10**
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each	0	6	0	6	3.25	**19.50**
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	0	4	0	4	75.00	**300.00**
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.50	7.95	Pack	0	43	0	43	3.50	**150.50**
												4,705.80

BILLBOOKS tracks partial receipts (and, for that matter, partial deliveries) as well as complete ones.

Example

Lumen Lighting orders another 6 cases of LED bulbs. But Brilliant has only 4 cases in stock, but thinks it can obtain more stock quickly and enters the sales invoice. That produces a backorder of 2 cases:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	0	4	6	-2

So Brilliant buys 5 more cases from ACME Distributing, only to find out delivery will be delayed several weeks:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	5	4	6	3	75.00	**225.00**

Hoping to keep a customer happy, Brilliant delivers the 4 cases it has on hand, entering a delivery note:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	5	0	2	3

ACME surprises Brilliant, making a partial delivery of 3 cases, so Brilliant enters a goods receipt for that amount:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	2	3	2	3

Now Brilliant Industries can fulfill the remaining balance of 2 cases on its sales invoice to Lumen Lighting. It enters a delivery note for the final 2 cases:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned	Average cost	Total cost
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	2	1	0	3	75.00	**225.00**

Brilliant now has 1 case in its warehouse and awaits receipt of 2 more. When they arrive, it enters a final goods receipt for 2 cases and sanity is restored:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name	Qty to receive	Qty on hand	Qty to deliver	Qty owned
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75.00	100.00	Case	0	3	0	3

Note

Delivery notes and goods receipts are insensitive to workflow. Manager will allow you to receive or deliver goods before you have purchased or sold them. Negative quantities to be received or delivered may show in the `Inventory Items` list until covered by purchase or sales transactions. Quantities on hand and owned will be correct.

Caution

Think carefully before enabling the `Delivery Notes` or `Goods Receipts` tabs. Once you have started using them, you must continue. Manager will not allow you to disable the tabs after the first delivery note or goods receipt is created. The functionality these tabs provide can be very important for some businesses. But they also entail extra work every time an inventory item is purchased or sold. Consider creating a test company to explore whether they are truly necessary for your business. They can always be added later.

Inventory reports with delivery notes and goods receipts

Inventory reports available are not affected by activation of `Delivery Notes` and `Goods Receipts` tabs. All reports are based on items owned. Thus, they reflect purchases and sales, regardless of whether items have been received or delivered.

8.1.3 Manage inventory - Part 3 Conclusion

Part 1 of this Guide on how to **manage inventory** covers purchasing, producing, and selling inventory items in BILLBOOKS. It also covers backorders and content of inventory reports when only basic functions are enabled. If you have not yet read Part 1, you should read it first.

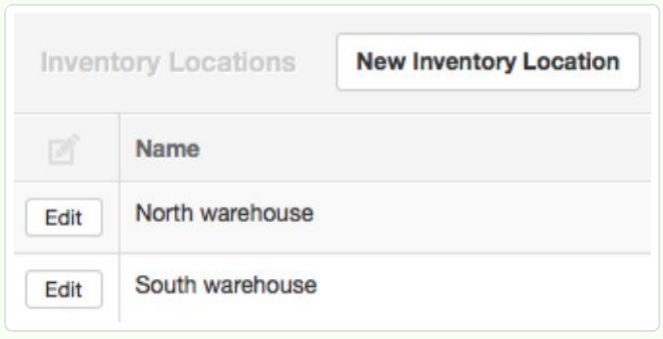
Part 2 covers more advanced features, including inventory kits, delivery notes, and goods receipts. It describes how the program's behavior changes when these additional functions are used. If you have not read Part 2, you should read it after Part 1.

This Part 3 describes additional capabilities: inventory locations, transfers, and write-offs. You will need to understand information in Parts 1 and 2 before you can use the capabilities discussed here.

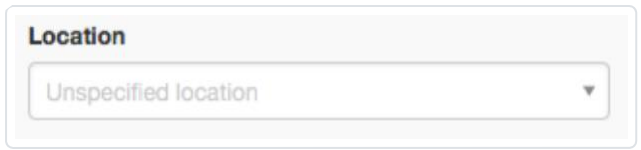
Inventory locations

Inventory locations are separate places where physical inventory is held, such as warehouses, retail shops, and workrooms. They are defined under `Settings`. By default, all inventory is held at a location named *Unspecified location* until transferred elsewhere.

Example
Brilliant Industries decides to open a second warehouse for inventory storage and shipment. It names the original warehouse *North warehouse* and the new one *South warehouse*:



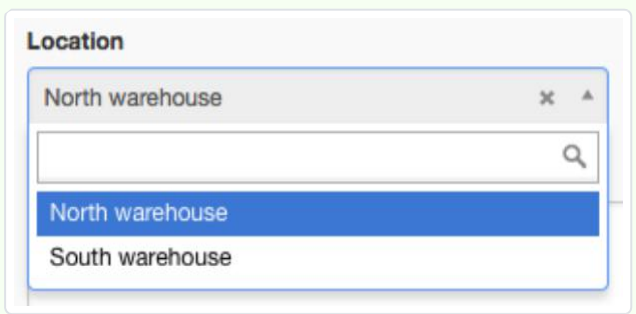
If inventory locations have been defined, a field appears on cash receipt and payment forms to select which `Location` the items will be delivered from or received into:



A cash sale or purchase is presumed to involve immediate delivery or receipt of goods from or to a location that can be specified at the time of the transaction.

The same field will appear on sales and purchase invoices unless the `Delivery Notes` and `Goods Receipts` tabs are enabled. Then, location must be selected on the corresponding delivery note or goods receipt. This is because a credit sale or purchase may involve delivering or receiving goods from or to different locations at different times.

Example
Brilliant Industries must now make a location selection on every cash receipt or payment and every delivery note or goods receipt:



Inventory transfers

To move inventory between locations, enable the `Inventory Transfers` tab. Transfers can shift one or more inventory items in any quantities between locations, regardless of whether the stock is owned by the business or already committed in a sales transaction. BILLBOOKS will correctly track which stock is owned, to be delivered, etc.

Example

Brilliant Industries uses an inventory transfer to move about half its inventory from the *Unspecified location* to *North warehouse*:

Inventory Transfer

Date 08/10/2017 **Reference** # 1

Description Optional

Item	Description	Qty
101 Table lamp	White ceramic lamp with silk shade	10
222 Lamp kit	Ceramic lamp base with socket	3
388 Lamp shade	Ivory silk lamp shade	3
395 Lamp cord	2-meter replacement lamp cord	3
410 24 lm LED	Case of 12 24-lumen LED bulbs	2
463 60 W bulb	Twin-pack of 60 Watt bulbs	20

Add line

From Unspecified location

To North warehouse

It transfers the remaining inventory to *South warehouse*. A new report, Inventory Quantity by Location, became available when the new locations were created. That report now shows where all of Brilliant's stock is stored:

Brilliant Industries

Inventory Quantity by Location

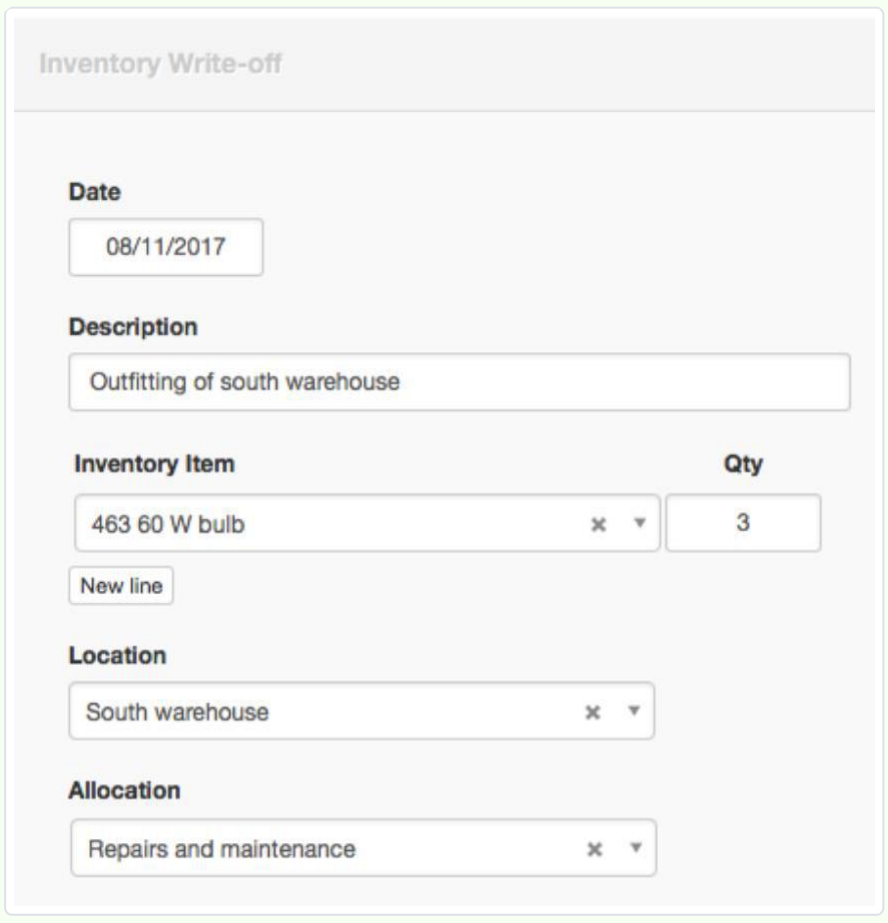
As at 8/10/2017

	North warehouse	South warehouse	Unspecified	Total
24 lm LED	2	1	-	**3**
60 W bulb	20	23	-	**43**
Lamp cord	3	3	-	**6**
Lamp kit	3	3	-	**6**
Lamp shade	3	3	-	**6**
Table lamp	9	9	-	**18**

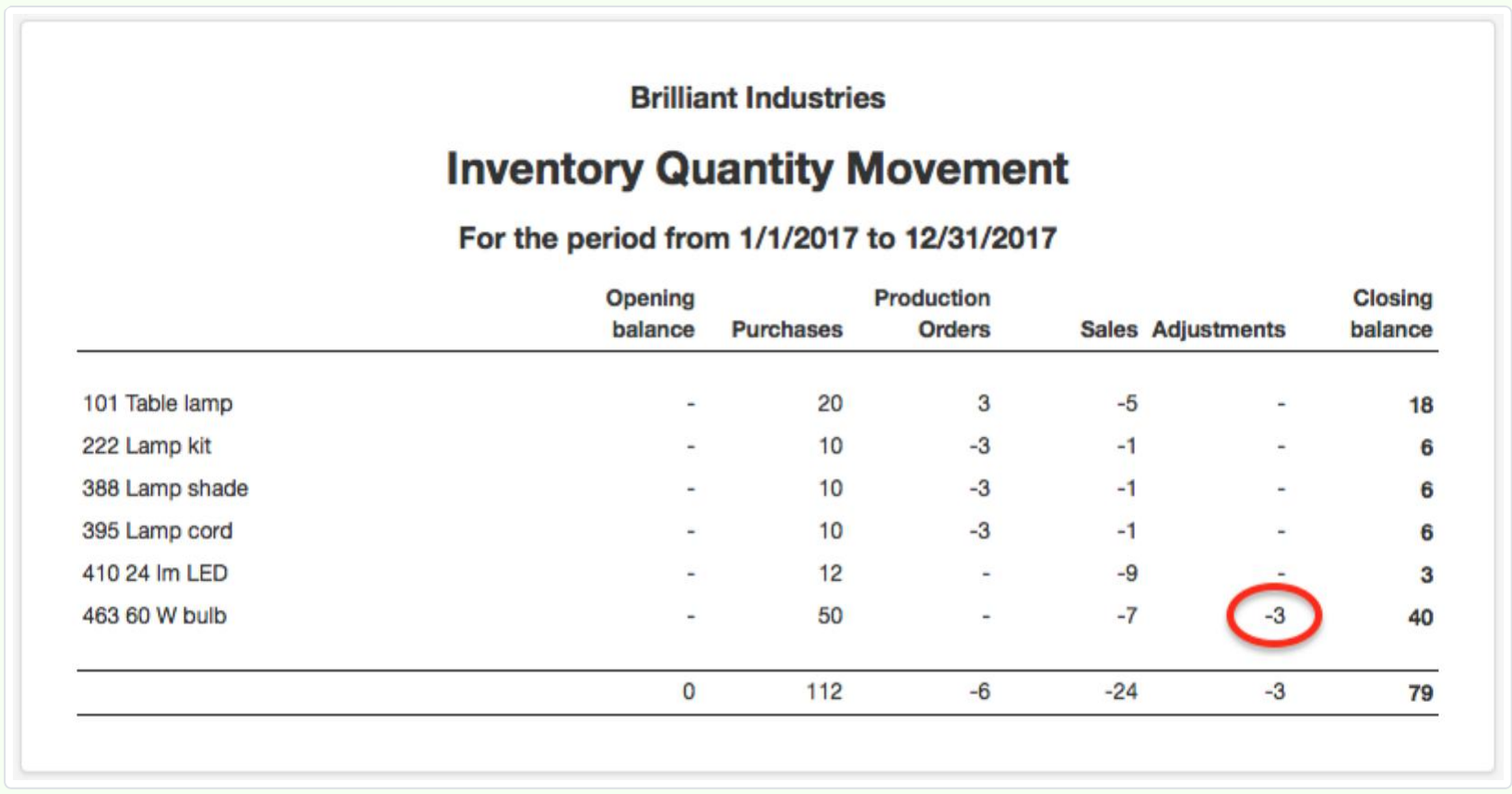
Inventory write-offs

Inventory is sometimes lost, stolen, damaged, or spoiled and no longer available for sale. Or, it may be consumed for internal company purposes, given away for marketing reasons, and so forth. In these situations, the value of inventory must be transferred to an appropriate expense account. Inventory write-offs accomplish such transfers and correct quantity counts. To write off inventory, first enable the `Inventory Write-offs` tab.

Example
Brilliant Industries uses several 60 W light bulbs from its inventory when moving into the new south warehouse. So it writes them off to a *Repairs and maintenance* expense account:



The procedure would have been identical if those light bulbs had been broken during the move, but a different expense account might have been chosen. The Inventory Quantity Movement report reflects the adjustment:



Brilliant Industries

Inventory Quantity Movement

For the period from 1/1/2017 to 12/31/2017

	Opening balance	Purchases	Production Orders	Sales	Adjustments	Closing balance
101 Table lamp	-	20	3	-5	-	**18**
222 Lamp kit	-	10	-3	-1	-	**6**
388 Lamp shade	-	10	-3	-1	-	**6**
395 Lamp cord	-	10	-3	-1	-	**6**
410 24 lm LED	-	12	-	-9	-	**3**
463 60 W bulb	-	50	-	-7	-3	**40**
	0	112	-6	-24	-3	**79**

The Inventory Value Movement report likewise shows an adjustment to value and average cost. And the Inventory Quantity by Location report shows a reduction in quantity on hand at the south warehouse.

Inventory effects on financial statements

Inventory transactions affect both the Balance Sheet and Profit and Loss Statement. Many transactions are posted to accounts created automatically by BILLBOOKS as relevant tabs are enabled. The principal accounts involved are used as follows:

- *Inventory on hand*, an asset account, reports the value of all inventory items owned but not yet sold. Recorded inventory value can generate future income.
- *Inventory – sales*, an income account, records revenue earned from sales of inventory items.
- *Inventory – cost*, an expense account, records the cost (at average cost) of inventory items sold.

Additionally, expense accounts are typically created to collect non-inventory costs of production orders, write-off expenses for advertising, breakage and loss, and internal consumption.

Example
Brilliant Industries' Balance Sheet and Profit and Loss Statement for the year encompassing all example transactions in the three parts of this Guide are shown below. For purposes of illustration, no other transactions are included:

Balance Sheet
As at 12/31/2017

Assets	**10,171.73**
Cash at bank	3,067.50
Inventory on hand	4,432.53
Accounts receivable	2,671.70
Less Liabilities	**5,388.50**
Accounts payable	5,388.50
Tax payable	-
Equity	**4,783.23**
Retained earnings	1,283.23
Starting balance equity	3,500.00

Profit and Loss Statement
For the period from 1/1/2017 to 12/31/2017

Operating income	**2,971.70**
Inventory - sales	2,971.70
Less Cost of goods sold	**1,752.97**
Inventory - cost	1,752.97
Gross operating profit (loss)	**1,218.73**
Less Operating expenses	**–64.50**
Accounting fees	-
Advertising and promotion	-
Bank charges	-
Electricity	-
Equipment	-
Manufacturing labor	–75.00
Rent	-
Repairs and maintenance	10.50
Net operating profit (loss)	**1,283.23**

Caution
If cash basis accounting is employed, inventory transactions on open sales and purchase invoices are ignored. This can result in large differences between the main financial statements and inventory reports, making it very difficult to reconcile and verify accounting records. A more complete and accurate representation of business position and performance is provided by accrual basis accounting. For this reason, most accountants strongly prefer accrual basis accounting. And in some tax jurisdictions, companies selling inventory are legally required to use it.

8.2 Inventory Items

8.2.1 Create and manage inventory items

Inventory items are used to identify, count, and manage physical goods or materials held by a business for sale or production. They are used when entering line items in many transaction forms in BILLBOOKS. Beyond being the foundation of quantity monitoring, they:

- Standardize terminology by always referring to a product with identical language
- Improve accounting accuracy by always posting similar income or expense items to the same accounts
- Store and apply consistent prices to frequently sold or purchased goods
- Speed up entries by automatically filling information on forms

Note
Inventory items are used for sale, purchase, and management of physical goods, because they support counting quantities on hand, monitoring stock movement, and calculating profitability. For commonly sold or purchased goods or services that are not managed in this way, use non-inventory items.

Enabling the `Inventory Items` tab

To use any inventory-related function in BILLBOOKS, enable the `Inventory Items` tab. At the bottom of the left navigation pane, click `Customize`, check the box for Inventory Items, and click `Update` below the list:

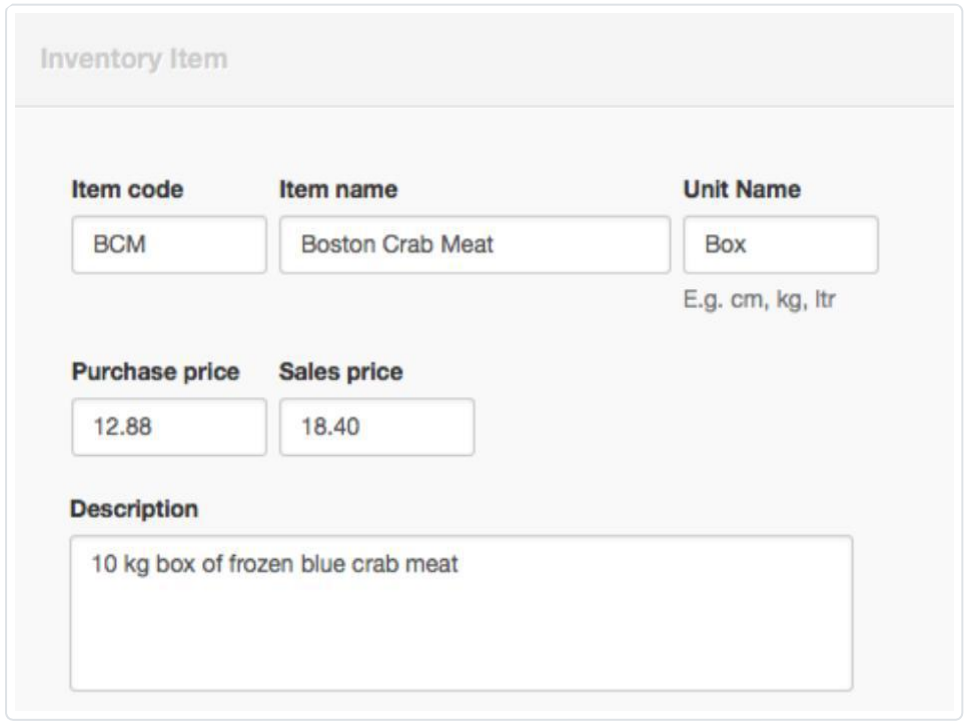


Basic steps for creating inventory items

In the `Inventory Items` tab, click the `New Inventory Item` button:



Complete the definition:



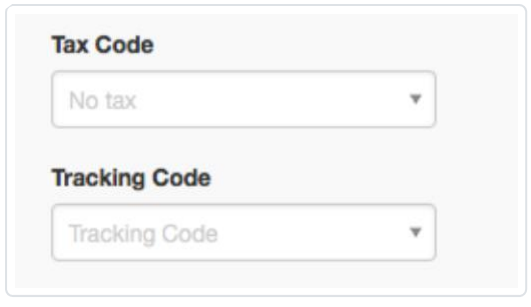
- `Item code` can be anything that helps find, sort, or categorize the item. This could be a stock-keeping unit (SKU) code, a model number, or a simple memory aid. It must be unique and should be short. Codes will appear on forms if they are used. Serial numbers are not acceptable item codes, because every unit of inventory would be treated as a separate product.
- `Item name` should be a relatively brief, informative name for the inventory item. It will appear when searching for an inventory item to complete a line item. It will also appear on various management reports. If no further description of the item is entered, `Item name` will appear in the `Description` field on completed forms, such as sales invoices.
- `Unit Name` is optional, but can be used to specify units by which the item will be sold, purchased, and counted. Only one unit name is allowed; if materials are purchased and sold in different units, either apply conversions before making entries or create separate inventory items and use production orders or inventory kits to handle the differences.
- `Purchase price` is the price at which the item is usually purchased. This can remain blank if prices vary from purchase to purchase. If a purchase price is entered, it will be automatically populated into purchase-related forms, but can be edited.
- `Sales price` is the price at which the item will be sold. Leave blank if the sales price frequently changes. If a sales price is entered, it will appear automatically on sales-related forms, but can also be edited.
- The `Description` field is for more comprehensive information. Its contents, if present, will appear on finished forms in place of `Item name`, so it should also adequately identify the item, not simply add detail. Anything a customer or supplier should see can be placed into this field.

Click `Create` to save the inventory item (or continue by adding additional detail as described below). The inventory item will be visible in the `Inventory Items` tab:

	Item code	Item name	Description	Purchase price	Sales price	Unit Name
Edit	BCM	Boston Crab Meat	10 kg box of frozen blue crab meat	12.88	18.4	Box

Adding detail to inventory items

Additional options are available by making selections in dropdown lists or checking boxes. Relevant information defined this way will be prefilled when the inventory item is added to a transaction:

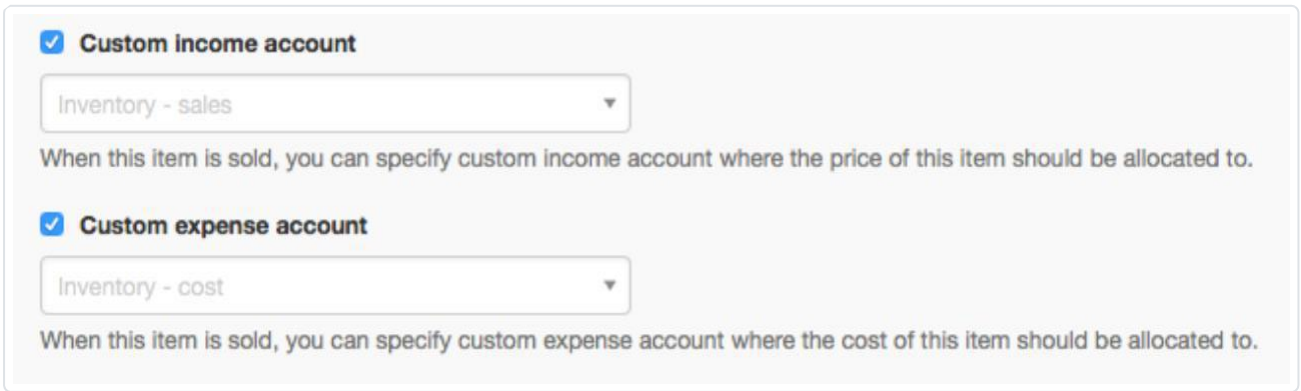


- If at least one `Tax Code` has been created under `Settings`, the one usually applicable to the inventory item may be selected in a dropdown box. This choice can be edited on forms.
- If at least one `Tracking Code` has been created under `Settings`, one usually applicable to the inventory item may be selected. This choice can also be edited on forms.

Several accounts are activated automatically when the `Inventory Items` tab is enabled and the first inventory item is created. By default, inventory transactions will post to these:

- *Inventory on hand*, an asset account
- *Inventory - sales*, an income account
- *Inventory - cost*, an expense account

For many businesses, these are sufficient. But for businesses wishing to further divide inventory accounts, two checkboxes indicate whether sales or purchases of the inventory item should be posted to custom accounts created by the user. When these are checked, fields appear for non-standard account designation. Such custom accounts must be created first in the chart of accounts:



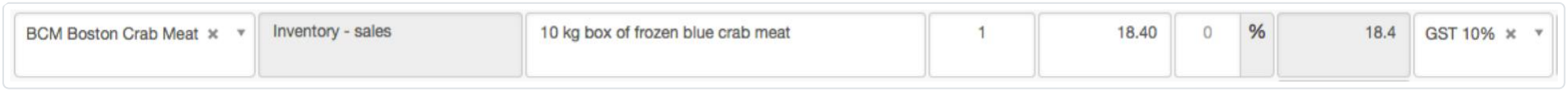
> **Note**
> Inventory items cannot be assigned to control accounts because Manager has no way to determine in advance which subaccount is applicable, so the transaction would be posted to *Suspense*. For example, an inventory item cannot be assigned to *Billable expenses*, because the required customer would be unknown.

Using inventory items

Inventory items can be used for:

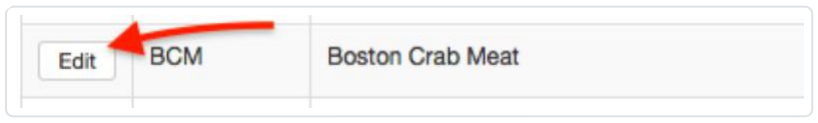
- Receipts and payments
- Expense claims
- Sales quotes
- Sales and purchase orders
- Sales and purchase invoices
- Credit and debit notes
- Delivery notes
- Goods receipts
- Inventory transfers and write-offs
- Production orders
- Journal entries

When completing most of these forms, an `Item` field will appear at the left end of line items whenever any applicable inventory or non-inventory items have been defined. To use an inventory item, click on the dropdown box of the `Item` field. Or, begin typing the `Item Code` or `Item Name` in the field to take advantage of the autosearch capability. When an inventory item has been selected, all its parameters will automatically be filled for the line. Either cost price or sales price will be used, depending on the type of form. Anything can be edited:



Updating inventory items

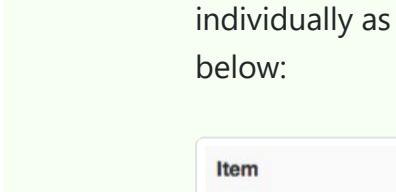
Inventory items can be updated when required, such as when a price change occurs. In the `Inventory Items` tab, click `Edit` for the item to be changed:



Edit the item as desired and click `Update`. Existing forms using the inventory item **will not be modified**. Only future forms will be affected.

If the inventory item is no longer needed, it can be deleted as long as it has never been used. But BILLBOOKS will not allow inventory items to be deleted if they have been used. In that case, check the Inactive box, and the inventory item will no longer be available.

If an inactive inventory item becomes useful again, scroll to the bottom of the inventory item list, where you will see the item's name in light grey text with strike-through markings. Click `Edit` next to the item's name:



Uncheck the Inactive box and the item will once again be available. Remember to click `Update` when finished editing.

8.2.2 Use inventory kits

An **Inventory kit** is a defined group of inventory items that are sold together but not counted or necessarily stored together. The individual components of the kit may also be sold separately on other occasions. When an inventory kit is sold, component items are picked from their individual storage locations for delivery. The inventory kit is not a manufacturing tool, but a sales shortcut with several benefits. It:

- Minimizes transaction entry time
- Standardizes pricing (discounts or premiums) for items sold together
- Reduces need to assemble kits in advance
- Eliminates demand forecasting of kit sales versus component sales

Example
Northwind Traders sells a wide range of individual food products from around the world. Each is stocked and sold individually as an inventory item with its own price. Three items could be entered on a cash receipt or sales invoice as below:

Item	Account	Description	Qty	Unit price	Amount
Chef Anton's Cajun Seasoning	Inventory - sales		1	22.00	22
Chef Anton's Gumbo Mix	Inventory - sales		1	21.35	21.35
Louisiana Hot Spiced Okra	Inventory - sales		1	17.00	17
Add line					60.35

But Northwind has found it can sell more by also advertising the same three products as the "Cajun cuisine pack." So it creates an inventory kit, offering the three items together, at a discount.

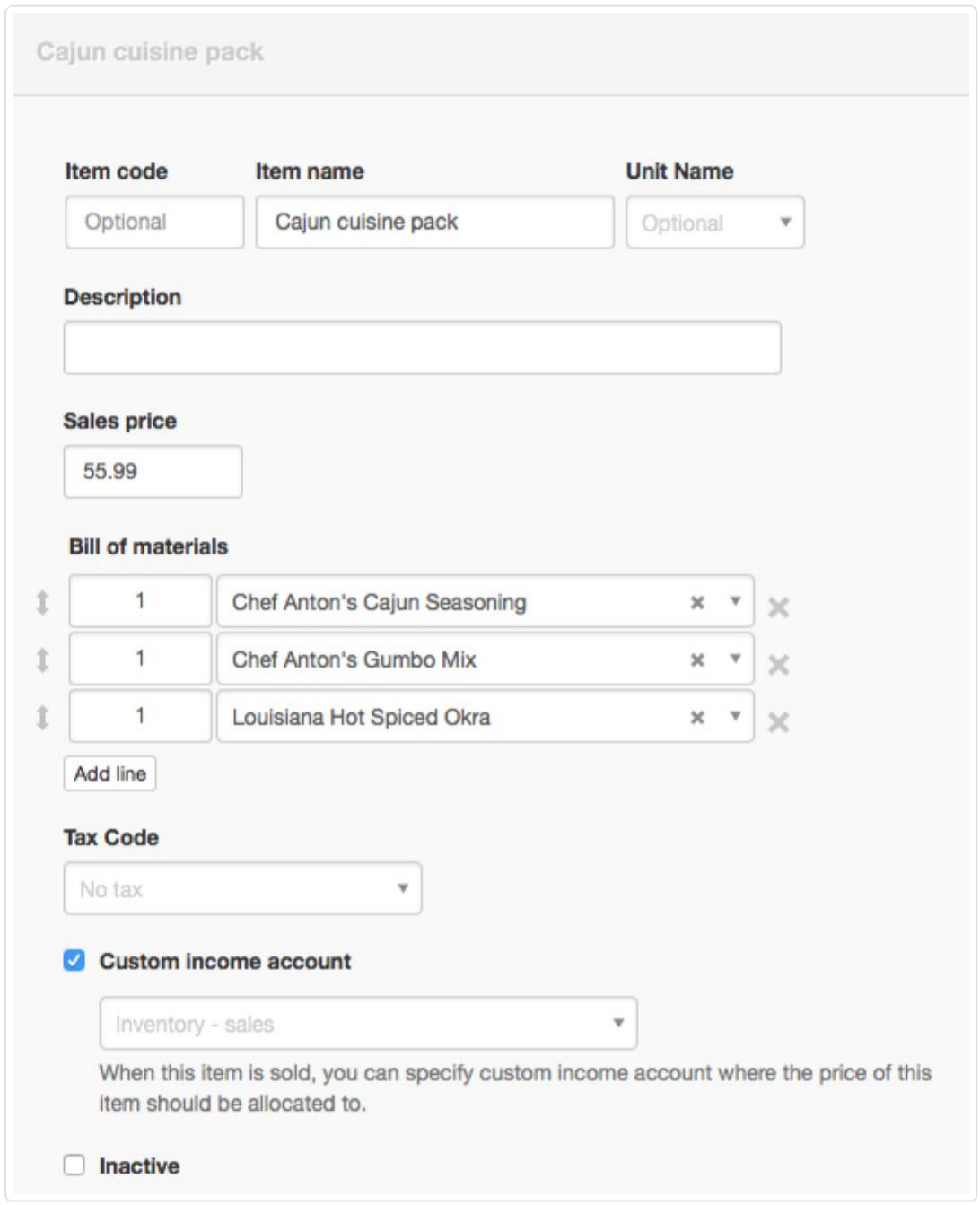
Create an inventory kit

Before an inventory kit can be created, all items in it must first be created as individual inventory items. Procedures are described in another Guide. Once all component inventory items have been created, the kit can be defined.

Go to the `Settings` tab and click `Inventory Kits`:



Complete the entry:



- `Item code` can be anything that helps find, sort, or categorize the item. This could be a stock-keeping unit (SKU) code, a model number, or a simple memory aid. It must be unique and should be short. Codes will appear on forms if they are used.
- `Item name` should be a relatively brief, informative name for the inventory kit. It will appear when searching for an inventory kit to complete a line item. If no further description of the item is entered, `Item name` will appear in the `Description` field on completed forms, such as sales invoices.
- `Unit Name` is optional, but can be used to specify units by which the kit will be sold.
- The `Description` field is for more comprehensive information. Its contents, if present, will appear on finished forms in place of `Item name`, so it should also adequately identify the kit, not simply add detail. Anything a customer should see can be placed into this field.
- `Sales price` is the price at which the kit will be sold. The price can be higher or lower than the sum of component prices. Leave blank if the sale price frequently changes. If a sale price is entered, it will appear automatically on sales-related forms, but can also be edited.
- Under `Bill of materials`, enter quantities and inventory items making up the kit.
- A `Tax Code` can be specified, if applicable.
- A `Custom income account` can be specified if the kit's revenue is to be posted somewhere besides the default *Inventory - sales* account.
- An `Inactive` box can later be checked if the kit is no longer sold. Inactive kits do not appear when searching for items on transaction forms.

Click `Create` to save the inventory kit. The completed definition is available for printing, emailing, or other purposes by clicking `View`. Inventory kits can also be cloned as the starting point for defining other inventory kits with similar, but not identical, components:

InventoryKitView | Edit | Clone | Print | PDF | Email | Switch Theme

Inventory kit

NORTHWIND TRADERS

Cajun cuisine pack

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Bill of materials

Qty	Item name	Description
1	Chef Anton's Cajun Seasoning	
1	Chef Anton's Gumbo Mix	
1	Louisiana Hot Spiced Okra	

Note
No quantities on hand can be specified for inventory kits, because they do not exist as separate items in inventory.

Using an inventory kit

Once a kit has been defined, it is used exactly like an inventory item on sales-related transaction forms. But it never has to be counted, because no actual separate stock exists. Only components are managed as physical inventory.

Example
Northwind sells the inventory kit illustrated above, saving time and ensuring pricing accuracy:

Description	Qty	Unit price	Amount
Cajun cuisine pack	1	55.99	55.99
		Total	**55.99**

An inventory kit does not appear on the Inventory Quantity Movement or Inventory Value Movement reports. But its sale contributes to those reports through component items. In the case of the Inventory Value Movement report, component costs defined for the inventory items are used. Sale price of the kit has no effect on that report.

8.2.3 Set starting balances for inventory items

Starting balances for inventory exist only if you are transferring an existing business to BILLBOOKS from another accounting system. In that case, you need to set starting balances for inventory items already in stock, including both quantities and average costs. Your starting balances in BILLBOOKS will be your closing balances from your previous accounting system.

Set a start date

Starting balances cannot be entered unless a start date is set. To set a start date, following procedures in this Guide.

Create inventory items

All inventory items on hand on your start date must first be created in the `Inventory Items` tab. Follow procedures in this Guide. (Other items can be added as they come in.)

Example
Brilliant Industries has six different inventory items in stock on the day it begins using Manager. It sets a start date and defines those six items:

Inventory Items | New Inventory Item

	Item code	Item name	Description	Purchase price	Sales price	Unit Name
Edit	101	Table lamp	White ceramic lamp with silk shade	195	345	Each
Edit	222	Lamp kit	Ceramic lamp base with socket	87	123	Each
Edit	388	Lamp shade	Ivory silk lamp shade	24.35	55.99	Each
Edit	395	Lamp cord	2-meter replacement lamp cord	3.25	5.79	Each
Edit	410	24 lm LED	Case of 12 24-lumen LED bulbs	75	100	Case
Edit	463	60 W bulb	Twin-pack of 60 Watt bulbs	3.5	7.95	Pack

Enter starting balances

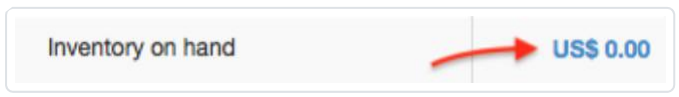
When you initially enter inventory items, amounts in the `Qty`, `Average cost`, and `Total cost` columns of the `Inventory Items` tab will all be zero. This would have been correct if you had been starting a brand new business. New businesses all start with quantities and costs at zero.

But when you must enter starting balances, go to the `Settings` tab and click `Starting Balances`:



General procedures for entering starting balances are found in this Guide. More specific procedures for inventory items are given below.

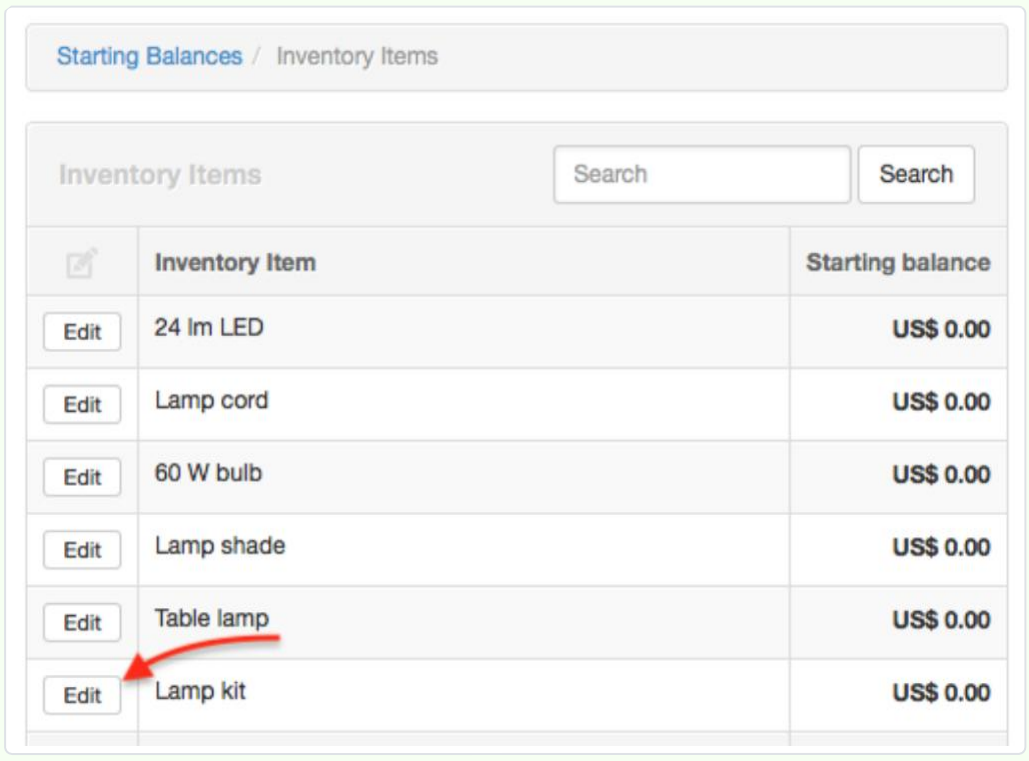
When the `Starting Balances` list appears, click on the blue balance figure for the *Inventory on hand* account under the `Debit` column. The balance should be zero until you have entered your starting balances:



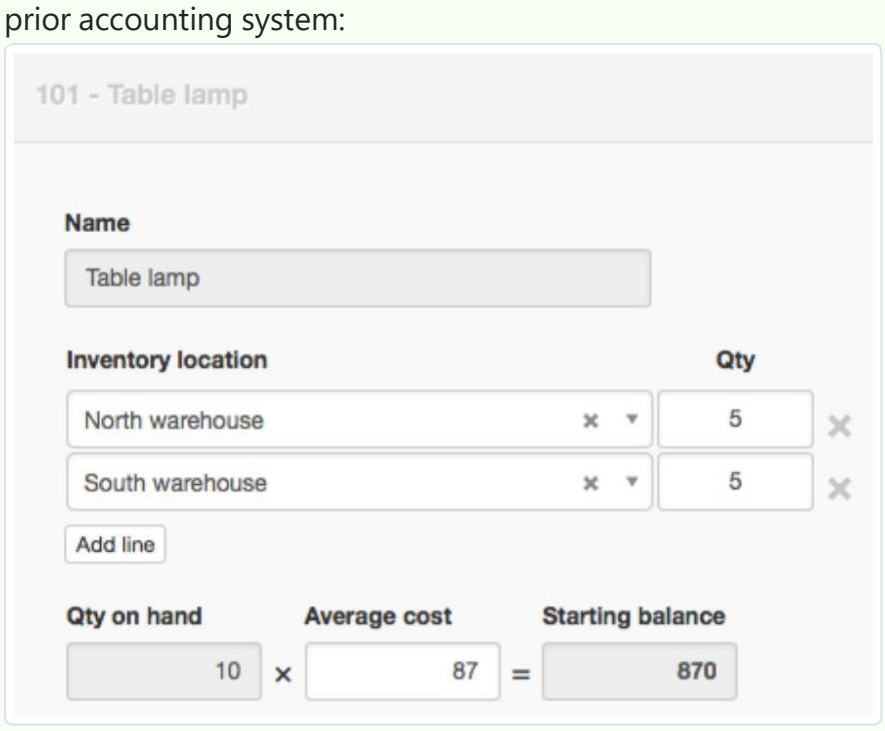
Click `Edit` for an inventory item and enter the starting quantity and average purchase cost per unit.

Example

Brilliant Industries had 10 of its lamp kits on hand on the start date. So it clicks that item's `Edit` button:



It enters the starting locations (if inventory locations are being used), quantities at each location, and average cost from the prior accounting system:



Notes

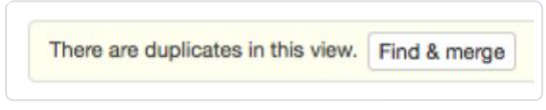
Starting balances should match the physical count on the start date. If unpaid sales or purchase invoices issued prior to the start date are entered to establish starting balances in *Accounts receivable* or *Accounts payable*, **do not** adjust the inventory item starting balance quantities for items on unpaid sales or purchase invoices. Manager ignores inventory item quantities on starting balance invoices, only using price information.

If you have many inventory items with starting balances, you can use the `Batch Update` function in the bottom-right corner of the `Inventory Items` tab, as described in another Guide:

8.2.4 Find and merge duplicate inventory items

BILLBOOKS allows you to **find and merge duplicate inventory items** into a single inventory item. It will not, however, prevent you from accidentally or purposely creating duplicates in the first place. (You might, for example, want to treat individual units and packaged cases separately.)

The program alerts you to potential duplicates whenever you are in the `Inventory Items` tab by displaying an alert:

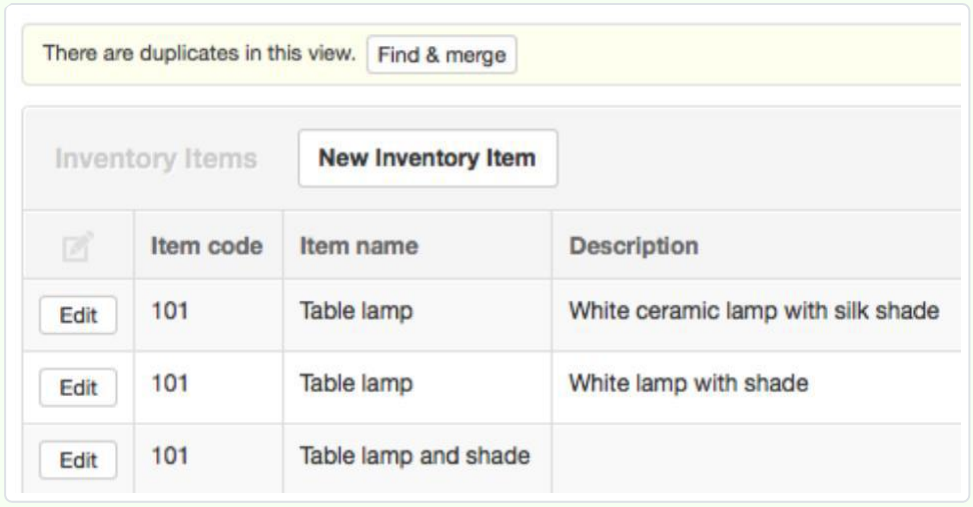


Finding duplicates

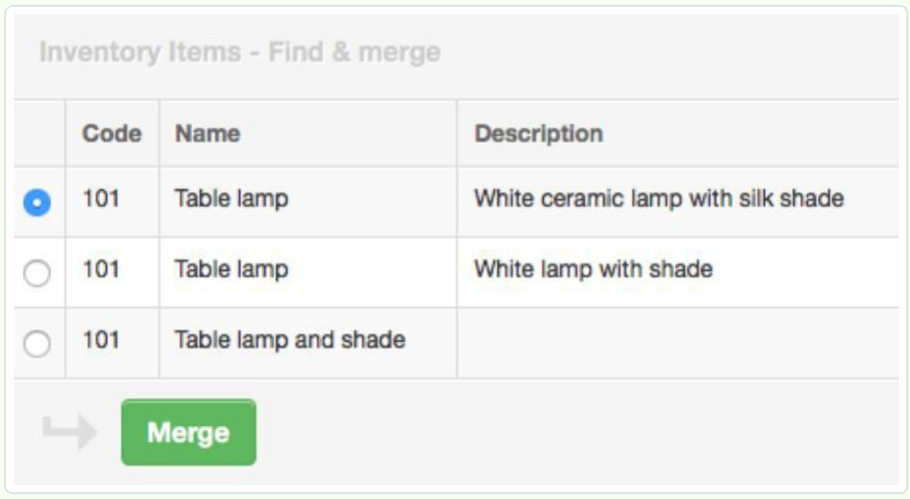
Click `Find & merge` to see a list of potential duplicate items. This search looks first for matches in the `Item code` field. If found, these override any other matches or differences. It then looks for matches in the `Item name` field. These also override other matching content except for item codes. No other fields are considered.

Example

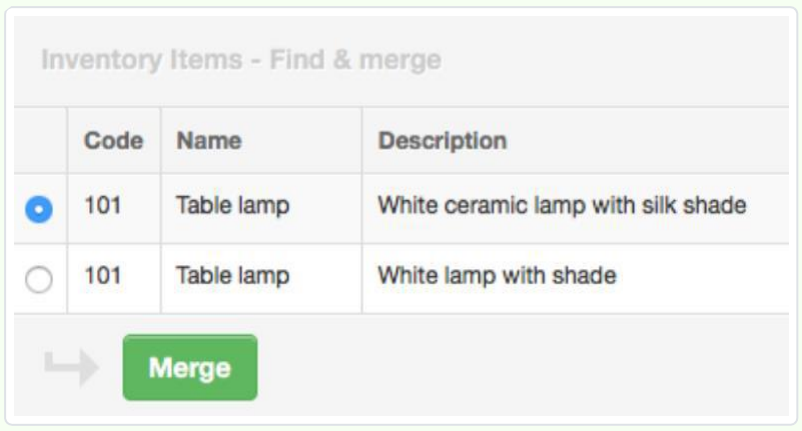
Brilliant Industries has a new inventory clerk who mistakenly creates three different inventory items for the same table lamp without checking the existing list. To make matters worse, the clerk does not follow consistent practices when defining the new items. So inventory of one item is spread among three. Fortunately, an alert appears:



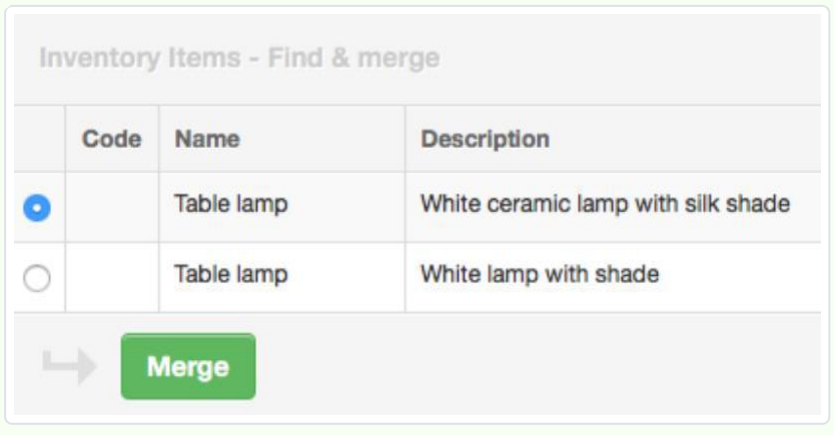
Brilliant's inventory BILLBOOKS notices the problem and clicks `Find & merge`. BILLBOOKS returns a list of matches. In this case, because item codes were used correctly, all three duplicates are found, even though names and descriptions do not match:



But what if item codes had not been used consistently or at all? If the item code had been left off the third item, only the first two would have been found, because their item codes match:



If no item codes had been used, the same two items would have been found, because their names match. The third would have been excluded because its name differs:



Note
Item codes are the most useful identifiers for inventory items because they override all other search criteria. Both code and name assignment, though, should be performed according to a consistent method to maximize the chance of finding duplicates.

Merging duplicates

To merge duplicates, click the circle to the left of the item you wish to keep. Then click `Merge`. All other items found in the search will be combined with this item. Their quantities will be merged with those of the kept item.

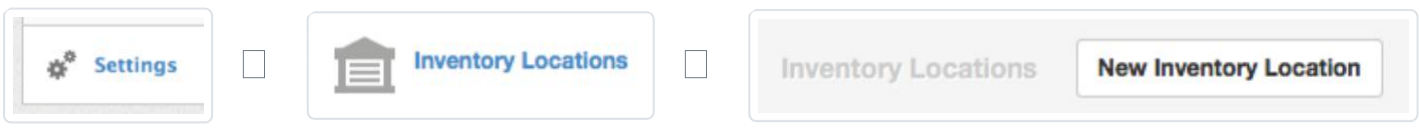
Caution
Only one item's circle can be selected at a time. Selecting another will unselect the first. You are not selecting those items to be combined. Instead, you are selecting the one item into which all items listed will be merged. Therefore, if you want an item to remain separate, edit it in the `Inventory Items` tab by changing its item code or name before initiating the `Find & merge` process.

8.3 Inventory Transfers

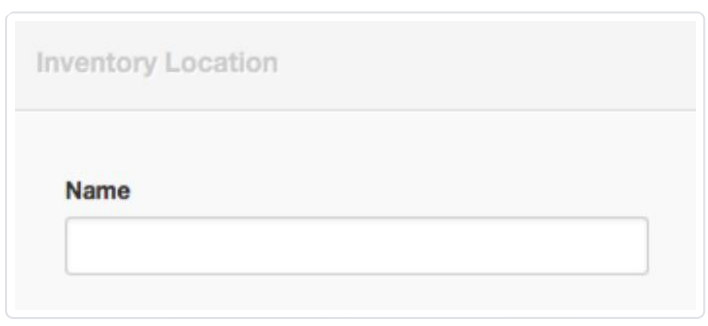
8.3.1 Add inventory locations

Businesses that keep inventory at more than one store or warehouse may need to track availability by geographic location. BILLBOOKS can do this with **inventory locations**.

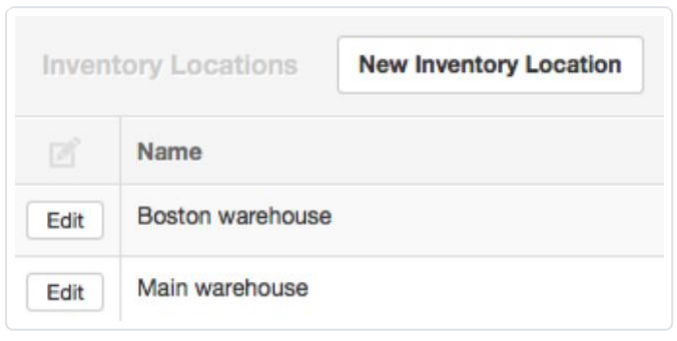
To establish locations, go to `Settings` and click `Inventory Locations`, then `New Inventory Location`:



Enter the location's name:

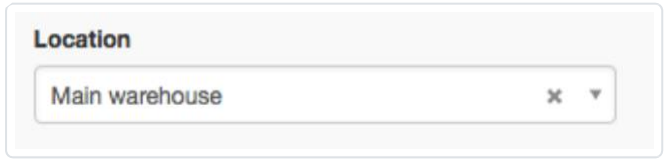


Click `Create`. The location will appear in the list of locations:



Note
By default, all inventory items in Manager are in an automatic location named *Unspecified*. This location cannot be edited or deleted and does not appear in the list of inventory locations. But inventory items can be transferred from it to other locations in the `Inventory Transfers` tab.

A field for `Location` will appear in sales and purchase transaction forms:



Use this field to select the location from or to which the inventory item will be shipped or received.

Note
If the `Delivery Notes` or `Goods Receipts` tabs are enabled, the `Location` field will be disabled. Goods shipments and receipts must then be entered with delivery notes and goods receipts to track inventory item quantities to their correct locations. Think carefully before enabling those tabs, because they impose considerable additional work.

8.3.2 Transfer inventory between locations

Inventory transfers are used to record movement of physical inventory items from one location to another without a sale or purchase being involved. They are completely optional, and can only be used when at least two inventory locations have been defined (see Notes below). Inventory locations are created as described in another Guide.

Example
Sanjay's Drum and Guitar Shop has a small retail display showroom. Because of limited space, Sanjay also rents a warehouse in a nearby industrial park where he stores most of his inventory. Sanjay creates two inventory locations: *Retail store* and *Warehouse*. As he sells items from the showroom, he brings inventory from the warehouse to replace them. He uses inventory transfers to record the movements.

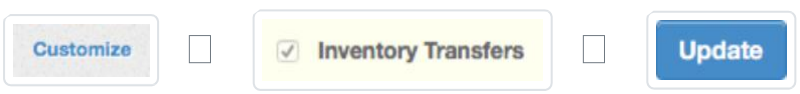
Now, if a customer wants more of an item than he has in the showroom, Sanjay can look up his full stock level and see not just how many he has in total, but how many are at each location. He can avoid ordering more until he really needs to, and can make the sale immediately (arranging to deliver from the warehouse), even though he cannot physically see his inventory.

Notes
One location automatically exists for all businesses with inventory: *Unspecified location*. Until transfers or purchases add inventory to other locations, all inventory items will be located at *Unspecified location*. Therefore, when inventory locations are first implemented, items must be counted and assigned to their correct locations. Make these assignments using inventory transfers.

Inventory items themselves are not associated with any specific inventory location, because they can be moved from one to another. Quantities at various locations are determined by the net result of purchases, sales, write-offs, and transfers, not according to item identity.

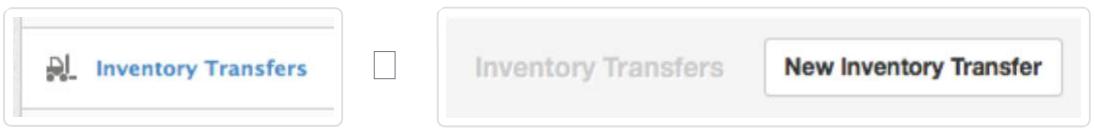
Enable the `Inventory Transfers` tab

To use inventory transfers, enable the `Inventory Transfers` tab. Click `Customize` below the left navigation pane, check the box for `Inventory Transfers`, and click `Update` below the list:

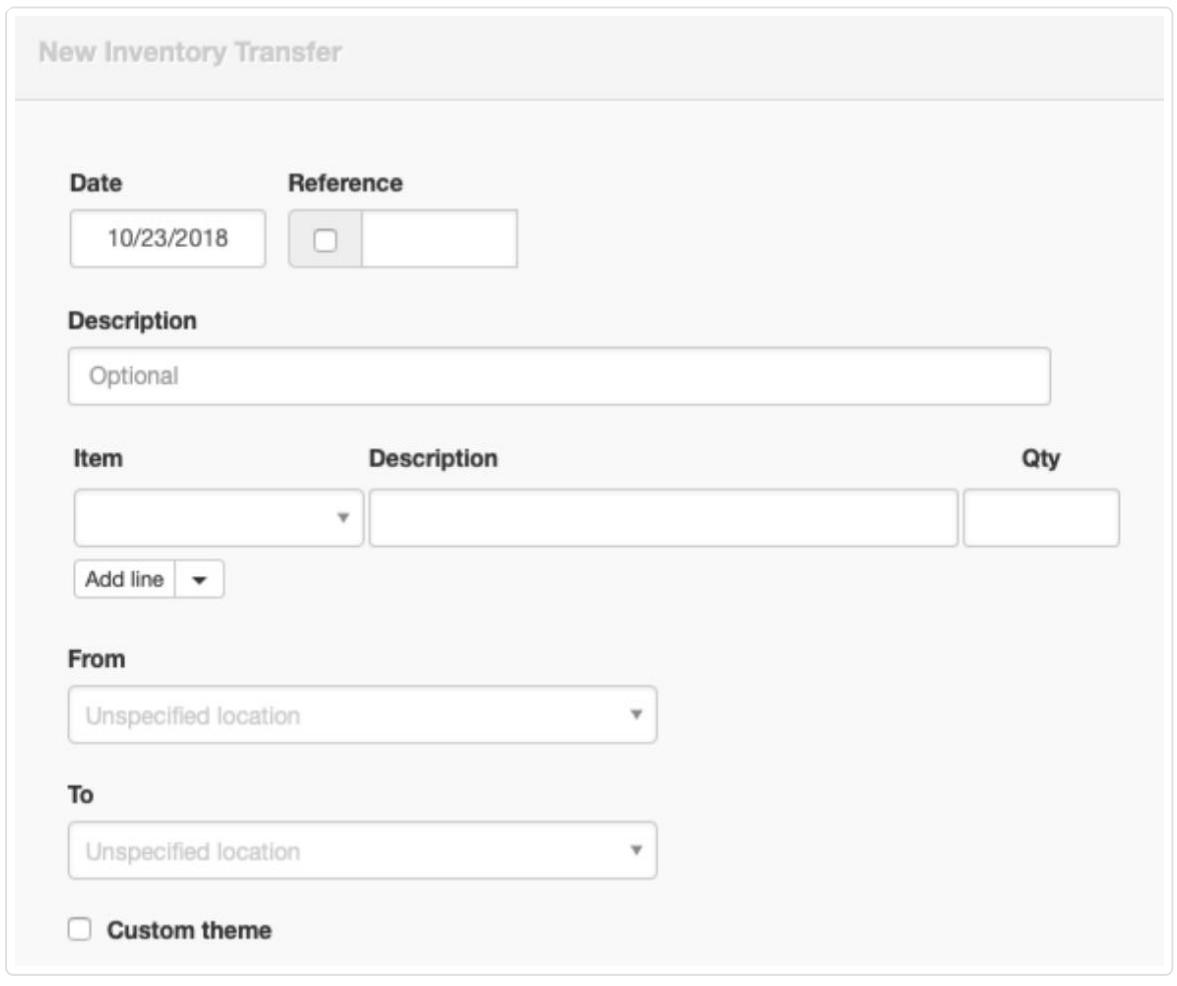


Enter the inventory transfer

In the `Inventory Transfers` tab, click `New Inventory Transfer`:



Complete the form:



- `Date` will show today's date by default. This may be edited.
- `Reference` can be used for any internal or external sequence. If the box within the field is checked, BILLBOOKS locates the highest- numbered existing inventory transfer and adds 1 to its `Reference` number.
- The first, summary `Description` is optional, allowing you to describe the transfer in general terms.
- `Item` allows you to select the inventory item by item code or item name.
- The second and all subsequent `Description` fields will prefill from inventory items' definitions, if they exist. Or descriptions can be entered manually.
- `Qty` is the number of inventory items being transferred.
- `From` is the origin location. *Unspecified location* is the default.
- `To` is the destination location. Again, *Unspecified location* is the default.

Click `Create` to record the transfer. Inventory quantities at both locations will be adjusted automatically.

> **Caution**
> Remember that the inventory transfer form only records the movement of inventory. Unless you move the proper number of items from one location to another, and unless those locations are correct, physical inventory counts will be off and reconciliation may be very difficult.

8.4 Inventory Write-Offs

8.4.1 Write off inventory

Write off inventory to record loss, damage, obsolescence, or other non-revenue reductions of inventory. When inventory items are written off, they are no longer available for sale or production, so they are no longer assets in the *Inventory on hand* account. Their value must be transferred to some expense account. This is done in the `Inventory Write-offs` tab.

Example
ACME Distributing gives away samples of its products at trade shows. To keep inventory records accurate, it writes off the items, allocating the expense to a *Trade show advertising* account. The balance of *Inventory on hand* declines.

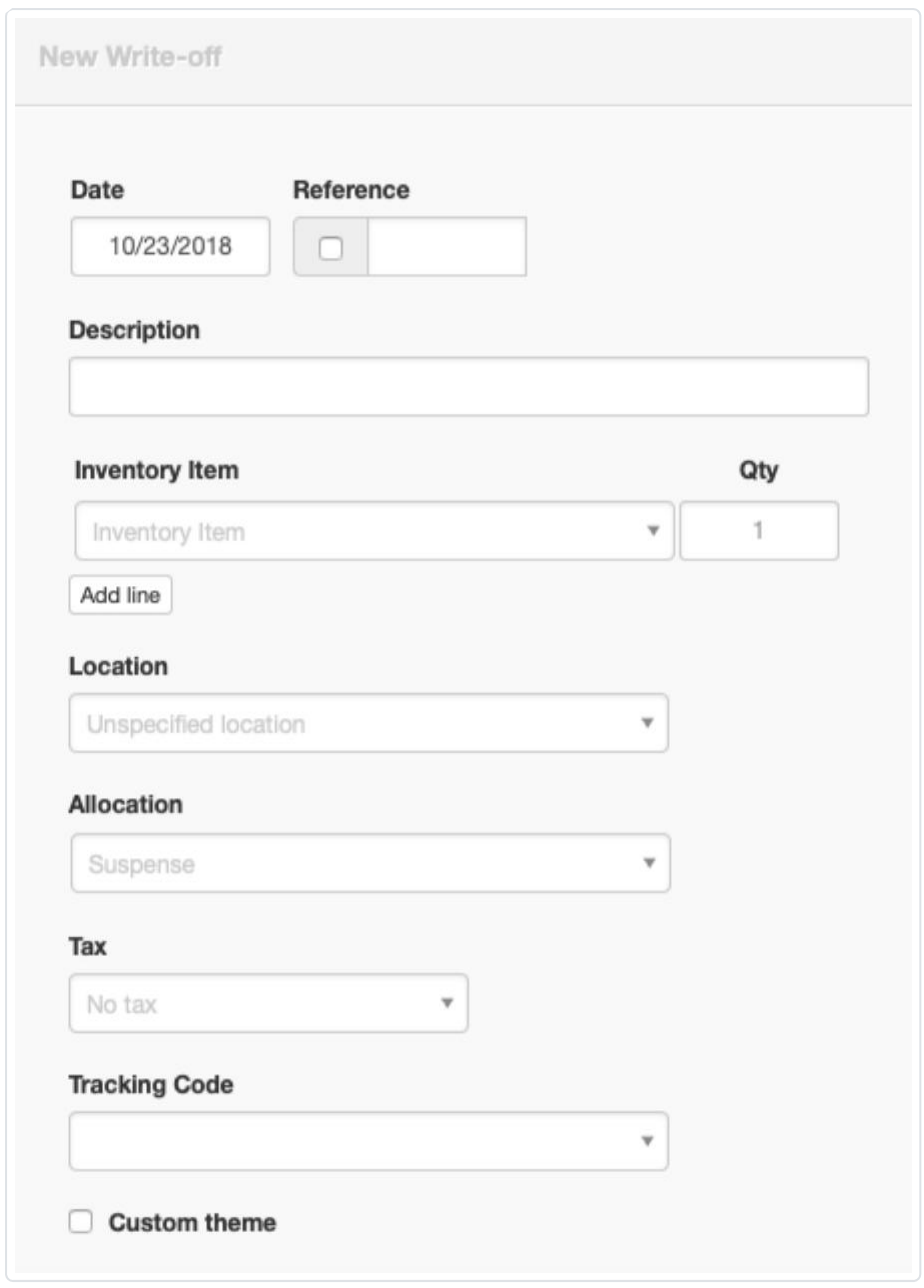
Enable the `Inventory Write-offs` tab

Click `Customize` below the left navigation pane, check the box to enable `Inventory Write-offs`, and click `Update`:

Enter the write-off

In the `Inventory Write-offs` tab, click `New Write-Off`:

Complete the form. Some fields appear only when relevant selections have been made in the `Settings` tab:



- `Date` will be today's date by default. This may be edited.
- `Reference` can be used for any internal or external sequence. If the box within the field is checked, BILLBOOKS will assign a number automatically. The program will find the highest existing number among all inventory write-offs and add 1. This field can be edited.
- `Description` is for a summary narration explaining the write-off.
- `Inventory item` is where you select the item being written off. Both item codes and item names show in the dropdown box.
- `Qty` is the number of items being written off.
- `New line` allows you to add inventory items to the transaction.
- `Location` (if any are defined under `Settings`) lets you select where the write-off is occurring.

- `Allocation` is where you select the account to be debited. Only expense accounts and certain balance sheet accounts can be chosen.
- `Tax` allows you to select a tax code if the acquisition of the inventory item was subject to tax.
- `Tracking code` lets you choose an applicable code.

Click `Create` to write off the inventory item(s) and make all necessary accounting adjustments.

8.5 Delivery Notes

8.5.1 Create delivery notes

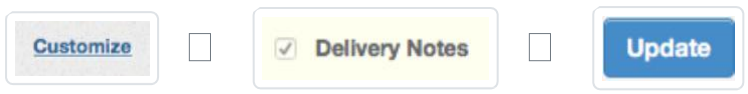
Delivery notes document the delivery of goods. They can be used as:

- Physical (as opposed to financial) records of sales transactions
- Packing lists
- Delivery route instructions
- Confirmation of receipt (when acknowledged by a customer)

They have no financial impact. Indeed, they include no financial information. Delivery notes are completely optional. Without them, that is, when the `Delivery Notes` tab is not enabled, delivery of goods is assumed to occur as soon as the sales invoice or receipt form is created.

Enable the `Delivery Notes` tab

To use delivery notes, first enable the `Delivery Notes` tab. Click `Customize` below the left navigation pane, check the box for `Delivery Notes`, and click `Update` below the list:



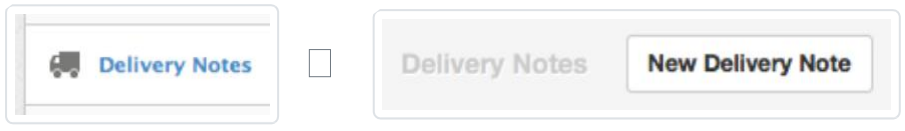
Create a delivery note

Delivery notes can be created five ways:

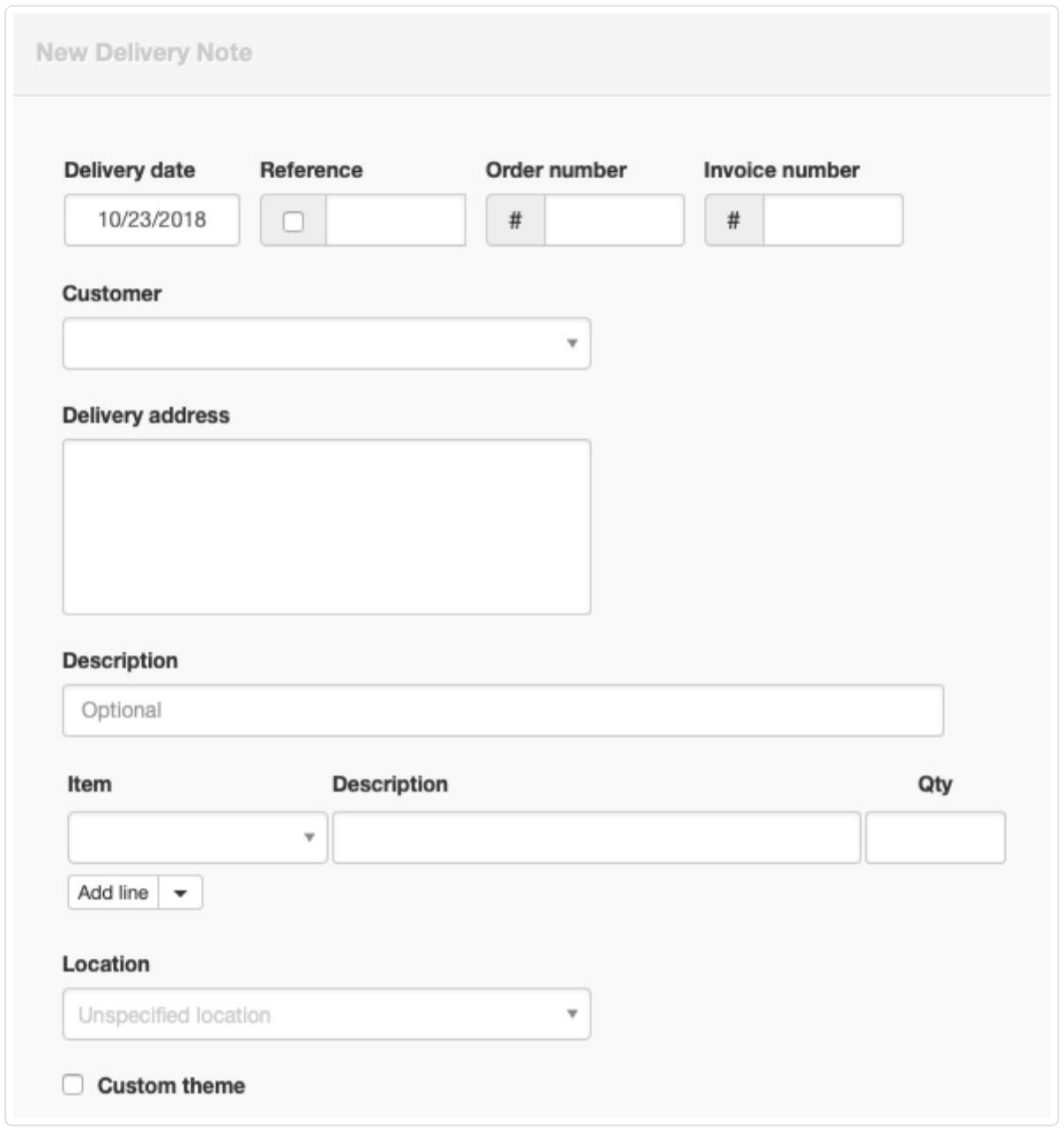
- Standard method
- From a sales quote
- From a sales order
- From a sales invoice
- From a credit note

Standard method

In the `Delivery Notes` tab, click `New Delivery Note`:



Complete the delivery note entry form:



- `Delivery Date` contains today's date by default, but may be edited.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing delivery notes and add 1.
- `Order number` is the corresponding sales order number, if any.
- `Invoice number` is the corresponding sales invoice number, if any.
- `Customer` is a predefined customer from the `Customers` tab. Delivery notes cannot be created for "walk-in" buyers.
- `Delivery Address` will **not** be the customer's billing address, but must be filled in as a separate entry.
- The first `Description` is for an optional summary of the entire delivery.
- `Item` allows you to select inventory items or non-inventory items.
- The second and all subsequent `Description` fields describe individual line items. If this field is defined for an inventory or non-inventory item, that definition will automatically be carried over. The field may be edited.
- `Qty` is the quantity of the line item being delivered **at this time**.
- `Add line` allows you to add more line items 1, 5, 10, or 20 at a time.
- `Location` appears if inventory locations are defined under `Settings`. Choose which location goods are delivered from.

Click `Create` to issue the delivery note. All necessary adjustments to inventory quantities and status by location occur automatically.

Example

Northwind Traders has sold 5 boxes of frozen blue crab meat to Great Lakes Food Market. Northwind issued sales invoice #46224. It issues delivery note #311 as a packing list for the shipment:

Delivery Note

NORTHWIND TRADERS

Great Lakes Food Market
2988 Charlie Avenue
Unit4B
Eugene OR 97401
USA

Delivery Date
11/17/2016

Reference
311

Order number
98765

Invoice number
46224

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Frozen food delivery

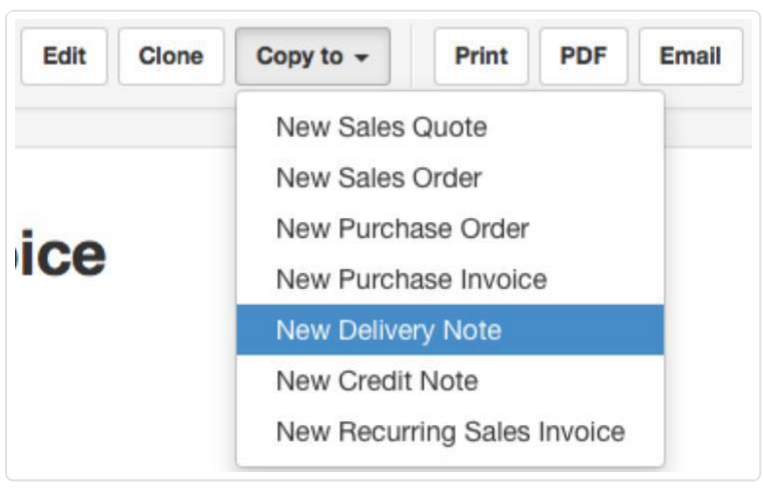
Code	Description	Box
BCM	Box of frozen blue crab	5

Other methods

All other methods of delivery note creation use the `Copy to` function. This is available from:

- Sales quotes
- Sales orders
- Sales invoices
- Credit notes

When viewing an eligible form, click `Copy to …` and select *New Delivery Note*:



A completed delivery note entry screen will appear. Edit as required and click `Create`.

> **Caution**
> Think carefully before enabling the `Goods Receipts` or `Delivery Notes` tabs. Once you have started using them, you must continue. Manager will not allow you to disable the tabs after the first goods receipt or delivery note is created. The functionality these tabs provide can be very important for some businesses. But they also entail extra work every time an inventory item is purchased or sold. Consider creating a test company to explore whether they are truly necessary for your business. They can always be added later.

8.6 Goods Receipts

8.6.1 Create goods receipts

Goods receipts help track location of inventory items enroute from suppliers. They can be used to:

- Record the physical (as opposed to financial) aspect of purchase transactions
- Confirm receipt of ordered goods (when given to a supplier)

They have no financial impact. Indeed, they include no financial information. Goods receipts are completely optional. Without them, that is, when the `Goods Receipts` tab is not enabled, receipt of goods is assumed to occur as soon as the purchase invoice or payment form is created.

Enable the `Goods Receipts` tab

To use goods receipts, first enable the `Goods Receipts` tab. Click `Customize` below the left navigation pane, check the box for `Goods Receipts`, and click `Update` below the list:



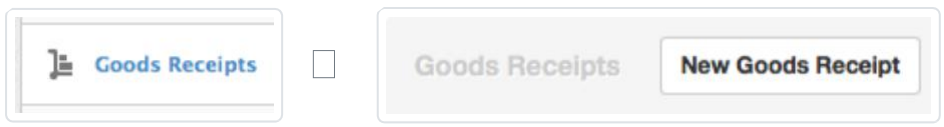
Create a goods receipt

Goods receipts can be created four ways:

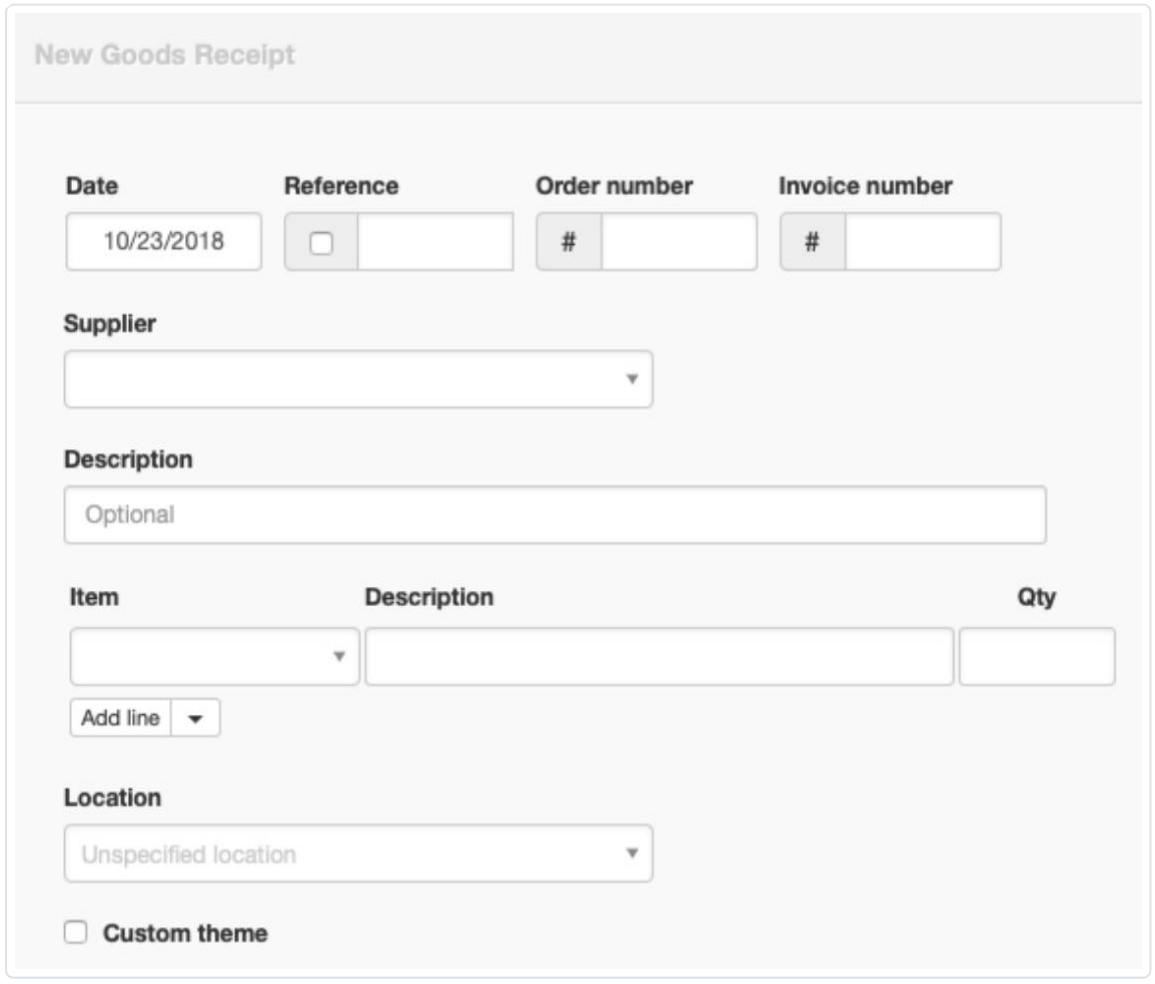
- Standard method
- From a purchase order
- From purchase invoice
- From a debit note

Standard method

In the `Goods Receipts` tab, click `New Goods Receipt`:



Complete the goods receipt entry form:



- `Date` contains today's date by default, but may be edited.
- `Reference` can be used for any internal or external sequence. If the box within the field is checked, a number will be assigned automatically. BILLBOOKS will locate the highest-numbered existing goods receipt and add 1 to its reference number.
- `Order number` is the corresponding purchase order number, if any.
- `Invoice number` is the corresponding purchase invoice number, if any.
- `Supplier` is a predefined supplier from the `Suppliers` tab. Goods receipts cannot be created for cash purchases, because the goods are presumed to have been received upon payment.
- The first `Description` is for an optional summary of the entire receipt.
- `Item` allows you to select inventory items or non-inventory items.
- The second and all subsequent `Description` fields describe individual line items. If this field is defined for an inventory or non-inventory item, that definition will automatically be carried over. The field may be edited.
- `Qty` is the quantity of the line item being received **at this time**.
- `Add line` allows you to add more line items 1, 5, 10, or 20 at a time.
- `Location` appears if inventory locations are defined under `Settings`. Choose the location where goods are being received.
- A `Custom theme` can be selected if any are active.

Click `Create` to issue the goods receipt. All necessary adjustments to inventory quantities and status by location occur automatically.

Example

Northwind Traders has purchased 18 jars of marmalade from Specialty Biscuits. Northwind entered purchase invoice #27484. It issues goods receipt #2315 when the product arrives:

Goods Receipt

NORTHWIND TRADERS

Specialty Biscuits
Sales Representative
29 King's Way
Manchester UK
M14 GSD

Date
3/3/2017

Reference
2315

Invoice number
27484

Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

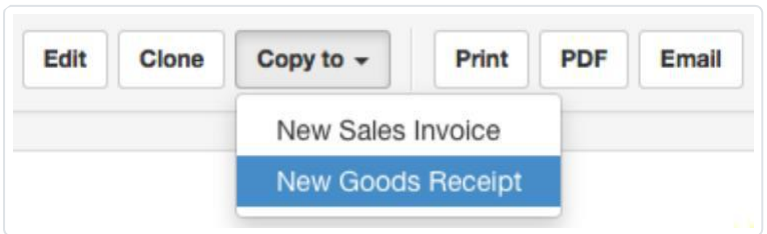
Description	Qty
Sir Rodney's Marmalade	18

Other methods

All other methods of goods receipt creation use the `Copy to …` function. This is available from:

- Purchase orders
- Purchase invoices
- Debit notes

When viewing an eligible form, click `Copy to` and select *New Goods Receipt*:



A completed goods receipt entry screen will appear. Edit as required and click `Create`.

Caution

Think carefully before enabling the `Goods Receipts` or `Delivery Notes` tabs. Once you have started using them, you must continue. Manager will not allow you to disable the tabs after the first goods receipt or delivery note is created. The functionality these tabs provide can be very important for some businesses. But they also entail extra work every time an inventory item is purchased or sold. Consider creating a test company to explore whether they are truly necessary for your business. They can always be added later.

8.7 Production Orders

8.7.1 Use production orders to manufacture inventory items

Production orders are used to record manufacture of finished inventory items using existing inventory and other resources. For example, manufacturing bottled fruit juices requires fruits, bottles, and lids purchased from suppliers as inventory items. These inventory items can be converted into the finished products sold to customers.

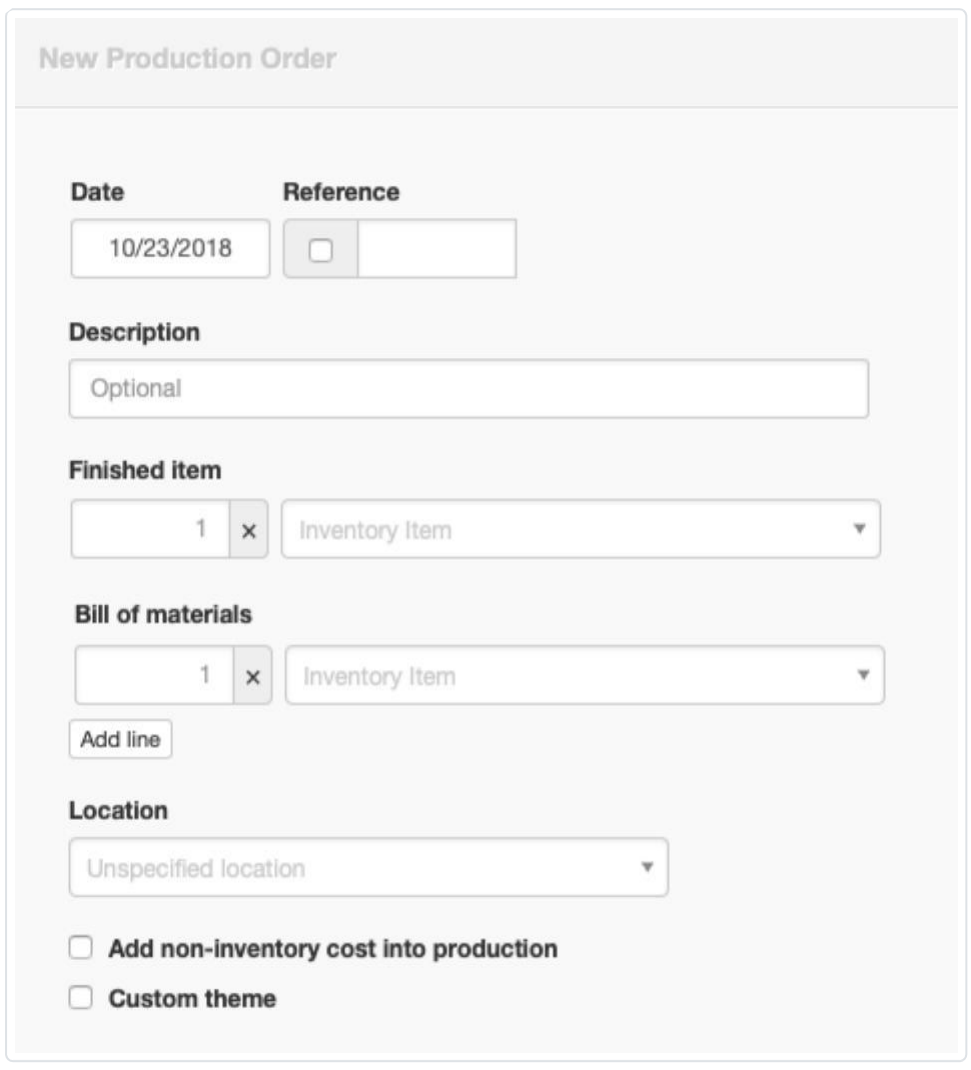
> **Note**
> Finished goods must be created as separate inventory items before they can be entered on production orders.

Basic production order with inventory items

To record a production order, go to the `Production Orders` tab and click `New Production Order`:



Complete the entry screen:



- `Date` will be autofilled with today's date, but may be edited.
- `Reference` can be used for any form of identifier. If the box within the field is checked, BILLBOOKS will assign a number automatically. The program find the highest `Reference` number among existing production orders and add 1.
- `Description` can be any text useful for describing the production order.
- Select quantity and *Inventory item* to be produced under `Finished item`.
- Select quantity and *Inventory item* for the first raw material to be used for production under `Bill of materials`. If more than one inventory item is used, click `Add line` to add more line items.
- `Location` of the finished item(s) can be selected if inventory locations have been defined.

Click `Create` to save the production order.

Adding non-inventory costs

If non-inventory costs, such as wages, consumables, or overhead allocations are required to produce the finished inventory item(s), check the box to `Add non-inventory cost into production`. Enter accounts to which the costs will be posted and the amounts. Add lines if necessary:

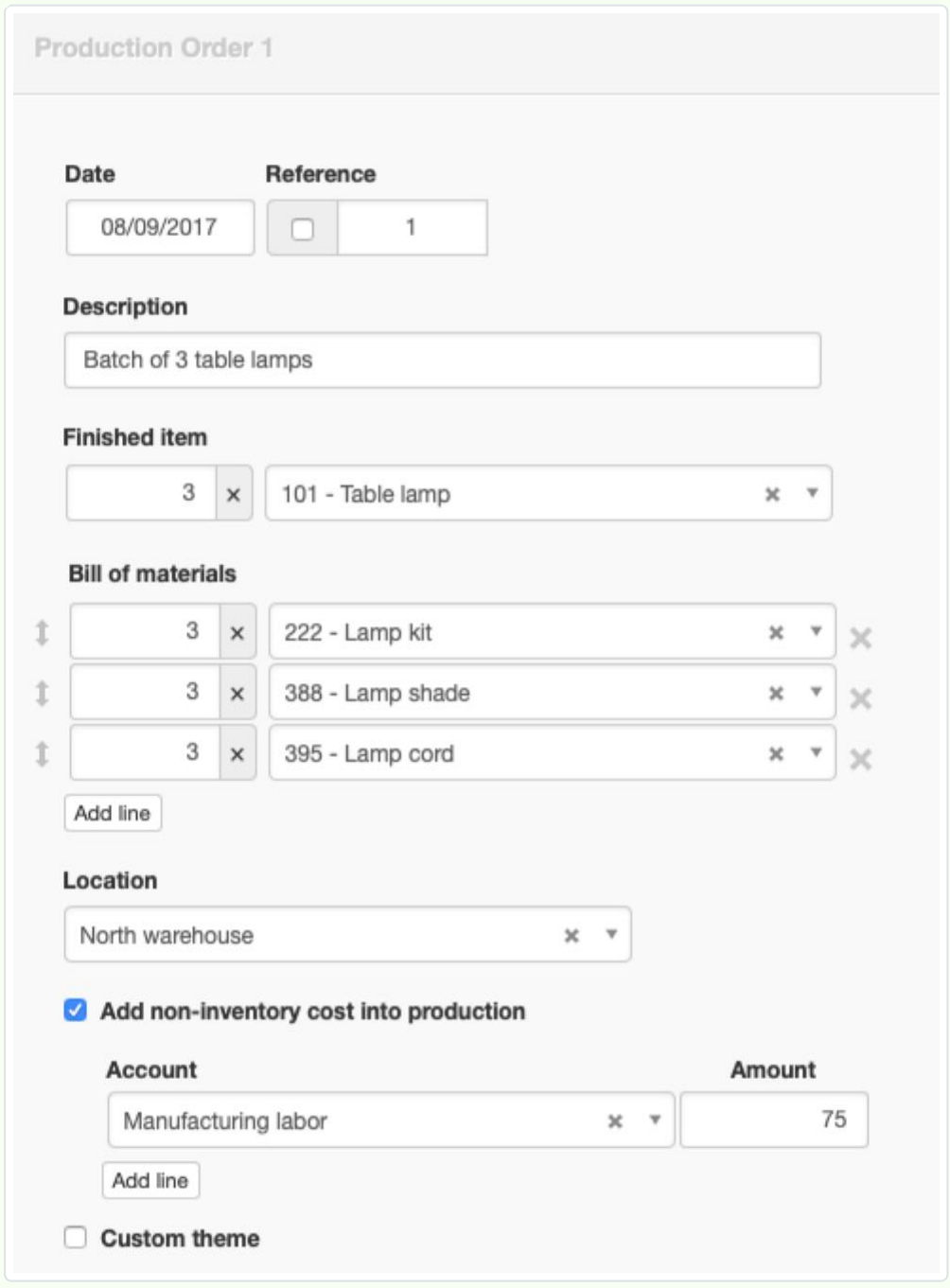


BILLBOOKS will add the non-inventory costs to the current average cost of inventory item(s) consumed by the production order to calculate the cost of the produced inventory item(s).

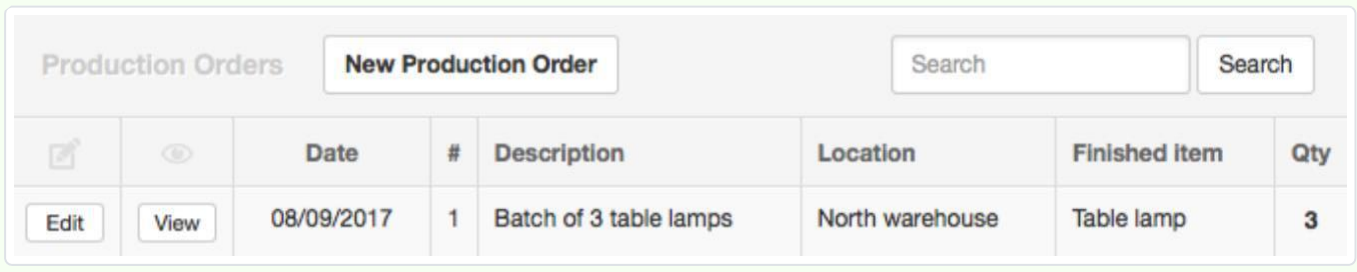
In the `Inventory Items` tab, the quantity of the manufactured inventory item will increase while the quantities of input inventory items will decrease by the quantities included in the production order.

Example

Brilliant Industries creates a production order to build three table lamps for its north warehouse. Each lamp uses one of each of three other parts in stock. Brilliant also includes 75.00 worth of manufacturing labor in the cost of the three lamps (25.00 each):



The `Production Orders` tab summarizes the order:



8.7.2 Use production orders for repairs, maintenance, or improvements

Production orders can be used to record internal consumption of inventory items for **repairs, maintenance, or improvement** of other inventory items.

To do this, follow the same procedure as when using production orders for manufacturing, but enter zero as the quantity of the `Finished item`. Non-inventory costs, such as labor, can also be added to a production order used this way.

This will decrease the quantity in stock of inventory items included in the `Bill of materials` without increasing the quantity of the `Finished item`. All inventory and non-inventory costs will be added to the average cost of the `Finished item`.

Example

A car dealer uses inventory items to track cars available for sale. It also uses inventory items to track spare parts required by the service department. Spare parts are not used to manufacture new vehicles. They are used to repair, maintain, or improve existing vehicles, including those held for sale. The car dealer, of course, wants to track consumption of parts when they are installed in a car already in inventory, but does not purchase or sell them in the process. No money changes hands.

So, when repairs are made to a used vehicle or optional accessories are installed on a new one, a production order is prepared. The vehicle being repaired or improved is selected as the `Finished item`. All parts consumed from inventory are listed on the `Bill of materials`. Labor for installation is added as a `Non-inventory cost`, posting to an appropriate labor expense `Account`. Costs of parts and labor are transferred to the vehicle's cost.

Chapter 9: Payroll

Payroll Guides describe how to record earnings, deductions, and contributions associated with your employees, as well as how to pay employees what they are owed.

9.1 Employees

9.1.1 Enter employees

Employees in BILLBOOKS are persons for whom the business will record payroll transactions. Individuals must be set up as employees before payslips can be issued to them. Employees are also eligible to submit expense claims, even if they are not specifically defined as expense claims payers and do not have a capital account. (See another Guide for more information about expense claims.)

Local laws usually govern who is considered an employee. Even when a regular amount is paid to them, some individuals might need to be treated as partners (with capital accounts), sole traders/proprietors (with equity accounts), or subcontractors. The key factor in deciding to enter a person as an employee is usually whether their compensation can be considered a wage expense under local law and accounting regulations.

> **Note**
> Some businesses use third-party processing services to manage payroll. In such cases, there is usually no reason to enable the `Employees` tab, because individual payroll transactions are not entered in Manager. Instead, lump-sum transactions are entered for each payroll period and individual payroll records are maintained by the outside processor. This can be advantageous when local tax and retirement laws are complex or change frequently.

Enable the `Employees` tab

Before an employee can be entered, enable the `Employees` tab. Below the left navigation pane, click `Customize`. Check the box for `Employees`, and click `Update` below the list:

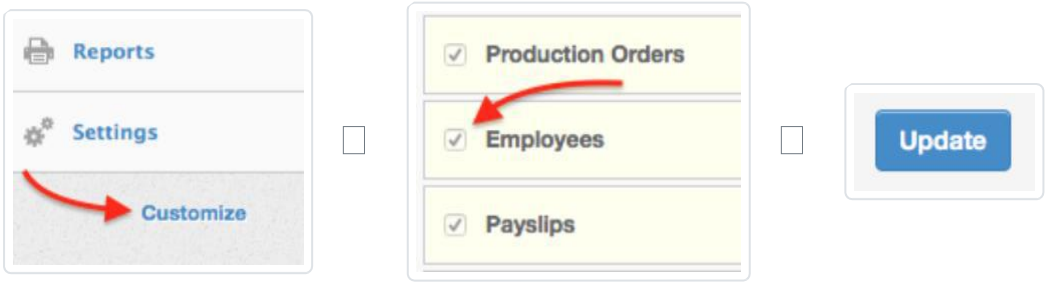


Chart of accounts additions

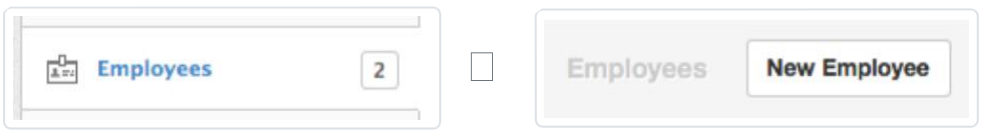
Three accounts are activated automatically when the `Employees` tab is enabled:

- *Employee clearing account*, a liability account recording amounts owed to (and by) employees in individual subaccounts
- *Payroll liabilities*, recording obligations of the business to pay deductions or contributions to outside entities
- *Wages & salaries*, a default expense account where costs of employees are recorded

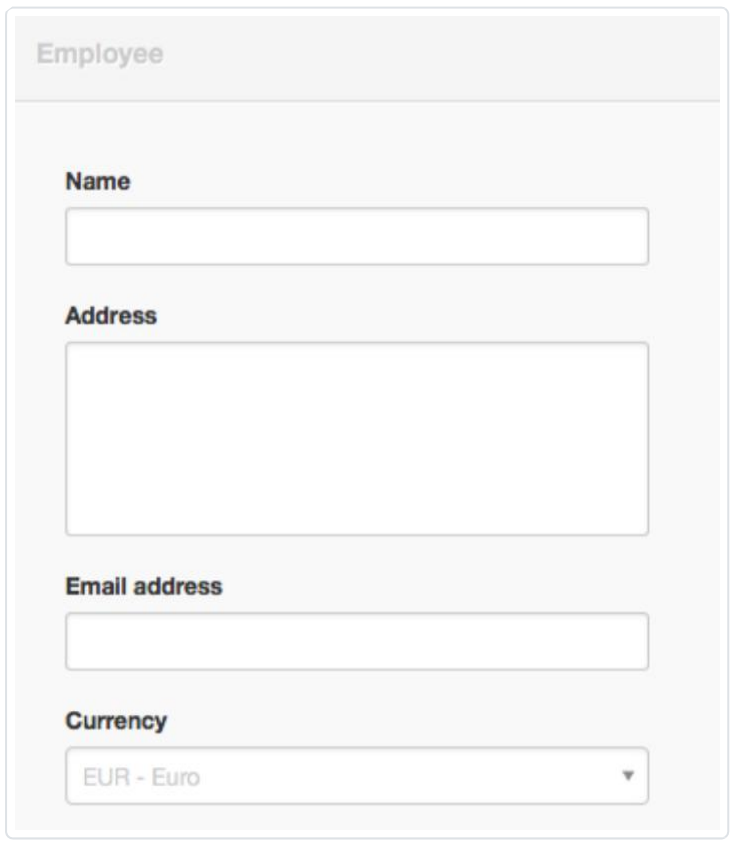
These accounts can be renamed but not deleted while the `Employees` tab is enabled. Rename them by editing under `Settings` `Chart of Accounts`.

Enter an employee

In the `Employees` tab, click `New Employee`:

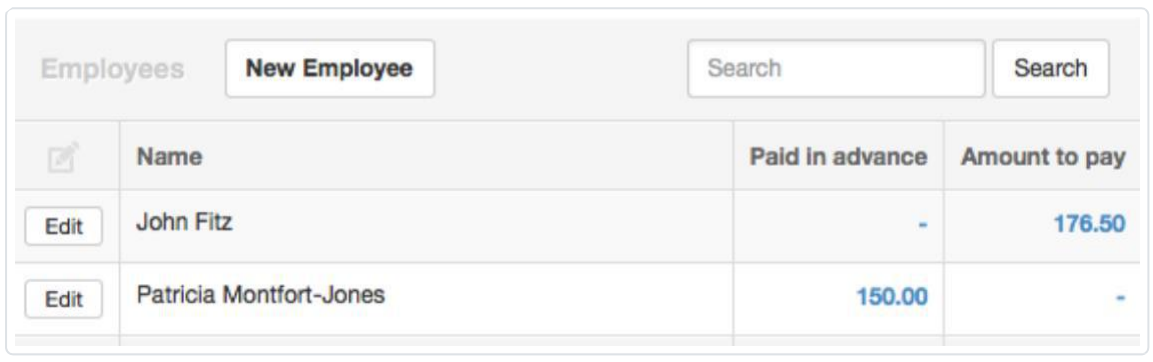


Complete the entry. Most fields are self-explanatory. All except `Name` are optional:

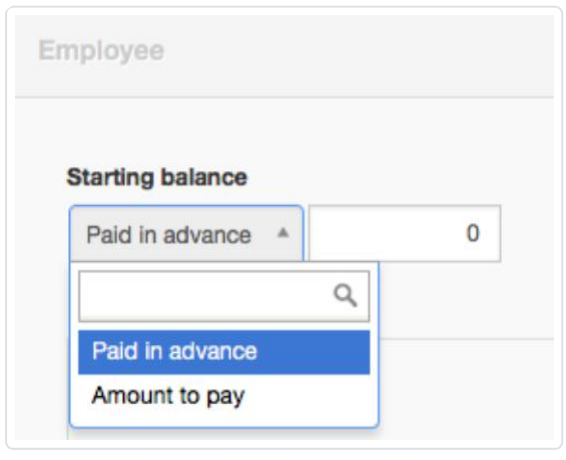


`Email address` will be used if payslips are later emailed to the employee. `Currency` can be selected only if a base currency has been set. Other information can be entered if custom fields are created for payslips.

Click `Create` to enter the employee, who will show in the `Employees` tab listing:



If making a transition to BILLBOOKS's payroll management from another accounting or payroll system, employees may have balances owed to them or owing to the business. If so, set starting balances according to this Guide. Enter the starting balance by clicking the blue balance of `Edit` the *Employee clearing account*, then for the employee:



- Select *Paid in advance* if the employee owes the business money, such as for an employee loan. Select *Amount to pay* if the employee has unpaid earnings as of the start date.
- Enter the amount owed or owing as a positive number, regardless of the situation.

Inactive employees

When employees terminate employment and will no longer be paid, you can remove them from lists by making them inactive. In the `Employees` tab, click to `Edit` the employee and check the box:



Click `Update` and the employee will not appear in active lists.

If the employee ever returns to active status, scroll to the bottom of the employees list, where you will see the employee's name in light grey text with strike-through markings:

`Edit` the employee and uncheck the `Inactive` box.

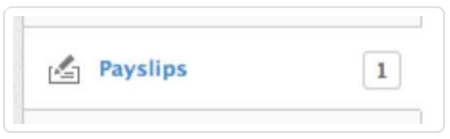
9.1.2 Pay employees

> **Note**
> This Guide provides instructions on paying employees set up under the `Employees` tab and whose payroll transactions have been entered in the `Payslips` tab. It does not address third-party payroll processing.

In BILLBOOKS, payslips record earnings, deductions, etc. of employees. They **do not** record actual payments to those employees of amounts owed as a result of payslips. To **pay employees**, you must enter payments in the `Receipts & payments` tab. Two approaches can be used, depending on whether the employee is owed for a single payslip, multiple payslips, or expense claims.

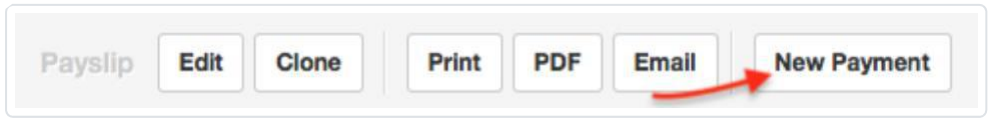
Single payslip approach

The simplest situation is paying an employee for whom there is only one outstanding payslip. In the `Payslips` tab, click `View` beside the payslip to be paid:

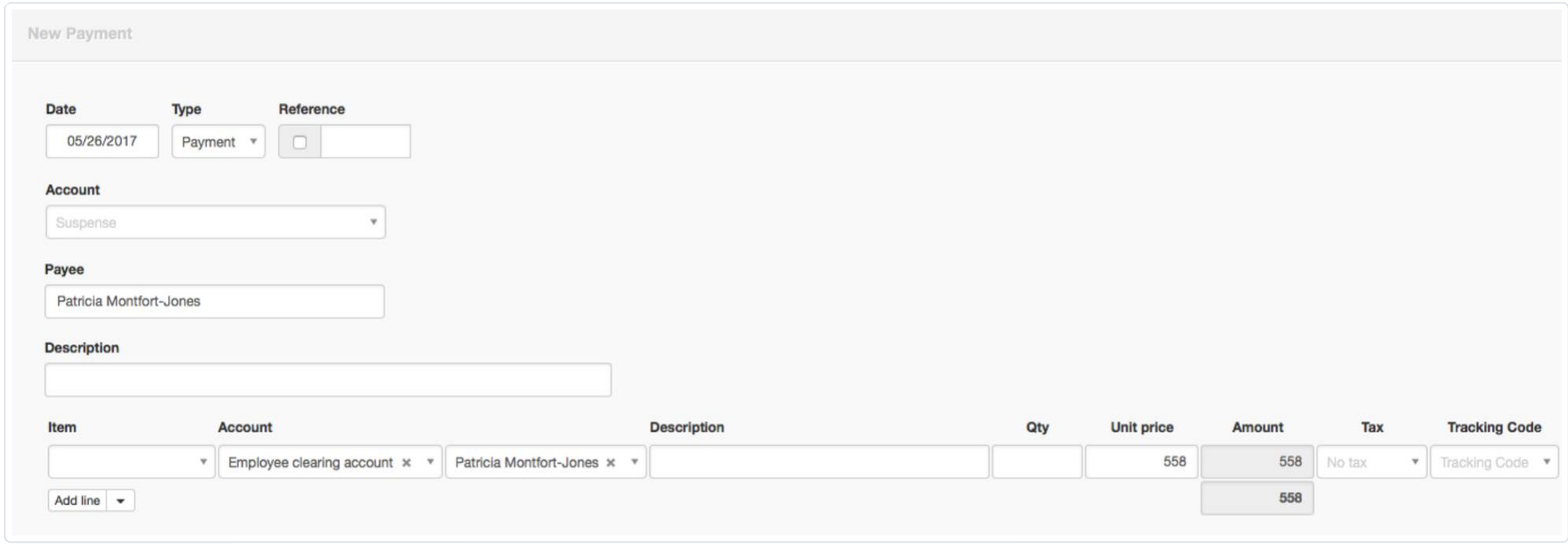




Click `New Payment`:



A payment entry screen will appear, prefilled with information for paying the employee:



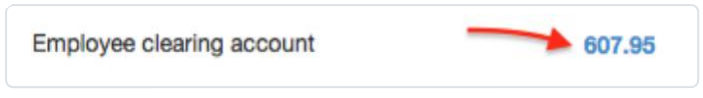
- Verify or edit the `Date`.
- Enter a `Reference` number if desired. If the box within the field is checked, BILLBOOKS will automatically assign a `Reference` by finding the highest existing number and adding 1.
- Select the bank or cash `Account` you will pay from.
- Select *Cleared* or *Pending* status if paying from a bank account. Cash account payments are presumed to be cleared immediately, so this field does not appear for them.
- `Payee` will be the employee for the relevant payslip.
- `Description` can contain summary information for the entire payment.
- `Item` should be left blank, as no inventory or non-inventory items are involved in payroll transactions.
- `Account` will be prefilled with *Employee clearing account* and *Employee name*. Do not change these.
- `Description` for the line item is optional, but can be filled with distinguishing information, especially if other items are being added to the payment.
- `Qty` should remain blank.
- `Unit price` will be prefilled with the amount of the payslip.
- `Tax` should normally be left blank, as payments to employees are not taxable in most jurisdictions.
- A `Tracking Code can be selected, if appropriate.`

If other items are to be added to the payment, click `Add line`. When finished, click `Create`.

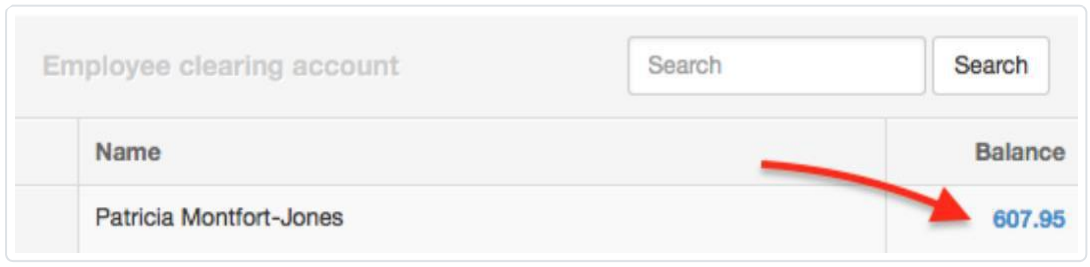
> **Caution**
> Be sure to complete steps in making the payment: write the cheque, enter an electronic direct deposit, or prepare a cash envelope. Remember, the payment form **records** the transaction; it **does not complete** it.

Other situations

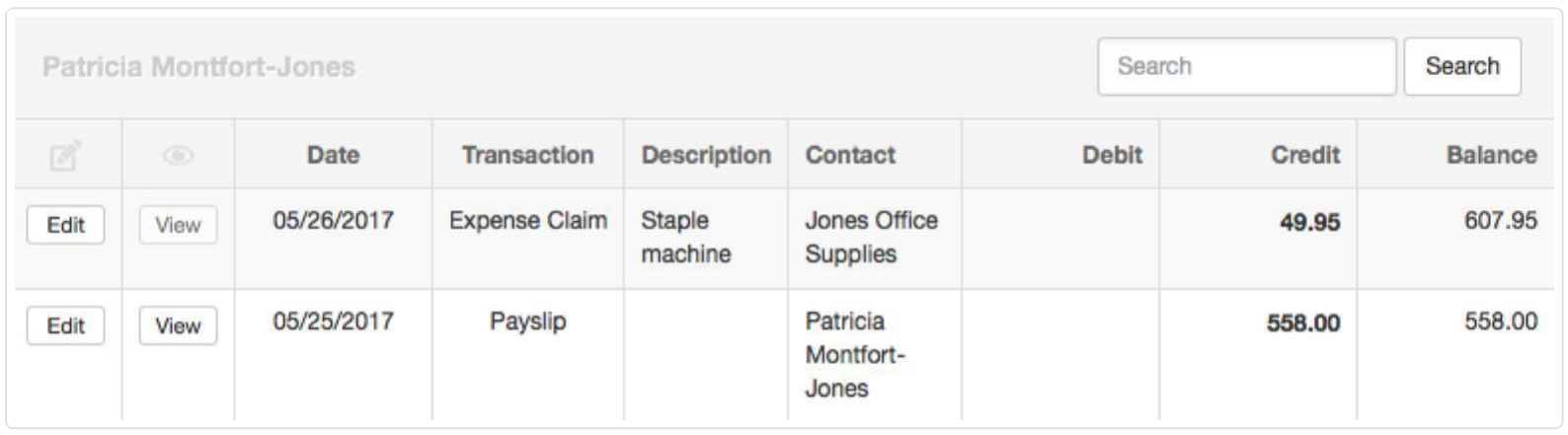
When there are expense claims or multiple outstanding payslips for an employee, drill down from the `Summary` page on *Employee clearing account* by clicking the blue balance:



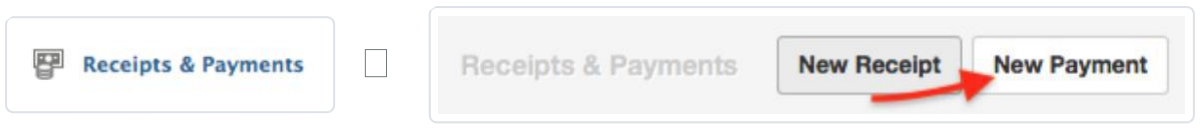
Either continue using the total balance shown for the employee, or drill down further by clicking the employee's balance (in this illustration, no other employees have balances):



If you drill down on the employee's balance, you will be able to see all transactions contributing to it. Whichever path you follow, make note of the amount(s) owed to the employee:



Initiate payment directly in the `Receipts & Payments` tab. Click `New Payment`:



Manually complete the entry form, exactly as you would for a single-payslip payment. Post the transaction to *Employee clearing account* and *Employee name*. For `Amount`, enter either the full amount due from *Employee clearing account* or one contributing amount from the employee's drill-down listing. If following the second path, click `Add line` to enter additional contributing amounts.

When all amounts have been entered, the payment total should equal the employee's balance in *Employee clearing account*. Click `Create` to record the payment:



Effect of payment

The payment debits *Employee clearing account* □ *Employee name* and credits the cash account where the payment is posted. If all employees are paid the full amounts owed, *Employee clearing account* will be reduced to a zero balance.

9.2 Payslips

9.2.1 Set up payslip items

Payslip items are specific elements that can appear on payslips. They are necessary so entries on employees' payslips will be posted to the proper account or accounts. Therefore, you must define at least one payslip item before you can issue your first payslip. Every payslip item must be one of three types:

- Earnings
- Deductions
- Contributions

Enable the `Payslips` tab

Before payslip items can be defined, you must enable the `Payslips` tab. Under the left navigation pane, click `Customize`, check the box for `Payslips`, then click `Update` below the list:

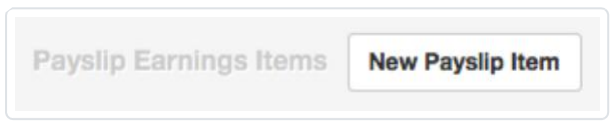


Earnings items

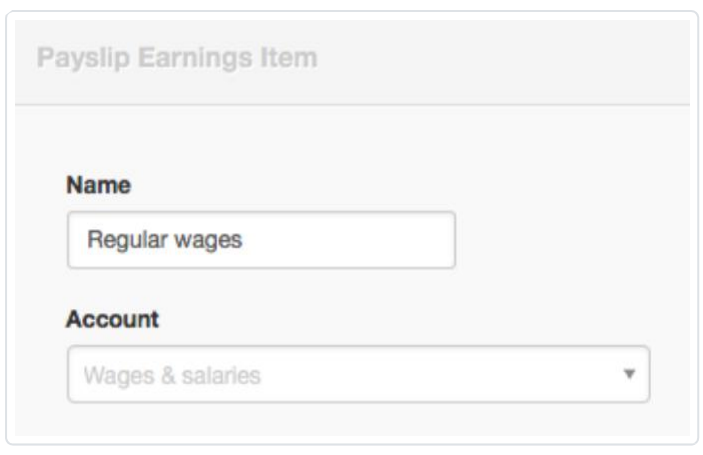
Earnings items are typically wages, salaries, bonuses, commissions, and various allowances you will pay to employees. Employees, in turn, will see earnings on their payslips broken out into these categories.

Go to `Settings`, then `Payslip Items`, locate the `Payslip Earnings Items` list, and click `New Payslip Item`:

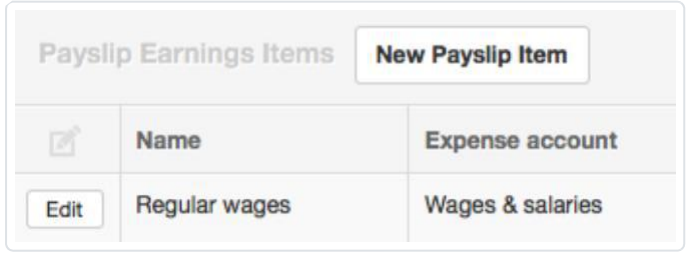




Give the earnings item an informative `Name`, such as *Regular wages*, *Holiday pay*, or *Vacation*. By default, earnings items are posted to the *Wages & salaries* `Account`, which is activated automatically when the `Employees` tab is enabled. But you can link the earnings item to another expense account, if required:



Click `Create` to save the earnings item, which will appear on the `Payslip Earnings Items` list:

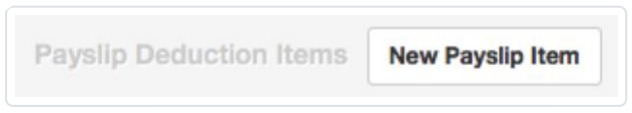


Note
Earnings items must be posted to expense accounts because they are expenses of the business in the current accounting period.

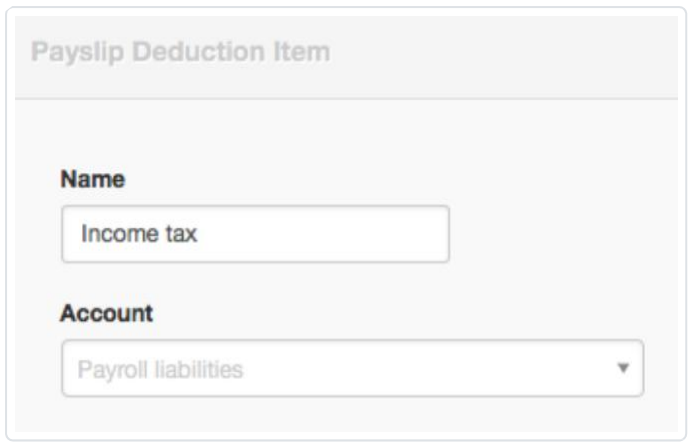
Deduction items

Deduction items include payroll taxes, insurance premiums, union fees, or wage garnishments you subtract from an employee's pay. Employees will see their deductions broken out into these categories.

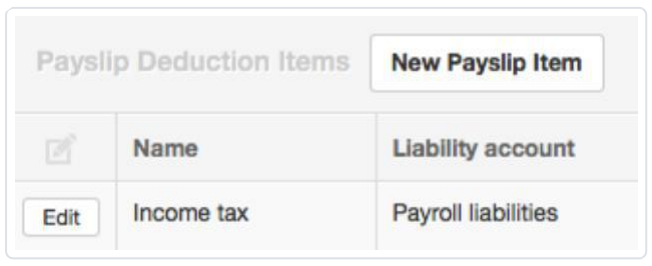
Deduction items are defined the same way as earnings items, except that you click `New Payslip Item` for the `Payslip Deduction Items` list:



Give the deduction item an informative `Name`, such as *Income tax*. By default, earnings items are posted to the *Payroll liabilities* `Account`, which is activated automatically when the `Employees` tab is enabled. While you can allocate all deduction items to the general *Payroll liabilities* account, it may be preferable to set up individual liability accounts for every deduction item to track liabilities separately on the balance sheet:



Click `Create` to save the deduction item, which will appear on the `Payslip Deduction Items` list:



Note
Deduction items must be posted to liability accounts because deductions from an employee's gross pay (*e.g.,* payroll tax, union fees) are payable to someone else (*e.g.*, tax authority, union) by the business.

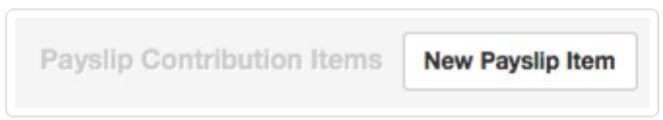
Contribution items

Contribution items are paid by an employer and characterized as both earnings and deductions.

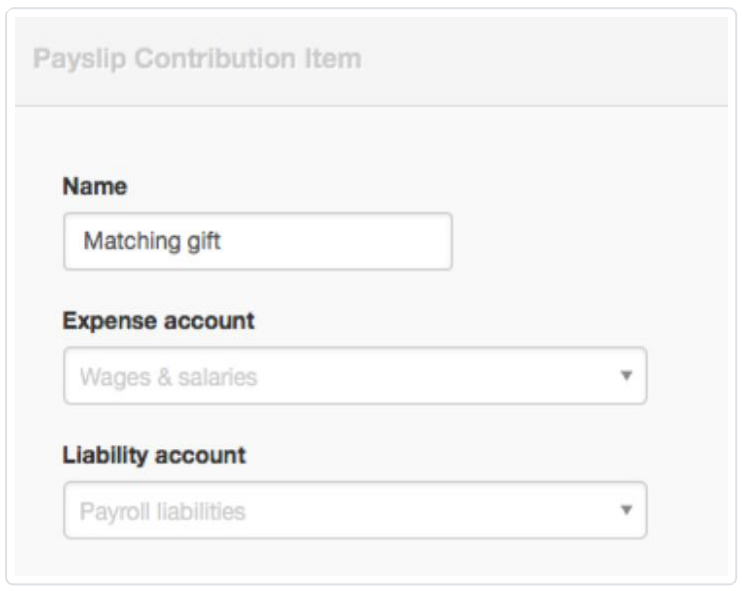
Example 1
You are required to deposit a certain percentage of an employee's gross pay into a pension or superannuation fund. This is regarded as a contribution. It represents a type of employee earnings paid by the employer, but is deducted from gross pay at the same time and subsequently paid into the employee's pension fund.

Example 2
You have a matching gift program under which you add to an employee's charitable contribution. Your matching gifts would normally be earnings for the employee and an expense for you, but the simultaneous deduction also makes it a liability you will pay to the charity.

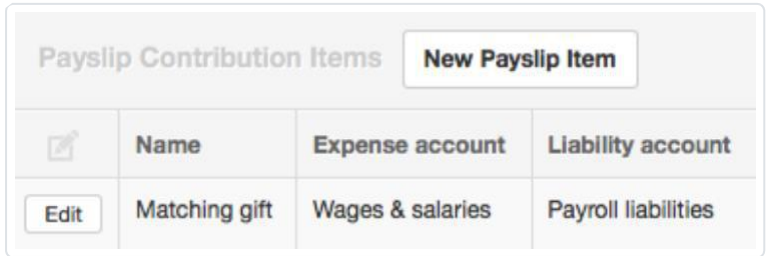
Contribution items are defined the same way as earnings and deduction items, except that you click `New Payslip Item` for the `Payslip Contribution Items` list:



Give the contribution item an informative `Name`, such as *Matching gift*. By default, contribution items are posted to the *Wages & salaries* `Expense account` and *Payroll liabilities* `Liability account`. You can select other accounts, if required:



Click `Create` to define the contribution item, which will appear in the `Payslip Contribution Items` list:



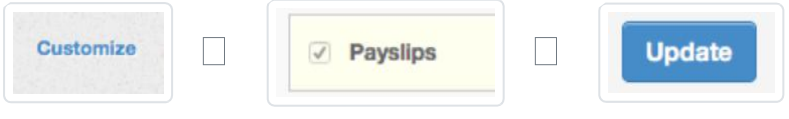
9.2.2 Issue payslips

Payslips are forms issued to employees recording:

- Earnings, *e. g.*, wages, salaries, commissions, and bonuses
- Deductions, *e. g.*, taxes, union dues, retirement savings, or anything else funded by the employee from gross earnings but withheld by the business and paid to another entity on the employee's behalf
- Contributions by the business, *e. g.*, retirement plan contributions, charitable matching gifts, or other things paid to outside authorities, organizations, or custodians on the employee's behalf

Enable the `Payslips` tab

Before you can issue a payslip, enable the `Payslips` tab. Under the left navigation pane, click `Customize`, check the box for `Payslips`, and click `Update`:



Notes
Some businesses use third-party processing services to manage payroll. In such cases, there is usually no reason to enable the `Payslips` tab, because individual payroll transactions are not entered in Manager. Instead, lump-sum transactions are entered for each payroll period and individual payroll records are maintained by the outside processor. This can be advantageous when local tax and retirement laws are complex or change frequently.

Payslips cannot be issued until payslip items have created under `Settings`. See another Guide for procedures.

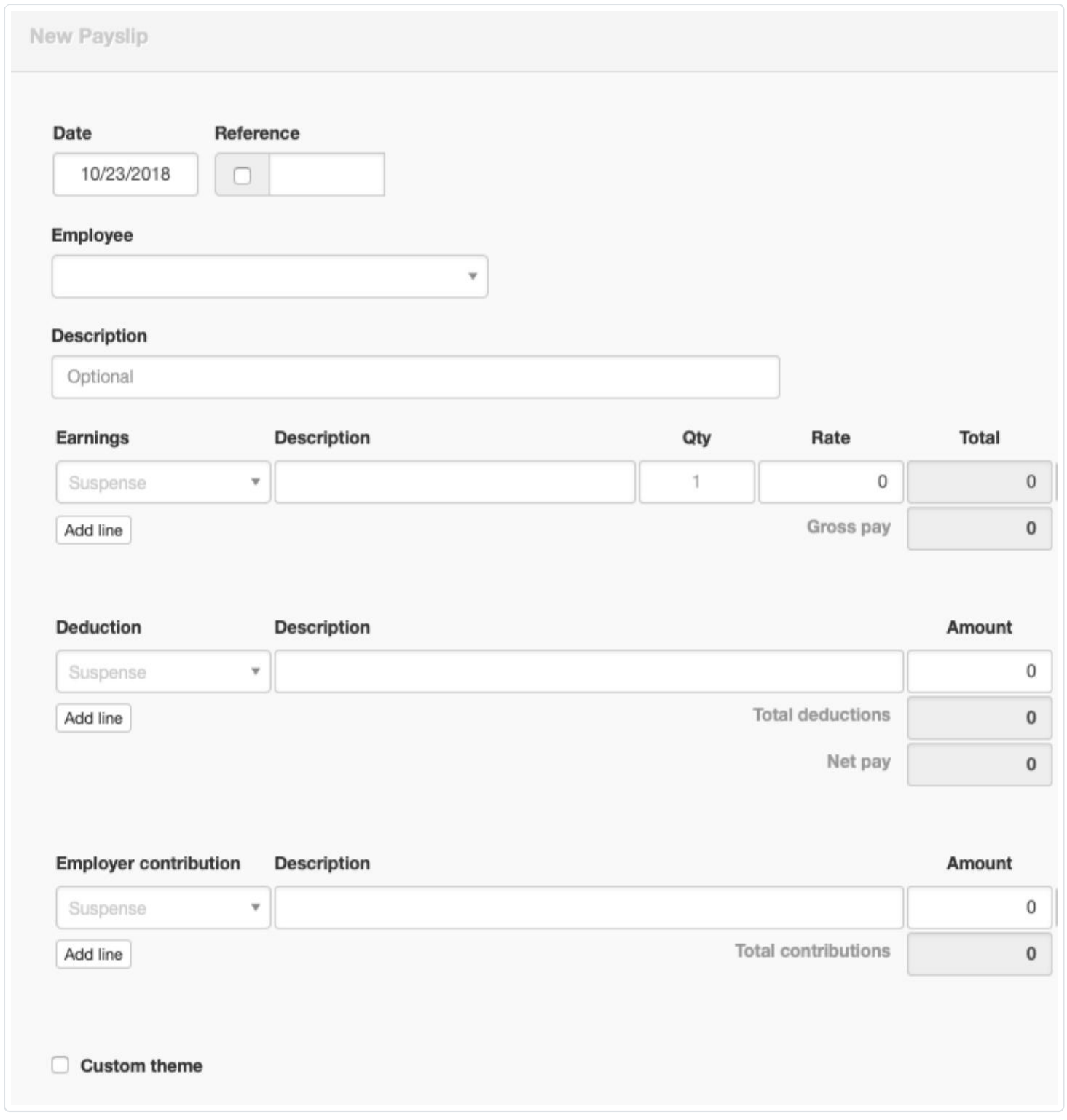
Payslips also cannot be issued until employees have been entered in the `Employees` tab. See another Guide for procedures.

Issue a payslip

In the `Payslips` tab, click `New Payslip`:



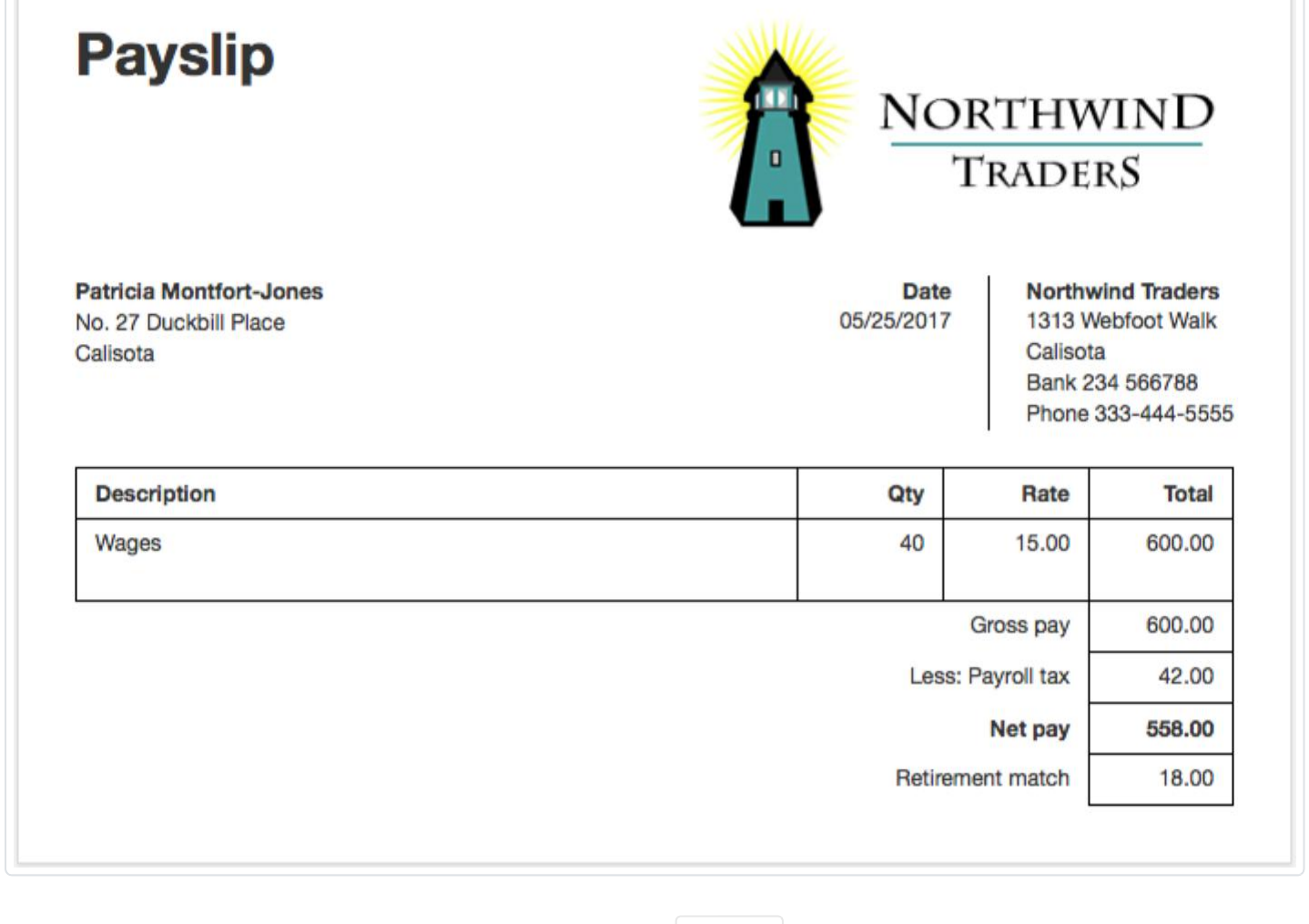
Complete the entry:



- `Date` will automatically be prefilled with today's date, but may be edited.
- `Reference` is optional and may be used for internal or external sequences. If the box within the field is checked, BILLBOOKS will number the transaction automatically. The program will search for the highest number among all existing payslips and add 1.

- Select `Employee` from the dropdown list of predefined employees.
- Enter an optional `Description` of the payslip.
- Select an `Earnings` item from the dropdown list.
- Additional `Description` is optional.
- `Qty` and `Rate` automatically produce the `Total`.
- Select a `Deduction` item from the dropdown list.
- Add further `Description`, if desired.
- Enter `Amount` of the deduction.
- Select an `Employer contribution` from the dropdown list.
- Add further `Description` if necessary.
- Enter `Amount` of the contribution.
- Check the box for `Custom theme` (if any are enabled) to select a theme.

More earnings, deductions, or contributions can be added by clicking `Add line`. When finished, click `Create` to issue the payslip:



Payslip

NORTHWIND TRADERS

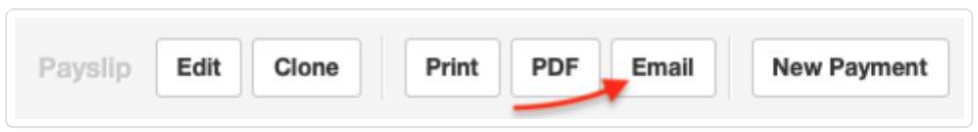
Patricia Montfort-Jones
No. 27 Duckbill Place
Calisota

Date
05/25/2017

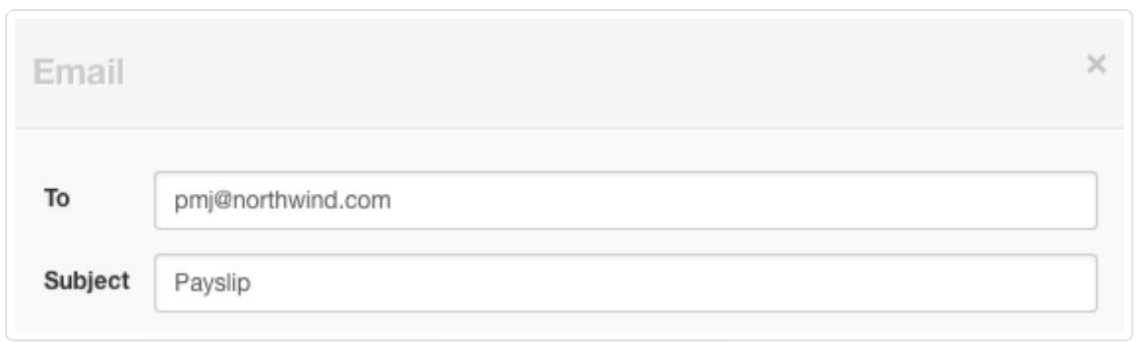
Northwind Traders
1313 Webfoot Walk
Calisota
Bank 234 566788
Phone 333-444-5555

Description	Qty	Rate	Total
Wages	40	15.00	600.00
		Gross pay	600.00
		Less: Payroll tax	42.00
		Net pay	**558.00**
		Retirement match	18.00

Payslips can be emailed to employees directly. Click `Email` while viewing the payslip:



The payslip will be emailed to the address on file in the employee's profile in the `Employees` tab:

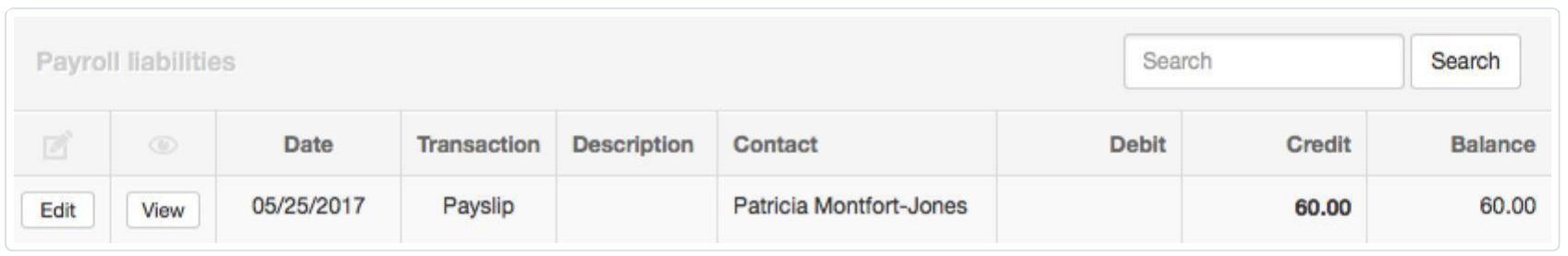


Payslip effects

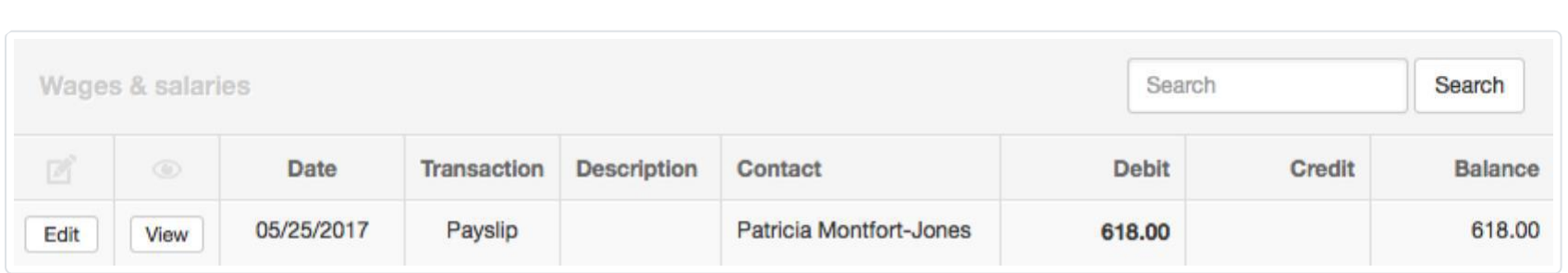
Payslips affect at least three accounts. More could be affected if various payslip items are allocated to other than default accounts. The first is *Employee clearing account*, where the net pay amount is posted:



The second is *Payroll liabilities*, where both deductions and contributions are posted unless those payslip items are allocated to other accounts when they are set up. All amounts posted to this account are owed to outside entities. In this illustration, both payroll tax and retirement match are posted to *Payroll liabilities*:



The third is *Wages & salaries*, where expenses to the business are posted unless allocated to other accounts as those payslip items are set up. In this illustration, both wages and retirement match are posted to *Wages & salaries*:



Caution
Payslips do not record payment to the employee. They only record expenses and liabilities associated with payroll. Further transactions are needed to discharge the liabilities by paying the employee and forwarding deductions and contributions to relevant entities.

9.2.3 Set up and manage recurring payslips

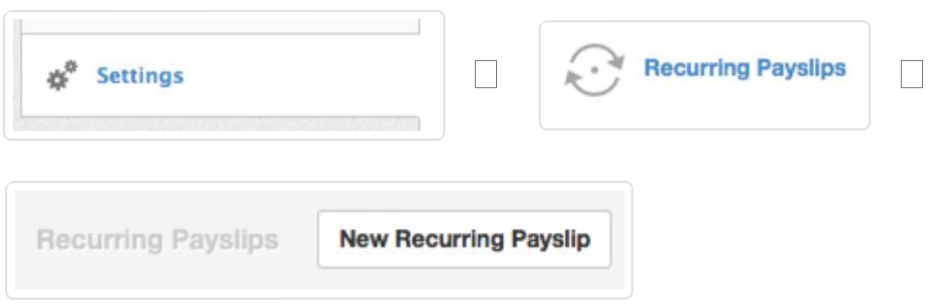
Recurring payslips are useful when you pay employees on a regular schedule and most details of their payslips are identical from one payroll period to the next. BILLBOOKS can track when payslips are due, remind you to create them, yet give you the opportunity to edit details.

Note
Procedures for issuing regular payslips are described in another Guide. Read it first. Recurring payslips are very similar.

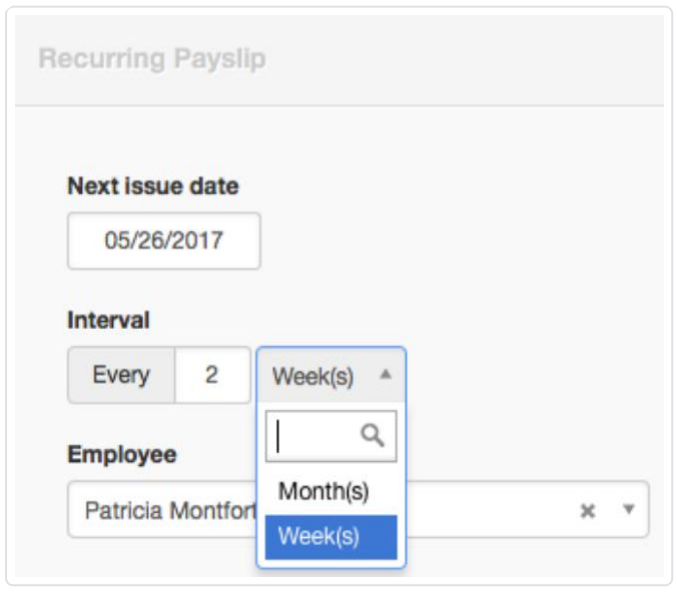
Before you can set up recurring payslips, you must enable the `Employees` and `Payslips` tabs, enter one or more employees, and define payslip items.

Enter a recurring payslip

To set up a recurring payslip, go to `Settings` □ `Recurring Payslips` and click `New Recurring Payslip`:

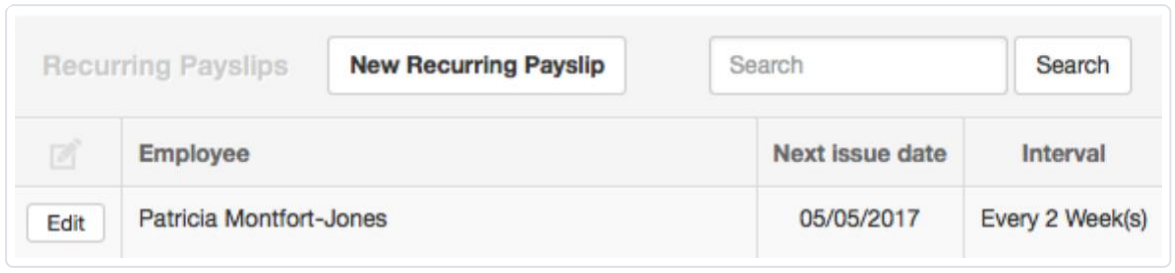


Complete the entry form exactly as for a regular payslip, with the following additions:



- `Next issue date` is the date of the next recurring payslip. You should enter a date that is the same day of the week or month you want future payslips to be issued.
- `Interval` must include the number of weeks or months between recurring payslips.

Click `Create` to save the recurring payslip, which will be visible in the `Recurring Payslips` listing under `Settings`:



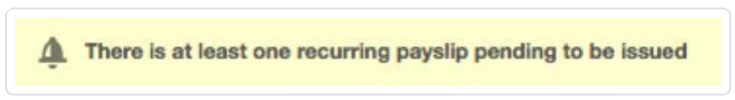
Create recurring payslips

Whenever a recurring payslip is due, two notifications are provided. The first is a yellow counter window in the left navigation pane showing the number of recurring payslips for which payslips are pending (not the number of pending payslips, which could be higher if you have not kept up by creating payslips that are due).

Example
One recurring payslip has at least one pending payslip:



The second notification occurs any time you go to the `Payslips` tab. You will see a yellow banner:



Click on the banner to see a list of payslips due:



Click `Create` to issue all recurring payslips listed. Edit any that require changes before giving them to employees.

Manage recurring payslips

If a recurring payslip should be skipped, modified in frequency, or changed in amounts, simply `Edit` it under `Settings`. Frequently, this involves only changing the `Next issue date`.

If the recurring payslip ceases to be useful, `Delete` it in the `Settings` tab. Since a recurring payslip is a template, not an actual transaction, BILLBOOKS will allow you to delete recurring payslips that have already been used.

Chapter 10: Asset Registers

Fixed and intangible assets are property owned by a business with long lifetimes. Their full cost is recovered over an extended period of time rather than being counted entirely as a current expense.

10.1 Fixed Assets

10.1.1 Purchase fixed assets

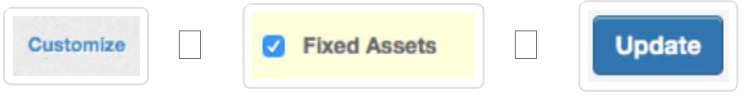
Fixed assets are tangible property owned by a business, such as buildings, machinery, furniture, vehicles, and equipment. To be considered a fixed asset, property must:

- Have a useful life longer than one major accounting period (usually one year)
- Cost more than the capitalization threshold (set either by company policy or local law)
- Be held for productive use rather than immediate sale (inventory is not included among fixed assets)

The acquisition cost of a fixed asset is recovered over its economic life through depreciation, rather than as an expense during a single accounting period.

Create a fixed asset

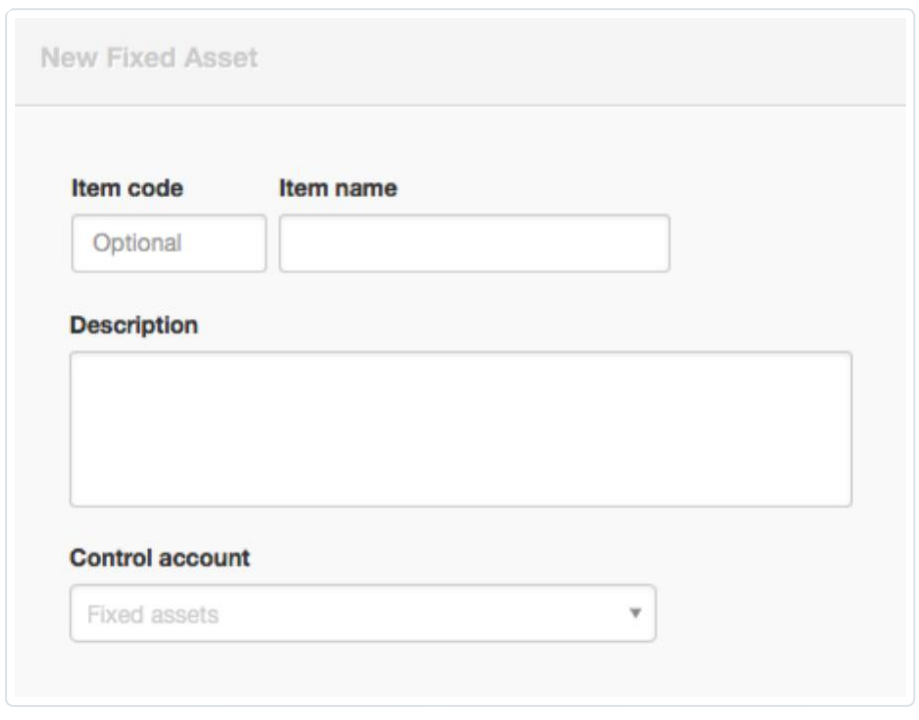
Before you can enter any transaction related to a fixed asset, the fixed asset itself must be created in BILLBOOKS. If the `Fixed Assets` tab has not already been enabled, click `Customize` below the left navigation pane. Check the box for `Fixed Assets` and click `Update` below the list:



Return to the left navigation pane, click `Fixed Assets`, then `New Fixed Asset`:



Complete the entry:

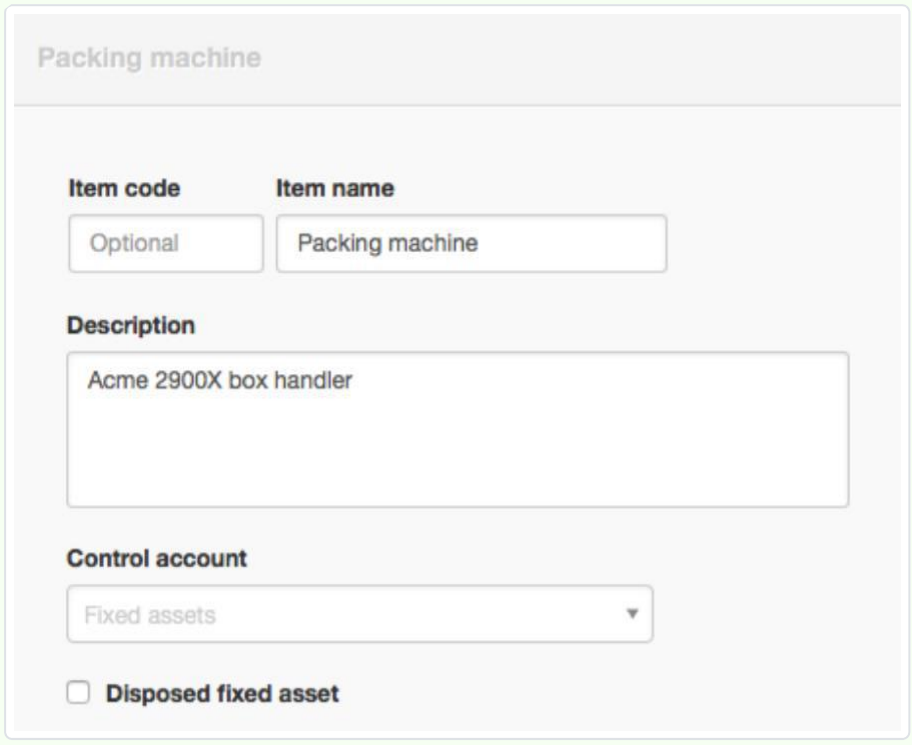


- `Item code` is an optional alphabetic or numeric designation for the fixed asset.
- `Item name` is the name that will appear for the fixed asset in reports and lists.

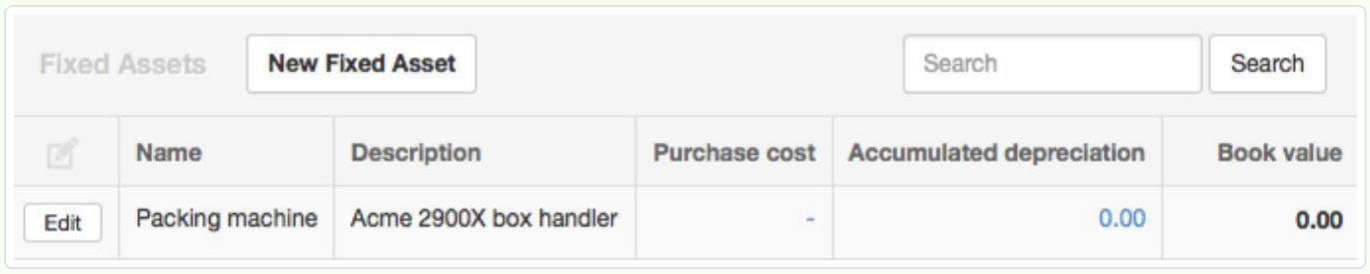
- `Description` accepts detailed information about the fixed asset.
- The `Control account` field appears only when a custom control account made up of fixed assets exists. Otherwise, the asset is assigned to the *Fixed assets* control account by default.

Click `Create`.

Example
Brilliant Industries is adding a packaging machine in its factory. The machine has an expected life of 10 years, so a fixed asset is created:



The fixed asset will show under the `Fixed Assets` tab with no book value:



Note
To this point, you have not recorded the purchase of the fixed asset. You have only set it up in Manager. Now you can record financial transactions related to the fixed asset.

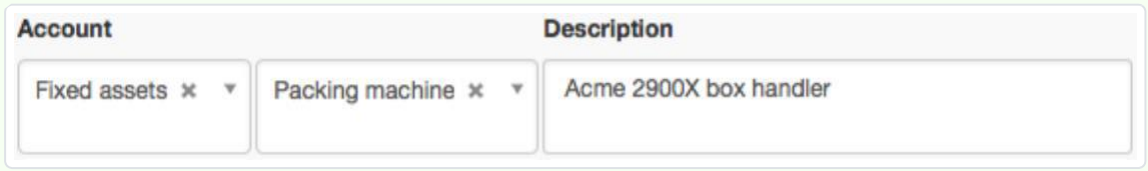
Purchase a fixed asset

Purchase of the fixed asset can be recorded under following tabs:

- `Receipts & Payments`, if purchased without credit from the supplier
- `Purchase Invoices`, if purchased from a supplier on credit
- `Expense Claims`, if paid by you or someone else on behalf of the business
- `Journal Entries`, if purchase was financed by a loan

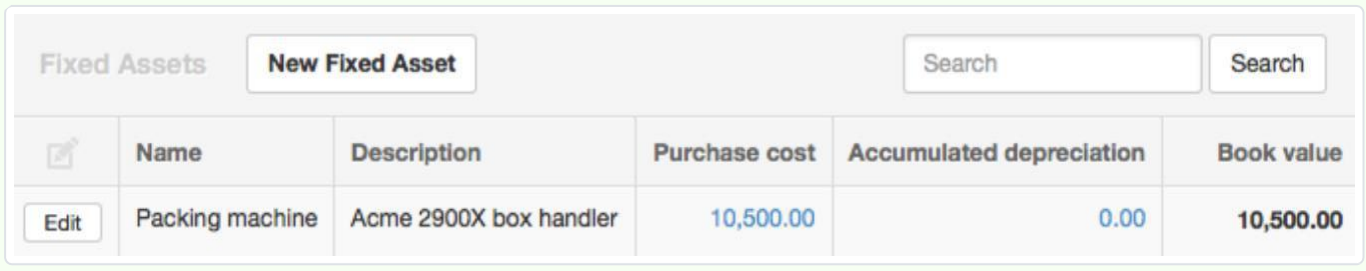
When recording the purchase of a fixed asset under any of these tabs, post the amount spent to the *Fixed assets* account (or the custom control account you created for the purpose) and the subaccount for the fixed asset you have purchased.

Example
The purchase of Brilliant's packaging machine is posted, on any of the transaction forms mentioned above, to the *Fixed assets* control account:

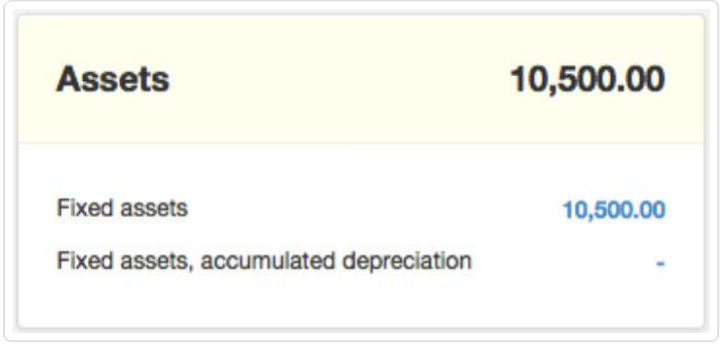


If you purchase the fixed asset using a loan, you should also create a liability account in your chart of accounts with a name something like *Loan* before you record the purchase transaction. Then record the journal entry as a debit to the *Fixed assets* or other control account for the purchase cost and a credit to the *Loan* account of the same amount. Loan repayments must be posted to the *Loan* account. They have nothing to do with purchase cost, depreciation, or book value of the fixed asset.

Example
Brilliant Industries purchases its packaging machine on credit from the manufacturer, entering the 10,500 cost with a journal entry. The purchase cost now shows in the `Fixed Assets` tab register:



The purchase cost of the fixed asset will be combined with any other fixed assets' costs and displayed under the *Assets* category on the `Summary` page:



10.1.2 Expense fixed assets

The cost of a **fixed asset** is normally recovered through depreciation over its economic life. Only current depreciation is treated as an expense each accounting period, even though the full cost of the asset might have been paid when it was purchased.

However, some local tax authorities allow fixed assets to be treated as current expenses under exceptions to normal practice for various reasons, including:

- Promoting business investment
- Reducing administrative burdens
- Encouraging small business formation

A typical exception is to allow the entire cost of a fixed asset to be recovered in a single year as a **current expense** under specific circumstances. However, such exceptions often include restrictions of their own, such as requirements to recapture (give back) accelerated depreciation taken previously if the fixed asset is retired from service or the company goes out of business before the asset's expected lifespan has passed. In other words, the tax authority will demand its due if criteria for the exception are not met.

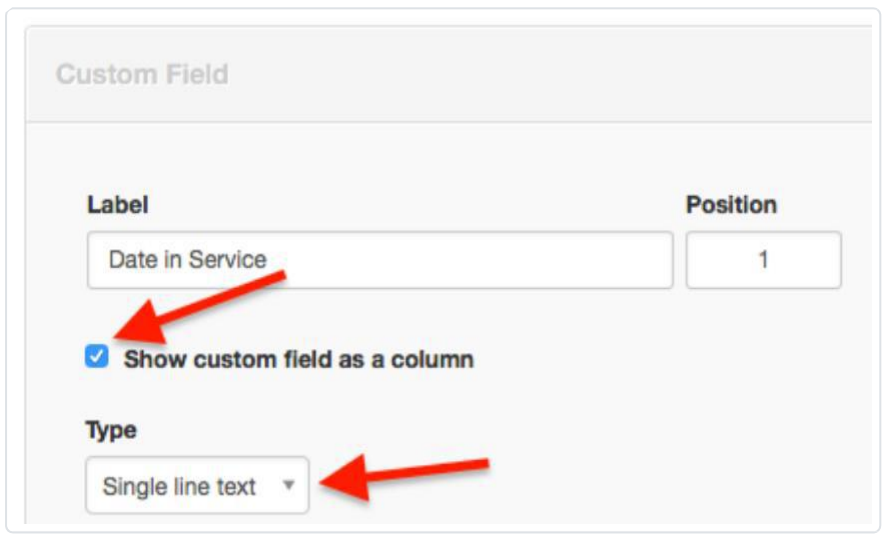
BILLBOOKS can help track necessary information if you take advantage of such exceptions for fixed assets. Purchasing, depreciating, and disposing of fixed assets are covered by other Guides. Extra steps necessary when expensing fixed assets are accomplished using custom fields.

In the `Settings` tab, select `Custom Fields`:



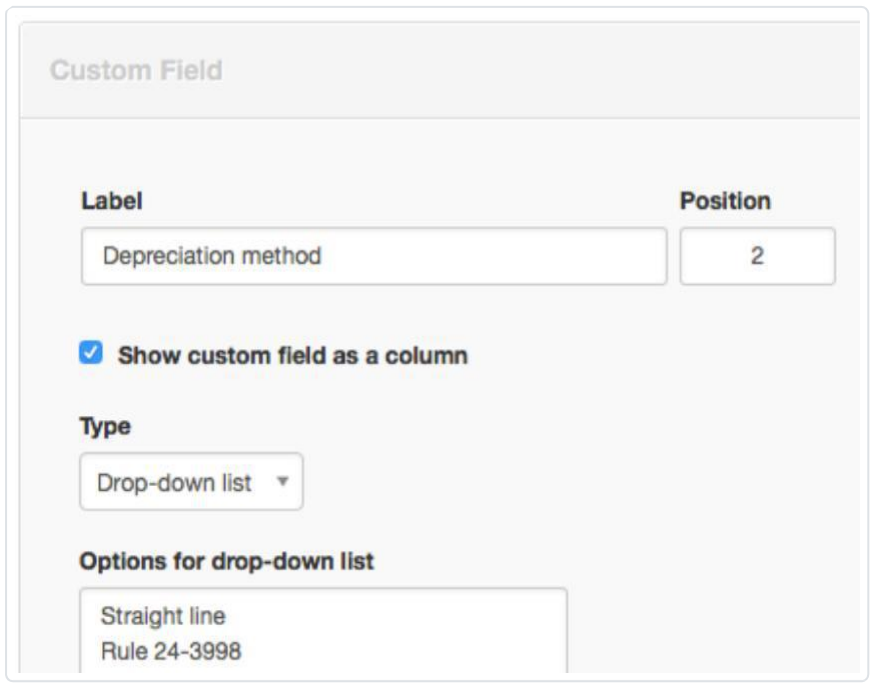
Locate the Fixed Asset list and click `New Custom Field`:

Define a custom field for the date the fixed asset is placed in service. Assign this custom field to Position 1. Check the box to `Show custom field as a column`. Make the field `Type` *Single line text*:



Click `Create`.

Define a second custom field for depreciation method in the same way, assigning it to Position 2. Make this custom field `Type` a *Drop-down list*. Enter list options allowed by local law and business policy. In this example, straight-line depreciation and accelerated depreciation under (fictional) Rule 24-3998 are allowed:



Define a third custom field for the recovery period. Assign it to Position 3. Define a fourth custom field for the end of the recovery period, which may or may not match the actual expected life of the fixed asset. Of course, labels for all these custom fields can be altered to match local requirements.

When these custom fields are completed for all fixed assets, the `Fixed Assets` register becomes a useful tool for determining:

- Whether a fixed asset was subject to a depreciation exception
- How long the fixed asset must remain in service to avoid recapture of depreciation expenses

Example
In the register below, the delivery truck is being depreciated in a standard, straight-line fashion over a 7-year lifespan. No special treatment is required. But the packaging machine was fully depreciated at the time it was purchased, yet is expected to last 10 years. It currently has no book value, even though it remains a valuable business asset. So if it is disposed early, adjustments to income may be necessary to recapture the accelerated depreciation. Follow local tax law in this respect.

Fixed Assets | New Fixed Asset | Search | Search

	Name	Description	Date in service	Depreciation method	Recovery period	End of recovery	Purchase cost	Accumulated depreciation	Book value
Edit	Delivery truck	2014 Toyota	6/6/2015	Straight line	7 years	6/5/2022	35,200.00	5,028.57	**30,171.43**
Edit	Packaging machine	Acme 2900X box handler	5/7/2013	Rule 24-3998	10 years	5/6/2023	2,950.00	2,950.00	**0.00**

The same basic approach can be followed whenever additional information must be tracked for future decision-making about fixed assets.

10.1.3 Depreciate fixed assets

Depreciation is the portion of a fixed asset's cost recorded as an expense during the current accounting period. In simple terms, since a fixed asset has a useful life longer than one accounting period, depreciation represents the part of its value used up during the current period.

Depreciation can be calculated many ways. Straight-line depreciation is the simplest, dividing the fixed asset's cost by the number of accounting periods it is expected to last. Other methods might yield greater depreciation in early accounting periods or take into account the salvage or scrap value of the fixed asset after it is fully depreciated. Tax regulations might also allow accelerated depreciation to encourage business investment or simplify filing.

Note
Because so many schemes for depreciation exist, Manager does not calculate depreciation amounts. You must determine allowable depreciation for the current accounting period according to a fixed asset's useful life, original cost, depreciation method, and local regulations. Once you have done that, Manager will keep track of how much depreciation has been accumulated for the fixed asset.

Enter depreciation

To enter depreciation for a specific fixed asset, go to the `Fixed Assets` tab. Click on the blue figure in the `Accumulated depreciation` column for that asset:

Fixed Assets | New Fixed Asset | Search | Search

	Name	Description	Purchase cost	Accumulated depreciation	Book value
Edit	Packaging machine	ACME J3500 automated packager	10,500.00	0.00	**10,500.00**

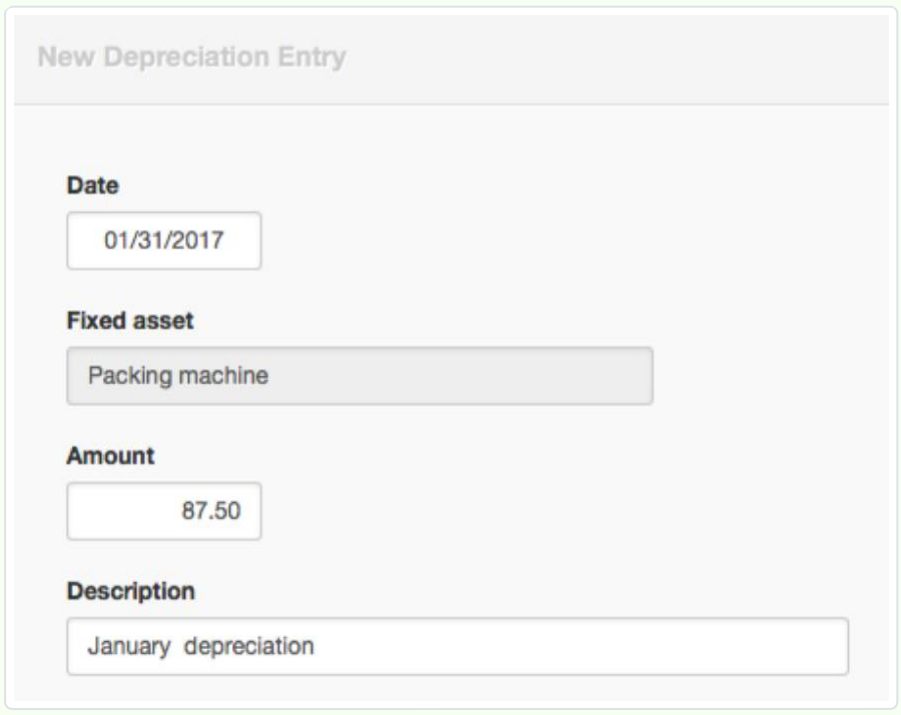
This will transfer you to the depreciation register for the selected fixed asset. Click the `New Depreciation Entry` button to enter the depreciation expense amount:

Accumulated depreciation | New Depreciation Entry

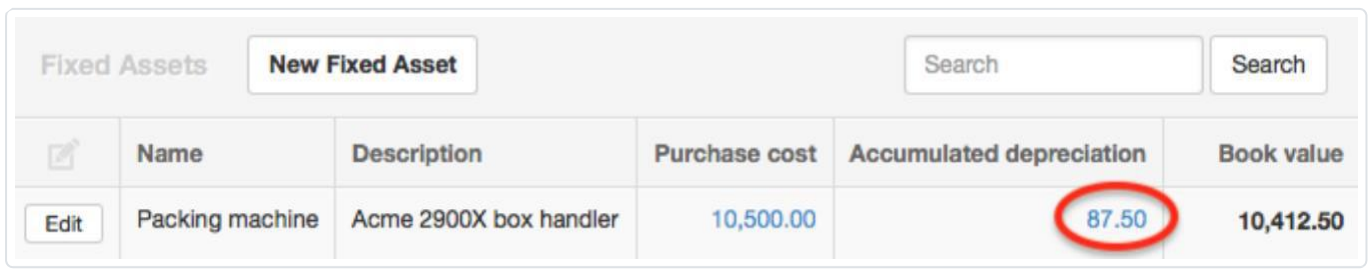
Example
Brilliant Industries purchased a packaging machine for 10,500. It has an expected lifetime of 10 years and is being depreciated monthly. Monthly depreciation is calculated:

10,500 cost / 120 months = 87.50 / month

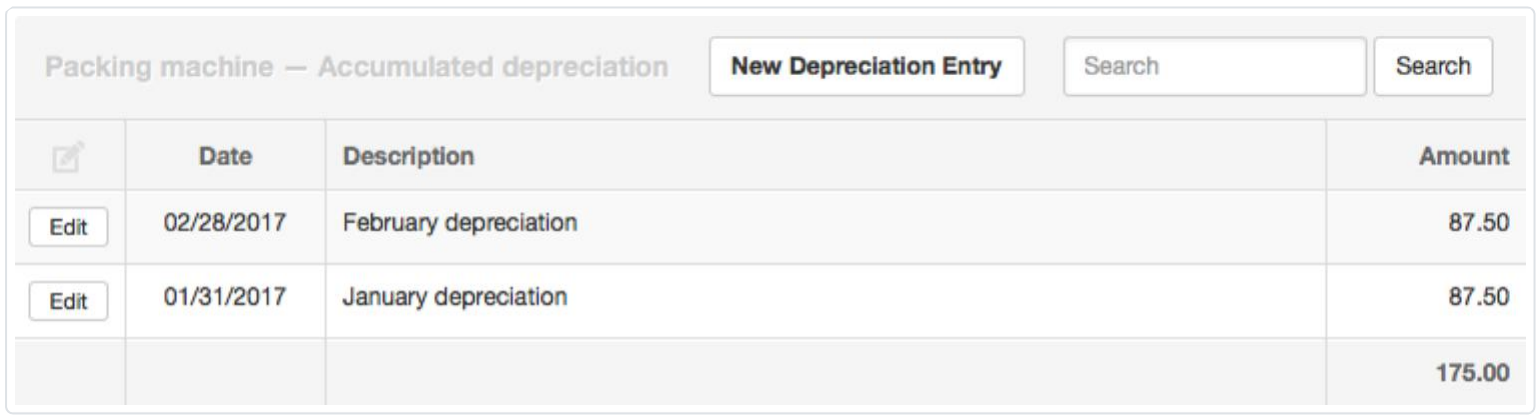
This amount is entered on the depreciation entry screen:



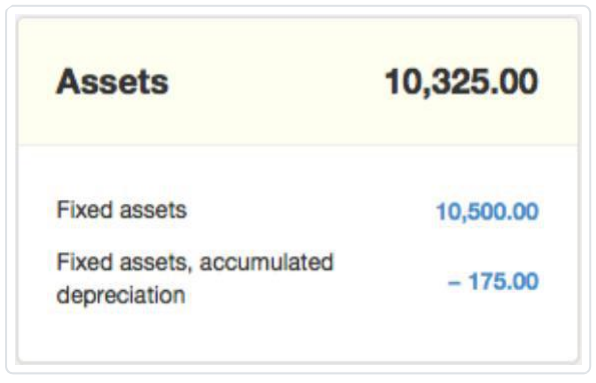
The `Fixed Assets` register now shows the depreciation amount and reduced book value:



Subsequent depreciation entries will add to the total of accumulated depreciation. A complete record of depreciation for the asset can be seen by clicking on the blue balance:



The `Summary` tab combines accumulated depreciation for all fixed assets. It displays *Fixed assets, accumulated depreciation* as a contra asset account (meaning the balance is normally negative). This control account is activated automatically when you enable the `Fixed Assets` tab:



10.1.4 Dispose of fixed assets

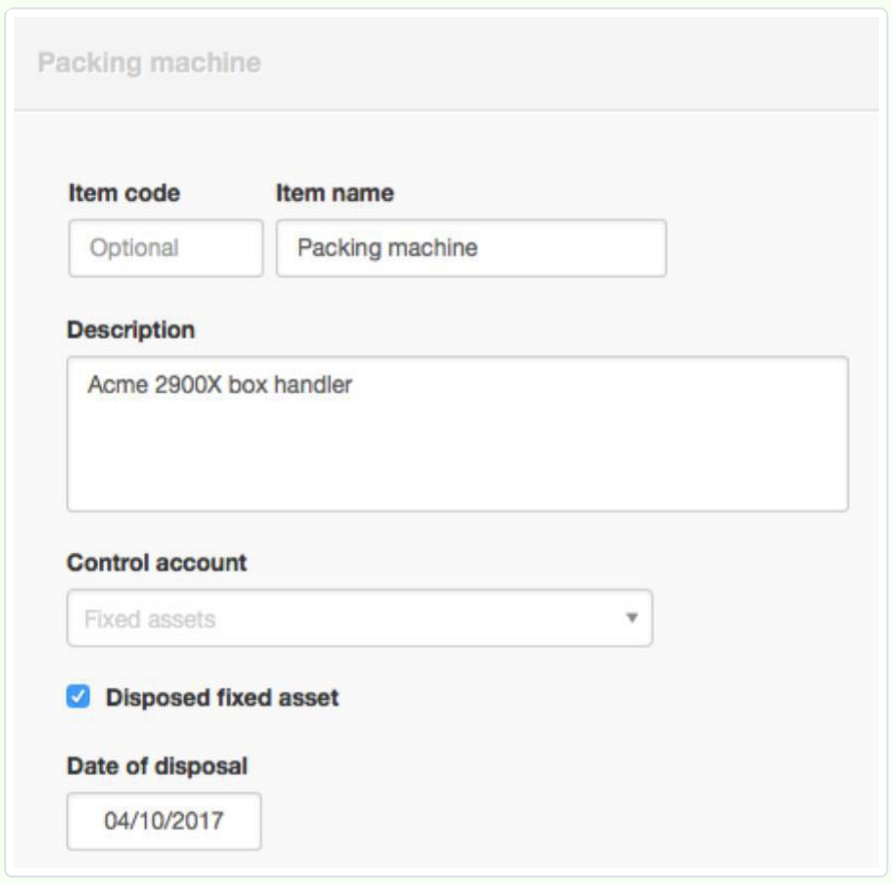
When a fixed asset is removed from service, it must be **disposed of** in your accounting records. Several circumstances may exist. The fixed asset may have:

- Already been fully depreciated over its useful life
- Passed the end of its useful life, but have residual salvage or resale value
- Been only partially depreciated, with useful life and resale value remaining
- Been partially depreciated, but with no value remaining (worn out early)

Other circumstances could also apply, especially if special tax provisions covered purchase of the fixed asset. Regardless of the exact situation, the purchase cost of the fixed asset must be removed from the *Fixed assets* account and its accumulated depreciation must be removed from *Fixed assets, accumulated depreciation*. Otherwise, the balances of these two accounts would grow endlessly as the business purchases assets over the years, even if those assets are no longer owned. Finally, whether the fixed asset is sold, scrapped, or given away, the difference between its book value and any amount recovered through disposal must be recorded, either as income or expense.

To dispose of a fixed asset, go to the `Fixed Assets` tab, click the `Edit` button for the asset disposed, check `Disposed fixed asset`, then enter the date of disposal.

Example
Brilliant Industries decides to replace the packaging machine it purchased in January with a more capable model, even though only three months of its useful life have passed. The disposal is recorded as below:



This transfers the book value of the asset to the *Fixed assets - loss on disposal* expense account and the book value on the balance sheet is reduced to zero. *Fixed assets - loss on disposal* is a control account activated automatically when the `Fixed Assets` tab is enabled.

Example
After Brilliant Industries' disposal action, its Balance Sheet shows no balance for either *Fixed assets* or *Fixed assets, accumuated depreciation*. The Profit and Loss Statement shows three months' worth of depreciation expense and the large remaining book value:

Fixed assets	-	Fixed assets - depreciation	262.50
Fixed assets, accumulated depreciation	-	Fixed assets - loss on disposal	10,237.50

Unless Brilliant Industries can find a buyer for the used packaging machine, this situation will look like a serious business mistake.

Like fixed asset purchases and depreciation, disposals are reported on the Fixed Asset Summary in the `Reports` tab:

Brilliant Industries

Fixed Asset Summary

For the period from 1/1/2017 to 12/31/2017

	Opening	Additions	Depreciation	Disposals	Closing
Packaging machine					
At cost	-	10,500.00		(10,500.00)	-
Accumulated depreciation	-		(262.50)	262.50	-
Total — Packaging machine					**0.00**
					0.00

Note
Two methods can be used when a disposed fixed asset is sold. The first is to post a receipt in the `Bank Transactions` or `Cash Transactions` tab to *Fixed assets* and the specific asset's subaccount prior to recording disposal. This reduces the purchase cost balance, decreasing any loss on disposal. The second is to post the transaction to *Fixed assets - loss on disposal* after the fact. The net effects are the same.

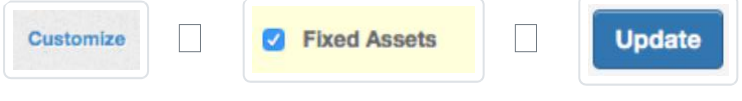
10.1.5 Migrate fixed assets from prior accounting system

When migrating to BILLBOOKS from a prior accounting system, fixed assets must be carried forward at their book values from the previous system. This is accomplished in BILLBOOKS in two steps:

- Create the fixed asset.
- Enter starting balances for purchase cost and accumulated depreciation to date being carried over from your old account system. (BILLBOOKS will automatically calculate book value.)

Create the fixed asset

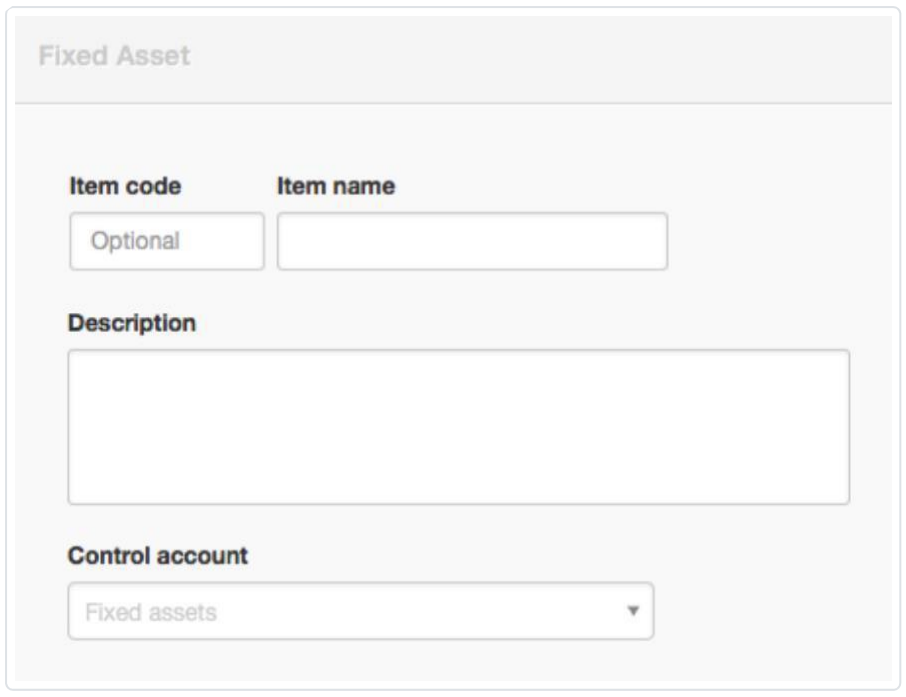
Before you can enter any transaction related to a fixed asset, the fixed asset itself must be created in BILLBOOKS. If the `Fixed Assets` tab has not already been enabled, click `Customize` below the left navigation pane. Check the box for `Fixed Assets` and click `Update` below the list:



To migrate a fixed asset, return to the left navigation pane, click `Fixed Assets`, then `New Fixed Asset`:



Complete the entry:



- `Item code` is an optional alphabetic or numeric designation for the fixed asset.
- `Item name` is the name that will appear for the fixed asset in reports and lists.
- `Description` accepts detailed information about the fixed asset.
- The `Control account` field appears only when a custom control account made up of fixed assets exists.

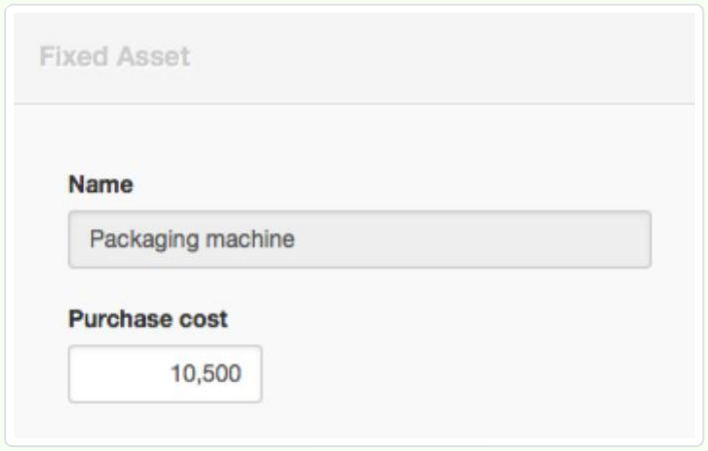
Click `Create` .

Enter starting balances

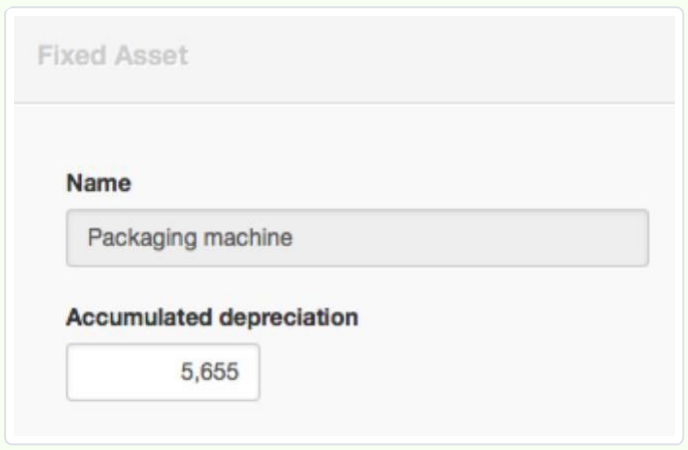
Original purchase cost and accumulated depreciation to date from your old accounting system must be entered as starting balances. General procedures for entering starting balances are contained in this Guide. Read it first.

When migrating fixed assets, go to `Starting Balances` in the `Settings` tab. Click the blue balance figure for the *Fixed assets* account. Click `Edit` for the asset you are migrating and enter `Purchase cost`. Return to the `Starting Balances` list and click on the blue balance for *Fixed assets - accumulated depreciation*. Click `Edit` for the asset you are migrating and enter depreciation to date for the asset you are migrating.

Example
Northwind Traders is migrating its accounting system to Manager. The first fixed asset it migrates is a packaging machine. Following procedures described above, it creates the packaging machine as a fixed asset, then enters starting balances:



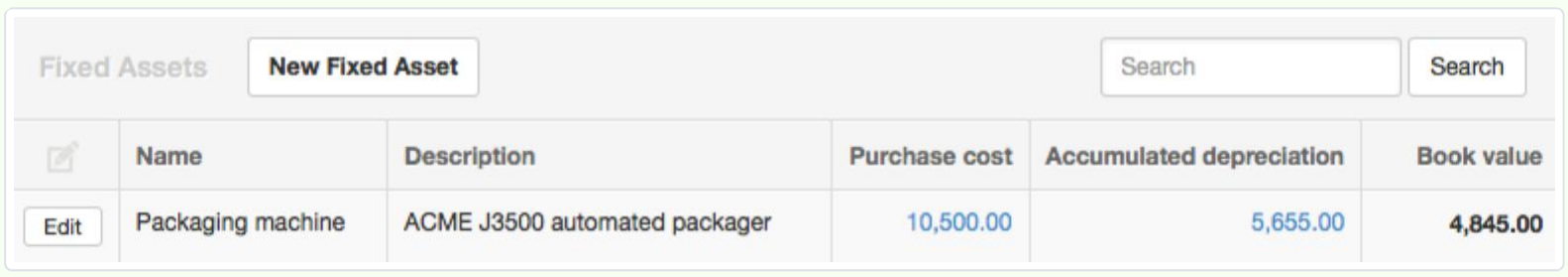
AND



Results

The fixed asset, with starting balances carried over from your old accounting system, will show under the `Fixed Assets` tab. The purchase cost of the fixed asset will be combined with any other fixed assets' costs and displayed under the *Assets* category on the `Summary` page. A contra account, *Fixed assets, accumulated depreciation*, will record depreciation to date for all fixed assets. The difference between the two account balances represents current book value of all fixed assets.

Example
After migrating its first fixed asset, the packaging machine, Northwind's fixed asset list and `Summary` show the results:



AND



Note
When migrating many fixed assets, consider using batch operations to accomplish the steps described above.

10.2 Intangible Assets

10.2.1 Purchase intangible assets

Intangible assets are non-physical property owned by a business. The acquisition cost of an intangible asset is recovered over its economic life through amortization, rather than as an expense during a single accounting period. To be considered an intangible asset, property should generally:

- Be expected to enhance cash flow for longer than one major accounting period (usually one year)
- Cost more than the capitalization threshold (set either by company policy or local law)

Intangible assets can be related to marketing, intellectual property, contracts, or technology and can include, among other things:

- Patents
- Trade or internet domain names
- Licenses
- Customer lists
- Copyrights
- Franchises
- Trade secrets
- Good will

Often, intangible assets are acquired when an ongoing business is purchased. Part of the purchase price is allocated to intangible assets. In other cases, intangible assets are created through reallocation of prior, internal expenses, such as when research and development costs are converted into the intangible asset of a patent. Local law and accounting standards often influence what can or must be considered an intangible asset.

Enable the `Intangible Assets` tab

Before you can enter any transaction related to a intangible asset, the intangible asset itself must be created in BILLBOOKS. If the `Intangible Assets` tab has not already been enabled, click `Customize` below the left navigation pane. Check the box for `Intangible Assets` and click `Update` below the list:



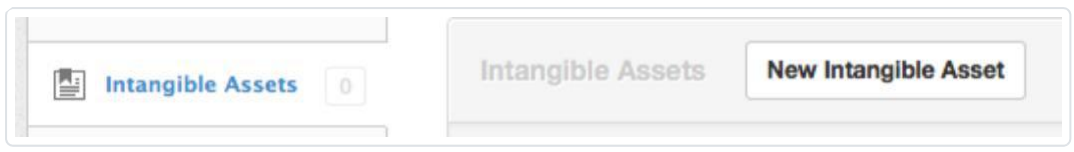
When the tab is enabled, four accounts are automatically activated in your chart of accounts:

- *Intangible assets*, an asset account recording the purchase cost of all intangible assets
- *Intangible assets, accumulated amortization*, a contra asset account summing amortization to date of all intangible assets
- *Intangible assets - amortization*, recording current amortization expenses
- *Intangible assets - loss on disposal*, an expense account recording and loss (gain) on disposal of intangible assets

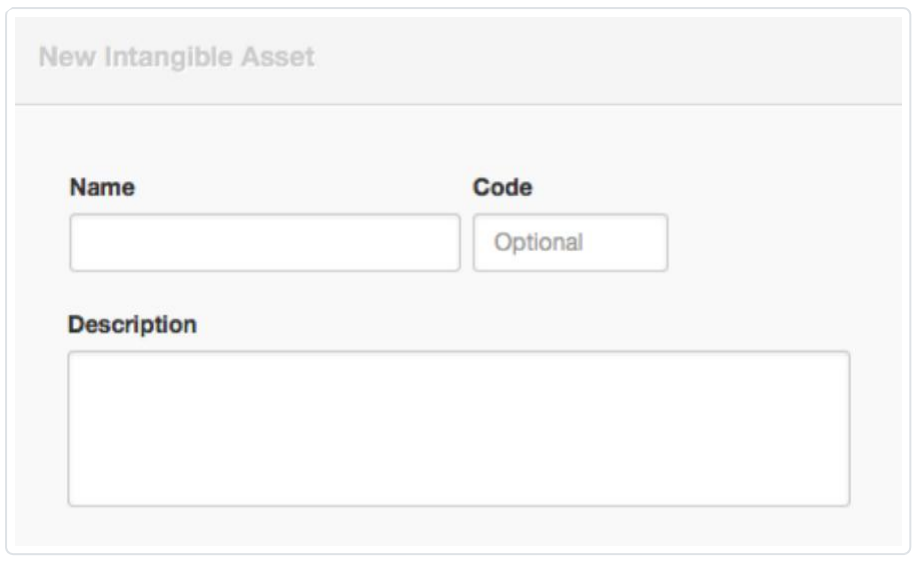
These accounts cannot be disabled while the `Intangible Assets` tab is enabled, but they can be renamed under `Settings` `Chart of Accounts`.

Create the intangible asset

Return to the left navigation pane, click `Intangible Assets`, then `New Intangible Asset`:



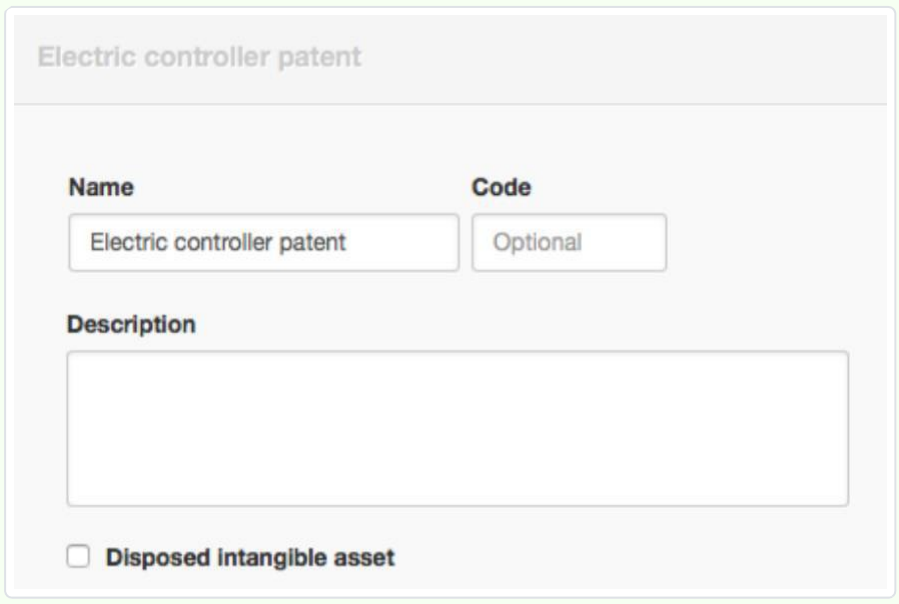
Complete the entry:



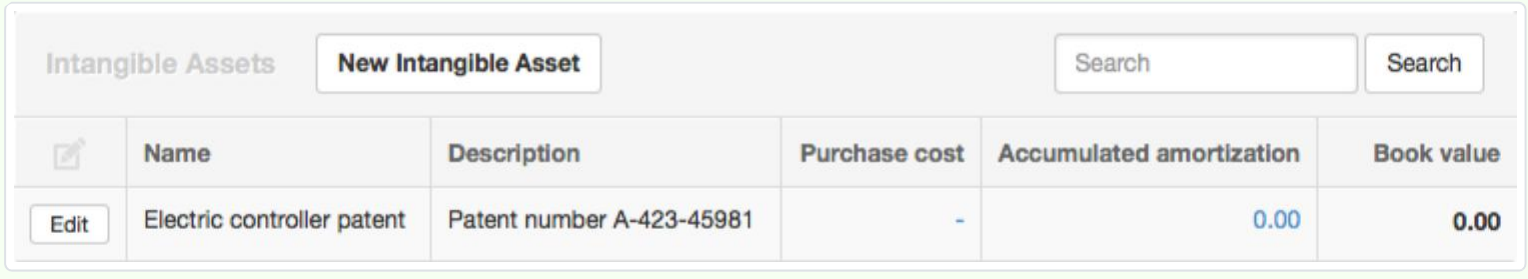
- `Name` is the name that will appear for the intangible asset in reports and lists.
- `Code` is an optional alphabetic or numeric designation for the intangible asset. Numeric entries will control the position of the asset on lists.
- `Description` accepts detailed information about the intangible asset.

Click `Create`.

Example
ACME Industries purchased the patent on an electric controller from its inventor. The patent has a remaining life of 15 years, so an intangible asset is created:



The intangible asset will show under the `Intangible Assets` tab with no book value:



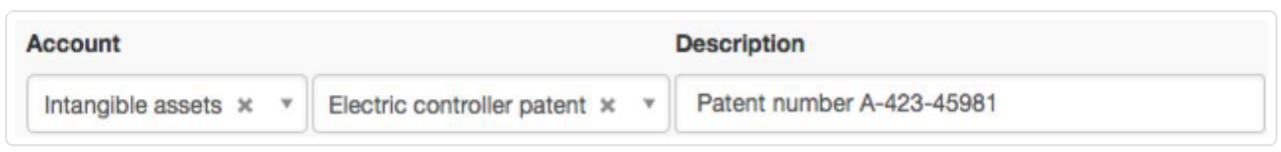
> **Note**
> To this point, you have not recorded the purchase of the intangible asset. You have only set it up in Manager. Now you can record financial transactions related to the intangible asset.

Purchase an intangible asset

Purchase of the intangible asset can be recorded under following tabs:

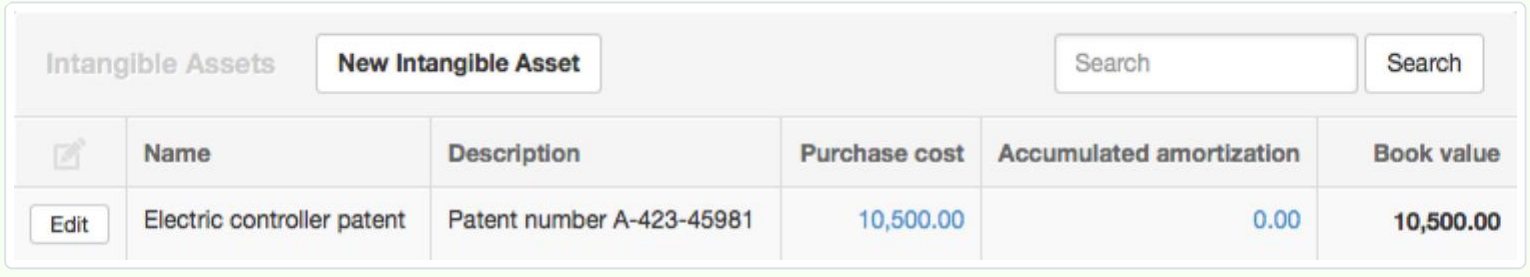
- `Receipts & Payments`, if purchased from the seller without credit
- `Purchase Invoices`, if purchased from a supplier on credit
- `Expense Claims`, if paid by you or someone else on behalf of the business
- `Journal Entries`, if acquisition was financed by a loan or transfer of expenses

When recording the purchase of an intangible asset under any of these tabs, post the amount spent to the *Intangible assets* account and the subaccount for the intangible asset you have purchased:

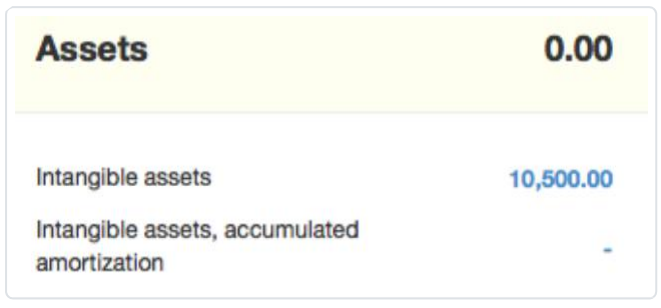


If you purchase the intangible asset using a loan, you should also create a liability account in your chart of accounts with a name something like *Loan* before you record the purchase transaction. Then record the journal entry as a debit to the *Intangible assets* account for the purchase cost and a credit to the *Loan* account of the same amount. Loan repayments must be posted to the *Loan* account. They have nothing to do with purchase cost, amortization, or book value of the intangible asset.

> **Example**
> ACME Industries purchases its patent from the inventor for cash, entering the 10,500 cost with a bank transaction. The purchase cost now shows in the `Intangible Assets` tab register:



The purchase cost of the intangible asset will be combined with any other intangible assets' costs and displayed under the *Assets* category on the `Summary` page:



10.2.2 Amortize intangible assets

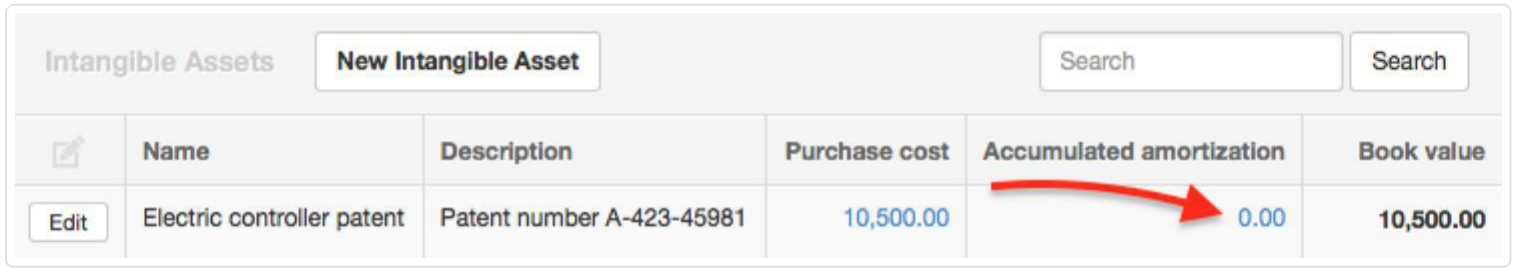
Amortization is the portion of an intangible asset's cost recorded as an expense during the current accounting period. In simple terms, since an intangible asset has a useful life longer than one accounting period, amortization represents the part of its value, if any, used up during the current period.

Amortization can be calculated many ways, but straight-line amortization is almost always used. That is also the simplest, dividing the intangible asset's unamortized cost by the number of remaining accounting periods it is expected to last.

Note
Because so many variables for amortization exist, Manager does not calculate amortization amounts. You must determine allowable amortization for the current accounting period according to an intangible asset's remaining life, original cost, amortization method, possible impairment of the asset, and local regulations. Once you have done that, Manager will keep track of how much amortization has been accumulated for the intangible asset.

Enter amortization

To enter amortization for a specific intangible asset, go to the `Intangible Assets` tab. Click on the blue figure in the `Accumulated amortization` column for that asset:

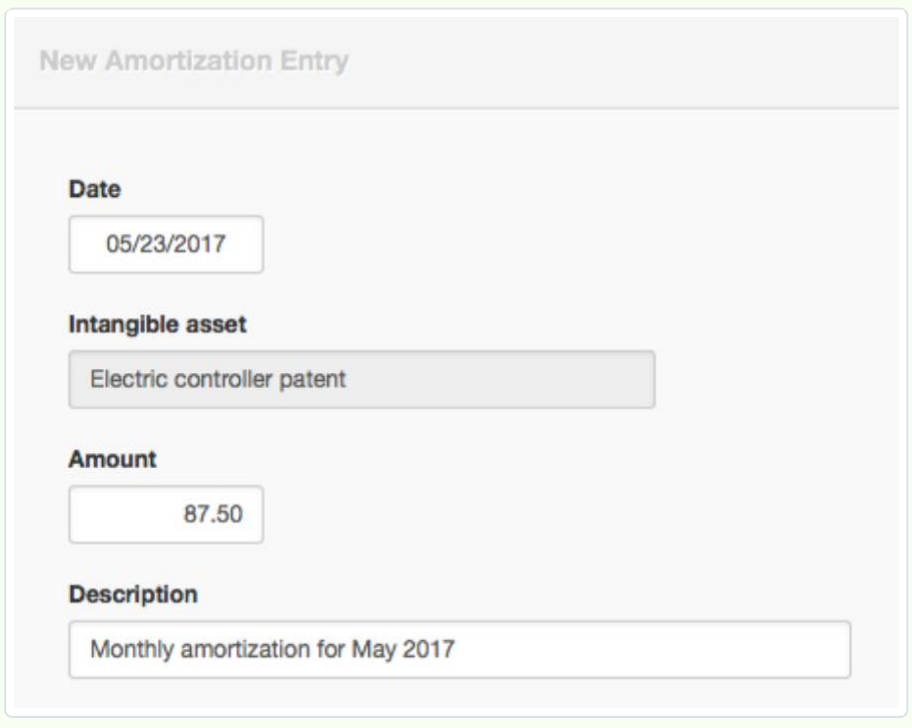


This will transfer you to the amortization register for the selected intangible asset. Click the `New Amortization Entry` button to enter the amortization expense amount.

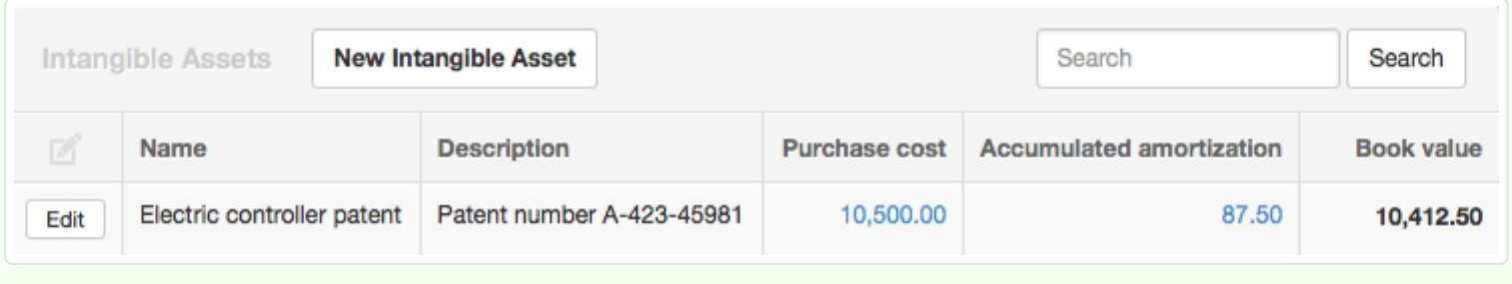
Example
ACME Industries purchased a patent for 10,500. It has a remaining lifetime of 15 years and is being amortized monthly. Monthly amortization is calculated:

10,500 cost / 120 months = 87.50 / month

This amount is entered on the amortization entry screen:

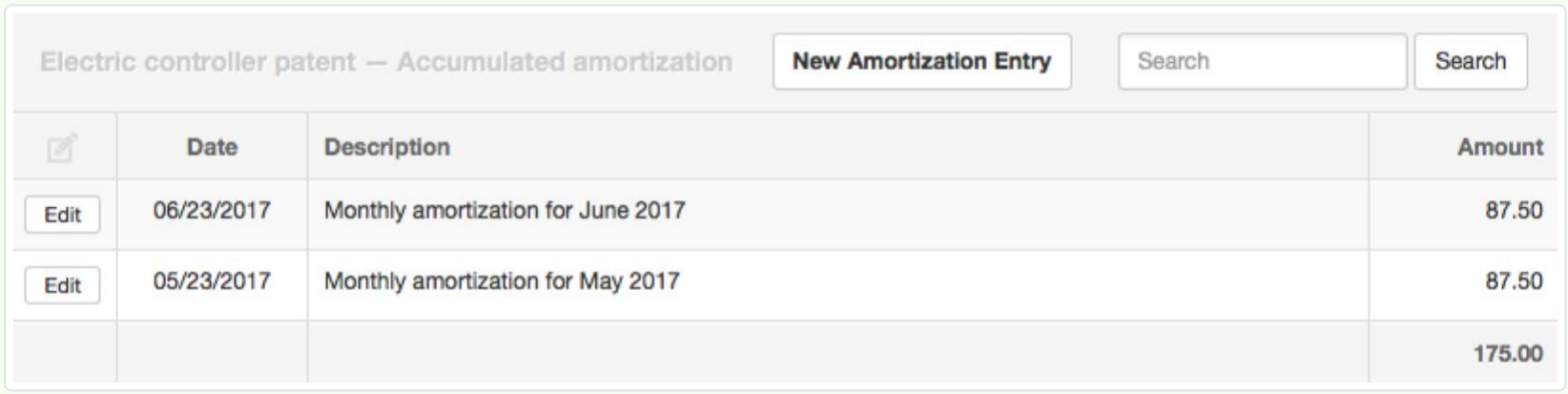


The `Intangible Assets` register now shows the amortization amount and reduced book value:



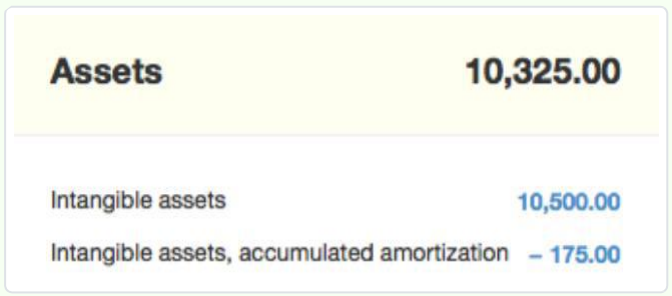
Subsequent amortization entries will add to the total of accumulated amortization. A complete record of amortization for the asset can be seen by clicking on the blue balance.

Example
ACME enters amortization for the following month. The drill-down shows all entries:



The `Summary` tab combines accumulated amortization for all intangible assets. It displays *Intangible assets, accumulated amortization* as a contra asset account (meaning the balance is normally negative). This control account is activated automatically when you enable the `Intangible Assets` tab.

Example
ACME's balance sheet shows its complete position with respect to intangible assets:



10.2.3 Dispose of intangible assets

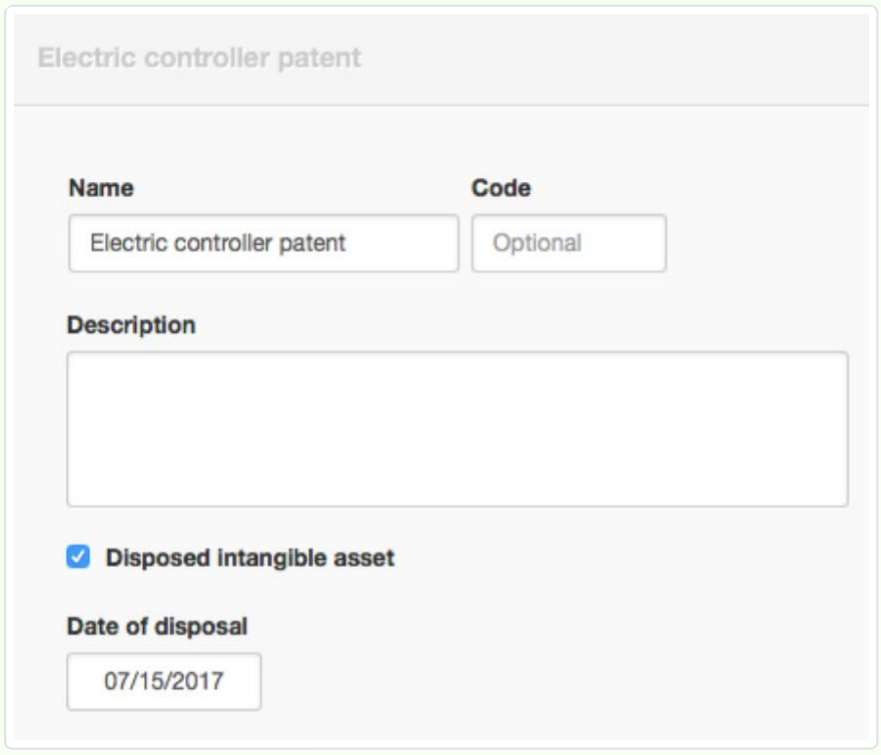
When an intangible asset can no longer enhance future cash flow, it must be **disposed of** in your accounting records. Several circumstances may exist. The intangible asset may have:

- Already been fully amortized over its useful life
- Passed the end of its useful life for your business, but have residual resale value
- Been only partially amortized, with useful life and resale value remaining
- Been partially amortized, but with no value remaining (became useless early)

Other circumstances could also apply, especially if special tax provisions covered purchase of the intangible asset. Regardless of the exact situation, the purchase cost of the intangible asset must be removed from the *Intangible assets* account and its accumulated amortization must be removed from *Intangible assets, accumulated amortization*. Otherwise, the balances of these two accounts would grow endlessly as the business purchases assets over the years, even if those assets are no longer owned. Finally, whether the intangible asset is sold or has merely lost its value, the difference between its book value and any amount recovered through disposal must be recorded, either as income or expense.

To dispose of an intangible asset, go to the `Intangible Assets` tab, click the `Edit` button for the asset disposed, check `Disposed intangible asset` , then enter the date of disposal.

Example
ACME Industries' electric controller patent becomes useless because the company discontinues products in which it is used, even though only two months of its anticipated life have passed. The disposal is recorded as below:



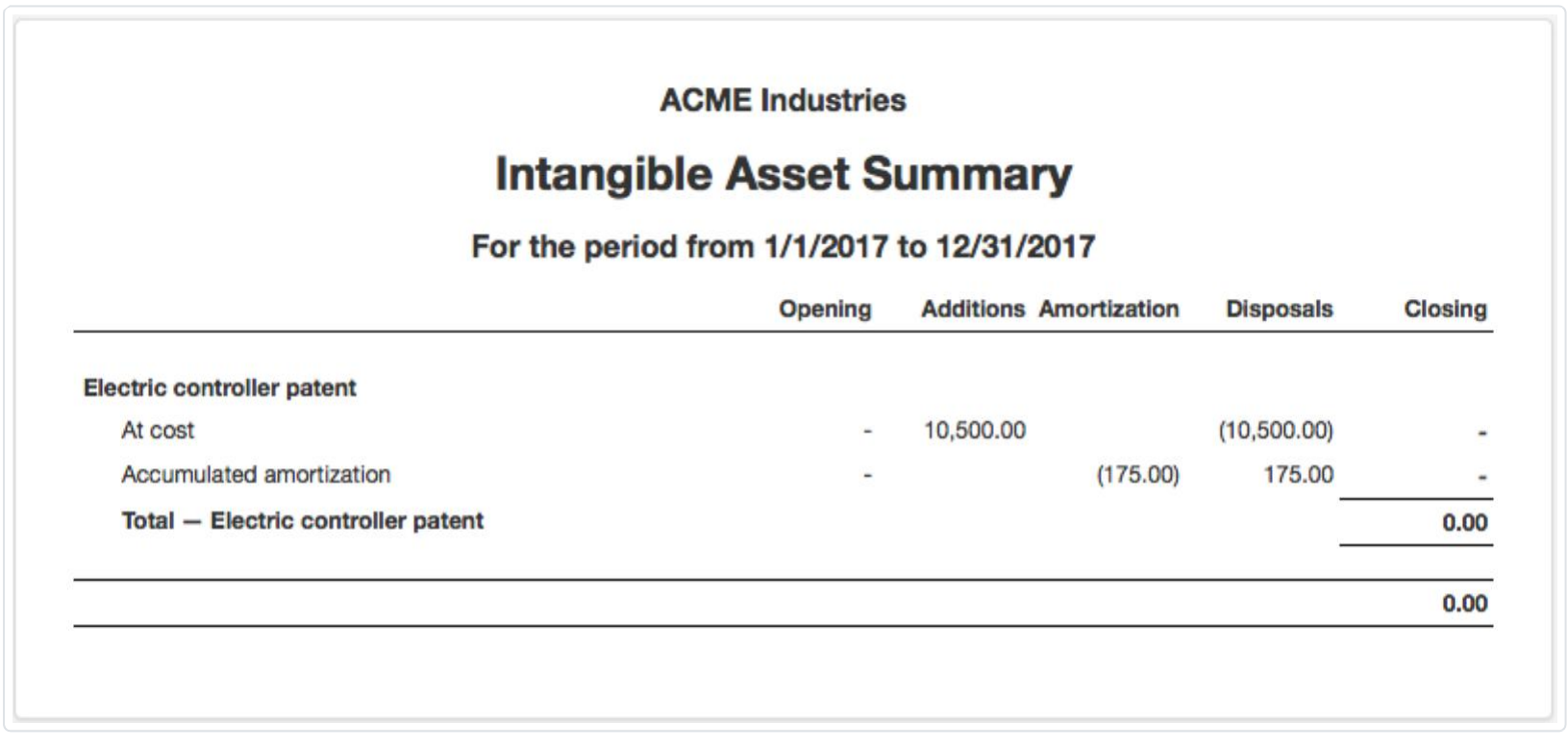
This transfers any book value of the asset to the *Intangible assets - loss on disposal* expense account and reduces the book value on the balance sheet to zero. *Intangible assets - loss on disposal* is a control account activated automatically when the `Intangible Assets` tab is enabled.

Example
After ACME Industries' disposal action, its Balance Sheet shows no balance for either *Intangible assets* or *Intangible assets, accumuated amortization*. The Profit and Loss Statement shows two months' worth of amortization expense and the large remaining book value:



Unless ACME Industries can find a buyer for the patent, this situation will look like a serious business mistake.

Like intangible asset purchases and amortization, disposals are reported on the Intangible Asset Summary in the `Reports` tab:



ACME Industries

Intangible Asset Summary

For the period from 1/1/2017 to 12/31/2017

	Opening	Additions	Amortization	Disposals	Closing
Electric controller patent					
At cost	-	10,500.00		(10,500.00)	-
Accumulated amortization	-		(175.00)	175.00	-
Total — Electric controller patent					**0.00**
					0.00

> **Note**
> Two methods can be used when a disposed intangible asset is sold. The first is to post a receipt in `Bank Transactions` or `Cash Transactions` to *Intangible assets* and the specific asset's subaccount prior to recording disposal. This reduces the purchase cost balance, decreasing any loss on disposal. The second is to post the transaction to *Intangible assets - loss on disposal* after the fact. The net effects are the same.

10.2.4 Migrate intangible assets from prior accounting system

When migrating to BILLBOOKS from a prior accounting system, intangible assets must be carried forward at their book values from the previous system. Basic procedures for creating intangible assets in BILLBOOKS are described in another Guide. Read it first.

Migration is accomplished in BILLBOOKS in two steps:

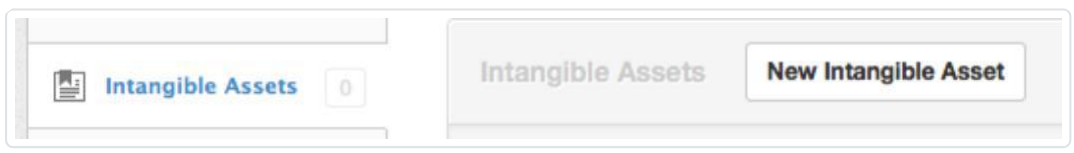
- Create the intangible asset.
- Enter starting balances for purchase cost and accumulated amortization to date being carried over from your old account system. (BILLBOOKS will automatically calculate book value.)

Create the intangible asset

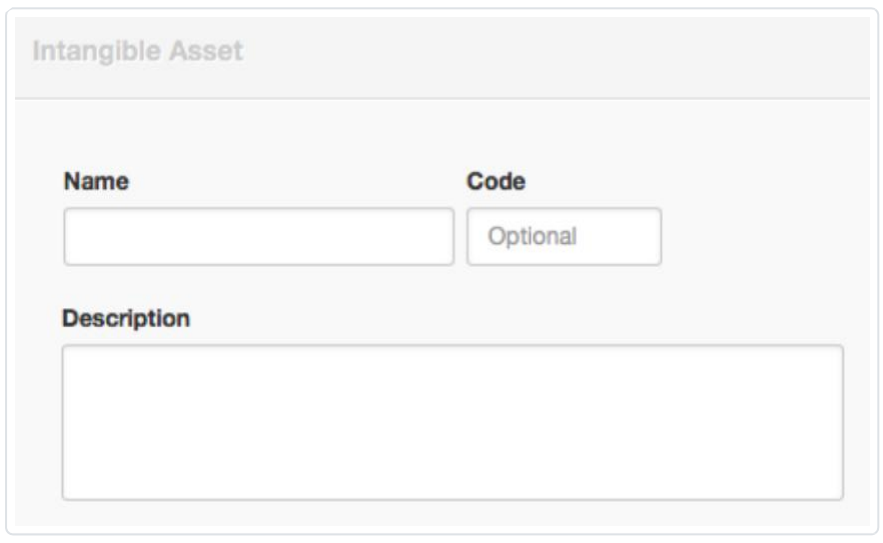
Before you can enter any transaction related to an intangible asset, the intangible asset itself must be created in BILLBOOKS. If the `Intangible Assets` tab has not already been enabled, click `Customize` below the left navigation pane. Check the box for `Intangible Assets` and click `Update` below the list:



To migrate a fixed asset, return to the left navigation pane, click `Intangible Assets`, then `New Intangible Asset`:



Complete the entry:



- `Name` is the name that will appear for the intangible asset in reports and lists.
- `Code` is an optional alphabetic or numeric designation for the intangible asset. Numeric entries will control the asset's position in lists.
- `Description` accepts detailed information about the intangible asset.

Click `Create` .

Enter starting balances

Original purchase cost and accumulated amortization to date from your old accounting system must be entered as starting balances. General procedures for entering starting balances are contained in this Guide. Read it first.

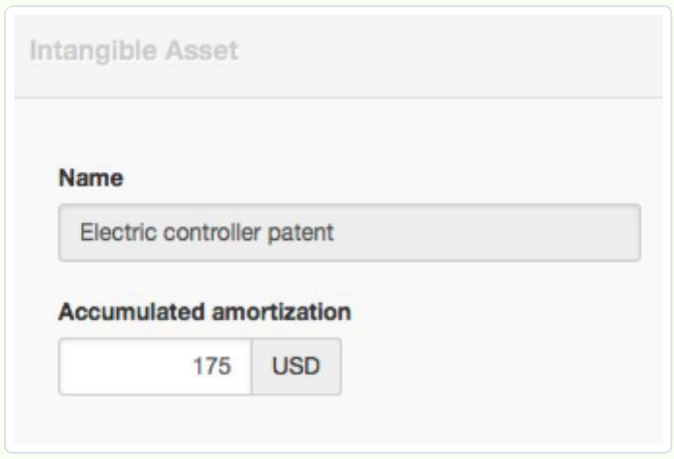
When migrating intangible assets, go to `Starting Balances` in the `Settings` tab. Click the blue balance figure for the *Intangible assets* account. Click `Edit` for the asset you are migrating and enter `Purchase cost`. Return to the `Starting Balances` list and click the blue balance for `Intangible assets, accumulated amortization`.

Example

Brilliant industries is migrating its accounting to Manager. It owns one intangible asset, the patent for an electronic controller. Following procedures described above, it creates the patent as an intangible asset, then enters starting balances:



AND

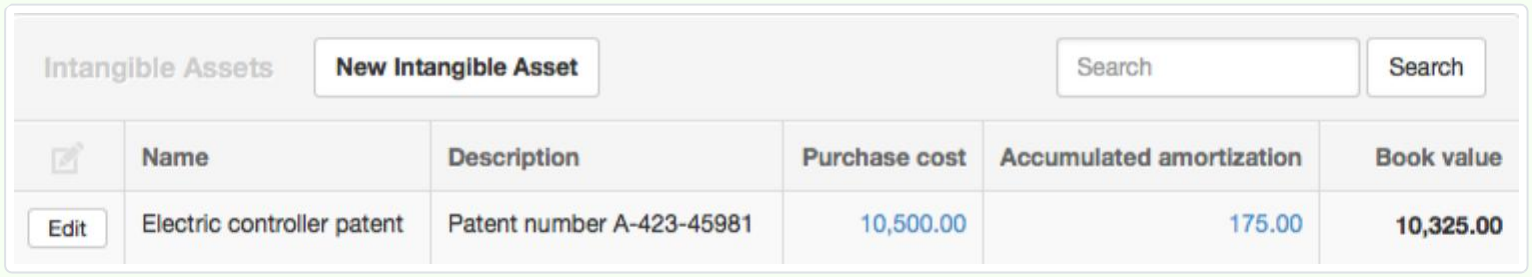


Results

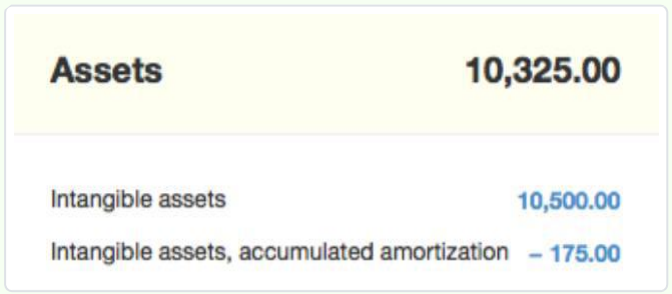
The intangible asset, with starting balances carried over from your old accounting system, will show under the `Intangible Assets` tab. The purchase cost of the intangible asset will be combined with any other intangible assets' costs and displayed under the *Assets* category on the `Summary` page. A contra account, *Intangible assets, accumulated amortization*, will record amortization to date for all intangible assets. The difference between the two account balances represents current book value of all intangible assets.

Example

After migrating its intangible asset, the patent, Brilliant's intangible asset list and `Summary` show the results:



AND



Note

When migrating many intangible assets, consider using batch operations to accomplish the steps described above.

Chapter 11: Advanced

Despite its overall simplicity, BILLBOOKS can still present situations where more advanced knowledge is necessary.

11.1 Application Data

11.1.1 Manage application data folder contents

BILLBOOKS stores all business information, accounting data, custom themes, and attachments in a separate data file for each business. By default, these data files are saved in the **application data folder**. No accounting, business, or user information is stored in the application itself. The default location for application data depends on your operating system and edition, but is the same for all businesses you create.

> **Note**
> When using the desktop edition, business data files can be stored outside the application data folder and opened directly without first launching the Manager application. This is done by creating a backup file in the desired storage location. Business data files stored this way are not also copied to the application data folder, so information below **does not apply** to them.

Over time, data storage schemes for BILLBOOKS have changed to accommodate new program features. Sometimes, an update requires new data files to be created. This happens automatically when the new version of BILLBOOKS is launched. No action by the user is ever necessary.

Relic data files are not normally deleted. These obsolete data files and/or folders are harmless and can safely be left in place. By modern standards, they are not large, and do not consume much storage capacity. However, they can be identified and deleted, if desired.

Finding your application data

To discover the location of your application data, click `Preferences` in the top menu bar. To view your application data, navigate to the folder shown. Depending on your operating system and preferences, the folder may be hidden from normal view. So you may need to copy the location and paste it into your operating system's file search function.

Once at the data folder, you should see files like these:

- `00000000000000000000000000000000.BILLBOOKS` is an SQLite database holding a list of businesses, users, and global preferences. This file is generated automatically the first time you launch BILLBOOKS and updated as businesses and users are added or removed or global preferences are changed. It contains no accounting data. If the file is deleted, the program will generate an empty version of it. Businesses can be repopulated into the file by restoring them from backup.
- Files with long, alphanumeric names like `69703781b9284b1684e494fdd5510cb8.BILLBOOKS` are generated for each business added. Characters in the file name are not related to the name of the business. All accounting data, customer and supplier information, custom themes, settings, and attachments for a business reside in this file. For privacy reasons, no data from any business appears in the file of any other.
- `data` stores the application data folder path. If you have an older version of BILLBOOKS or have never changed the application data folder location, this file may be missing. If BILLBOOKS needs it, the program will generate it automatically.
- Another file with an alphanumeric name like `238097db79f84dc5a44a0c6f8aa04e6c.BILLBOOKS` is generated or updated automatically as required. This file contains information about audit trails. If deleted, this file will be automatically regenerated if it is needed.
- `size` (for desktop installations) stores the window size when the application is closed.
- `password` (for server installations) stores the administrator account password

So if you have two businesses, your file structure might look something like this:

```
00000000000000000000000000000000.BILLBOOKS
69703781b9284b1684e494fdd5510cb8.BILLBOOKS
76cf56919daf4a3780196f51614b327b.BILLBOOKS
data
238097db79f84dc5a44a0c6f8aa04e6c.BILLBOOKS
size
```

The current version of BILLBOOKS does not use or create any other files or folders.

Identifying current business files

Since BILLBOOKS does not automatically delete files for removed businesses or obsolete data structures, long-time users who have been through several updates or removed businesses may need to identify which files with alphanumeric names are currently in use. One way is to enter a transaction in a business and check immediately which file was most recently modified. Files that change only with entries to a single business are the accounting files for those businesses. Make note of the modified files and corresponding businesses. A file that changes with entries to all businesses is the audit trail file. Files not modified by any active business are obsolete.

Another way to determine which files are active is to open them directly. (This capability became available with BILLBOOKS version 17.10.0.) Examine transactions in various tabs to see whether the file is up to date.

> **Caution**
> Do not make any entries in a file you have opened directly as you identify current business files. Such entries will complicate both data identification and recovery efforts you may be undertaking. For more information on directly opening data files, see this Guide.

Removing unnecessary data

After identifying all current business files among those with alphanumeric names, you can remove unnecessary files from the application data folder. To be safe, do not delete them yet. Move the following file types to a safe location:

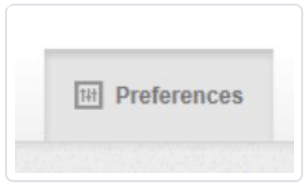
- `00000000000000000000000000000000` (without the `*.BILLBOOKS` extension) is an obsolete index the program ignores.
- `recent` is a relic file formerly used in the desktop edition to store a list of recently opened businesses.
- `language` is a relic file that was used to store settings from multiple businesses.
- `secret` is a relic file.
- Files with `.BILLBOOKS-journal` extensions are temporary SQLite rollback journals created when database revisions are necessary. They help prevent database corruption. The application normally deletes them when they are no longer needed. They remain only if an overly aggressive backup process interrupted a file conversion.
- Files with plain-language names like `Northwind Traders.BILLBOOKS` were generated automatically by the desktop edition under a prior file naming scheme.
- **Folders**, regardless of their names, are relics of obsolete data structures.
- Files with alphanumeric names like `f565db9ce66044188729588d6f5f2269.BILLBOOKS` determined *not* to be associated with active businesses.

Relaunch BILLBOOKS and verify all active businesses are still present and contain expected accounting and custom theme data. If an active business file was moved from the application data folder by accident, BILLBOOKS will regenerate a file with the required name. However, the recreated business will have only default tabs and no accounting data. The recreated business should be removed. The associated data file should be deleted. (It will probably be the most recently created file in the folder.) The previously removed file with the same name should be moved back into the application data folder.

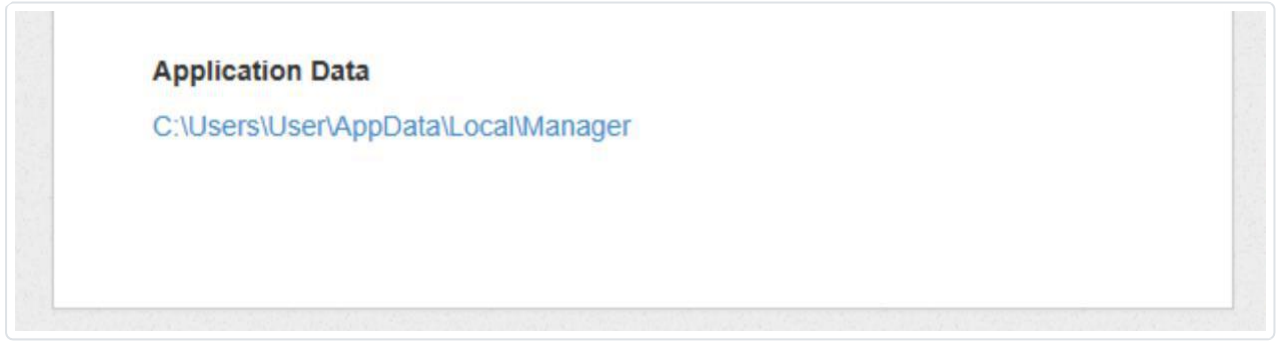
When satisfied all businesses are present and include expected data, delete removed files from their temporary location.

11.1.2 Move application data to another folder (e. g., Dropbox)

When you use the desktop edition, BILLBOOKS initially saves all your businesses to its default application data folder. The folder where BILLBOOKS is currently storing all data can be viewed under `Preferences` :



where it shows under the `Application Data` heading:

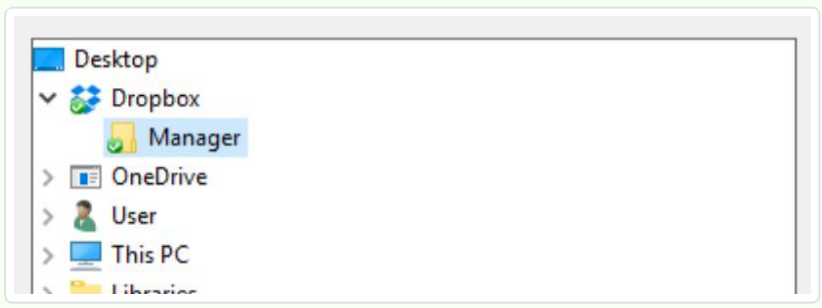


If you are using Dropbox, OneDrive, Google Drive or other cloud storage service, you might find it more practical to move BILLBOOKS data into cloud storage so your data is automatically backed up as you work with BILLBOOKS. This can be accomplished two ways.

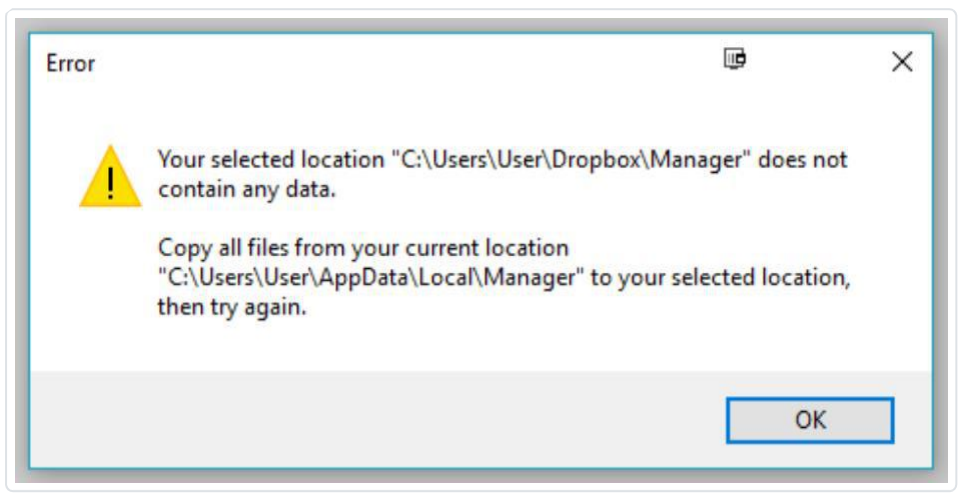
Change application data folder

To **move application data to another folder**, whether in the cloud or on any accessible drive, click on the folder name under the `Application Data` heading. A file browsing window will open, within which you can browse for and select a different folder.

Example
You want to move your data to Dropbox and have created a `Manager` folder:

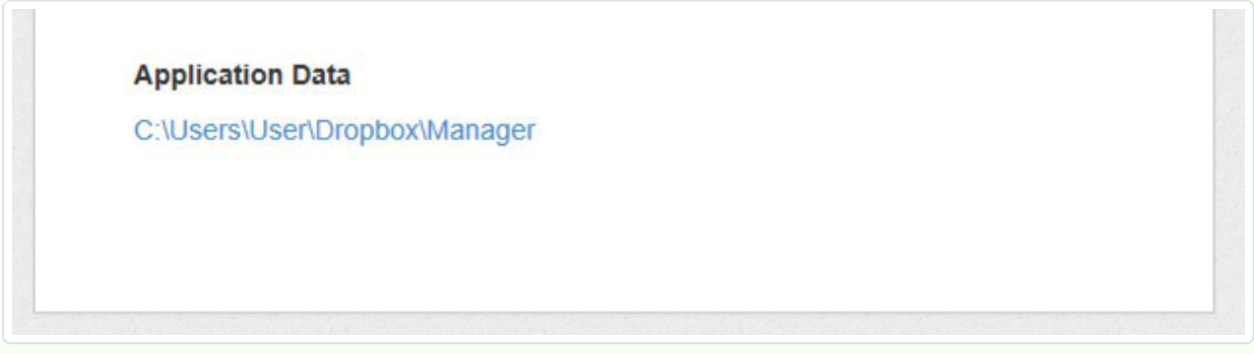


If the folder has been newly created and doesn't contain anything, BILLBOOKS will not let you proceed. Instead, it will display a notice (the exact format will vary by operating system):



Before you can use the new folder, follow the instructions in the notice. Copy (or move) all files from the current application data folder to the new one. Once done, try again. If successful, your new location will be shown under `Application Data` heading.

Example
After creating a `Manager` folder in Dropbox and copying or moving all files from the old location to the new one, clicking on the folder path under `Preferences` and selecting the new folder changes your data location:



If you install BILLBOOKS on another computer where Dropbox is installed, and the `BILLBOOKS` folder is accessible, you don't have to copy or move any files, because all files are already in the folder. So selecting the `BILLBOOKS` folder in Dropbox under `Preferences` on the other computer will make the same data available.

Caution
If you are storing Manager data in Dropbox or similar cloud storage used by multiple computers, make sure multiple computers don't use Manager at the same time. Dropbox is not good at merging differences between users working on the same file.

A cloud storage workflow will work well for single users owning multiple computers; they can have up-to-date data in the desktop edition on all computers.

If you have multiple users who need to access BILLBOOKS at the same time, consider the cloud edition, which is designed for multiple concurrent users.

Note
After changing the application data folder location, do not delete the original folder. Manager uses it to store housekeeping information, including the location of the new application data folder.

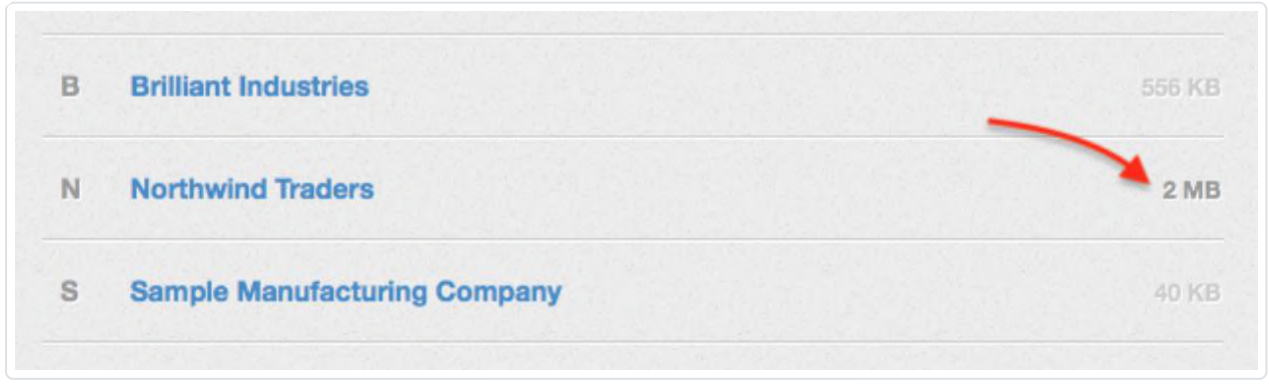
Change only a business data file's location

A second way to store data elsewhere is to create a backup of the business in the desired storage location. Rather than launching BILLBOOKS and selecting the business from the list of businesses on the `Businesses` page, open the data file from the remote location using your computer's operating system features. This action will launch the BILLBOOKS application; the business will be active.

Note
Opening a file directly does **not** add it to the application data folder, so it will not appear in the list on the `Businesses` page. To avoid confusion and potential, accidental recording of accounting transactions in the wrong file, remove the business from the application data folder, leaving only the remotely stored copy.

11.1.3 Reduce data file size

As transactions, customers, suppliers, assets, inventory items, accounts, and attachments are entered, edited, and possibly deleted, the accounting data file for a business can grow to a size larger than strictly necessary. Data file size can be compacted by going to the `Businesses` page and clicking on the file size for a business:



All data is preserved.

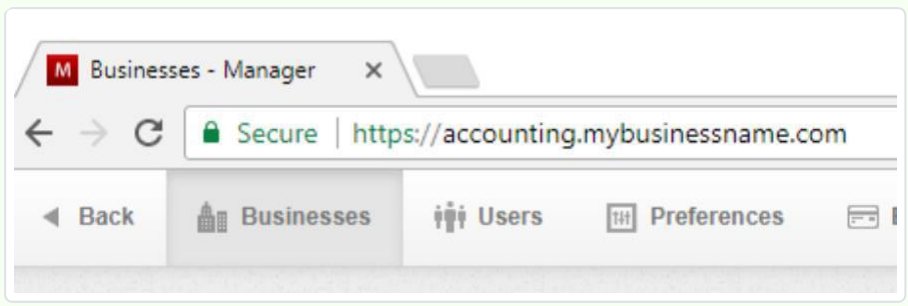
Note
Previous versions of Manager compacted the data file automatically when a business was backed up. But that process took excessively long when a business had many transactions, customers, suppliers, etc., causing the data file to exceed 1 GB. The current implementation allows any data file to be compacted whenever desired, reducing the size of the application data folder. The process is now entirely voluntary.

11.2 Custom Domain Names

11.2.1 Use a custom domain name with the cloud edition

Note
This Guide applies only to users of the cloud edition. To test this feature, you can sign up for free trial at https://www.billbooks.net/cloud/.

By default, subscribers access BILLBOOKS Cloud using their `*.Billbooks.net` URL. But access to the cloud edition can also be set up with a custom domain name at no additional cost.



Instructions

Setting up a custom domain name is simple. Basically, all you need to do is define a **CNAME** record for your custom domain that points to your BILLBOOKS Cloud URL.

Step 1

Log into your domain provider's site and determine where to manage your Domain Name Server (DNS) settings. Depending on your provider, this may be called Zone File Settings, Manage Domains, Domain BILLBOOKS, DNS BILLBOOKS, or something similar.

Here, you will create a new record so your subdomain correctly links to BILLBOOKS Cloud.

Step 2

In your provider's DNS BILLBOOKS, create a CNAME record with these values (order and presentation may vary):

- `Name`, `Alias` or `Host Name`: enter your subdomain. For example, if you're connecting `accounting.yourbusinessname.com`, you should enter just `accounting`.
- `Type` or `Record Type`: indicate CNAME or CNAME Alias
- `ValueValue` or `Points toPoints to`: enter `yourbusinessname.billbooks.net` (your URL for BILLBOOKS Cloud).
- `TTL` or `Time to Live`: set to 1 hour (3600 seconds).

E

Step 3

Depending on your provider, it may take from 5 minutes to 24 hours for a custom domain to become active. When you are able to navigate to your custom domain, BILLBOOKS Cloud will automatically download and install an SSL certificate from Let's encrypt so your connection will be still safe and secure.

Final words

When custom domains were added (in BILLBOOKS version 17.9.63), unnecessary billbooks branding was removed from the cloud edition.

So, if you use a custom domain, your restricted users will see your custom URL with no reference.

This is especially useful for accounting firms or bookkeepers whose clients might be reluctant to do their books under an unfamiliar `.billbooks.net` domain. Instead, they can keep their accounting records under the domain name of a service provider they already recognize and trust.

> **Note**
> Setting up a custom domain name will not deactivate your original `billbooks.net` URL. Although your restricted users may be unaware of its existence, your `billbooks.net` URL will provide backup access to Manager Cloud if problems occur with setup or maintenance of your custom domain name.

11.3 Rebranding

11.3.1 Rebrand the desktop edition (Windows)

Rebrand and customize our accounting software so it's fully aligned with your own style and brand identity. You can change everything from icons and software name to your contact details:

- Rename the product
- Use your icons (main and tray)
- Put in your contact details
- Provide a link to your website

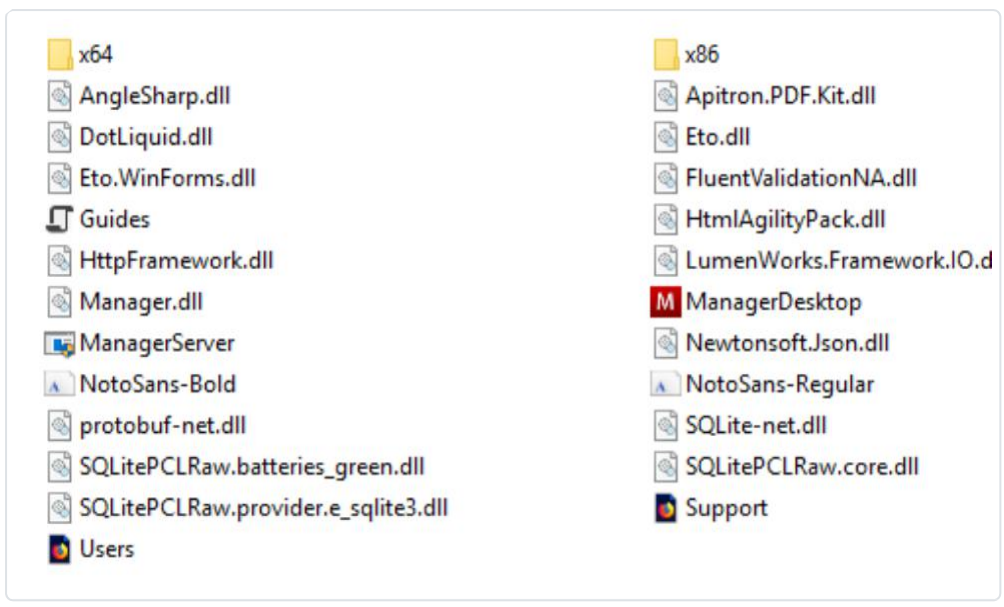
> **Example**
> Northwind Association is a business association helping small businesses to maintain proper accounting records. They want to offer an accounting software called "Northwind Accounting" to their members.

Download the source package for Windows

The first step is to visit the BILLBOOKS Download page and download `Source package` for Windows by clicking on the button:



`Source package` contains BILLBOOKS installation files. Unzip the files into some folder:



Edit display information

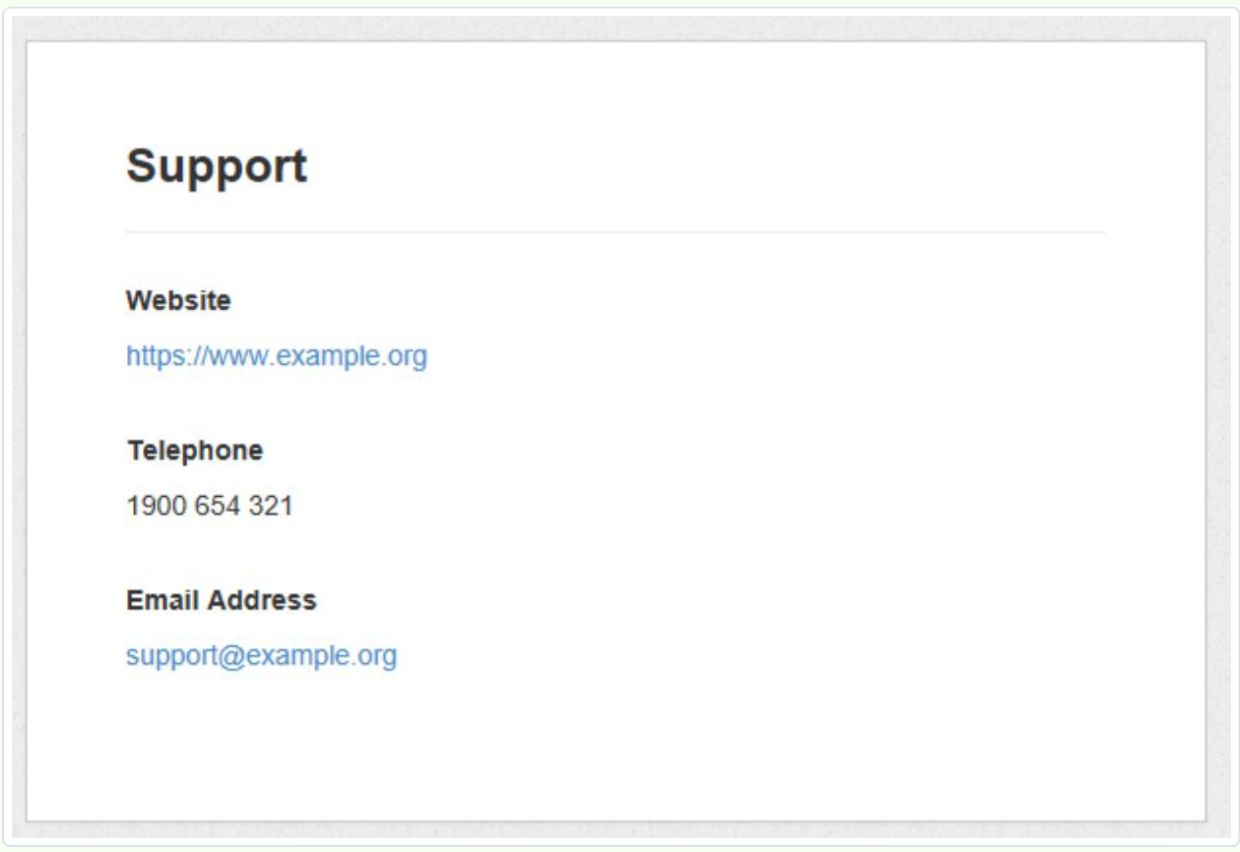
In this folder, you should open and edit 2 files:

- `Users.html`
- `Suppport.html`

`Users.html` contains HTML code defining what will be shown to your users when they click on the `Users` tab.

`Support.html` contains HTML code defining what will be shown to your users when they click on the `Support` tab. For example, you might want to show your own contact details.

Example
Northwind Association decides to show these details under the `Support` tab:



Northwind's HTML in `Support.html` would contain following markup:

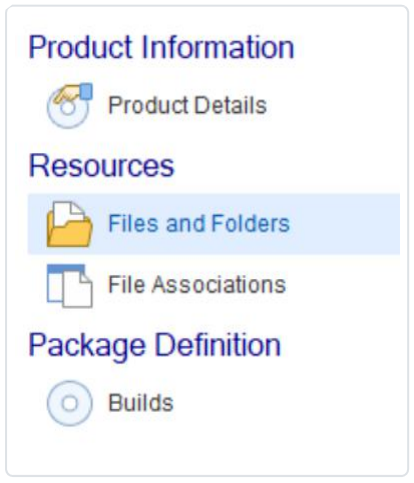
```
<div style="font-weight: bold">Website</div>
<div style="margin-bottom: 20px"><a href="https://www.example.org"
target="_blank">https://www.example.org</a></div>
<div style="font-weight: bold">Telephone</div>
<div style="margin-bottom: 20px">1900 654 321</div>
<div style="font-weight: bold">Email Address</div>
<div style="margin-bottom: 20px"><a href="mailto:support@example.org">support@example.org</a></div>
```

Once you modify your `Support.html` file, start BILLBOOKS by opening `BILLBOOKSDesktop.exe` and look under `Support` tab to make sure the it contains your details.

Create an installer

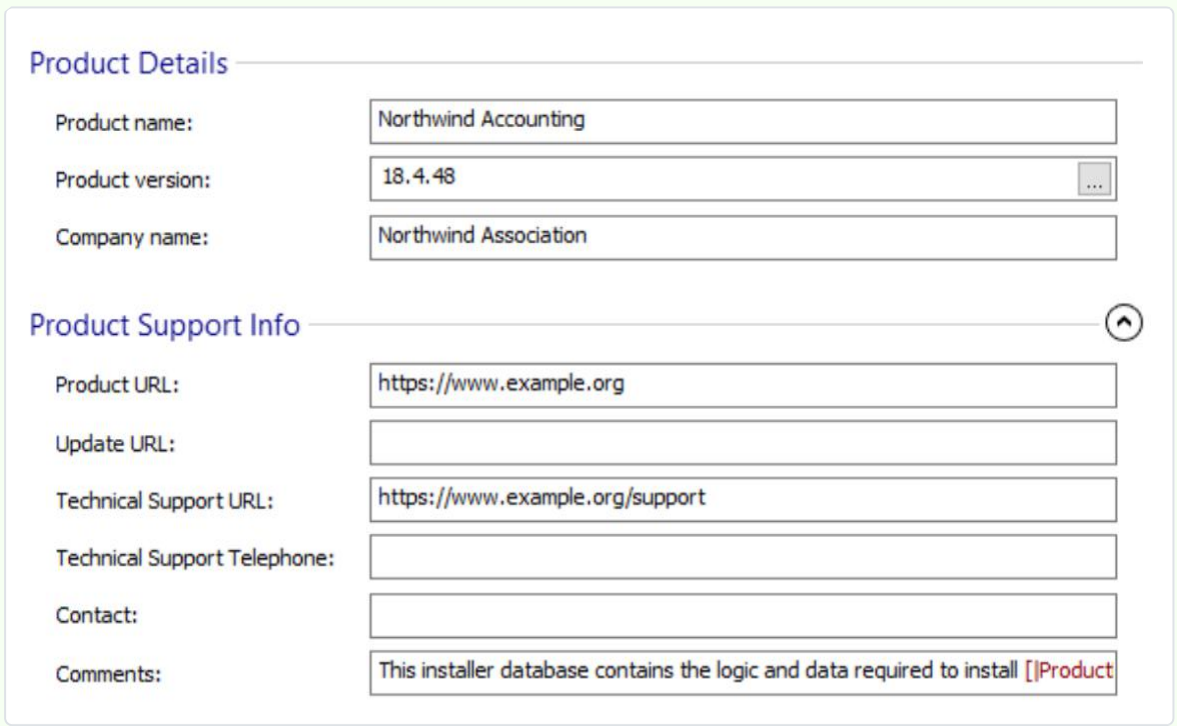
BILLBOOKS's `Source package` contains file `BILLBOOKS.aip`, which you can open using the free edition of Advanced Installer. The installer package is simple, with just four tabs:

- `Product Details`
- `Files and Folders`
- `File Associations`
- `Builds`



Under the `Product Details` tab, you can change the product name to something else and change website links.

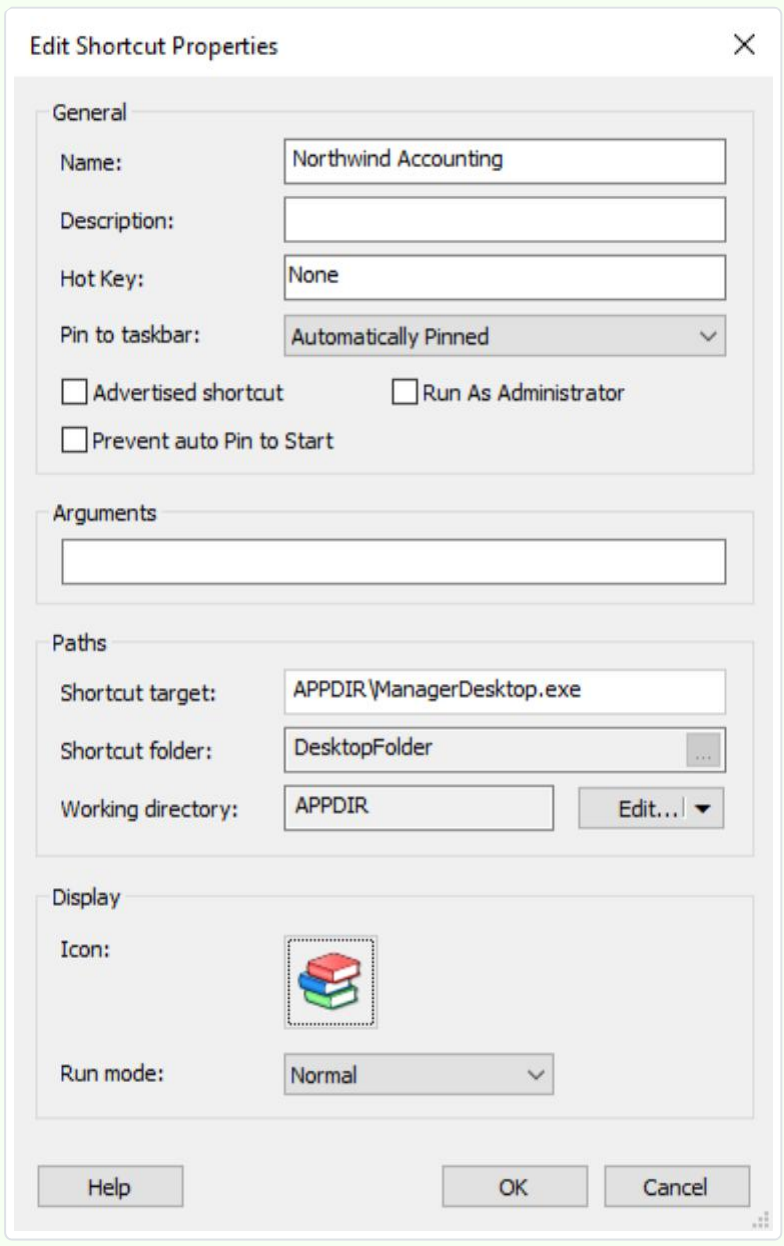
Example
Northwind Association modifies details as shown below:



Next, under the `Files and Folders` tab, go to `Application Folder`. Here you don't need to change anything. **However, if you want to hide links to our Guides from within your program, simply delete the `Guides.json` file from `Application Folder`.**

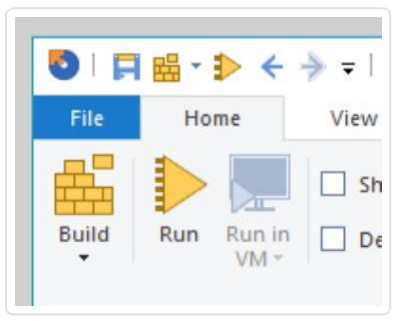
To change the desktop icon and desktop name, go to `Desktop` folder under the `Files and Folders` tab and double-click on `BILLBOOKS`. Here you can change the name and set new icon.

Example
Northwind Association changes the program name to “Northwind Accounting” and includes its own icon:



Under the `Builds` tab you can change `MSI name` from `BILLBOOKS` to your new program name so the installer software will generate your installer with your custom filename.

That is all. You can now click the `Build` button under the `Home` tab:



Advanced Installer will generate a new installer with your name, which you can upload somewhere for your users to download. Or you can distribute the installer on any form of portable medium.

Example
Northwind Association renames and builds an installer of its own, `NorthwindAccounting.msi`.

After installation, the program will be shown on the desktop with your custom icon and software name.

Example
Northwind Association's software appears as below:

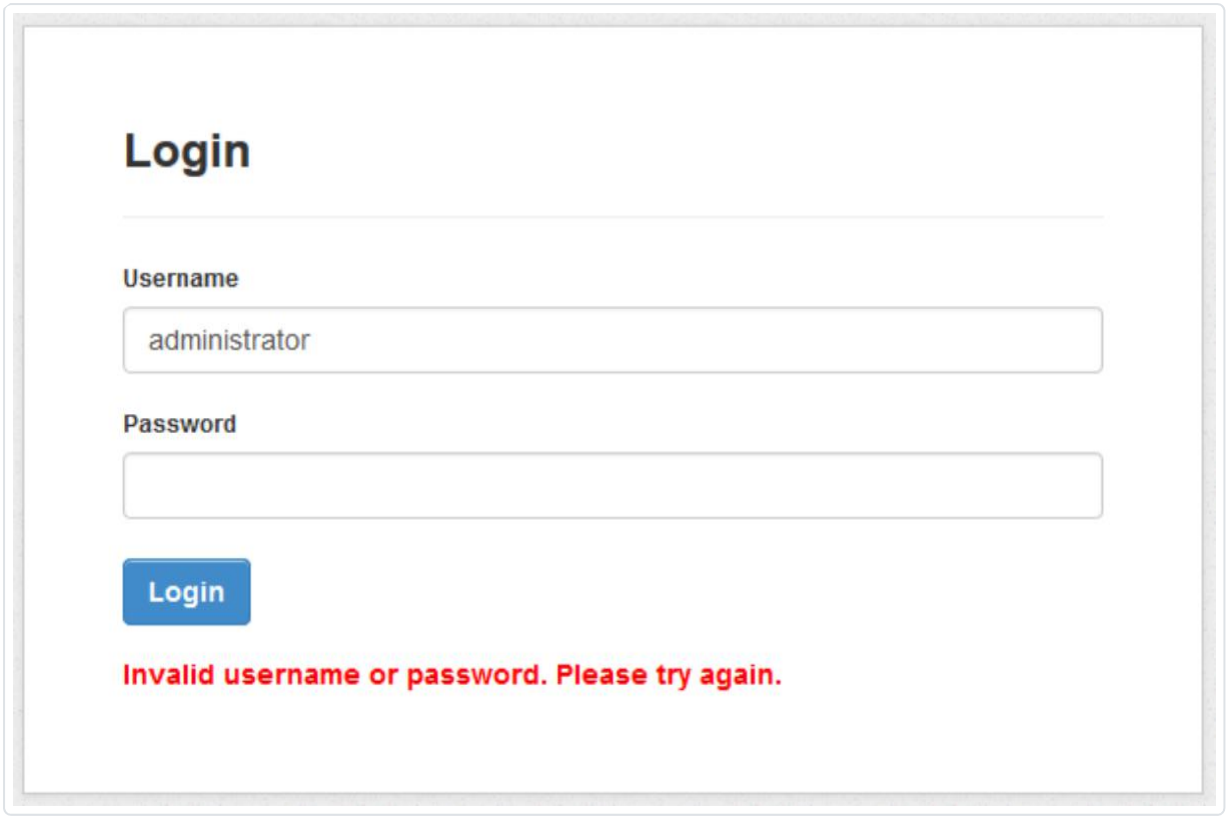


There will be no mention of BILLBOOKS, and when your users click on `Support` tab, they will see your details as previously defined in the your `Support.html` file.

11.4 Users

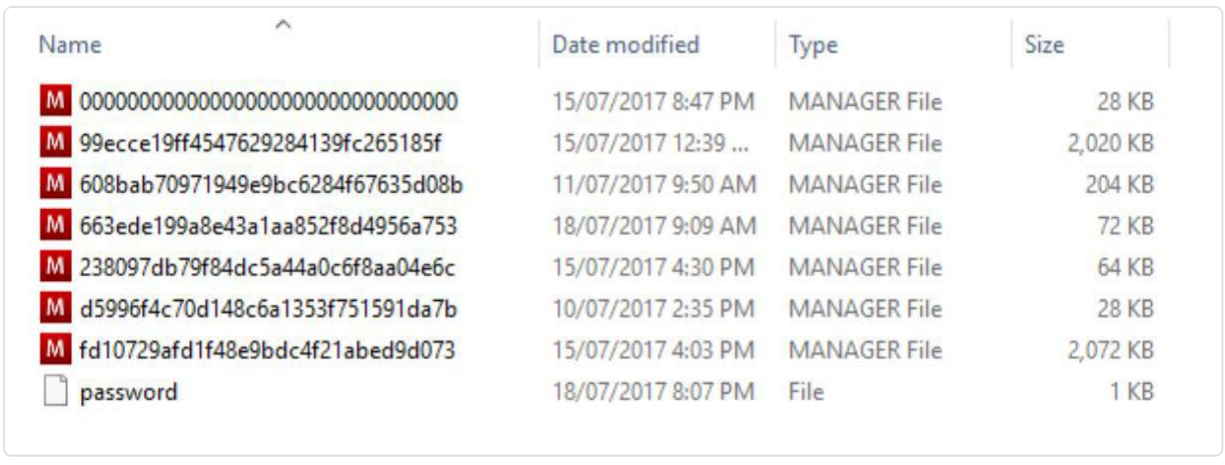
11.4.1 Reset the administrator password

If you are using BILLBOOKS's server edition and forget the password for the administrator, you will be unable to log in under the `Username` *administrator*. So you will not be able to create new users or modify permissions. Attempting to log in without a valid password will return a warning:



To regain access, you must **reset the *administrator* password**. Follow these instructions:

- Go to the application data folder:



- Find the file named `password` and delete it. This will remove the password from the `administrator` account.
- Go back to the login screen, enter the `Username` *administrator*, and click `Login` (Do not enter anything into the `Password` field).
- Once you log in, set a new password in the `Users` tab so no-one will be able to access your server as *administrator* without entering a password.