

Scenario Analysis No. 18 – Managing collections as deposits before invoices are issued? What you can do to ensure proper recording for your business!

In business, sometimes it is expected that the customer to pay deposit upfront. The invoice is only issued later when the service/item is delivered and the remaining balance paid. How to track the transactions to ensure that for every invoice issued by the business, the deposit payment and the remaining balance payment are accordingly linked to the invoice.

Below is my proposal on how, system-wise, the transactions can be managed. Effectively, the two receipts for the cash received are to be identified as payments for the single invoice issued. With this approach, all invoices are accounted for (together with the delivery of services/items by the business to the customer) and the payments are correctly and fully received by the business. The example is from an SME dealing in motor vehicle insurance.

DEPOSIT TRANSACTIONS:

STEP 1: Issue “Received Payment” for the cash received as deposit

The screenshot displays the OfficeCentral accounting system interface. The top navigation bar includes various menu items like DASHBOARDS, REVENUES, EXPENSES, TRANSACTIONS, CHART OF ACCOUNTS, ASSETS, REPORTS, GST REPORTS, CONFIGURATIONS, and HELP. The user is logged in as 'INS-TD CEO (INS-TD)'. The main content area shows the 'Issue Receipt' form. The form has a 'Basic Information' tab selected. The 'Reference Number' field is empty. The 'Received In' field is set to '1-02/000005 : CASH - Pacific'. The 'Received From' field is set to 'Customer - Pacific'. The 'Currency' field is set to 'Malaysian Ringgit (MYR) (Default)'. The 'Exchange Rate' field is set to '1.00'. A dropdown menu is open over the 'Received In' field, showing options like 'Overall', 'My Location', and 'Add New'. The bottom status bar shows the date and time as '10:33 PM 11/1/2017'.

Select the correct “Received In” and “Received From” from the displayed list to denote “**Who** receives the cash” and “**From whom** the cash is received”.

Select the “Items” as appropriate to denote “deposit”.

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Home Edit Logged as: INS-TD CEO (INS-TD) 0 LOGOUT

Back to List Submit

Issue Receipt

Basic Information

Reference Number REC-A/2017/17

Received In 1-02/000005 : CASH - Pacific

Received From Customer - Pacific

Currency Malaysian Ringgit (MYR) (Default) Exchange Rate 1.00

Click here to view billing information

Is the unit price tax inclusive?

Qty	Item	Unit Price	Discount	Excl. Tax	Tax	Incl. Tax
1.0000	(6-01/000005) Cover Note - Deposit	650.0000	0.00	650.00	No tax	650.00

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After “SUBMIT” check that the accounting entries are as expected; cash received from “Sales Revenue – Deposit”.

DR Cash – <staff> CR Sales Revenue - Deposit

Screen-shot of the transaction is as per below.

DO NOT APPROVE THE TRANSACTION YET! (This receipt shall be matched with the invoice created later).

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Back to List Transaction Details Submit

Transaction Date 11 Jan 2017

Description deposit received

Account	Debit	Credit	Projects	Project Details
1-02/000005 : CASH - Pacific	650.00	0.00		Please select project detail
6-01/000005 : Sales Revenue - Deposit	0.00	650.00		Please select project detail

Payment Information

Type	Ref No	Amount	Bank Account
Cash		650.00	1-02/000005 : CASH - Pacific

Invoice Connection

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STEP 2: Issue “Invoice” when the Cover Note is issued

Enter the Customer Account identified by the staff handling the transaction. Select the correct “Item” as appropriate.

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Issue Invoice

Basic Information

Reference Number INV-A/2017/10 Date Issued 11 Jan 2017

To 1-04/000005 : Customer - Pacific Date Due 10 Feb 2017

0 : Customer - Pacific Purchase Order Ref No Purchase Order Ref No

Currency Malaysian Ringgit (MYR) (Default) Exchange Rate 1.00

Subject WPF9762

Click here to view billing information

Is the unit price tax inclusive?

Qty	Item	Unit Price	Discount	Excl. Tax	Tax	Incl. Tax
1.0000	(6-01/000004) Cover Note - Pacific	1,000.0000	0.00	000.00	No tax	1,000.00
	Cover Note - Pacific					

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After "SUBMIT" check that the accounting entries are as expected; cash receivable from Customer Account identified by the staff handling the transaction arising from "Sales Revenue – <insurance co.>".

DR Customer – <staff> CR Sales Revenue – <insurance co.>

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Terms

Remarks

Transaction Details

Transaction Date 11 Jan 2017

Description WPF9762

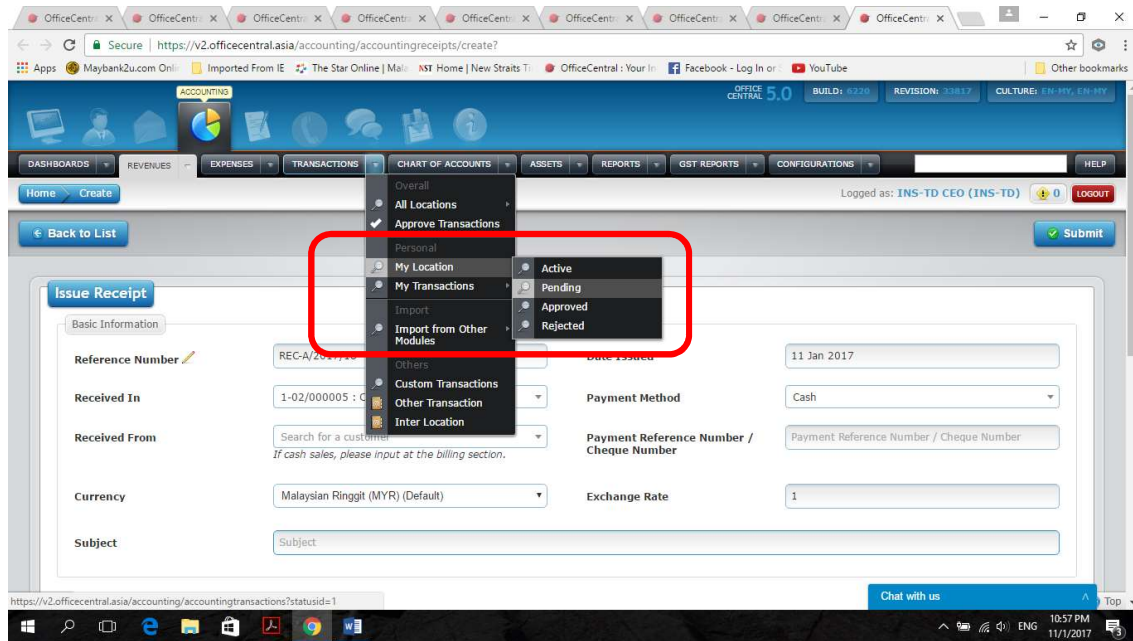
Account	Debit	Credit	Project	Project Details
6-01/000004 : Sales Revenue - Pacific	0.00	1000.00		Please select project detail
1-04/000005 : Customer - Pacific	1000.00	0.00		Please select project detail

Add Debit Add Credit

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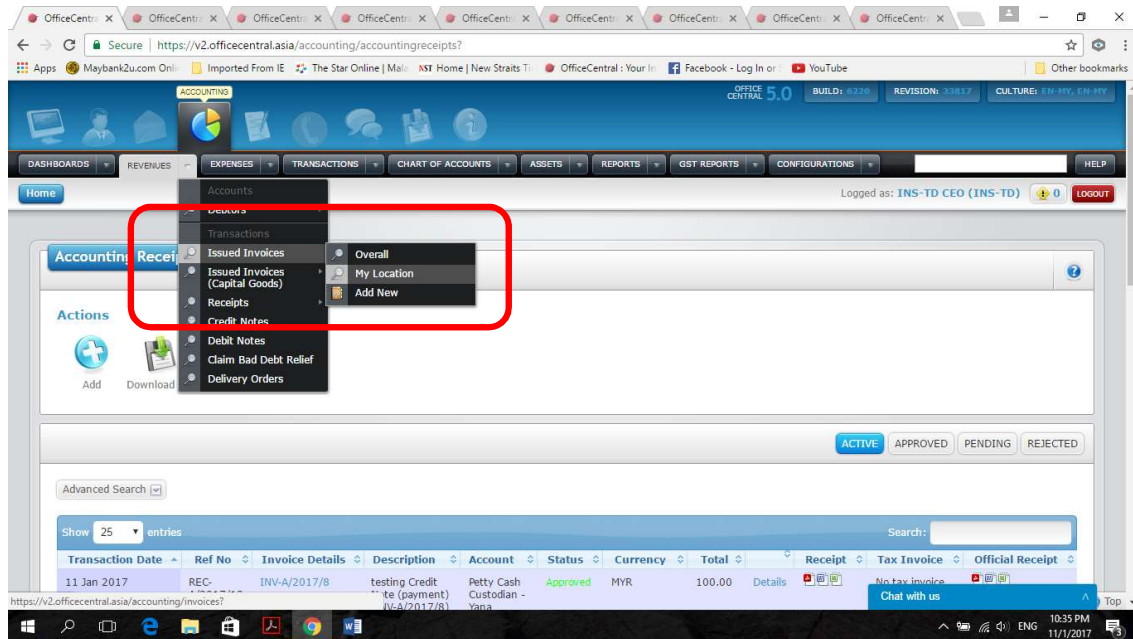
Review the "Pending" transaction for the invoice and "Approve" if the entries are in order.



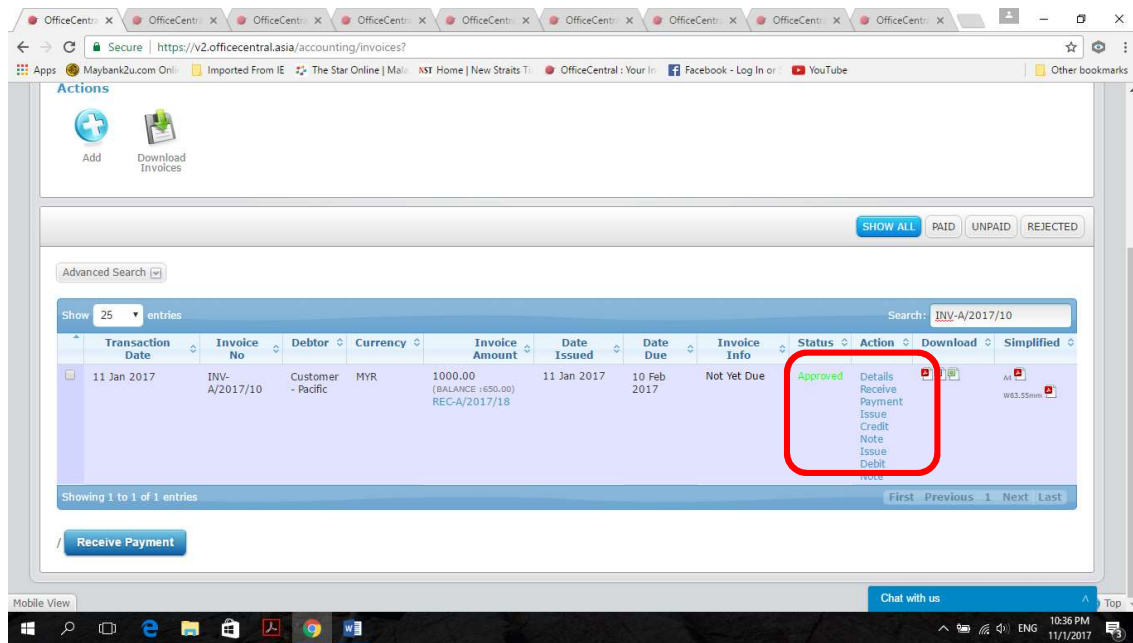
STEP 3: Issue “Received Payment” when cash is received for the remaining balance.

Go to “Revenue”, “Issued Invoices”, “My Location” to display the list of all invoices

Select the required invoice, and click on “Receive Payment”.

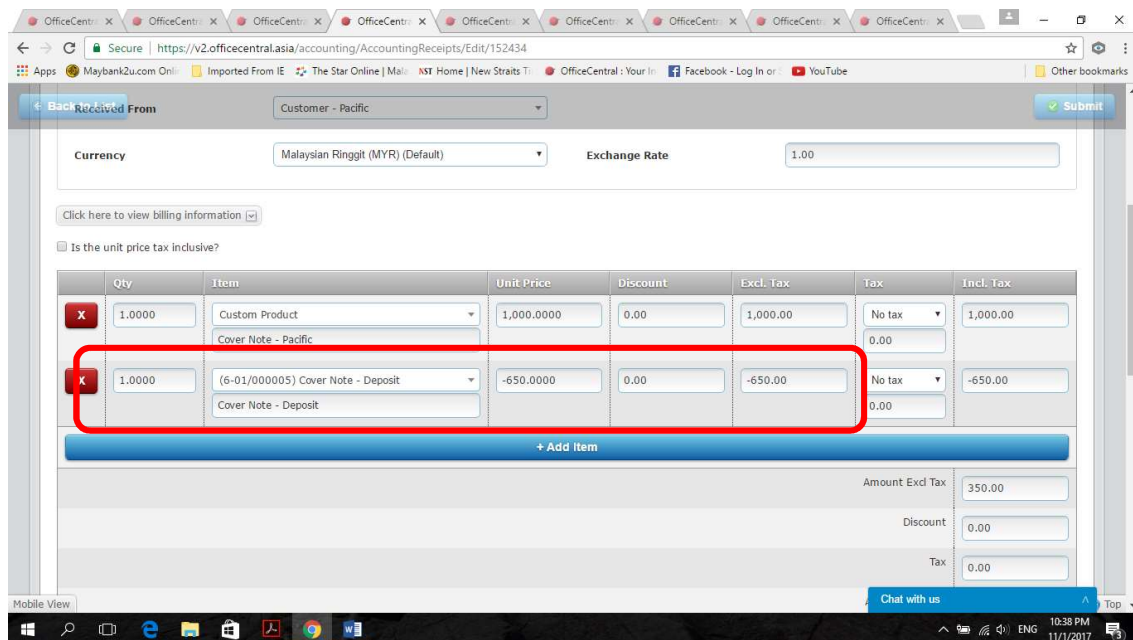


Click on “Receive Payment” and update the requisite information.



Copy the details of the invoice and paste into the “subject” field. Under “Item” click on the “Add Item” button.

In the new line, select product “Sales Revenue – Deposit”. When entering the “Unit Price”, ensure the figure is negative which denotes that the cash from deposit is applied against the “Invoice”. The effect is the amount for the receipt is the net amount.



After “SUBMIT” check that the accounting entries are as expected. Click on “+Add debit” to create a new line. In the new line enter the deposit details and the amount received earlier as deposit. Change the figure for “Customer - <Staff>” to the amount as per the cover note.

Click "SUBMIT" to proceed.

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Back to List Description Payment for balance (INV-A/2017/10) WPF9762 Submit

Account	Debit	Credit	Projects	Project Details
X 1-02/000005 : CASH - Pacific	350.00	0.00		Please select project detail
X 1-04/000005 : Customer - Pacific	0.00	1000.00		Please select project detail
X 6-01/000005 : Sales Revenue - Deposit	650.00	0.00		Please select project detail

Add Debit Add Credit

Payment Information

Type	Ref No	Amount	Bank Account
X Cash		350.00	1-02/000005 : CASH - Pacific

Add Cheque / Payment Information

Invoice Connection

Invoice Connection (INV-A/2017/10) WPF9762 350.00

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DO NOT APPROVE THE TRANSACTION YET!

STEP 4: Match the Deposit "Receipt" to the "Invoice"

BEFORE

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Actions Add Download Invoices

SHOW ALL PAID UNPAID REJECTED

Advanced Search

Show 25 entries Search: INV-A/2017/10

Transaction Date	Invoice No	Debtor	Currency	Amount	Date Issued	Date Due	Invoice Info	Status	Action	Download	Simplified
11 Jan 2017	INV-A/2017/10	Customer - Pacific	MYR	1000.00 (BALANCE : 650.00) REC-A/2017/18	11 Jan 2017	10 Feb 2017	Not Yet Due	Approved	Details Receive Payment Issue Credit Note Issue Debit Note	W63.35mm	

Showing 1 to 1 of 1 entries First Previous 1 Next Last

Receive Payment

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Select the required receipt from the receipt issued list

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DASHBOARDS REVENUES EXPENSES TRANSACTIONS CHART OF ACCOUNTS ASSETS REPORTS GST REPORTS CONFIGURATIONS HELP

Home

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Invoices

Actions

Download Invoices

Accounts

- Debtors
- Transactions
- Issued Invoices
- Receipts
- Credit Notes
- Debit Notes
- Claim Bad Debt Relief
- Delivery Orders

Overall

My Location

Add New

SHOW ALL PAID UNPAID REJECTED

Advanced Search

Show 25 entries

Search: INV-A/2017/10

Transaction Date	Invoice No	Debtor	Currency	Invoice Amount	Date Issued	Date Due	Invoice Info	Status	Action	Download	Simplified
11 Jan 2017				1000.00	11 Jan 2017	10 Feb	Not Yet Due	Approved			

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DASHBOARDS REVENUES EXPENSES TRANSACTIONS CHART OF ACCOUNTS ASSETS REPORTS GST REPORTS CONFIGURATIONS HELP

Home

Logged as: INS-TD CEO (INS-TD) LOGOUT

Accounting Receipts

Actions

Add Download List

ACTIVE APPROVED PENDING REJECTED

Advanced Search

Show 25 entries

Search: REC-A/2017/17

Transaction Date	Ref No	Invoice Details	Description	Account	Status	Currency	Total	Receipt	Tax Invoice	Official Receipt
11 Jan 2017	REC-A/2017/17	Without Invoice	deposit received	Customer - Pacific	Pending	MYR	650.00		No tax Invoice	

Showing 1 to 1 of 1 entries

First Previous 1 Next Last

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Click on "Edit"

OfficeCentral 5.0 BUILD: 8.238 REVISION: 33817 CULTURE: EN-MY, EN-MY

Logged as: INS-TD CEO (INS-TD) LOGOUT

Issue Receipt

Basic Information

Reference Number

Received In

Received From

Currency Exchange Rate

Click here to view billing information

☐ Is the unit price tax inclusive?

Submit

At the URL address, insert “connection” after the words “Edit” and press enter. Click “+Add invoice” to and select the required invoice reference number. Enter the amount for the deposit.

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Logged as: INS-TD CEO (INS-TD) LOGOUT

Receipt

Ref No
REC-A/2017/17

Total
650.00

Invoice Connection

Invoice	Amount
<div>+ Add Invoice</div>	

Update Connection

Click “Update Connection” to proceed.

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DASHBOARDS REVENUES EXPENSES TRANSACTIONS CHART OF ACCOUNTS ASSETS REPORTS GST REPORTS CONFIGURATIONS HELP

Home Logged as: INS-TD CEO (INS-TD) LOGOUT

Receipt

Ref No
REC-A/2017/17

Total
650.00

Invoice Connection

Invoice Amount

INV-A/2017/10 : WPF9762 (Balance: 650.00) 650

+ Add Invoice

Update Connection

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AFTER

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Invoices

Actions

Add Download Invoices

SHOW ALL PAID UNPAID REJECTED

Advanced Search

Show 25 entries Search: INV-A/2017/10

Transaction Date	Invoice No	Debtor	Currency	Invoice Amount	Date Issued	Date Due	Invoice Info	Status	Action	Download	Simplified
11 Jan 2017	INV-A/2017/10	Customer - Pacific	MYR	1000.00 (BALANCE 10.00) REC-A/2017/18 REC-A/2017/17	11 Jan 2017	10 Feb 2017	Paid	Approved	Details	Download	W03.55min

Showing 1 to 1 of 1 entries First Previous 1 Next Last

Receive Payment

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APPROVE THIS PENDING TRANSACTION.

STEP 5: Review all related information

CASH LEDGER = 650 + 350 = 1000

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General Ledger 12 Dec 2016 11 Jan 2017 Search

Transactions

1-02/000000 : CASH

1-02/000005 : CASH - Pacific

Date	Transaction Number	Ref No	Payment No	Description	Debit	Credit	Balance
Opening Balance (12 December 2016)							0.00
11 Jan 2017	RP000017/2017	REC-A/2017/17		deposit received	650.00	0.00	650.00
11 Jan 2017	RP000018/2017	REC-A/2017/18		Payment for balance (INV-A/2017/10) WPF9762	350.00	0.00	1,000.00
TOTAL CASH - Pacific					1,000.00	0.00	1,000.00
TOTAL CASH					1,000.00	0.00	1,000.00

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CUSTOMER - <Staff> LEDGER = 1000 – 1000 = 0

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General Ledger 1 Jan 2017 11 Jan 2017 Search

Transactions

1-04/000000 : DEBTORS

1-04/000005 : Customer - Pacific

Date	Transaction Number	Ref No	Payment No	Description	Debit	Credit	Balance
Opening Balance (1 January 2017)							0.00
11 Jan 2017	GI000010/2017	INV-A/2017/10		WPF9762	1,000.00	0.00	1,000.00
11 Jan 2017	RP000018/2017	REC-A/2017/18		Payment for balance (INV-A/2017/10) WPF9762	0.00	1,000.00	0.00
TOTAL Customer - Pacific					1,000.00	1,000.00	0.00
TOTAL DEBTORS					1,000.00	1,000.00	0.00

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DEPOSIT LEDGER = 650 – 650 = 0

