

HOW TO TRACK ACCOUNTS PAYABLE



There are two ways to handle bills from vendors/suppliers who give you some time before you have to pay. The method you use depends on whether or not you want to track Accounts Payable (how much you owe vendors/suppliers). To track Accounts Payable in QuickBooks, you enter the bill before paying the vendor by tracking Accounts Payable, you always know how much you owe vendors/suppliers, and you can ensure that expenses are recorded in the correct accounting period.

Many smaller businesses don't bother with tracking Accounts Payable. In other words, they skip the step of entering the bill, and simply record the bill payment as a check or expense. Although this method has fewer steps, QuickBooks can't warn you about duplicate bills or provide reports about how much you owe.

STEPS IF YOU DO NOT USE ACCOUNTS PAYABLE

Use "Check" for checks OR

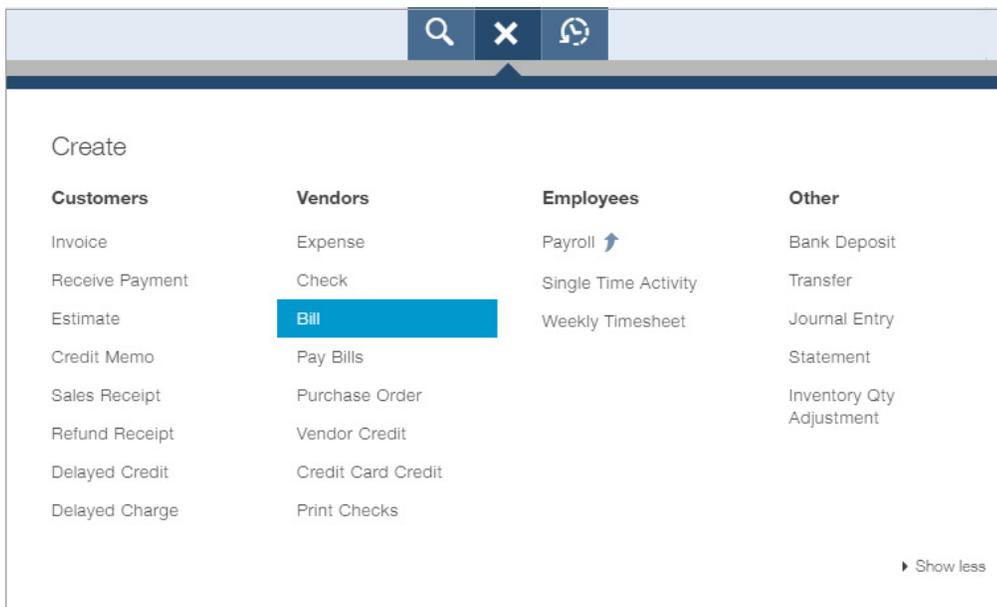
Use "Expense" for credit card, debit card, PayPal, cash, or other forms of payment.

The steps for this method are no different than entering regular checks and expenses. You see these in a later exercise.

STEPS IF YOU USE ACCOUNTS PAYABLE

Enter Bill > Pay Bill (regardless of how you pay the bill: check, credit card, debit card, PayPal, cash, other)

1. Click the **+** sign.
2. Select **Bill**.



3 Enter the appropriate information on the bill. It's helpful to remember that you should always capture at least 4 pieces of information on **EVERY** transaction:

- **Who?** A vendor for expenses, customers on sales, and employees on paychecks
- **When?** The date of the transaction
- **What?** An expense account or inventory item for an expense, check, or bill.

The product or service you sold on invoices and sales receipts And...

- **How much?** The amount of the transaction

Bill

Robertson & Associates

BALANCE DUE
\$315.00

Mailing address: Jenny Robertson, Robertson & Associates, P.O. Box 147, Bayshore, CA 94326

Terms: [dropdown] Bill date: 08/15/2016 Due date: 09/14/2016 Bill no.: [input]

Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Legal & Professional Fees:Acco		315.00			
2						

Item details

Memo: [input] Total: \$315.00

Buttons: Cancel, Clear, Make recurring, Save, Save and new

4. Click **Save and close**.

5. Click the **+** sign.

6. Select **Pay Bills**.

Create

Customers

- Invoice
- Receive Payment
- Estimate
- Credit Memo
- Sales Receipt
- Refund Receipt
- Delayed Credit
- Delayed Charge

Vendors

- Expense
- Check
- Bill
- Pay Bills**
- Purchase Order
- Vendor Credit
- Credit Card Credit
- Print Checks

Employees

- Payroll
- Single Time Activity
- Weekly Timesheet

Other

- Bank Deposit
- Transfer
- Journal Entry
- Statement
- Inventory Qty Adjustment

Show less

7. Select the **Payment Account**.

The screenshot shows the 'Pay Bills' window with the following details:

- Payment account:** Checking (Balance \$6,201.00)
- Payment date:** (empty)
- Starting check no.:** 71
- Print later:**
- TOTAL PAYMENT AMOUNT:** \$0.00
- Filter:** Last 365 Days
- 3 open bills** (indicated by a gear icon)

<input type="checkbox"/>	PAYEE	REF NO.	DUE DATE ▲	OPEN BALANCE	CREDIT APPLIED	PAYMENT	TOTAL AMOUNT
<input type="checkbox"/>	Robertson & Associates		09/14/2016	\$315.00	Not available		\$0.00
<input type="checkbox"/>	Hall Properties		10/07/2016	\$900.00	Not available		\$0.00
<input type="checkbox"/>	Brosnahan Insurance Agency	888	10/19/2016	\$2,000.00	Not available		\$0.00

8. Select the bills to pay.

The screenshot shows the 'Pay Bills' window with the following details:

- Payment account:** Checking (Balance \$6,201.00)
- Payment date:** (empty)
- Starting check no.:** 71
- Print later:**
- TOTAL PAYMENT AMOUNT:** \$3,215.00
- Filter:** Last 365 Days
- 3 open bills** (indicated by a gear icon)

<input checked="" type="checkbox"/>	PAYEE	REF NO.	DUE DATE ▲	OPEN BALANCE	CREDIT APPLIED	PAYMENT	TOTAL AMOUNT
<input checked="" type="checkbox"/>	Robertson & Associates		09/14/2016	\$315.00	Not available	315.00	\$315.00
<input checked="" type="checkbox"/>	Hall Properties		10/07/2016	\$900.00	Not available	900.00	\$900.00
<input checked="" type="checkbox"/>	Brosnahan Insurance Agency	888	10/19/2016	\$2,000.00	Not available	2,000.00	\$2,000.00

9. Enter the **Payment Date**.

The screenshot shows the 'Pay Bills' window with the following details:

- Payment account:** Checking (Balance \$6,201.00)
- Payment date:** 09/19/2016
- Starting check no.:** 71
- Print later:**
- TOTAL PAYMENT AMOUNT:** \$3,215.00
- Filter:** Last 365 Days
- 3 open bills** (indicated by a gear icon)

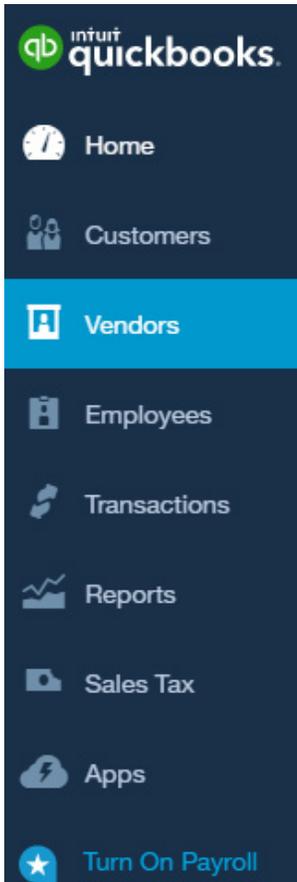
<input checked="" type="checkbox"/>	PAYEE	REF NO.	DUE DATE ▲	OPEN BALANCE	CREDIT APPLIED	PAYMENT	TOTAL AMOUNT
<input checked="" type="checkbox"/>	Robertson & Associates		09/14/2016	\$315.00	Not available	315.00	\$315.00
<input checked="" type="checkbox"/>	Hall Properties		10/07/2016	\$900.00	Not available	900.00	\$900.00
<input checked="" type="checkbox"/>	Brosnahan Insurance Agency	888	10/19/2016	\$2,000.00	Not available	2,000.00	\$2,000.00

10. Click **Save and Print** or **Save and Close**.

MANAGE ACCOUNTS PAYABLE (WHAT YOU OWE)

Companies or individuals you purchase goods or services from are called vendors/suppliers. If you need to enter a bill, or track purchases by vendor, they must be set up as a vendor/supplier. The Vendors/Suppliers list stores vendor/supplier information and makes it easy to filter to see all vendors/suppliers, overdue bills for vendors, etc.

11. Click the **Vendors/Suppliers** tab.



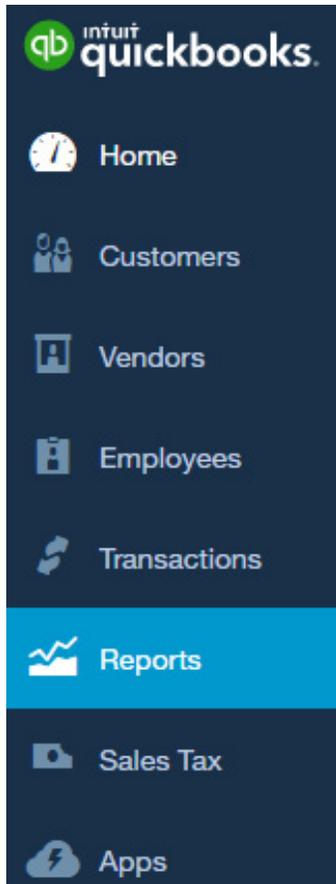
12. Click the **Overdue** filter on the top money bar to see any vendor/supplier that you have a past due balance with.

The screenshot shows the 'Vendors' page in QuickBooks. At the top, there are buttons for 'Prepare 1099s' and 'New vendor'. Below this is a summary bar with four colored segments: Unbilled Last 365 Days (\$125, 1 PURCHASE ORDER), Unpaid Last 365 Days (\$87, 1 OPEN BILL), Overdue (\$87, 1 OVERDUE), and Paid (\$8,468, 28 PAID LAST 30 DAYS). Below the summary bar is a search bar and a table of vendor information.

<input type="checkbox"/>	VENDOR ▲ / COMPANY	PHONE	EMAIL	PENDING BILLS	OVERDUE BALANCE	ACTION
<input type="checkbox"/>	Lee Advertising Lee Advertising	(650) 554-4622		1 Overdue bill	\$87.32	Make payment ▼

REVIEW THE A/P AGING SUMMARY

13. Click the **Reports** tab.



14. Enter **A/P Aging Summary** in the search field.

15. Click the  icon.

VENDOR/SUPPLIER CREDIT

Why would a vendor/supplier issue a credit memo? Maybe they sent you a bill and over-charged for freight. Or, a vendor/supplier ships some inventory and you discover that some of it is damaged. So, you return it and receive a "credit memo". Remember, vendor/supplier credit memos reduce what you owe the vendor/supplier. What should you do with a vendor credit? It depends. If you don't owe them any money, you can keep the credit to use later or request a refund. But if you do owe them money (i.e. there's an open bill for that vendor/supplier), you can apply it to unpaid bills. In this exercise you record a credit memo and apply it to a bill.

ENTER A CREDIT MEMO

1. To begin, click the **Vendor/Supplier** tab. Then click the Vendor/Supplier who gave you the credit (this step isn't necessary, but it helps to see the effect of a Credit).
2. Note that in this example the Vendor has a balance of \$2000. Suppose you received a credit for overpaying your insurance by \$1000.

Fidelity Edit New transaction ▾

Fidelity | PO Box 461, Middlefield, CA 94482

\$2,000.00 OPEN

\$0.00 OVERDUE

Transaction List Vendor Details

Batch actions ▾ Filter ▾ Print Share Settings

<input type="checkbox"/>	DATE ▾	TYPE	NO.	PAYEE	CATEGORY	TOTAL	ACTION
<input type="checkbox"/>	09/19/2016	Bill	4821	Fidelity	Insurance ▾	\$2,000.00	Make payment ▾

3. Click New Transaction > Vendor/Supplier Credit (you can also do this from the **+** Menu.)

Search Close Refresh

Create

Customers	Vendors	Employees	Other
Invoice	Expense	Payroll ↗	Bank Deposit
Receive Payment	Check	Single Time Activity	Transfer
Estimate	Bill	Weekly Timesheet	Journal Entry
Credit Memo	Pay Bills		Statement
Sales Receipt	Purchase Order		Inventory Qty Adjustment
Refund Receipt	Vendor Credit		
Delayed Credit	Credit Card Credit		
Delayed Charge	Print Checks		

▶ Show less

4. Select the **Vendor/Supplier** from the drop down list.

The screenshot shows the 'Vendor Credit' form. At the top, there is a dropdown menu for 'Vendor/Supplier' with 'Fidelity' selected. To the right, the 'CREDIT AMOUNT' is displayed as '\$0.00'. Below this, there are three input fields: 'Mailing address' (Fidelity, PO Box 461, Middlefield, CA 94482), 'Payment date' (09/19/2016), and 'Ref no.' (empty). A section titled 'Account details' contains a table with columns: #, ACCOUNT, DESCRIPTION, AMOUNT, BILLABLE, TAX, CUSTOMER. The table has two rows, both with empty cells and a trash icon on the right.

5. **Enter a Ref number.** This is a number that both you and the vendor/supplier can refer to when discussing this credit. Traditionally, the credit number includes the original bill number.

The screenshot shows the 'Vendor Credit #4821' form. The 'Vendor/Supplier' dropdown is still 'Fidelity'. The 'CREDIT AMOUNT' is '\$0.00'. The 'Ref no.' field now contains the value '4821'. The 'Mailing address' and 'Payment date' fields remain the same as in the previous screenshot. The 'Account details' table is still empty.

6. Next, click the drop-down list and select the Account for which you are receiving a credit. This is usually the same Account you used on the original bill.
NOTE: If the credit is for inventory, enter the inventory items below Item Details.

The screenshot shows the 'Vendor Credit #4821' form. The 'Vendor/Supplier' dropdown is 'Fidelity'. The 'CREDIT AMOUNT' is '\$0.00'. The 'Ref no.' field contains '4821'. The 'Mailing address' and 'Payment date' fields remain the same. In the 'Account details' table, the first row is now populated: the 'ACCOUNT' column has a dropdown menu with 'Insurance' selected, and the 'CUSTOMER' column has a dropdown menu with 'Enter Text' selected. There are also checkboxes for 'BILLABLE' and 'TAX' in this row. The second row remains empty.

7. Enter the credit **Amount**.

Vendor Credit #4821

Fidelity

CREDIT AMOUNT: \$1,000.00

Mailing address: Fidelity, PO Box 461, Middlefield, CA 94482

Payment date: 09/19/2016

Ref no.: 4821

Account details:

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Insurance		1,000.00	<input type="checkbox"/>	<input type="checkbox"/>	Enter Text

8. Notice that the Open Balance for the vendor decreases by the amount of the credit.

Fidelity

Fidelity | PO Box 461, Middlefield, CA 94482

No notes available. Please click to add notes.

Open Balance: \$1,000.00

Overdue Balance: \$0.00

Transaction List

DATE	TYPE	NO.	PAYEE	CATEGORY	TOTAL	ACTION
09/19/2016	Bill	4821	Fidelity	Insurance	\$2,000.00	Make payment
09/19/2016	Vendor Credit	4821	Fidelity	Insurance	\$1,000.00	

9. In the next exercise, you apply the credit against bills you owe the vendor/supplier.

APPLY A CREDIT MEMO

10. Click the **+** sign and select **Pay Bills**.

Create

Customers	Vendors	Employees	Other
Invoice	Expense	Payroll	Bank Deposit
Receive Payment	Check	Single Time Activity	Transfer
Estimate	Bill	Weekly Timesheet	Journal Entry
Credit Memo	Pay Bills		Statement
Sales Receipt	Purchase Order		Inventory Qty Adjustment
Refund Receipt	Vendor Credit		
Delayed Credit	Credit Card Credit		
Delayed Charge	Print Checks		

Use this window to apply vendor/supplier credits. In this example, the process is easy because there is only 1 bill and 1 credit. What happens if you have multiple bills and/or multiple credits?

11. To demonstrate this scenario, we have another vendor/supplier with multiple credits. **Suppose THIS** is the credit we want to use.

Diego's Road Warrior Bodyshop

Diego's Road Warrior Bodyshop

Edit
New transaction ▾

\$-50.00

OPEN

\$705.00

OVERDUE

Transaction List
Vendor Details

Batch actions ▾
Filter ▾

🖨️
📄
⚙️

<input type="checkbox"/>	DATE ▾	TYPE	NO.	PAYEE	CATEGORY	TOTAL	ACTION
<input type="checkbox"/>	09/19/2016	Bill Payment (Check)	75	Diego's Road Warrior...		\$0.00	
<input type="checkbox"/>	09/19/2016	Vendor Credit	4008	Diego's Road Warrior...	Maintenance ▾	\$755.00	
<input type="checkbox"/>	09/01/2016	Vendor Credit	3980	Diego's Road Warrior...	Maintenance ▾	\$50.00	
<input type="checkbox"/>	08/22/2016	Bill	4008	Diego's Road Warrior...	Maintenance ▾	\$755.00	Make pay... ▾

12. From the Transaction List, click the **bill payment**.

Scroll down and select the other credit. In this case, the credit is for the same amount. If it weren't, then the amount of the bill payment would change. Use the bill payment form to select which credits to apply to which bills.

Bill Payment #75
🔍
✕

Diego's Road Warrior Bodyshop

Mailing address

Diego's Road Warrior Bodyshop

Choose an account

Payment date

09/19/2016

Ref no.

75

Amount

0.00

Outstanding Transactions

Find Invoice No. Filter ▾ All

<input checked="" type="checkbox"/>	DESCRIPTION	DUE DATE	ORIGINAL AMOUNT	OPEN BALANCE	PAYMENT
<input checked="" type="checkbox"/>	Bill # 4008 (08/22/2016)	09/21/2016	755.00	755.00	755.00

< First Previous 1-1 of 1 Next Last >

Credits

Find Credit Memo No. Filter ▾ All

<input type="checkbox"/>	DESCRIPTION	ORIGINAL AMOUNT	OPEN BALANCE	PAYMENT
<input type="checkbox"/>	Vendor Credit # 3980 (09/01/2016)	50.00	50.00	
<input checked="" type="checkbox"/>	Vendor Credit # 4008 (09/19/2016)	755.00	755.00	755.00

Cancel
Revert
More
Save and close ▾

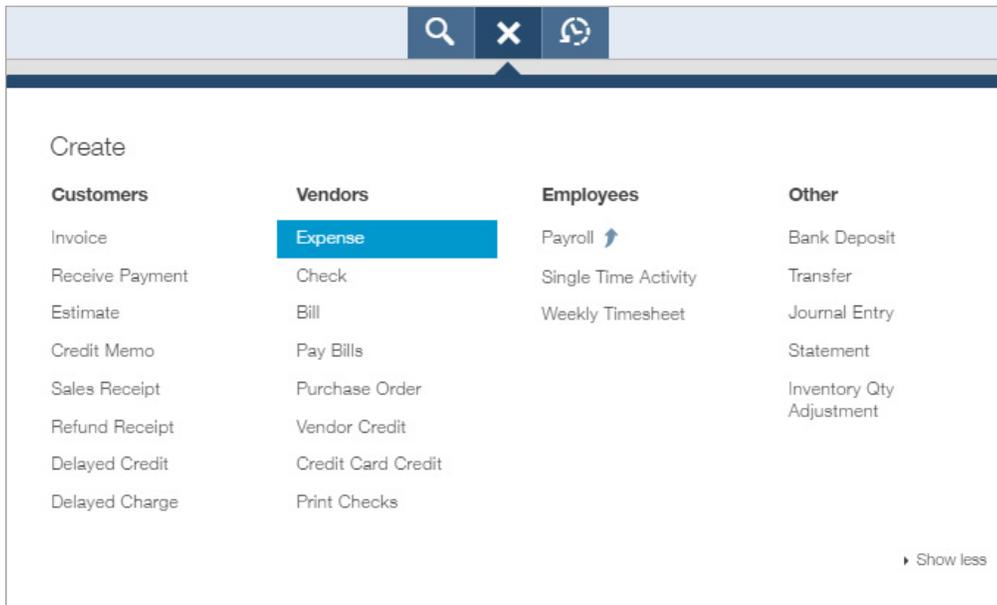
CREATE AN EXPENSE

There are so many ways to pay for things: EFTs (electronic Fund Transfers) checks, credit cards, debit cards, and more. How do you enter these in QuickBooks? The choice is simple. IF you wrote or printed a check, use the check form. For EVERYTHING else, use the Expense form.

NOTE: If you connect a bank account, you don't have to worry about entering the non-check transactions yourself. QuickBooks downloads them automatically, and when you approve them they are added as expenses.

Remember to use the Expense form for any payment form **OTHER** than check (Debit or Credit card, EFT, wire transfer, etc.)

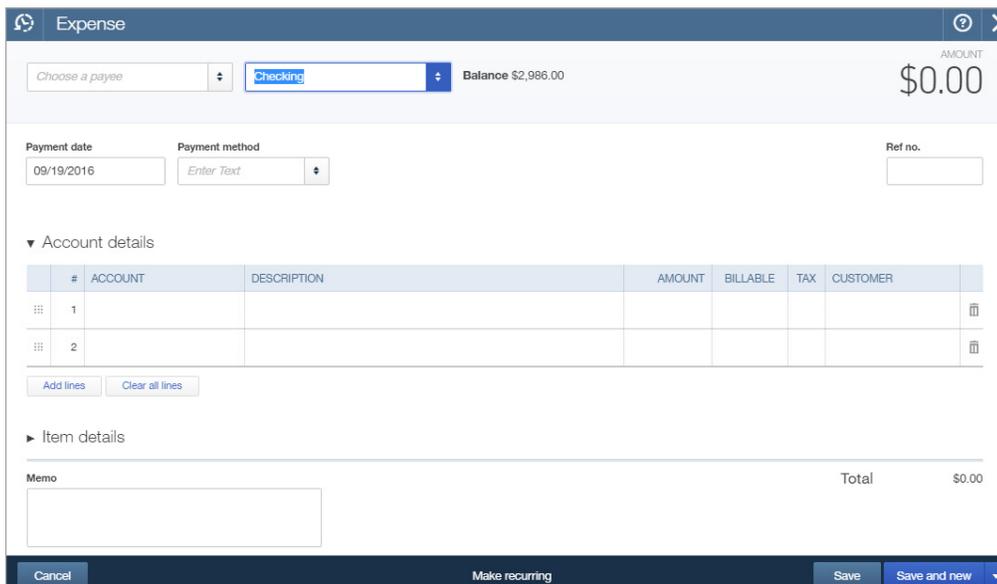
1. Click the **+** sign.
2. Select Expense.



The screenshot shows the 'Create' menu in QuickBooks. The 'Vendors' category is selected, and the 'Expense' option is highlighted in blue. Other options include 'Check', 'Bill', 'Pay Bills', 'Purchase Order', 'Vendor Credit', 'Credit Card Credit', and 'Print Checks'. The 'Employees' category includes 'Payroll', 'Single Time Activity', and 'Weekly Timesheet'. The 'Other' category includes 'Bank Deposit', 'Transfer', 'Journal Entry', 'Statement', and 'Inventory Qty Adjustment'. A 'Show less' link is visible at the bottom right.

3. Select the appropriate payment account. This is where the funds to make the purchase are coming from. For debit cards and online transfers from your bank, use the appropriate bank account. For credit cards, setup and use the appropriate credit card.

NOTE: If you select a credit card, QuickBooks INCREASES how much you owe that credit card. If you select a bank account, QuickBooks DECREASES how much you have available in that account.



The screenshot shows the 'Expense' form in QuickBooks. The 'Checking' account is selected, and the balance is \$2,986.00. The amount entered is \$0.00. The form includes fields for 'Payment date' (09/19/2016), 'Payment method' (Enter Text), and 'Ref no.'. Below these is a table for 'Account details' with columns for #, ACCOUNT, DESCRIPTION, AMOUNT, BILLABLE, TAX, and CUSTOMER. The table has two rows, both with empty cells. Below the table are 'Add lines' and 'Clear all lines' buttons. The 'Item details' section has a 'Memo' field and a 'Total' field showing \$0.00. At the bottom, there are 'Cancel', 'Make recurring', 'Save', and 'Save and new' buttons.

- Select the **Payment Method**. This isn't really necessary for a Credit Card, because there is only 1 form of payment - "Credit Card" or "Master Card". However, if you're paying for this expense from your bank account, the payment method might be Debit Card, ACH, Wire Transfer, and so on. You can Add New payment methods directly from the drop down list.

The screenshot shows the 'Expense' form with the following details:

- Payee:** Choose a payee
- Account:** Checking
- Balance:** \$2,986.00
- AMOUNT:** \$0.00
- Payment date:** 09/19/2016
- Payment method:** Enter Text (dropdown menu is open showing options: American Express, Cash, Check, Diners Club, Discover, MasterCard, Visa)
- Ref no.:** (empty field)
- Account details table:**

#	ACCOUNT	AMOUNT	BILLABLE	TAX	CUSTOMER
1					
2					
- Item details:** Memo (empty text area)
- Total:** \$0.00
- Buttons:** Cancel, Make recurring, Save, Save and new

- Enter appropriate information in the Expense form. It's helpful to remember that you should always capture at least 4 pieces of information on EVERY transaction:
 - Who?** A vendor for expenses, but customers on sales, and employees on paychecks
 - When?** The date of the transaction
 - What?** Did you buy for an expense. On invoices you would use a product or service. And...
 - How much?** The amount of the transaction

The screenshot shows the 'Expense' form with the following details:

- Payee:** Cigna Health Care
- Account:** Checking
- Balance:** \$2,986.00
- AMOUNT:** \$200.00
- Payment date:** 09/19/2016
- Payment method:** Enter Text
- Ref no.:** (empty field)
- Account details table:**

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Insurance		200.00			
2						
- Item details:** Memo (empty text area)
- Total:** \$200.00
- Buttons:** Cancel, Clear, Make recurring, Save, Save and new

- Click Save and new if you want to enter more expenses. Or if this is the last one, click the drop-down arrow and select **Save and close**.

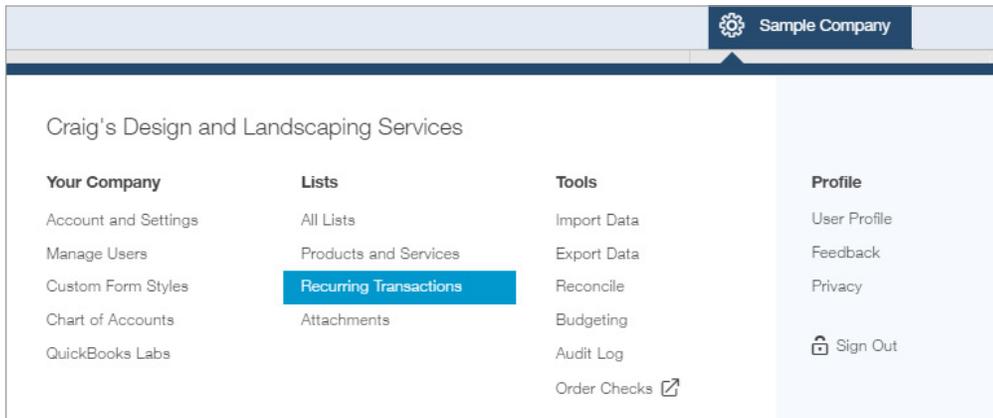
AUTOMATING DATA ENTRY - RECURRING TRANSACTIONS

Most businesses have to repeatedly enter the same transaction periodically. For example, you have to create the same check for rent to the landlord every month. Or if you're a landlord or membership organization, you have to create the same invoice to send to your renters or members every month.

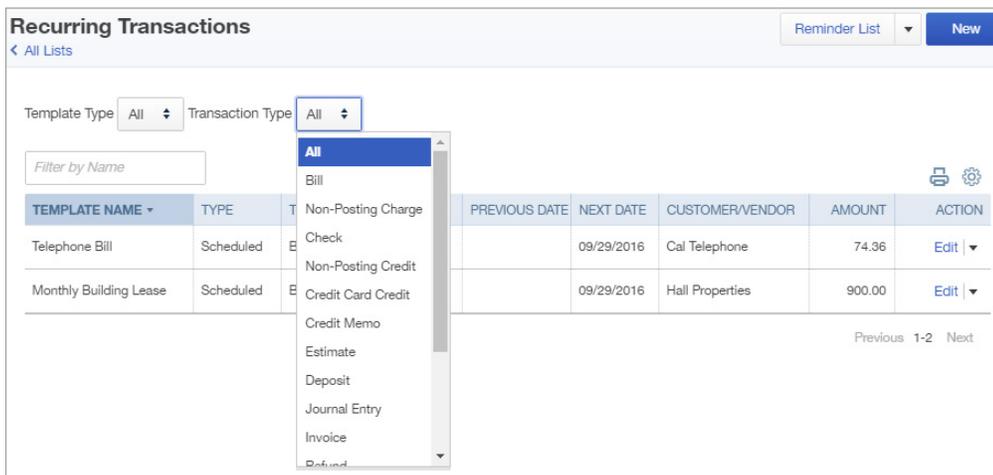
In both cases, the name (who), amount (how much), and account/category (what) doesn't change. The date (when) is the only change and it's based on a specific frequency (e.g. weekly, monthly, etc.). Don't waste your time entering these transactions yourself. Let QuickBooks do the work for you by setting up Recurring Transactions. In this example, we'll automate a rent check that we have to print every month.

What transactions can you make recurring?

1. Click the  icon and select **Recurring Transactions**.



2. Click the Transaction Type drop down list.



CREATE A RECURRING TRANSACTION

3. Create a new transaction and add information that will be the same every time.

Bill

Hall Properties

BALANCE DUE
\$900.00

Mailing address
Melanie Hall
Hall Properties
P.O.Box 357
South Orange, NJ 07079

Terms
Net 30

Bill date
08/08/2016

Due date
09/07/2016

Bill no.

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Rent or Lease	Building Lease	900.00			
2						

▶ Item details

Memo

Total \$900.00

Cancel Clear Make recurring Save Save and close

4. Click [Make Recurring](#).
5. Enter the appropriate information for the recurring transaction.

Recurring Bill

Template name
Hall Properties

Type
Scheduled

Create days in advance

Payee
Hall Properties

Interval
Monthly on day 1st of every 1 month(s)

Start date

End
None

Mailing address
Melanie Hall
Hall Properties
P.O.Box 357
South Orange, NJ 07079

Terms
Net 30

Bill no.

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT	BILLABLE	TAX	CUSTOMER
1	Rent or Lease	Building Lease	900.00			
2						

▶ Item details

Memo

Total \$900.00

Cancel Clear Save template

6. Click [Save template](#).