

OUR SERIES ON
HELPFUL HINTS IN BOOKKEEPING ISSUES AND THEIR SOLUTIONS

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COMMON QUICKBOOKS PROBLEMS AND SOLUTIONS

There are some common situations that you encounter in QuickBooks that may improperly alter the account balances in prior years' accounts if you don't handle them properly. We are describing these problems and their solutions now so that you can avoid additional accounting fees to correct these errors at the end of your year. The following three problems are most notable:

1. Check written in prior years that needs to be voided in the current year

Quickbooks allows you to void a check by selecting the check to void and then selecting Edit, Void Check. The effect of this method is to change the amount of the selected check to zero and adjust the checking account balance from the date of the voided check to the present.

PROBLEM

What most bookkeepers do is to go back to the prior year date of the check that you discovered in the current year that you now want to void. This is an incorrect method and creates the following problems:

- a. The bank reconciliations that have been prepared for the month of the voided check and all subsequent months are now incorrect.
- b. Previously printed financial statements are different than the financial statements that can be currently printed.
- c. If the voided check is dated in a year for which income tax returns have already been prepared, then the QuickBooks financial statements will not agree to the financial statements used in the preparation of the income tax returns.
- d. If the voided check is a payroll check from a prior quarter, then the QuickBooks payroll information will not agree to the previously prepared payroll tax returns.
- e. Prior bank reconciliations that are saved as Pdf files do not get adjusted, so they still show the check as outstanding.

SOLUTION

We don't want you to use the prior year date of the check you want to void. The better procedure is to make the correction using today's date. This concept is to make all prior period corrections in the current year. The proper way of voiding a prior period check is:

- a. Using **today's date**, create a deposit for the amount of the check that should be voided. Choose the same category(ies) and amounts as the original check. Reference the original check number and original check date in the memo field. Save the transaction.
- b. During the preparation of the next bank reconciliation, select both the original check and the newly created deposit for clearing. The net result of this selection is zero, but note that the amounts of cleared deposits and checks shown on the bottom left of the bank reconciliation screen will each be increased by the amount of the original check.

The previously prepared bank reconciliations, financial statements and tax returns will not be changed if the above method is utilized. Problems are avoided by the Solution of voiding the prior year check in the current year.

(Please call us if you are voiding a payroll check in the current year for which the payroll tax returns have already been submitted.)

2. Sales invoice prepared in a prior period that is to be changed in the current year

QuickBooks permits previously prepared sales invoices to be reopened and changes made. These changes may be removing a line item, changing the quantity or price of a line item, issuing a discount, adding a new line item, and deleting an invoice.

PROBLEM

What most bookkeepers do is to go back to the prior year date of the invoice that you discover in the current year that you want to revise. This is an incorrect method and creates the following problems:

- a. Previously printed financial statements are different than the financial statements that can be currently printed.
- b. If the changed sales invoice is dated in a year for which income tax returns have already been prepared, then the QuickBooks financial statements will not agree to the financial statements used in the preparation of the income tax returns.
- c. If the changed sales invoice contains sales tax and was issued in a prior quarter, then the QuickBooks information will not agree to the previously prepared sales tax return.
- d. Accounts receivable aging reports will not be accurate.

SOLUTION

We don't want you to use the prior year date of the sales invoice that you want to change. The correct procedure is to make the correction using today's date. This concept is to make all prior period corrections in the current year. The proper method of changing a prior period sales invoice is:

- a. If reducing the invoice total or deleting the invoice, select Customers, Create Credit Memos/Refunds. The credit memo should use **today's date**. Make the appropriate changes to record the items to change or remove. If you are deleting the invoice, record a credit invoice that shows each line exactly as it was on the original invoice. Do not change the original invoice. Reference the original invoice number and date in the memo field in the credit memo.
- b. If you are increasing the invoice amount, and select Customers, Create Invoices. Prepare an additional invoice using **today's date** to record the amount of the increase. Do not change the original invoice. Reference the original invoice number and date in the memo field of the additional invoice.

These methods should also be utilized to reverse an invoice in the event that a customer is unable to pay.

(Please call us if you file sales tax returns and are changing invoices in the current year in a quarter for which a sales tax return has already been submitted.)

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3. Closing the prior years' books and record (general ledger) to prevent changes to the account balances

Deleting or changing prior years' transactions causes the account balances in QuickBooks to be different than amounts used in the preparation of the income tax returns and other reports.

PROBLEM

Many bookkeepers make assorted corrections to prior year transactions by using the prior year date intentionally or by mistake. Using a prior year date while working in the current year is incorrect and creates the following problems:

- a. The bank reconciliations that have been previously prepared will be different if the deleted or changed transaction is a cash transaction.
- b. Previously printed financial statements are different than the financial statements that can be currently printed.
- c. If the income tax returns have already been prepared, then the QuickBooks financial statements will not agree to the financial statements used in the preparation of the income tax returns.
- d. If the transaction is a payroll check from a prior quarter, then the QuickBooks payroll information will not agree to the previously prepared payroll tax returns.
- e. If the transaction contains sales tax and was issued in a prior quarter, then the QuickBooks information will not agree to the previously prepared sales tax return.

SOLUTION

When you are working in the current year you must never use a prior year date. In order to prevent this from happening, use the Period Close feature in QuickBooks, as follows:

- a. Select Edit, Preferences, Accounting, Company Preferences, Set Date/Password to access this feature. Enter the *closing date* (the end of the prior year). A password is optional but recommended. Be sure to write the password in a safe place as there is no way of recovering the password. Our clients send us the password as a backup. Then click on OK twice.

Once Period has been Closed, if a transaction dated on or before the closing date is changed, a window will pop up informing you that the change will affect prior periods. What you must do is to close the pop up window and correct the transaction date to a current year date.

(Please call us should you encounter a situation where you believe a prior period change is necessary.)

If your books and records for the prior fiscal year are officially closed, the Period Close feature described above should be done.

WHEN YOU FOLLOW THE ABOVE SOLUTIONS TO THESE COMMON PROBLEMS YOU WILL ELIMINATE INCORRECT CHANGES FROM OCCURRING IN YOUR QUICKBOOKS DATA FILE. THIS REDUCES THE LIKELIHOOD OF ADDITIONAL ACCOUNTING FEES TO IDENTIFY AND FIX YOUR QUICKBOOKS.

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