Lesson 7

Receive Payments and Make Deposits
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COMPUBOOKS
Business Services
Lesson Objectives

- Learn how to record customer payments in QuickBooks
- Learn how to handle customer discounts, partial payments, overpayments or down payments
- Learn how to handle customer bounced checks
- See how to record a deposit in QuickBooks and how QuickBooks treats the deposit behind the scenes
- Learn how to enter cash back from a deposit in QuickBooks
Record Payment in Full for a Single Job

If you receive payment at the time of a sale and fill out a sales receipt, the customer payment is part of that sales receipt transaction. When you invoice a customer and receive payment later, you must enter the payment in the QuickBooks Receive Payments window as a transaction that is separate from the sale.

**Step-by-Step: Record a Payment in Full**

1. From the Customers menu, choose **Receive Payments**. (If the QuickBooks Payment Interview window displays, close it.)

2. In the Received From field, select the Customer:Job from whom you are receiving the payment. Press **Tab**.

3. In the Amount field, type the amount of the payment. Press **Tab**.

4. In the Date field, enter the date the payment was received. Press **Tab**.

5. Select the payment method from the payment icons. Press **Tab**.

6. Enter the reference number for the payment, if applicable.
7. Place a checkmark next to the invoices in the grid to which you are applying the payment. (If Automatically apply payments has been chosen in Edit ➔ Preferences ➔ Payments ➔ Company Preferences, you can remove checkmarks and add your own if the automatic application of payment doesn’t suit your needs.)

8. Click **Save & Close**.

**NOTES**
Enter a Partial Payment

Step-by-Step: Enter a Partial Payment

1. From the Customers menu, choose Receive Payments. (If the QuickBooks Payment Interview window displays, close it.)

2. In the Received From field, select the Customer:Job from whom you are receiving the payment. Press Tab.

3. In the Amount field, type the amount of the payment. Press Tab.

4. In the Date field, enter the date the payment was received. Press Tab.

5. Select the payment method from the payment icons. Press Tab.

6. Enter the reference number for the payment, if applicable.

7. Place a checkmark next to the invoices in the grid to which you are applying the payment. (If Automatically apply payments has been chosen in Edit → Preferences → Payments → Company Preferences, you can remove checkmarks and add your own if the automatic application of payment doesn’t suit your needs.)

8. Enter the amount of the payment to be applied to each invoice in the Payment column in the far right.

9. In the Underpayment section at the bottom, ensure that the When finished: Leave this as an underpayment option is selected.

10. Click Save & Close to record the partial payment.

NOTES
Apply One Payment to Multiple Jobs of the Same Customer

Step-by-Step: Apply One Payment to Multiple Jobs of the Same Customer

1. From the Customers menu, choose Receive Payments. (If the QuickBooks Payment Interview window displays, close it.)

2. In the Received From field, select the parent customer name for the jobs against which you are receiving payment. This will enable QuickBooks to show all open invoices for the parent customer and all its jobs. Press Tab.

3. In the Amount field, type the amount of the payment. Press Tab.

4. In the Date field, enter the date the payment was received. Press Tab.

5. Select the payment method from the payment icons. Press Tab.

6. Enter the reference number for the payment, if applicable.
7. Place a checkmark next to the invoices in the grid to which you are applying the payment. (If Automatically apply payments has been chosen in Edit → Preferences → Payments → Company Preferences, you can remove checkmarks and add your own if the automatic application of payment doesn’t suit your needs.) You will be able to identify the invoice number as well as the job to which it relates.

![Customer Payment Grid]

8. Click Save & Close.

**NOTES**
Enter Overpayments

If a customer sends you an overpayment, you simply enter the amount in the Receive Payments window and QuickBooks keeps track of the additional payment. When the customer has future invoices, you can apply the overpayment to those amounts – you can even apply the credit directly to the invoice.

Step-by-Step: Enter the Payment

1. From the Customers menu, choose Receive Payments. (If the QuickBooks Payment Interview window displays, close it.)

2. In the Received From field, select the Customer:Job from whom you are receiving the payment. Press Tab.

3. In the Amount field, type in the amount of the payment. Press Tab.

4. Select the payment method from the payment icons. Press Tab.

5. Enter the reference number for the payment, if applicable.

6. Place a checkmark next to the invoices in the grid to which you are applying the payment. (If Automatically apply payments has been chosen in Edit ➔ Preferences ➔ Payments ➔ Company Preferences, you can remove checkmarks and add your own if the automatic application of payment doesn’t suit your needs.) The total in the Payment column may not add up to the total payment amount at the top of the Customer Payment window if you don’t know how to apply all the money.

7. In the Overpayment section at the bottom, you may choose Leave the credit to be used later to leave the overpayment on the customer account or Refund the amount to customer to issue a refund.
8. Click **Save & Close**.
   
a. If you chose to refund the amount to your customer, the **Issue a Refund** window will appear. Complete the form appropriately.

b. Click **OK**.

![Issue a Refund window](image)

**NOTES**
Handle Down Payments & Prepayments

If a customer makes a payment before you’ve invoiced him for services (for example, he may be making a down payment or paying a retainer fee), you can still record the payment in the Receive Payments window. However, because you don’t have any invoices against which to apply the payment, QuickBooks records it as an unused payment (just like an overpayment).

QuickBooks holds the unapplied amount in Accounts Receivable with the customer’s name (as a negative amount). The next time you enter that customer in the Receive Payments window, QuickBooks displays the credit amount in the Available Credits area. The customer’s balance also reflects the credit amount.

**Step-by-Step: Enter the Down Payment**

1. From the Customers menu, choose **Receive Payments**. (If the QuickBooks Payment Interview window displays, close it.)
2. In the Received From field, select the Customer:Job from whom you are receiving the down payment. Press **Tab**.
3. In the Amount field, type in the amount of the down payment. Press **Tab**.

![Customer Payment window](image)
4. Select the payment method from the payment icons. Press Tab.
5. Enter the reference number for the payment, if applicable.
6. Ensure that no invoices are selected for applying the payment.
7. Ensure the Leave the credit to be used later option is selected.
8. Enter a memo indicating that it’s a down payment, if desired.
9. Click Save & Close.
10. In the Payment Credit window that appears, click OK.

**Step-by-Step: Create an Invoice for a Customer Who Made a Down Payment**

1. From the Customers menu, choose Create Invoices.
2. In the Customer:Job field, select the customer for whom you are creating the invoice.
3. Add any billable time(costs), if applicable.
4. If you use custom invoice templates, select the appropriate template from the Template drop-down.
5. Complete the invoice form appropriately.
6. Click Save in the Main tab of the ribbon at the top of the invoice to save your invoice but keep it open.
7. Click **Apply Credits** to apply the down payment amount toward this invoice.

8. Choose the credits you wish to apply to the invoice (if they’re not chosen for you already) and click **Done**. In this case, only part of a credit is being used and there is a remaining credit balance.
9. You will see the invoice is now changed to reflect the application of a credit and the balance due is also affected.

10. Click Save & Close.

NOTES
Make Deposits

When you use the Enter Sales Receipts window (for a sale where you receive payment on the spot), the Receive Payments window (for payments on invoices), or a payment item in the body of an invoice, QuickBooks keeps track of the money you've received until you deposit it in the bank. When you receive payments from customers, you can either deposit each payment directly into a QuickBooks bank account or you can accumulate those payments in an account called Undeposited Funds to be moved to a bank account at a later time. (This makes reconciling the bank accounts much easier to do; you don't need to use a calculator to add up individual payments to match the total deposit for the day when comparing the amounts in QuickBooks to the bank statement. QuickBooks allows you to choose the method you prefer for depositing payments in the Company Preferences for Payments.)

Step-by-Step: Select Payments to Deposit

1. From the Banking menu, choose Make Deposits.
2. Click to select the payments you want to bring to the bank in one batch (e.g., a deposit slip).

3. Click **OK**.

   QuickBooks displays the Make Deposits window, which shows the payments you just selected.

4. In the Deposit To field, make sure the proper bank account is selected.

5. Ensure you enter the correct date and a memo, if desired.
6. Add any information, such as missing check numbers and extra memo information, for a particular line, etc.

![Make Deposits window](image)

If you have money to deposit that is not the result of a payment you received for a sale, you can enter it in the detail area of the window in the next vacant row. For example, if you are also depositing a premium refund from your insurance company or funds from a shareholder loan, you would enter it here.

7. You can print the deposit slip by selecting the **Print** icon at the top of the Make Deposits window and take that to your bank to accompany the deposit. You also have the choice of printing a summary.

8. Click **Save & Close** to record the deposit.

**NOTES**
How QuickBooks Handles the Deposit

Step-by-Step: View the Undeposited Funds Account

1. From the Lists menu, choose Chart of Accounts.
2. In the Chart of Accounts, double-click the Undeposited Funds account.

   This is the register where QuickBooks records all payments posted to Undeposited Funds.

   ![Undeposited Funds Register]

NOTES
How to Handle a Customer Bounced Check

**Step-by-Step:** When a Customer Payment Check is Returned by the Bank

1. Open the **Customer Center** from the Customers drop-down menu (or press **CTRL+j**).
2. Highlight the Customer:Job from the list, then double-click on the payment transaction from the transaction list to open it.
3. Select the **Record Bounced Check** icon.
4. Enter any bank fees charged by your bank for the NSF transaction.

5. If you charge your customer a fee for NSF checks, you can enter that as well.

![Manage Bounced Check dialog box](image)

6. Click **Next**.

7. In the Bounced Check Summary, select **Finish**.

![Bounced Check Summary dialog box](image)
8. Notice the Customer Payment screen indicates this check bounced.

9. **Save & Close.**

To see the effect of the bounced check, open the bank register by double-clicking the bank account from your Chart of Accounts (CTRL+a).

**NOTES**
Receive Payments & Make Deposits – Review Questions

1. A company has set up three different jobs for a single customer. The customer writes one check to make a partial payment on open balances for all three jobs. In QuickBooks, that payment...
   a. must be applied to the first invoice for the first job for the customer.
   b. must be applied to the most recent invoice for the customer.
   c. can be applied to any combination of invoices and jobs for the customer.
   d. cannot be applied to any invoices or jobs for the customer until full payment is received.

2. QuickBooks supports which of the following types of payment scenarios?
   a. Down payments for products or services
   b. Overpayments from customers
   c. Partial payments from customers
   d. All of the above

3. True or false: You can enter a customer payment directly in the customer register.
   a. True
   b. False

4. The ________________ ________________ account acts like a cash drawer and is used to hold funds until you deposit them into a bank account.

5. True or false: QuickBooks allows you to print deposit slips you can take to the bank.
   a. True
   b. False
Review Activities

1. Create an invoice for Bryan Ruff’s utility shed job. Add names to Rock Castle Construction’s Item list as needed.

2. After you invoice Bryan, record a payment from him in the Receive Payments window.

3. Record Rock Castle Construction’s deposit of the payment.
Answers to Review Questions

1. A company has set up three different jobs for a single customer. The customer writes one check to make a partial payment on open balances for all three jobs. In QuickBooks, that payment...
   a. must be applied to the first invoice for the first job for the customer.
   b. must be applied to the most recent invoice for the customer.
   c. ✓ can be applied to any combination of invoices and jobs for the customer.
   d. cannot be applied to any invoices or jobs for the customer until full payment is received.

2. QuickBooks supports which of the following types of payment scenarios?
   a. Down payments for products or services
   b. Overpayments from customers
   c. Partial payments from customers
   d. ✓ All of the above

3. True or false: You can enter a customer payment directly in the customer register.
   a. True
   b. ✓ False; you must enter payments in the Receive Payments window.

4. The Undeposited Funds account acts like a cash drawer and is used to hold funds until you deposit them into a bank account.

5. True or false: QuickBooks allows you to print deposit slips that you can take to the bank.
   a. ✓ True
   b. False