

**TRAINING MATERIAL ON  
COMPUTERIZED ACCOUNTING:  
BASED ON PEACHTREE COMPLETE  
ACCOUNTING, 2005 VERSION**



July 2012

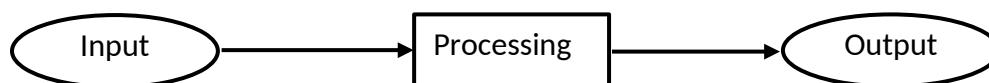
# 1. COMPUTERIZED ACCOUNTING SYSTEM : AN OVERVIEW

## Accounting System

System is a set of two or more interrelated components that interact and work together to achieve a goal. That is, a system is a set of inter-dependent components which collectively accomplish certain objectives. System is a method of doing something. A system has three main elements: **inputs, processes, and outputs**. The input is data, raw materials, or any thing that is must be processed and converted into the output. Processes refer to the methods or the activities or the procedures used or applied to convert input into output. Output is the goal to be achieved or the end result of a system. Systems are almost always composed of smaller subsystems, each of which performing a specific function important to and supportive of the main system. That is, most systems are composed of smaller subsystems.

Accounting system is one of the systems used by the organizations. **Accounting System** is a system which provides the information for use in conducting the affairs of the business and in reporting to owners, creditors and other interested parties. In a general sense, an accounting system includes the entire network of communications used by a business organization to provide needed financial information. It consists of business papers (source document), records (journals and ledger) and reports (financial statements).

Like any system, the elements of accounting system are inputs (financial transactions and economic events), processes (the accounting cycle), and outputs (financial statements, other reports, and documents)



1. **Inputs** represent data from source documents, such as sales receipts, bank deposit slips, and fax orders and other telecommunications. Inputs are usually grouped by type. For example, a firm would enter cash-sale transactions separately from credit sales and purchase transactions.

2. **Processing** – generally refers to the Accounting Cycle. The accounting cycle refers to a sequence of activities which includes: documentation of financial transactions ⇒ analysis of financial transactions ⇒ recording transactions in journals ⇒ posting transactions from journals to general ledger ⇒ analyzing general ledger accounts using trial balance and working paper ⇒ make corrections or adjustments ⇒ preparing financial statements from general ledger information ⇒ closing temporary books of accounts annually. This means they are methods or procedures used to convert the financial transactions into meaningful financial information.

3. **Outputs** are the reports used for decision-making, including the financial statements (income statement, balance sheet, cash flows statements, and others). Many companies make better decisions-and prospering –because of the reports produced by their accounting system. From computer’s viewpoint, a trial balance is also a report.

## Types of Accounting System: Manual, Mechanical, and Computerized

Depending on things used for data input, processing, and output, there are three types of accounting system:

1. **Manual Accounting System** – uses paper and pencil to input, processing, and output. Here everything is done manually.
2. **Mechanical Accounting System** – uses the manual accounting system plus some machinery such as cash register machine or sales register machine, calculators, type writers, etc to assist in the input, processing, and output. Even a computer may be used for purposes other than accounting data processing.
3. **Computerized Accounting System.** It is also called Accounting Information System (AIS). Computerized accounting system uses Hardware, Software, and Information Technology for accounting data processing.

From the three types of accounting system, it is clear that accounting system can use advanced technology; or be a simple paper-and-pencil system; or be something in between. Chronologically, manual accounting system materialized before mechanical accounting system and the mechanical accounting system materialized before computerized accounting system (AIS). The first two are generally called Manual Accounting System and they are traditional as compared the computerized accounting system, which is modern and recent.

The three stages of data processing- input, process and output through computerized and manual accounting systems are shown below.

| <b>The Accounting Cycle: Computerized versus Manual</b>                                                                                                   |                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>Computerized System</b>                                                                                                                                | <b>Manual System</b>                                                                                                   |
| - Start with the account balances in the ledger at the beginning of the period.                                                                           | - Same                                                                                                                 |
| - Analyze and classify business transactions by type. Access appropriate means for data entry.                                                            | - Analyze and journalize transactions as they occur.                                                                   |
| - Computer automatically posts transactions as a batch or when entered on-line.                                                                           | - Post journal entries to the ledger accounts.                                                                         |
| - The unadjusted balances are available immediately after each posting.                                                                                   | - Compute the unadjusted balance in each account at the end of the period.                                             |
| - The trial balance, if needed, can be accessed as a report.                                                                                              | - Enter the trial balance on the work sheet, and complete the work sheet.                                              |
| - Enter and post the adjusting entries. Print the financial statements. Run automatic closing procedure after backing up the period's accounting records. | - Prepare the financial statements. Journalize and post the adjusting entries. Journalize and post the closing entries |
| - The next period's opening balances are created automatically as a result of closing.                                                                    | - Prepare the post closing trial balance. This trial balance becomes step 1 for the next period.                       |

## Computerized Accounting System (AIS)

AIS refers to computer-based system designed to transform accounting data into information. AIS broadly include many transaction processing systems, the use of information technology and the

development of information systems. It focuses on the accounting aspects of business operations that are concerned with accountability for and control of the assets and liabilities of the enterprise, determination of the results of operations that ultimately leads to the computation of comprehensive income, and the financial reporting of business operations.

AIS is a system that collects, records, stores, and processes data to produce information for decision makers. That is, an Accounting Information System is a unified structure that employs physical resources and components to transform economic data into accounting information for external and internal users. It is a collection of resources such as people and equipment designed to transform financial data into financial information.

AIS consist of **five components**

1. *People*: persons who operate the system and perform various functions;
2. *Procedures*: both manual and automated methods used in collecting, processing, and storing data about organization's activities;
3. *Data*: are raw facts and figures that are processed to produce information;
4. *Software*: computer programs that assists in processing the organization's data; and
5. *Information Technology Infrastructure*: includes computers, input devices, output devices, and data communication devices, data bases, computer networks such LAN, WAN, etc

AIS to fulfill three important functions:

1. Collecting and storing data about economic activities;
2. Transform that data into information that management can use to make decisions about events, resources, and agents, and
3. providing adequate controls to safeguard the organization's assets including its data, to ensure that the data are available when needed and are accurate and reliable.

The functional steps in transforming data into information are:

1. *Data Collection*: capturing, recording, validating and editing data for completeness and accuracy;
2. *Data Processing*: classifying, sorting, calculating data;
3. *Data Management*: storing, maintaining and retrieving data and then safeguarding and securing data and ensuring the accuracy and completeness of the data; and
4. *Information Generation*: interpreting, reporting, and communicating information

#### **Advantages of Computerized Accounting System**

- It enables to handle complex and large transactions easily;
- It increases efficiency, accuracy, speed, and timeliness;
- It reduces cost in relation to record keeping (cost per transaction);
- It enables storage, computation, retrieval, and auditability.

#### **Disadvantages of Computerized Accounting System**

- High initial cost investment to plan, install, test, and implement the computer system properly. Thus, it may not be cost-effective for small firms with lesser volume of data to process.
- Initial implementation may be time taking;
- It requires specialized skill
- Slow acceptance may there be by employees, clients, creditors, and auditors.

Currently, computerized accounting systems have replaced manual systems in many organizations-even small businesses

### **Selection of Accounting Software: In-house versus Purchased Packages**

Should a firm develop its own accounting software or buy externally supplied accounting software? In-house developed software involves software that is developed by the firm internally considering the needs of the firm. On the contrary, off-the-shelf accounting software (packages) is accounting software that is acquired from an independent vendor. Despite the availability of good canned software, many organizations develop their own *custom software* because their requirements are unique; or their size and complexity necessitates in-house developed package. Developing in-house software is difficult and error prone and consumes much time and resources. The most difficult hurdles are lack of time; complexity of desired system; poor requirements and systems planning; inadequate communication and cooperation between departments and users; lack of qualified staff; poor senior executive support; organizational culture; etc

Organizations may engage an outside company to develop an accounting package for their use. When contracting with an outside organization, a company should maintain control over the development process. The guidelines recommended are: (I) carefully select a developer; (II) sign a contract to clearly define responsibilities; (III) plan and monitor each step; (IV) maintain effective and frequent communication; and (V) control all costs

#### **Advantages and Disadvantages of the in-house developed accounting softwares**

The advantages include:

- Users involvement in creation, control, and implementation of the system
- It easily meet user needs
- Versatility and ease of use – easy to understand and use
- It is customizable
- Assurance of system compatibility;
- Less training cost and implementation time;

The disadvantages include

- Logic and development errors
- Inadequately tested applications
- Inefficient systems
- Increased costs

#### **Advantages and Disadvantages of off-the-shelf (purchased) accounting packages**

The merits are:

- Low risk;
- Lower cost;
- Shorter implementation time;
- Standardization;
- Avoidance of an in-house effort.

The demerits are:

- No users' involvement in creation and development the package
- It may not meet all user needs
- It may not be customizable
- The system may not compatible with the existing system and hardware;
- High training cost;

#### **Selection criteria for off-the-shelf accounting packages**

Currently, many off-the-shelf accounting packages are available in the market. Some of these accounting packages are used by commercial organization, some by government organizations, and some by non-governmental organizations. Commonly supplied accounting software include: Peachtree,

QuickBooks, ACCPAC, Sterling, Scala, EXACT, DacEasy, Talley, IBEX (Integrated Budget and Expenditure System), GAS (Government Accounting Software), the Sun, and OMICRON. The organizations shall use selection criteria for the Off-the-Shelve Accounting Packages. First the organization must understand that whether the accounting package meets their requirement or not. For example, **The Sun** is an accounting packaged designed for Non-governmental Organizations rather than business while Peachtree and Talley are prepared for commercial organizations. Once the purpose of the accounting package is ascertained, some selection criteria are used to evaluate software.

**The criteria to evaluate the accounting software include:**

- Conformity with specifications,
- Need for modification,
- Performance (Speed, Accuracy, Reliability),
- Use by other companies,
- Satisfaction of other users,
- Documentation,
- Compatibility with existing software,
- User-friendliness,
- Ability to be demonstrated and test-driven,
- Warranties,
- Flexibility and maintainability,
- Capability for online inquiry of files and records, &
- Vendor upgrades,
- Security and Maintenance
- Extent of training required; and

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## 2. PEACHTREE ACCOUNTING BASICS

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### 2.1 Introduction

Peachtree accounting is the most complete, powerful and fully integrated accounting system. It combines marketing, financial, and personnel information in order to provide with necessary tools to efficient control of business operations.

Accounting, as part of business information system, has a number of applications. Currently, some of them are: DacEasy Accounting, QuickBooks, Peachtree Accounting, AccPac, QuickBooks, Sterling, Scala, Sun, etc. This course is devoted to one of these accounting software-Peachtree Accounting.

There are **four basic/important steps** in converting a manual system of bookkeeping to Peachtree Accounting. They are also called **initial decisions**. These are:

1. **Decide on a conversion date.** Conversion Date refers to the date you will use as a starting point. This must be a date on which you know all accounting balances, for your customers, vendors, and employees as well as your General Ledger accounts.

The data you are entering must be accurate as of the conversion date you select. Ideally, this date would be the beginning of your fiscal year. Or, a little less ideally, this date would be the beginning of a fiscal period.

One special feature of Peachtree is that you can have two years open at once (up to 26 periods). This means you can keep last year's records accessible. It also gives you a lot of flexibility as to when you convert. For example, you can set the first accounting period to the first period of your fiscal year. This will make next year's closing easier to manage.

2. **Gather all the information you will need.** Names and addresses for customers, vendors, employees, sales reps, beginning balance for your general ledger accounts, customers, vendors, employees, inventory items, and jobs, as of the conversion date.

3. Create a company.

4. Enter the necessary information

#### What Sort of Data do I Need to Enter?

The term **data** refers to any and all of the facts that are collected, stored, and processed by an information system. **Information** is data that has been organized and processed so that it is meaningful.

In computer terminology, the information you enter, compute, and track is called data. In Peachtree Accounting, your data takes **two** basic forms:

1. **Maintain Data**-information about your customers, vendors, employees, inventory items, and jobs.
2. **Task data**-the daily transactions in your business (invoices, receipts, purchases, payments, paychecks)

In converting from a manual system to Peachtree Accounting, much of the initial work is gathering and entering your Maintain data. You need also to enter some Task data: all outstanding invoices and purchases, and payroll data if you wish to track it.

## 2.2 Starting the Program

After you install Peachtree Accounting, you are ready to begin. There are several ways to open (begin) Peachtree.

1. From the **Taskbar**
  - Select **Start** on the taskbar and then **Programs**. Locate and select the Peachtree group folder. Then select the **Peachtree icon**.
2. From My Computer
  - Locate and double-click the My Computer icon on the Windows desktop. The My Computer window appears. Then select the hard drive where you installed Peachtree. (Drive C is the default.)
  - By default, Peachtree is installed in **c:\Program Files\Peachtree**. Locate and double-click the Peachtree folder.
  - Next, locate and double-click the **PEACHW.EXE** file.
3. From the **Desktop**
  - From the desktop, double-click the **Peachtree icon**.



The main screen of Peachtree Accounting is displayed.

## 2.3 Moving Around in Peachtree

This part of the unit discusses the standard procedures for moving around in (navigating through) Peachtree. There is usually more than one way to accomplish tasks. Some people like to use a mouse, and some prefer entering keyboard commands. Some people prefer the traditional menu with words, while some like to select from a button, a graphical representation of tasks. Peachtree lets you make the choice.

### 2.3.1 The Peachtree Menu Options

Once you open Peachtree and a company, you have access to all the Peachtree menu options. If you don't have a company open, you will have limited menu access (File, Options and Help.) The following menus are available in Peachtree:

- **File.** Allows you to open an existing company, create a new company, print, print preview, set up the printed page, back up and restore company data, import or export files, edit payroll tax tables, and exit Peachtree.



- **Edit.** Allows you to cut, copy, and paste objects from one place to another via the Windows Clipboard. You can check spelling, change record IDs, edit or delete records, select or save memorized transactions, and display Accounting Behind the Screens for a selected transaction. In addition, you can add or remove lines when you are working with transactions. The options on this menu vary, depending on which area of Peachtree you are using. In addition, you can send e-mail to customers, prospects, and vendors as well as visit their Web sites by using the options on this menu. You need an Internet connection to use e-mail and Web services.
- **Maintain.** Allows you to enter, view, or edit required information for your company's customers, vendors, employees, sales reps, chart of accounts, inventory items, item prices (if you are using Peachtree Complete or Peachtree Premium), and job cost items. You can also edit company information, set up memorized transactions, enter sales tax codes, users/passwords, and default parameters for how you want your accounting handled.

- **Tasks.** Allows you to enter quotes, sales orders, sales invoices, receipts, purchase orders, purchase invoices, payments, write checks, time and expense tickets, payroll transactions, and General Journal entries. You can also calculate finance charges, select bills to pay, select employees to pay, make inventory adjustments, reconcile bank statements, void checks, enter action items, post and unpost information to the general ledger (balance forward), change the accounting period, close the fiscal and payroll years, and purge inactive items and old transactions.
- **Analysis.** Allows you to view customized graphical overviews of the entire company to analyze cash flow, collections of amount due from customers, payments due to vendors, and financial status.
- **Options.** Allows you to set global preferences for a company and to change the system date. You can turn on (or off) the status bar, Navigation Aid, and Start Screen. You can also set up an Internet connection within Peachtree.
- **Reports.** Allows you to queue a list of reports for printing or viewing. You can also create and edit the format for reports, forms, and financial statements.
- **Services.** Allows you to access and synchronize with various Peachtree Web resources online and manage or process downloaded Web transactions. You can also view Peachtree Today, set up online credit card authorization, or check for Peachtree product updates.
- **Window.** Lets you decide how you want your desktop to look.
- **Help.** Allows you to open windows of context-sensitive Help, run a tutorial for Peachtree, display data file statistics for the currently open company, and see which version of Peachtree is currently installed. You can see information on ordering checks or invoice forms for printing. You can access and print a technical support request form for relaying any problems, questions, comments, or suggestions you may have concerning Peachtree, as well as access Peachtree information on the Web. Registration information is also accessed through the Help menu.

**Note:** If an option on any of the menus is dimmed (disabled), it means that the option is not available based on your current situation or you do not have access to it currently.

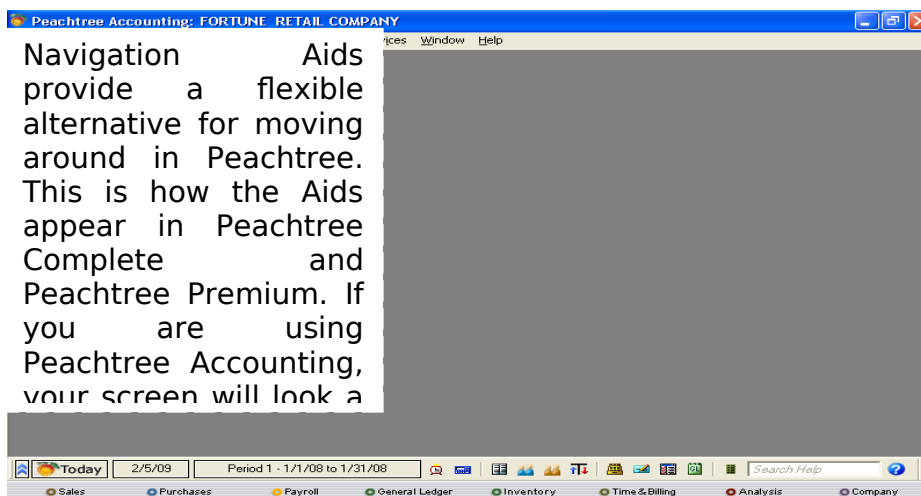
**How to access Peachtree menu options?** To do this, select an option from a menu by using either the mouse or keyboard as described below:

- a. **Using Mouse.** Highlight the menu option. Once the option is highlighted, release the mouse button to select it.
- b. **Using Keyboard.** Press ALT plus the underlined letter in the menu name, and the menu will drop down. For example, to select the Edit menu, press ALT+E.

**Note:** Some menus have items or options that may have shortcut keys. These can be used without selecting the menu. For example, to copy an item to the Windows Clipboard, press CTRL+C.

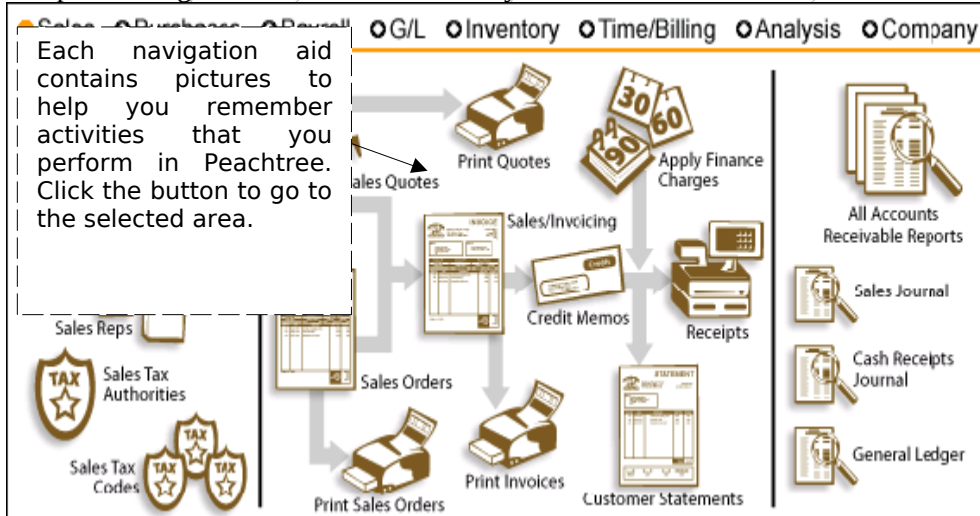
### 2.3.2 The Navigation Aids

Navigation aids provide an easy way for you to get around in Peachtree. You can use navigation aids to access certain windows. Navigation Aids appear in a bar along the bottom of the Peachtree window and can be turned on or off from the Options menu.



Navigation Aids are available through a series of buttons in the navigation aids bar.

There are eight navigation aids: Sales, Purchases, Payroll, General Ledger, Inventory, Time & Billing, Analysis, and Company. Each button in the navigation aids bar corresponds to a navigation aid for a specific accounting area. Time & Billing is a feature of Peachtree Complete and Peachtree Premium only. To open a navigation aid, click a folder. If you click the **Sales** button, the **Sales navigation aid** appears.



Notice that the folder is divided into **three sections**. The section on the left relates to maintenance functions; the column in the center relates to tasks; the column on the right relates to reports. These sections correspond to the menu structure in Peachtree.

- **Maintenance** refers functions that apply to records or lists that you would keep on file. In Sales, you would maintain your list of customers and sales reps.
- **Tasks** refer to everyday activities that you perform. In the Sales navigation aid, this would include the creation and printing of sales invoices.
- **Reports** provide useful information about the selected accounting area.

### 2.3.3 The Short Cut Keys

Short cut keys enable you to perform common operations by using more keys. The tables below show the shortcut keys.

| Ctrl +Letter Shortcuts |                      |
|------------------------|----------------------|
| Ctrl + X               | Cut                  |
| Ctrl + C               | Copy                 |
| Ctrl + V               | Paste                |
| Ctrl + E               | Erase/Delete         |
| Ctrl + N               | New Company          |
| Ctrl + O               | Open Company         |
| Ctrl + B               | Backup Company       |
| Ctrl + R               | Restore Company      |
| Ctrl + F               | Find                 |
| Ctrl + P               | Print Displayed Item |

| Function Keys |                                                                    |
|---------------|--------------------------------------------------------------------|
| F1            | Displays online Help topic for the current window                  |
| Shift+ F1     | Changes mouse pointer to What's This Help selector                 |
| F5            | Saves records and posts (or saves) transactions in certain windows |
| F10           | Toggles between the open window and menu bar                       |
| Ctrl + F4     | Closes current document window                                     |
| Alt + F4      | Closes the application window                                      |
| Ctrl + F6     | Moves to next window                                               |

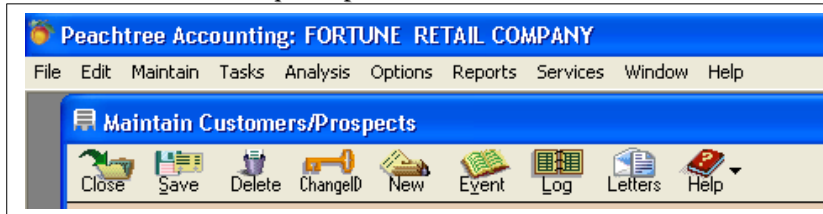
**Note:** Pressing *Ctrl* in conjunction with another key (for example, *Ctrl + O*) will behave differently when the Peachtree Today window is open and active. In these cases, the shortcut keyboard combination will behave as it would in Microsoft Internet Explorer.

#### Basic Window Shortcuts

On most windows, you'll see certain letters of fields or buttons underlined. This means that if you hold down the **ALT** key and press the letter that's underlined, the cursor will move to the respective field. For example, pressing **ALT+D** if you are in the Maintain Vendors window moves the cursor from the City, ST, Zip line to the Vendor ID line. This feature is not case sensitive.

### 2.3.4 The Toolbar Buttons

The windows in Peachtree have several major areas. At the top of the window is the toolbar (the icon bar) that contains the types of command buttons you can make in this window. The toolbar bar offers representations of commands or additional windows that pertain to the window. Some are common to most windows, while some are quite specific. It looks similar to this:



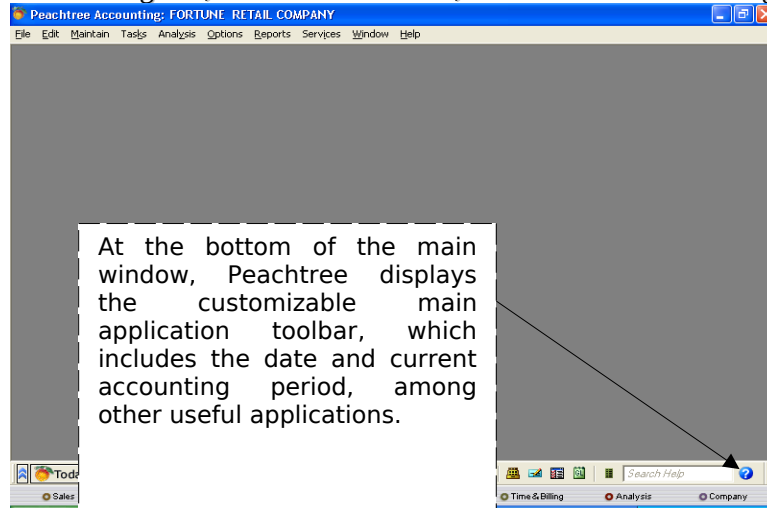
Select any one of the buttons to perform a function. Here's a brief description of the icons window:

- **Close.** This closes the window without saving any work that has been entered since the last save.
- **Save.** This saves record information such as addresses, telephone numbers, contacts for vendors, customers, employees, and so on.
- **Delete.** If you select this while you're using a selection from the Maintain menu, the record (customer, vendor, etc.) you're working with will be deleted. If you select this while you're working with a selection from the Tasks menu, the transaction (invoice, receipt, etc.) you're working with will be deleted.
- **Change ID.** Select this button to change a data record ID. You can change the ID for the following data record types in Peachtree: general ledger accounts, customers, vendors, employees, and items.
- **New.** When you're working in the Maintain windows, this clears the current record and allows you to enter a new one.
- **Event.** This allows you to schedule an event for a customer/prospect, vendor, or employee/sales representative. You can also use it to see detail on system-generated events. Note: The Event feature is available only in Peachtree Complete and Peachtree Accounting, not First Accounting.
- **Log.** This displays events recorded for an individual company or record over a range of time you specify. Note: The Log feature is available only in Peachtree Complete and Peachtree Accounting, not First Accounting.
- **Letters.** Select this button to process a mail merge.
  - In the Select a Report window, use the Letters button to create a mail merge for the currently chosen mail merge template.
  - In the Maintain Customers/Prospects, Maintain Vendors, or Maintain Employees/Sales Reps window, use the Letters button to create an individual mail merge for the currently open record.

- **Help.** This appears on most windows. Selecting this gives you information specific to the current window. The fields of this window are often listed at the bottom of the Help topic.

### 2.3.5 The Status Bar

The Status bar displayed at the bottom of the main Peachtree screen offers a brief explanation of the current field or text box, and the text changes as the cursor moves. It also shows the current Peachtree system date and the current accounting period. If you set up alerts, an alarm clock will appear in the status bar to alert you. It also includes buttons for accessing basic maintenance and task screens, such as Maintain Customers and Receipts. In addition, the following options are available customize toolbar Account register, Windows calculator, and Peachtree Accounting Help.



You can turn off the status bar by deselecting it on the Options menu. (The option will be unchecked). To this end, do the following

- From the **Options** menu, uncheck **View Custom Toolbar**.

### 2.3.6 Smart Guide

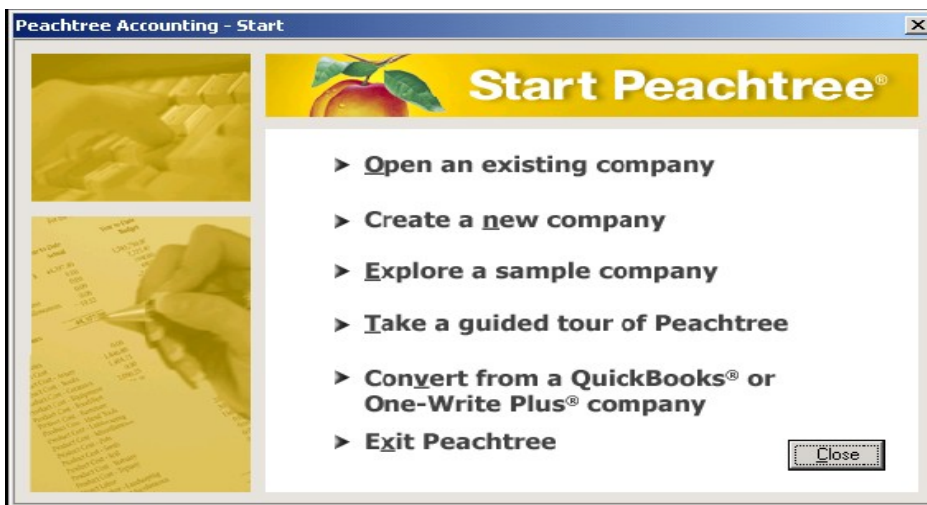
Peachtree helps you enter data by filling in fields once you begin typing and opening lists automatically when you select a field where a list is available. This is known as Smart Data Entry. As you type, Smart Data Entry fills in remaining text as you enter information that is already stored. For example, as you begin entering a customer ID, Peachtree fills in the remainder.

You can choose whether you want **Smart Data Entry** to automatically fill in text for you. You can also choose whether you want lists (such as a customer ID list or item ID list) to open automatically. Smart Data Entry preferences are set in the Maintain Global Options window, available from the **Options** menu.

## 2.4 Working with Companies

### 2.4.1 The Start Screen

When you first start Peachtree, there is a Start screen to help you figure out where to go next.



You have the following options on start screen:

- **Open an existing company:** Opens an existing Peachtree company.
- **Set up a new company:** Walks you through the setup of a new company.
- **Take a guided tour of Peachtree:** Introduces you to Peachtree through an online tutorial called The Guided Tour. You'll explore the basics of Peachtree Accounting, as well as learn about features new to Peachtree.
- **Explore a sample company:** Allows you to use a sample company so you can experiment on your own.
- **Convert from a QuickBooks or One-Write Plus company:** Allows you to convert your QuickBooks, QuickBooks Pro, or One-Write Plus company data to the Peachtree format.

#### The Start Screen vs. the Menu

From the Start screen, you can open a company, set up a new company, view the online Guided Tour, explore the sample company, or convert a company from Quickbooks or One-Write Plus to Peachtree. From the Options menu, you can choose whether or not you want to view the Start screen. If you choose not to display the Start screen, Peachtree automatically opens the last company that you were working in. If you don't want to display the Start screen whenever you enter Peachtree, make sure the Show Start Screen at Startup box is unchecked.

To display the Start screen after startup, from the **File** menu select **Open Start Screen**.

#### 2.4.2 Set up a New Company

Peachtree walks you through the process of creating a new company. This makes it easier to get your new company started. You only need to enter a minimum amount of information to initially set up your company. This information includes the chart of accounts, your accounting method, your posting method, and your accounting periods.

Setting up your company is easy with the New Company Setup wizard. This wizard walks you through creating a new company and prompts you for each piece of information you enter. You can run New Company Setup in two different situations:

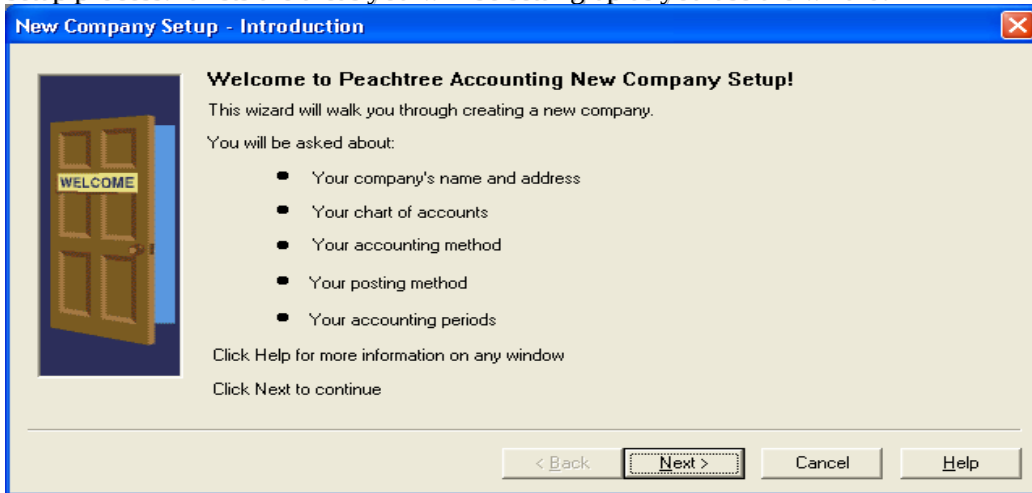
- When you set up your first company in Peachtree
- When you set up an additional new company in Peachtree after working in another company on the system

There are also **two** procedures for starting **New Company Setup**:

1. **Starting from the Peachtree Startup Window.** The Peachtree Startup window appears when you open Peachtree.
  - From the **Peachtree Startup window**, select **Set up a new company**. The system displays the **New Company Setup - Introduction window**.
2. **Starting from the Peachtree Menu.** You can use this procedure to start **New Company Setup** at any time in Peachtree.

- From the **File** menu, select **New Company**. If you are in another company, a warning window alerts you that opening a new company will close the current company.
- Select **OK**.

The system displays the **New Company Setup - Introduction window**. This is the first window of the setup process. It lists the areas you will be setting up as you use the wizard.



Read the introductory information. Select **Next** to continue setting up your company. Peachtree displays the **New Company Setup - Company Information window**. Here, you enter general information about your company.

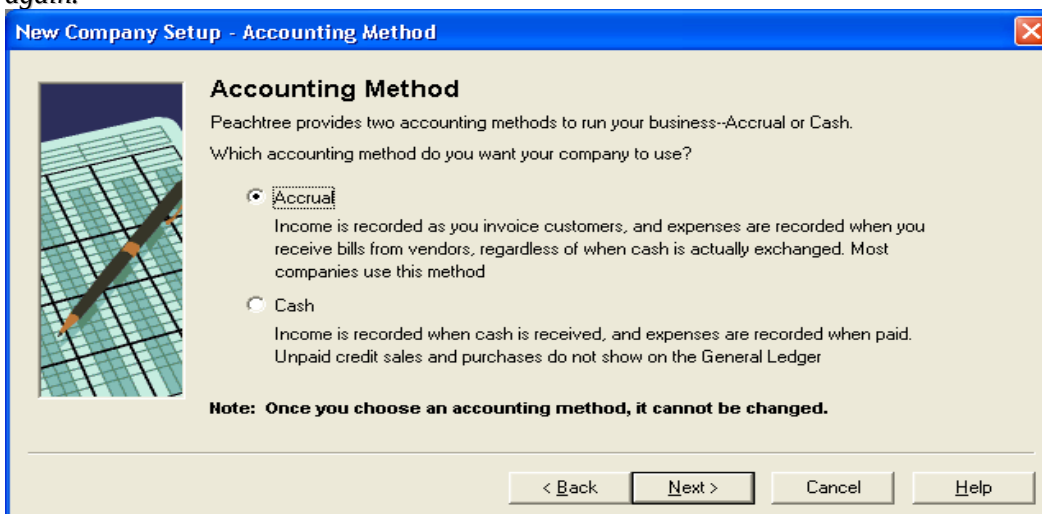
- Enter the company name, address, phone, and fax information.
- From the list in the **Business Type** field, select your business type. The business type defines the kind of business you run. Your selection here determines the makeup of the Equity section of your chart of accounts. You can change the business type at any time.

Select **Next** to continue setting up your company. Peachtree displays the **New Company Setup - Chart of Accounts window**.



Select one of the setup options on the window. Then select **Next** to continue setting up your chart of accounts. Peachtree displays the **New Company Setup – Accounting Method**. Select either the Accrual or Cash option.

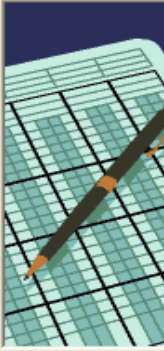
When you set up your company, you must indicate if you will use a **cash or accrual** accounting method. The choice between cash and accrual accounting is final. *You **cannot** change this decision after you finish New Company Setup. The only way to change accounting methods is by setting up a new company all over again.*



Select **Next** to continue setting up your new company. Peachtree displays the **New Company Setup - Posting Method** window. Select either the **Real Time** or **Batch** option.

You must choose whether you want Peachtree to post your transactions as they are entered (real time) or if you want to wait and post transactions in a group (batch posting). Remember that in batch posting, the transactions you enter are saved to a temporary holding area, where you can review them before posting the batch to the general ledger. In real-time posting, the transactions you enter are posted as you save them. *You can edit your transactions in either of the methods, and you **can change** the method at any time.*

**New Company Setup - Posting Method**



### Posting Method

There are two methods Peachtree Accounting can use to process transactions -- Real Time or Batch. Which posting method do you want your company to use?

☒ **Real Time**  
Transactions are posted to the General Ledger as they are entered and saved. Most companies use this method.

☐ **Batch**  
Transactions are saved by the program and then posted in a group. This method allows you to print registers and analyze a group of transactions before posting the journals.

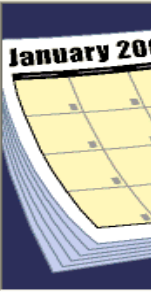
**Note: You can change the posting methods at any time.**

< Back   Next >   Cancel   Help

Select **Next** to continue setting up your new company. Peachtree displays the **New Company Setup - Accounting Periods** window. You should select either the option button for **12 monthly accounting periods** or **Accounting Periods that do not match the calendar months**.

Many companies set up their fiscal year, which is their defined yearly time period for doing business, so that it contains 12 accounting periods that correspond to the calendar months. It is not unusual, however, to start the fiscal year with some month other than January and to end it with some month other than December. Also, some companies set up fiscal years so that they contain more or fewer than 12 periods.

**New Company Setup - Accounting Periods**



### Accounting Periods

Accounting periods are units of time that divide your fiscal year for reporting purposes. In Peachtree Accounting, you can divide the fiscal year into as many as 13 periods. Most companies use monthly accounting periods (where the units match the 12 calendar months).

Which accounting period structure do you want your company to use?

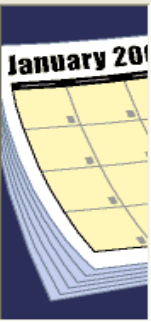
☒ **12 monthly accounting periods**

☐ Accounting periods that do not match the calendar months

< Back   Next >   Cancel   Help

If you selected 12 monthly accounting periods, Peachtree displays the following window. Here, you specify information for your standard accounting periods.

**New Company Setup - Accounting Periods**



### Monthly Accounting Periods

You have chosen monthly accounting periods. Peachtree Accounting will automatically set up your first two fiscal years based on the information provided below.

Usually, a company's fiscal year begins in January and ends in December.

When do you want your first fiscal year to start?   January   2008  
Month   Year

What is the first month you will be entering data?   January   2008  
Month   Year

What is the first year you will be entering payroll?   2008

< Back   Next >   Cancel   Help

If you selected Accounting periods that do not match the calendar months, Peachtree displays this window. Here, you set up your custom accounting periods.

**New Company Setup - Accounting Periods**

**Custom Accounting**  
Since you do not use monthly accounting periods, you can specify the structure of your first two fiscal years here.

How many accounting periods do you want in a fiscal year?

What is the start date of your first fiscal year?

What is the first year you will be entering payroll data?

What is the first period you will be entering data?

| Period | From        | To           |
|--------|-------------|--------------|
| 1      | Jan 1, 2008 | Jan 31, 2008 |
| 2      | Feb 1, 2008 | Feb 29, 2008 |
| 3      | Mar 1, 2008 | Mar 31, 2008 |
| 4      | Apr 1, 2008 | Apr 30, 2008 |
| 5      | May 1, 2008 | May 31, 2008 |
| 6      | Jun 1, 2008 | Jun 30, 2008 |

< Back   Next >   Cancel   Help

Once you finish *New Company Setup*, you cannot change your accounting periods. Make sure you have these set correctly before you select the **Finish** button.

### 2.4.3 Open a Company

The “Open an existing company” command (or Open Company from the File menu) gives you access to previously created companies. To open a company from the Start Screen:

- Select **Open an existing company** (the first option). When Existing Company window appears, select the name of the company from the **Company Name list box**, and then select **OK**.

When you want to open a company from the Start screen, the following window appears:

**Open Company**

You can see **the folder** where the company data resides, as well as the last time changes were made to a company.

Click and drag to **widen the column** if you need to see the entire path.

Directories:

- c:\
- Program Files
- Peachtree
- Company
- !\_PDG

Drives:

c:

List Companies of Type:

Peachtree

OK   Cancel   Help   Network...

To open a company from the File Menu:

- From the **File** menu, select **Open Company**. When the Open Company window appears, select the name of the company you want to open, and then select the **OK** button.

The menus now appear for the company chosen. Any accounting transactions you enter are logged into the books for the company you opened. Notice that File is still the first menu available.

If you already have a company open when you choose to open another company, a message alerts you that this will close the current company. Select OK to close the company.

### Open a Previous Company

If you have multiple companies set up in Peachtree, you can quickly see a list of recently opened companies by selecting Open Previous Company from the File menu.



#### 2.4.4 Back Up Your Company

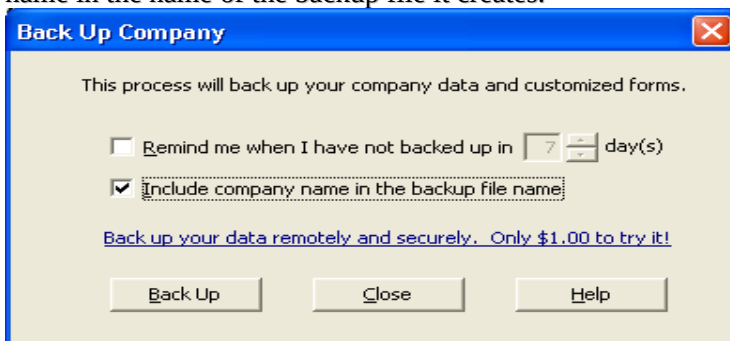
Backing up your company frequently is an important part of maintaining your Peachtree system. Peachtree provides a simple backup utility. Backing up your company files can save you hours of time. Having frequent backups ensures you against the necessity of reentering your data. How often you back up and which method you choose depends on how you use Peachtree.

It is important that you back up your company data files on a regular basis in case information is accidentally deleted or corrupted. You can then restore your data, if necessary. To back up your company data files and customized forms using the Peachtree format, use the following procedure:

1. From the **File** menu, select **Back Up**. Peachtree displays the Back Up Company window.
2. Select the **Reminder check box** if you want to be prompted to back up in a specified number of days.

If the specified numbers of days have elapsed since your last Peachtree backup, Peachtree will display a reminder message when you close the company or exit the program.

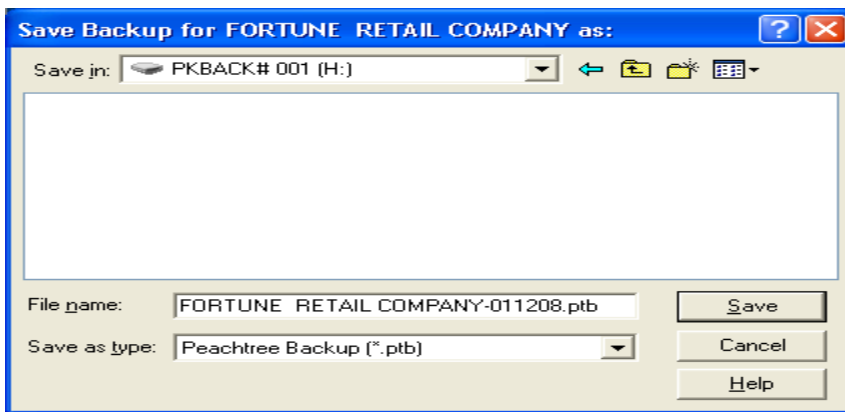
3. Select the **Include company name** name check box if you want Peachtree to incorporate your company name in the name of the backup file it creates.



4. Click the **Back Up** button to enter or select where you want to save your Peachtree backup file. If you are not prepared to back up your company data at this time, click Close.
5. In the **Save Back Up As** window, at Save in enter or select the path where you want to save your backup copy.
6. At File name, enter the name for the backup copy. Peachtree offers a default file name that includes the current system date—for example, Fortune Retail Company-011208.ptb. You can change this if you like. Peachtree backup files use the \*.ptb file extension.

For increased security, avoid backing up data over existing backups.

You do not have to specify the location of your data files. Peachtree locates these based on the company that is currently open.



7. Click the **Save** button. Peachtree displays one of the following:
  - If you are backing up to your hard drive, the estimated size in megabytes (MB) of your backup.
  - If you are backing up to an external source such as diskette or ZIP drive, the number of diskettes needed.

8. Click **OK**. The system displays the progress of the backup until it is complete.

If you are backing up to diskettes, Peachtree will prompt you to insert the first and subsequent diskettes, as needed. You should number these diskettes as instructed.

**Note:** Depending on the quantity of data, the backup process may take a while to complete. Be patient and do not interrupt the process. If you interrupt the backup process, you might damage your data.

## 2.4.5 Delete a Company

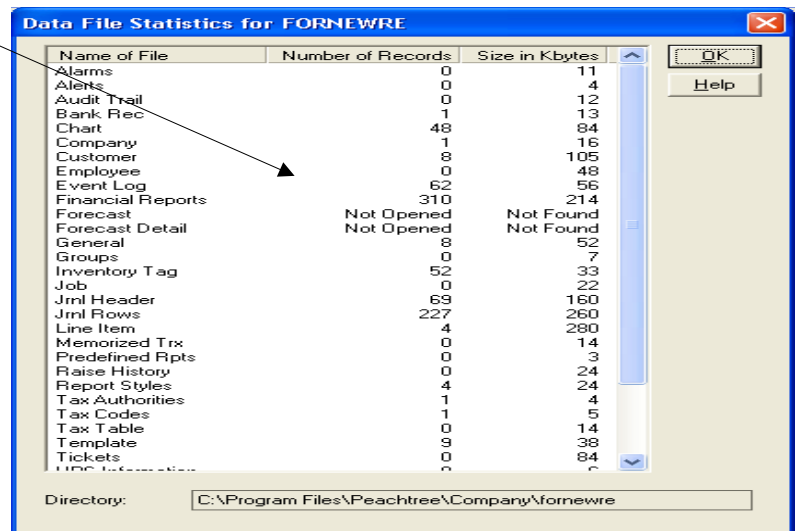
In some cases you may want to remove a company created in Peachtree, possibly to start over. In order to delete a company, you must exit Peachtree and delete the company data folder using Windows Explorer. You should make a backup of the company's data if there is any possibility you may need the information later. It is also recommended that you back up data on your hard drive before beginning this procedure.

To delete a company:

1. Open Peachtree and the company you want to eventually delete.
2. From the **Help** menu, select **Customer Support and Service**, then select **File Statistics**.
3. Write down the company short name displayed in the title bar of the File Statistics window.

The title bar displays "Data File Statistics for XXX," where XXX is the "short version" of your company name.

This is the **short version** of your company name.



4. Exit Peachtree.
5. From the **Start** menu, select **Programs**, and then click **Windows Explorer**.
6. Locate the \PEACHW folder using one of the following methods:

- If Peachtree is installed locally not installed on a network or company data is shared from this computer), select the folder and directory where Peachtree is located. \PEACHW is the default directory name.
- If Peachtree is installed on a network, select the drive and folder where Peachtree is located. \PEACHW is the default directory name.

**Note:** The default folder for Peachtree First Accounting setup is \PTFIRST.

7. Double-click the \PEACHW folder to display subfolders. One of the subfolders should be named the same as the short company name you wrote down earlier.
8. Select the company folder that matches the company short name. This is your company data.
9. To remove the company data, press the Delete key. Select **Yes** to confirm that you want to delete all the folder contents.

Your company is removed. It will not be available when you open Peachtree.

#### 2.4.6 Restoring Company Data

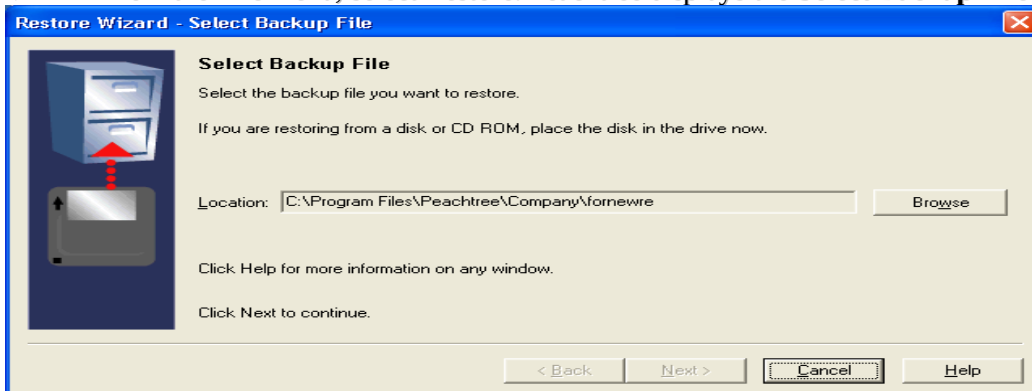
Restore command enables you to retrieve information that was saved using the back up function. Restoring a company replaces all information in the open company with the information stored in the back up file. Because all data are interrelated, you can't restore individual company data files

If you backed up company data using Peachtree's backup utility, follow the steps below to restore your data. If you backed up company data using an alternate utility (for example, a tape program), you must use that program to restore your company data.

**Warning:** When you restore company data, all data entered after the company was backed up will be lost and will have to be reentered.

To restore a company:

1. Open the company you want to restore.
2. From the **File** menu, select Restore. Peachtree displays the **Select Backup File** window.



3. Choose the folder, hard drive, diskette drive, network drive, or data storage device connected to your computer where your Peachtree backup file is located. Peachtree backup files use the \*.ptb file extension.
  4. Select the backup file you want to restore.
  5. To begin restoring data, select the correct .ptb file, and then select the Open button.
- A warning message appears telling you that backing up is a potentially dangerous process and suggesting that you make a current backup of data files.
6. To continue, select **OK**.
  7. The **Restore Options** window appears, letting you decide which files you want to restore:
    - To restore all backed-up custom forms, such as customized invoices, select the **Customized Forms** check box.
    - To restore all Web transactions in the Peachtree Web Transaction Center, select the **Web Transactions** check box. All unprocessed Web transactions (those listed in the Inbox list and Exceptions list) that were synchronized using the PeachSync wizard after the date of the backup will be lost.
    - To restore all backed-up data files for the company, including customized forms, select the **Company Data** check box.
  8. Select the **Restore** button.

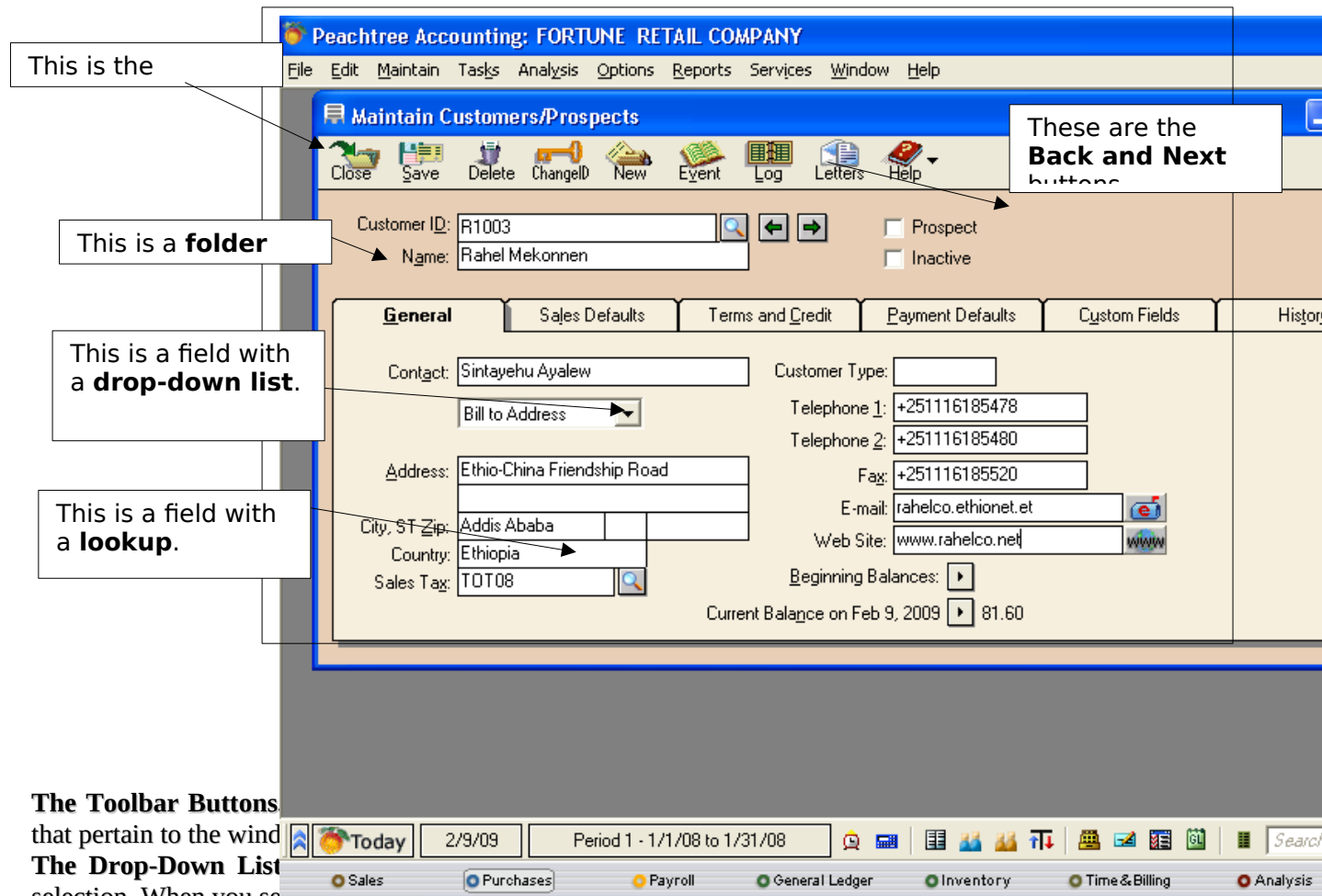
If you are restoring data from diskettes, the system will request you to insert the first and subsequent diskettes, as needed.

During the restore process, Peachtree displays a progress indicator.

**Note:** Depending on the quantity of data, the restoration process may take a while to complete. Be patient and do not interrupt the process. If you interrupt the restoration process, you might damage the data.

## 2.5 Parts of a Window

When you select a menu option, typically you will see a window that you can enter information into. Entering information in a window allows you to communicate with the program. Let's look at a typical window, the Maintain Customers/Prospects window. Below, we'll discuss the most important features of this window.



### The Toolbar Buttons

that pertain to the window.

### The Drop-Down List

selection. When you select the arrow next to a field, a list of items will appear.

**Lookup Fields.** Lookup lists are indicated by a button with a magnifying glass. When you're in a lookup field, the pointer also changes to an I-bar with a plus (+) and question mark (?) beside it. In a lookup field, you can either select from a list of records—such as vendors, customers, accounts, and so on—or you can enter a new record.

**Back and Next Buttons.** Use these buttons to navigate through a list of existing records. On maintenance windows, the buttons are usually located to the right of the appropriate record field—for example, the Customer ID field in the Maintain Customers/Prospects window. On task windows, such as Sales/Invoicing, buttons appear in the upper right corner, under the window toolbar.

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### 3. GENERAL LEDGER

#### 3.1 Introduction

The general ledger is the heart of any accounting system. All of the transactions you process in your business eventually get posted or stored in the set of accounts known as your **general ledger**. This set of accounts is called the **chart of accounts**.

You can think of these accounts as holding places for money—either money that you have in hand or money you can reasonably expect to receive or pay. Each time you post a transaction, Peachtree makes an entry to at least two accounts in your general ledger. One of these accounts is called a credit and one a debit. Once you’ve selected a chart of accounts and set up your company, most of this accounting stuff takes place behind the screen. But the point is: as a true double-entry accounting system, we make sure the credits always equal the debits, so your books stay in balance. And whenever you or your accountant needs to see that accounting stuff, it’s all there, stored in your general ledger.

## 3.2 Setting Up General Ledger

Before you begin recording your company's activity, you must set up general ledger information, including your chart of accounts. The process of setting up a chart of accounts for the first time is different depending on whether you are converting from a computerized or manual accounting system.

- If you are converting from a computerized system, you will import your account information, and then convert it.
- If you are working from a current manual system, you'll have to be sure to accurately transfer all the account information, including account types and numbers, to Peachtree.

Once your chart is set up, however, it's an easy matter to add additional general ledger accounts.

### Selecting Account Types

Account types define how the account will be grouped in reports and financial statements. They also control what happens during fiscal year-end. General Ledger accounts are assigned types on the General tab of the Maintain Chart of Accounts window.

Account types are important, because:

- They can be selection criteria for reports.
- They set the order in which accounts display on financial statements.
- They control what happens during fiscal year-end.

You can choose from several different account types while setting up a new account in Peachtree. Below are the Peachtree account types you can choose from:

|   |                            |   |                           |
|---|----------------------------|---|---------------------------|
| ✓ | Accounts Payable           | ✓ | Expenses                  |
| ✓ | Accounts Receivable        | ✓ | Fixed Assets              |
| ✓ | Accumulated Depreciation   | ✓ | Income                    |
| ✓ | Cash                       | ✓ | Inventory                 |
| ✓ | Cost of Sales              | ✓ | Long Term Liabilities     |
| ✓ | Equity - Doesn't Close     | ✓ | Other Assets              |
| ✓ | Equity - Gets Closed       | ✓ | Other Current Assets      |
| ✓ | Equity - Retained Earnings | ✓ | Other Current Liabilities |

At the end of the fiscal year, the balance amounts on the Income, Cost of Sales, Expenses, and Equity Gets Closed account types become zero. The net difference is added to the retained earnings account. You can only create **one account** using the Equity Retained Earnings account type. Since all the accounts types provided by Peachtree are clear and distinct, need is only to describe the capital section account types.

Peachtree account types are discussed here under

- **Accounts Payable.** Represents balances owed to vendors for goods, supplies, and services purchased on open account. Accounts payable are used in accrual-based accounting, are generally due in 30 or 60 days, and do not bear interest.
- **Accounts Receivable.** Represents amounts owed by customers for items or services sold to them when cash is not received at the time of sale. Typically, accounts receivable are recorded on sales invoices that include terms of payment. Accounts receivable are used in accrual-based accounting. Select this account type if you are setting up accrued income that customers owe.
- **Accumulated Depreciation.** It is a contra asset account to depreciable (fixed) assets such as buildings, machinery, and equipment.
- **Cash.** It represents deposits in banks available for current operations, plus cash on hand consisting of currency, undeposited checks, drafts, and money orders. Select this account type if you are setting up bank checking accounts, petty cash accounts, money market accounts, and certificates of deposits (CDs).
- **Cost of Sales.** Represents the known cost to your business for items or services when sold to customers. Cost of sales (also known as cost of goods sold) for inventory items are computed based on the inventory costing method (FIFO, LIFO, or Average Cost).

- **Equity - Doesn't Close.** Represents equity that is carried forward from year to year (like common stock). Select this account type if you are a corporation and want to record common stock or other equity intended as owner investment.
- **Equity - Gets Closed.** Represents equity that is zeroed out at the end of the fiscal year with the amounts moved to the retained earnings account. Select this account type if your business is a proprietorship and you want to record dividends paid to partners or if you are a corporation and want to record dividends paid to stockholders.
- **Equity - Retained Earnings.** Represents the earned capital of the enterprise. Its balance is the cumulative, lifetime earnings of the company that have not been distributed to owners. You can have only one retained earnings account in Peachtree.
- **Expenses.** Represents the costs and liabilities incurred to produce revenues. The assets surrendered or consumed when serving customers measure expenses. Select this account type if you are setting up accounts such as operation expense, supplies expense, salary and wage expense, travel expense, or charity expense.
- **Fixed Assets.** Represents property, plant, or equipment assets that are acquired for use in a business rather than for resale. They are called fixed assets because they are to be used for long periods of time. Select this account type if you are setting up any of the following fixed assets:
  - **Land:** Property, storage space, or parking lots.
  - **Buildings:** Structures in which the business is carried out.
  - **Machinery:** Heavy equipment used to carry out business operations. For example, you may want to set up any of the following: store equipment or fixtures, factory equipment or fixtures, office equipment or fixtures (including computers and furniture), and delivery equipment (including autos, trucks, and vans used primarily in making deliveries to customers).
- **Income.** Income (also known as revenue) represents the inflow of assets resulting from the sale of products and services to customers. Select this account type if you are setting up sales revenue accounts. It is common practice to create different income accounts for each category of revenue that you want to track (for example, retail income, service income, interest income, and so on).
- **Inventory.** Represents the quantity (value) of goods on hand and available for sale at any given time. Inventory is considered to be an asset that is purchased, manufactured (or assembled), and sold to customers for revenue. Select this account type if you are setting up assets that are intended for resale. It is common practice to create different accounts for each category of inventory that you want to track (for example, retail inventory, raw materials inventory, work in progress inventory, finished goods inventory, and so on).
- **Long-Term Liabilities.** Represents those debts that are not due for a relatively long period of time, usually more than one year. Portions of long-term loans due and notes payable with maturity dates at least one year or more beyond the current balance sheet date are considered to be long-term liabilities. Select this account type if you are setting up long-term liabilities (for example, long-term loans and noncurrent notes payable).
- **Other Assets.** Represents those assets that are considered nonworking capital and that are not due for a relatively long period of time, usually more than one year. Notes receivable with maturity dates at least one year or more beyond the current balance sheet date are considered to be “noncurrent” assets. Select this account type if you are setting up assets such as deposits, organization costs, amortization expense, noncurrent notes receivable, and so on.
- **Other Current Assets.** Represents those assets that are considered nonworking capital and are due within a short period of time, usually less than a year. Prepaid expenses, employee advances, and notes receivable with maturity dates of less than one year of the current balance sheet date are considered to be “current” assets. Select this account type if you are setting up assets such as prepaid expenses, employee advances, current notes receivable, and so on.
- **Other Current Liabilities.** Represents those debts that are due within a short period of time, usually less than a year. The payment of these debts usually requires the use of current assets. Select this account type if you are setting up accrued expenses from a vendor, extended lines of credit, short-term loans, sales tax payables, payroll tax payables, client escrow accounts, suspense (clearing) accounts, and so on.

## Numbering Accounts

How you number your chart of accounts is up to you. However, you should establish a consistent, logical system that everyone who uses Peachtree can easily understand. In setting up a numbering system for your chart of accounts, you should be aware of the following:

- Account numbers can contain any printable character except \*, +, and ?
- Account numbers cannot contain leading or trailing spaces. Spaces in the middle are allowed.
- Account numbers are case sensitive (e.g., CASH and Cash would be different accounts).
- Account numbers are sorted alphabetically, in ASCII sort order. This means that numbers come before letters, and numbers are looked at in a binary fashion. For example, the following numbers are in ASCII sort order: 1, 100, 1000, 27. To reorder them in a decimal fashion would require a four-digit coding scheme: 0001, 0027, 0100, 1000.
- Only one account can use the Retained Earnings account type.

### 3.3 Entering or Modifying Your Chart of Accounts

The Chart of Accounts window is used to add new accounts,

- to modify the description of an existing account,
- to delete an existing account,
- to make an account inactive,
- to change the account type for an account, or
- to create a budget for either or both the current and next fiscal years.

Steps to Create a Chart of Accounts

1. Select the **Chart of Accounts** option from the **Maintain** menu.

Peachtree displays the Maintain Chart of Accounts window.

2. Enter an **account ID** and **description** for the account.

The account ID determines how the account is identified and sorted in the chart of accounts list. Most charts of accounts are set up with specific account types grouped together.

**Hint:** Enter Account ID 1020

Enter Account Description Cash in Bank-Saving

3. Select an **account type** from the drop-down list.

4. When you're finished filling in the window, click the **Save** icon.

Select an **account type** from the

When you're finished filling in the

You can select or add another **account ID** from either the General or Budget

The information for your chart of accounts is divided in

- **General**
- **Budgets.** The Budget Peachtree Premium, budget in When you first open the wind information or select the Budg

Peachtree Accounting: FORTUNE RETAIL COMPANY

File Edit Maintain Tasks Analysis Options Reports Services Window Help

Maintain Chart of Accounts

Close Save Delete ChangeID New Help

Account ID: 1020

Description: Cash in Bank- Saving

☐ Inactive

General Budgets

Account Type: Cash Beginning Balances: 0

| Period History | Debits | Credits | Period Activity | Running Balance |
|----------------|--------|---------|-----------------|-----------------|
| Jan 31, 2008   |        |         |                 |                 |
| Dec 31, 2007   |        |         |                 |                 |
| Nov 30, 2007   |        |         |                 |                 |
| Oct 31, 2007   |        |         |                 |                 |
| Sep 30, 2007   |        |         |                 |                 |
| Aug 31, 2007   |        |         |                 |                 |

Set Default Page

Preferences

Customize Peachtree Today

NEW USERS start here

Setup Guide

### 3.4 Entering Chart of Accounts Beginning Balances

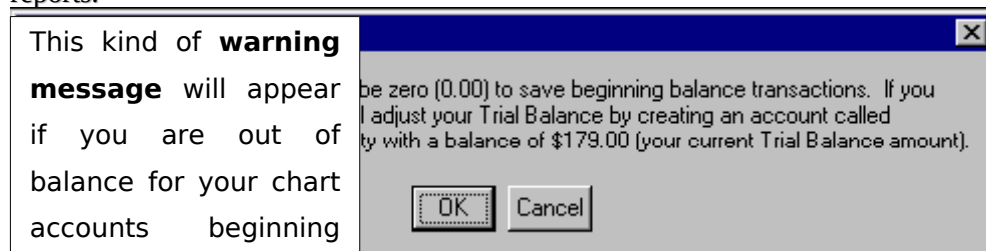
Peachtree assumes that you are entering beginning balances for your accounts when you select the Beginning Balances button. If you have posted transactions, Peachtree assumes that you are entering adjustments to your accounts for a period in a prior year. If you enter a new account, Peachtree assumes that this account has a zero balance. You may find it easier to add all necessary accounts and then create **one cumulative beginning-balance** entry.

Steps to Enter Beginning Balances

1. From the **Maintain** menu, select **Chart of Accounts**. Peachtree displays the Maintain Chart of Accounts window.
2. Select the **Beginning Balances** button. Peachtree displays the Select Period window.
3. Select the period in which you want to enter beginning balances. The accounting period you would be selecting is the previous period whose balances are the opening balances for your Peachtree accounting company.
4. Select **OK**. Peachtree displays the **Chart of Accounts Beginning Balances** window.
5. Click or tab to any of the white cells in the grid to add an amount. (The gray cells are for viewing purposes only.)
6. Enter all the beginning balances for the accounts. Scroll the list box to make sure the account amounts are correct.
7. For normal balances, you will enter positive numbers. If necessary, you can enter a negative amount; just enter a minus sign before the number. You might want to enter a negative balance:
  - for contra accounts (ask your accountant about these)
  - if you're a new company still operating "in the red" (with a negative retained earnings account)
  - if you are converting in mid-year and have recorded dividends paid, then this account balance would be entered as a negative.
  - at any time an account has a balance that is the opposite of its normal balance.
8. Select the **OK** button when you're finished

What If I'm Out of Balance?

If you are out of balance, a message will appear warning you that an equity account will be created (or updated) to contain the difference or out-of-balance amount. This account will be named **Beginning Balance Equity**, and its type is **Equity— Doesn't Close**. This account does not appear in the Beginning Balances window, but it will appear in the list of accounts and on financial statements and general ledger reports.



You should try to find the reason for the out-of-balance situation and correct it if possible. (Select Cancel when the warning message appears.) If you are entering beginning balances from financial statements supplied by your previous accounting system or by your accountant, you most likely made an error in data entry. Make sure you didn't leave out an account or balance and that you entered all amounts correctly.

The trial balance will be zero when you have entered all balances accurately. If you still cannot find the error, you can select OK at the warning message. Your books will be in balance, and you can proceed with setting up your company. Then later, if you find the cause of the out-of-balance situation, you can go back to the Beginning Balances or Prior Period Adjustments window and correct the situation. You can even begin entering and posting transactions. (Remember that once you post transactions, you will need to enter Prior Period Adjustments and not Beginning Balances.) Once the Beginning Balance Equity account has no transactions associated with it, you can delete the account.

### Add a New Account in G/L Beginning Balances

In the Beginning Balances window accessed from the Maintain Chart of Accounts window, select the **New** button. Peachtree displays the Enter New Account window. Steps to Add a New Account in G/L Beginning Balances

1. Enter an **account ID** and **description** for the account. To display a list of existing accounts, type ? in the G/L Account ID field, or select the Lookup button.
- The account ID determines how the account is identified and sorted in the chart of accounts list. Most charts of accounts are set up with specific account types grouped together.
2. Select a type for the account.
3. Select **OK**.

### 3.5 Viewing Beginning Balances

The **Period History** window reflects the balances you have entered for each account. The first entry of the period history is the period that you are currently working in. this should also be the period that is displayed on the status bar.

### 3.6 Entering and Allocating Budget Information

Entering and allocating budget information is possible only in Peachtree Accounting and Peachtree Complete Accounting. You can assign budget dollar amounts for each account for the two open fiscal years. You can enter individual amounts for each account period or allocate a dollar amount to be distributed throughout the fiscal year. Budget information can be displayed in reports and financial statements.

1. From the **Maintain** menu, select **Chart of Accounts**. Peachtree displays the Maintain Chart of Accounts window.
2. Enter or select the account ID to which you want to add budget information. To display a list of existing accounts, type ? in the G/L Account ID field, or select the Lookup button.
3. Select the **Budgets** tab.
4. Enter budget amounts
5. for this year and the next.

You can enter individual amounts for each period or allocate a total amount and have it

| Budget This Year                                                                                |        |                                                                                               | Budget Next Year |                                                                                                   |  |  |      |
|-------------------------------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------|--|--|------|
| Period Ending                                                                                   | Amount |                                                                                               | Period Ending    | Amount                                                                                            |  |  |      |
| Jan 31, 2007                                                                                    |        | <br>Copy | Jan 31, 2008     |                                                                                                   |  |  |      |
| Feb 28, 2007                                                                                    |        |                                                                                               | Feb 29, 2008     |                                                                                                   |  |  |      |
| Mar 31, 2007                                                                                    |        |                                                                                               | Mar 31, 2008     |                                                                                                   |  |  |      |
| Apr 30, 2007                                                                                    |        |                                                                                               | Apr 30, 2008     |                                                                                                   |  |  |      |
| May 31, 2007                                                                                    |        |                                                                                               | May 31, 2008     |                                                                                                   |  |  |      |
| <br>Allocate |        |                                                                                               | 0.00             | <br>Allocate |  |  | 0.00 |

6. There are two methods of entering budget amounts.
  - You can enter different budget amounts for each accounting period. As you enter each amount, the total amount will be calculated.
  - You can also enter one budget amount for the fiscal year and select Allocate. Peachtree will divide and distribute equal amounts that add up to the entered total for that fiscal year.
7. Select the **Copy** button to duplicate budget information from the first fiscal year to the second year.
8. When finished, select **Save** to record the account's budget information.

### 3.7 Deleting an Account from the Chart of Accounts

In order to delete an account from the chart of accounts, there must be no transactions posted to the general ledger that reference the account ID. If an account has a nonzero balance, you must delete or remove transactions associated with it. These can include beginning-balance entries.

If an account has a nonzero balance, you can enter an adjusting G/L transaction in the General Journal to bring the account's balance to zero. Then, after two year-end closings, you can **purge** or **delete** the account.

#### **To make the account inactive**

You can make the account inactive to ensure that no further transactions are associated with it. Then after two year-end closings, you can purge the account.

1. From the **Maintain** menu, select **Chart of Accounts**. Peachtree displays the Maintain Chart of Accounts window.
2. Select the account you want to make inactive.
3. Select the **Inactive check box** to the right of the account ID. (There is an X in the check box when it is selected.)

#### **To delete an account immediately**

1. From the **Maintain** menu, select **Chart of Accounts**. Peachtree displays the Maintain Chart of Accounts window.
2. Enter or select the **account ID** you want to remove.
3. Select the Delete toolbar button to remove the account.

If the account has a nonzero balance in any accounting period within the two currently open fiscal periods, Peachtree displays a message stating that you cannot delete the account.

If you still want to remove an account that has had a nonzero balance at one time, examine the history of the account in the **Maintain Chart of Accounts** window. Then, display the General Ledger report including a date range of the two open fiscal years. Locate the account transactions; then double-click to display the corresponding task window where the transactions originated. Finally, delete these transactions, and return to the general ledger. To remove an account beginning-balance entry, select the Beginning Balances button in the Maintain Chart of Accounts window.

### **3.8 Recording a General Journal Entry**

The **General Journal** is used to enter those types of transactions that are **not readily categorized** in the **Tasks** menu. This journal is unique—it's the only journal in which you provide all the accounting distributions. In all the other journals, Peachtree automatically distributes certain amounts based on defaults you establish. But here, in the General Journal, you enter both debits and credits to balance the transaction.

In the General Journal, you can:

Enter a transaction that doesn't fit into the other journals—for example, depreciation

- Reverse a transaction
- Enter an adjusting transaction
- Set up a recurring transaction

You can view the running total of your entries in your Out of Balance field. When the Out of Balance total is zero, the distribution is correct, and you can save and/or post this journal entry.

To enter transaction on General Journal Entry

1. From the **Tasks** menu, select **General Journal Entry**. Peachtree displays the General Journal Entry window.

**Balance**  
amount is zero  
when you have  
correctly  
balanced all

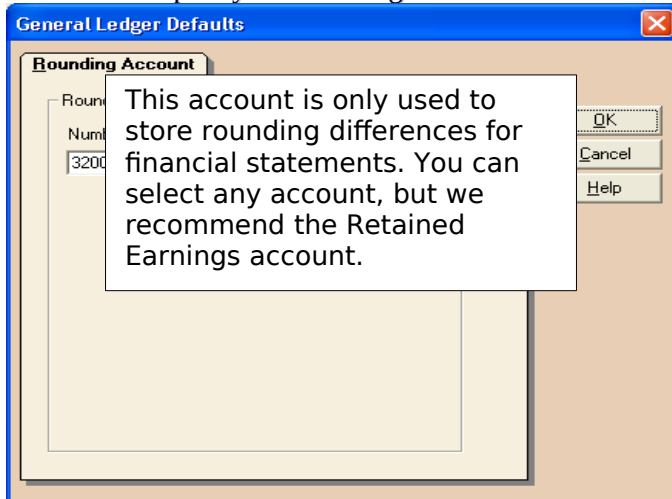
2. Enter or select the date of the transactions you want to enter.
3. Select the **Reverse check box** to have the transaction automatically reversed the first day of the next accounting period. Reversing means that debits become credits and credits become debits.
4. Enter a **reference**.
5. For each line enter or select an **account ID**.
6. For each line enter an amount in either the Debit or Credit columns.
7. For each line enter a description for the transaction. The description will appear in General Ledger and various reports.
8. Once the Out of Balance field is zero (0.00), select **Save** to record the transaction in the General Journal.

### 3.9 Entering General Ledger Defaults

If you choose to round financial statement amounts, Peachtree collects all rounding amounts and prints the collected amount in the rounding account on your financial statements. The account you select can be any equity account since it is a temporary holding area, but it is recommended that you use equity account, retained earnings.

To set general ledger default,

- From the **Maintain** menu, select **Default Information**; then select **General Ledger** from the submenu and specify the rounding account and click on **OK**.



### 3.10 Change Accounting Period

Accounting periods define segments of your fiscal year. Peachtree permits you to operate within two open fiscal years. The Change Accounting Period window serves two purposes. First, it informs you of your company's current fiscal year and payroll tax year setup. Second, this window permits you to move to an alternate account period. Typically, you'll do this at the beginning of each new accounting period. To open the Change Account Period window, do one of the following:

- From the **Tasks** menu, select **System**, then **Change Accounting Period**.
- Click the **Accounting Period** button on the Peachtree main application toolbar.

If the Change Accounting Period option is not available, then your user profile does not have security access to this area.

**Open Accounting Periods:** A list of accounting period numbers and dates for your company's two open fiscal years. Accounting period dates are defined during the New Company Setup process and cannot be changed once they are set up. Most companies operate with twelve accounting periods per fiscal year. To move to a new accounting period or edit an old transaction in a previous accounting period, select the period from the drop-down list box. You can change this to any other period in the one or two fiscal years for which you have set accounting periods.

**Note:** If you have security rights activated in Peachtree, a lock icon appears next to prior accounting periods. You can restrict users from editing transactions in prior accounting periods by giving them *Read access to Transactions in Prior Periods*. This setting is on the *System* tab of the *Maintain Users* window, under the *Tasks Program Area*.

**Current Accounting Period:** Identifies the accounting period number and dates Peachtree is currently operating in. If the current system date is within the current accounting period date range, Peachtree dates new transactions automatically based on your system date.

It also displays the current dates for the first and second fiscal years as well as the first and second open payroll tax (calendar) years.

**Open Fiscal Years:** Identifies the two open fiscal years in which you can enter new or edit old transactions. The first fiscal year is typically referred to as the current year, the second is referred to as the next fiscal year. To change the dates, you must close a fiscal year using the Year-End wizard.

**Open Payroll Tax Years:** Identifies the two open payroll (calendar) tax years used in payroll transactions and reports. To change the dates, you must close a fiscal year using the Year-End wizard.

### 3.11 Accounting Behind the Screens

When you enter transactions in Peachtree, journal entries are automatically created based on generally accepted accounting principles. Peachtree is a true accounting system that enforces the double-entry accounting standard. It creates both the debits and credits for you. Much of the accounting is behind the screens, allowing you to concentrate on the transaction information rather than the accounting entries.

Journal entries that Peachtree creates are based on various defaults you have set up for your company. If you want to examine or even edit these journal entries, select the Journal button in various task windows. The Journal button displays the Accounting Behind the Screens window; it lists all the journal entry distributions that Peachtree will

assign to the transaction, how the accounts are debited and credited, and the final journal entry that will be posted to the general ledger if the transaction is completed. You can even modify the G/L account assignments for certain distributions.

Accounting Behind the Screens is available in the following task areas:

- **Accounts Receivable:** Quotes, Sales Orders, Sales/Invoicing, and Receipts
- **Accounts Payable:** Purchase Orders, Purchases, and Payments
- **Payroll:** Payroll Entry

Depending on what type of task is open, the Accounting Behind the Screens window displays **the journal** tab(s) that correspond to the transaction. For example, if you are editing a payment, the Cash Disbursements Journal appears.

**Accounting Behind the Screens**

Date: Jan 8, 2008  
Invoice #: CSI-0046

**Sales Journal** | Cash Receipts Journal

| Account No.    | Description         | Debit            | Credit |
|----------------|---------------------|------------------|--------|
| 2340           | FIRA: Turnove Tax   |                  | 3.00   |
| 4000           | Product A           |                  | 150.00 |
| 5000           | Cost of sales       | To be calculated |        |
| 1400           | Cost of sales       | To be calculated |        |
| 1100           | Accounts Receivable | 153.00           |        |
| <b>Totals:</b> |                     | 153.00           | 153.00 |

If you are editing a sales invoice that has a payment applied to it in the Sales/Invoicing window, both the Sales Journal and Cash Receipts Journal appear.

## 4. THE ACCOUNTS RECEIVABLE SYSTEM

### 4.1 Introduction

Peachtree organizes and monitors the money that comes into your business from your customers. The money that you receive from customers is tracked in accounts receivable (also known as sales). In accounts receivable, you can enter and save customer information, set payment terms, set finance charges, enter sales tax information, and determine your aging categories. Peachtree provides you with the ability to print customer quotes, sales orders, invoices, statements, credit memos, and collection letters. Using Peachtree, you can also produce a variety of accounts receivable reports.

Accounts receivable provides four different flexible tasks. All of the tasks work together. You can use the tasks that best suit your business. These tasks include:

**Quotes:** Allows you to send a customer a quote that includes the price of items you sell, services you provide, freight charges, sales taxes, and so on. Once your customer accepts the quote, you can convert it to a sales order or sales invoice.

**Sales Orders:** Allows you to track customer backorders for items you do not have in stock and invoice for items you do have in stock. You can invoice a customer multiple times from one sales order. You can view reports on items you have backordered for a customer.

**Sales/Invoicing:** Allows you to enter and print invoices for your customers and ship and prepare invoices for items entered on sales orders. Even if you are a cash-basis company, you can use invoicing to track your sales and gain a better picture of your outstanding balances, although the amounts entered in this task do not affect your general ledger.

**Receipts:** The central accounts receivable task, where you enter the money you receive from your customers. If you invoice customers, you can apply customer receipts directly to particular invoices. If you generally make cash sales, you can also enter these directly into the Receipts task.

#### 4.2 Entering Customer Defaults

You can enter customer default information or copy it from an existing company when you set up a new company. Default information is automatically used for each new customer you enter. However, you can change these defaults for individual customer records. To open customer default, do the following:

- From the **Maintain** menu, select **Default Information**; then choose **Customers**.

The screenshot shows the 'Customer Defaults' window with five tabs: Terms and Credit, Account Aging, Custom Fields, Finance Charges, and Pay Methods. Callouts point to each tab with descriptive text:

- Terms and Credit:** Use the **Terms and Credit** tab to enter payment terms, credit limit and status, and general ledger account defaults for all customer records.
- Account Aging:** Use the **Account Aging** tab to establish aging categories and indicate whether your receivables are aged by the invoice date or the due date.
- Custom Fields:** Use the **Custom Fields** tab to customize customer information with five blank fields that you can optionally add to reports.
- Finance Charges:** Use the **Finance Charges** tab to set up customer finance charge calculations for unpaid invoices.
- Pay Methods:** Use the **Pay Methods** tab to define various ways your customers pay you and set up deposit ticket defaults.

Customer defaults are separated by **five tabs**: Terms and Credit, Account Aging, Custom Fields, Finance Charges, and Pay Methods.

- **Terms and Credit.** You can enter a set of standard terms to be used for all customers. You may change these terms for a specific customer record in the Maintain Customers/Prospects window. When you change the standard terms on this window, the terms for all customers who use standard terms change automatically. You should select a Standard Terms option that represents the majority of your customers.

- **Account Aging.** You can establish whether your receivables are aged by the invoice date or the due date. Note that to optimize cash flow, most businesses age accounts receivable by due date rather than invoice date, but you can choose invoice date if that's how your company operates. You also set the ranges of days you want to use for aging your receivables. This information is reflected on the Aged Receivables report. The information also appears in the Collections Manager window.

Choose the number of days for each column on the report; this sets the limit for overdue invoices that appear in the column. Then choose the heading you would like to appear in each column of the report.

The **# of days** field sets the limit for overdue invoices to appear in that column on the report.

**Aging Categories**

|            | # of days | Column Heading |
|------------|-----------|----------------|
| 1st Column | 30        | 0 - 30         |
| 2nd Column | 60        | 31 - 60        |
| 3rd Column | 90        | 61 - 90        |
| 4th Column |           | Over 90 days   |

For each column, you can enter a heading that prints above it on the aging report.

- **Custom Fields.** You can customize your customer information with five blank fields, which can optionally appear on reports. Custom fields allow you to enter information about your customers you may want to remember, such as additional contacts, referral names, or even birthdays. Once you set up the custom field labels here, you can enter the field information in the individual customer record from the Maintain Customers/Prospects window.
- **Finance Charges.** You can add finance charges to customer statements for unpaid invoices over a specified period of time. Defaults on this tab are used when calculating finance charges for your customers. If you do not want to calculate finance charges for an individual customer, you can change this when you set up payment terms as part of the customer's default information.
- **Payment Methods .**You can enter a list of the different types of payment methods you accept, such as cash, check, or credit cards. You can then select payment-method information in the Receipts window and from the Sales/Invoicing window. Peachtree sets up a default list for you when you create your company, but you can customize this list to suit your needs. Payment methods are recorded on sales receipts for reporting purposes.

The payment methods you set up here will be the default methods used in the Receipts and Receive Payment windows. However, you can customize receipt settings for individual customers by changing their payment default settings in Maintain Customers.

In addition to payment methods, you can establish how deposit tickets IDs are generated: from the Receipts window or from the Select for Deposit window.

#### **Credit Status Definitions**

- On **Terms and Credit** tab of Customer Default window, the following credit status options are available
- **No Credit Limit.** You can save all transactions for the customer regardless of the customer's credit limit.
- **Notify Over Limit.** A warning will display when you try to save a transaction for the customer if the transaction puts the customer balance over their credit limit. Then, you can close the warning message and continue to save the transaction.
- **Always Notify.** A warning will display every time you save a transaction for the customer regardless of the customer's credit limit. Then, you can close the warning message and continue to save the transaction.
- **Hold Over Limit.** An error message will appear when you try to save a transaction for the customer if the transaction puts the customer balance over their credit limit. You will not be able to save the transaction unless you change the transaction amount or change the customer's credit setting.
- **Always Hold.** An error message will appear when you try to save a transaction for the customer, regardless of the customer's credit limit. You will not be able to save the transaction unless you change the customer's credit setting.

### **4.3 Entering Sales Tax Authorities**

Sales tax authorities are components of sales tax codes, which calculate taxes on sales to customers. You must first enter a vendor (usually a government or government agency). Then you assign this vendor and a sales tax-payable general ledger account to the sales tax authority.

1. Enter a vendor. Add the agency to whom you pay taxes as a vendor. This is the agency where you send sales tax checks. To open the **Maintain Vendors** window, do the following:

From the **Maintain** menu, select **Vendors**.

|                  |           |        |         |
|------------------|-----------|--------|---------|
| <b>Vendor ID</b> | FIRA      |        |         |
| <b>Name</b>      | Federal   | Inland | Revenue |
|                  | Authority |        |         |

Sales taxes are set up in two areas:

- **Sales Tax Codes:** the overall rate applied to taxable items on customer invoices, which is composed of rates entered as sales tax authorities.
- **Sales Tax Authorities:** the governments or other taxing agencies and their tax rates that are used to assemble the sales tax codes.

2. **Enter sales tax authority**

- From the **Maintain** menu, select **Sales Taxes**; then select **Sales Tax Authorities**.

Peachtree Accounting: FORTUNE RETAIL COMPANY

File Edit Maintain Tasks Analysis Options Reports Services Window Help

Maintain Sales Tax Authorities

Close Save Delete Find Next Help

| ID   | Description  | Account | Rates   |
|------|--------------|---------|---------|
| FIRA | Turnover Tax | 2340    | 2.00000 |

ID:  Description:

Tax Payable To:  Federal Inland Revenue Authori

Sales Tax Payable G/L Account:  Turnover Tax Payable

Tax Calculation

☒ Single Tax Rate:  %

☐ Formula: Based on  up to \$  charge  %

above that charge  %

Fields in the Maintain Sales Tax Authorities window include:

- **ID and Description:** Identifies the sales tax authority record.
  - **Tax Payable To:** Identifies the vendor who is the taxing authority governing this tax (for example, Federal Inland Revenue Authority).
  - **Sales Tax Payable G/L Account:** Indicates which liability account to update when sales transactions are recorded. Typically this is a sales tax payable account.
  - **Tax Calculation:** Identifies the sales tax as based either on a single tax rate or a formula. If your state charges at a single tax rate, select Single Tax Rate, and then enter the rate as a percentage. For example, to enter 1 percent, type 1.00.
3. Enter sales tax codes. Sales tax codes are made up of one or more sales tax authorities. From the **Maintain** menu, select **Sales Taxes**; then select **Sales Tax Codes**.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

**Maintain Sales Tax Codes**

Close Save Delete Find Next Help

| Sales Tax Code | Description  | Tax Freight |
|----------------|--------------|-------------|
| TOT08          | Turnover Tax |             |

Sales Tax Code:  ☐ Tax Freight

Description:

The above tax code is made up of the following taxing authorities:

| ID   | Description  | Rate    | G/L Account - Description   |
|------|--------------|---------|-----------------------------|
| FIRA | Turnover Tax | 2.00000 | 2340 - Turnover Tax Payable |

Fields in the Maintain Sales Tax Codes window include:

- **ID and Description:** Identifies the sales tax code that is listed in sales transaction windows such as Quotes and Sales/Invoicing.
- **Tax Freight:** Indicates whether or not freight charges included on sales invoices should be considered in sales tax calculations.

#### 4.4 Adding a Customer or Prospect Record

You can view or enter basic information about your business clients in the Maintain Customers/Prospects window. You can customize terms information, set up other invoice defaults, and enter billing and shipping information, contacts, and so forth.

Maintain Customers/Prospects window allow you to

- add a new customer record,
- change existing customer information,
- or delete a customer record.

To open the Maintain Customers/Prospects window, do the following:

- From the **Maintain** menu, select **Customers/Prospects**.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

**Maintain Customers/Prospects**

Close Save Delete ChangeID New Event Log Letters Help

Customer ID:

Name:  ☐ Prospect ☐ Inactive

**General** Sales Defaults Terms and Credit Payment Defaults Custom Fields History

Contact:  Customer Type:

Telephone 1:

Address:  Telephone 2:

City, ST Zip:  Fax:

Country:  E-mail:

Sales Tax:   Web Site:

Beginning Balances:

Current Balance on Feb 4, 2009  459.00

The Maintain Customers/Prospects window is very similar to the Maintain Vendors window. In Peachtree, customer transactions are handled much like vendor transactions, only reversed.

Customer information is divided into **seven** areas: Header fields, General tab, Sales Defaults tab, Terms and Credit tab, Payment Defaults tab, Custom Fields tab, and History tab.

▪ **Header Information.** On the different tabs, the top portion of the information stays the same. This is called header information

In the **header fields** (shown above), you can enter a new customer ID and name. You can also choose whether to make the customer record inactive or not.

**Customer ID:** Enter a new ID of up to 20 alphanumeric characters, or select an existing customer ID from the list. This field is case sensitive. Peachtree sees AAA001 and aaa001 as different IDs. To view or modify a current customer record, you can use the Lookup button to select the customer from a list or type a question mark to view the list.

**Name:** Enter the name you want to appear on all accounts receivable windows, forms, and reports for this customer. If you select an existing customer record, the name automatically fills in here.

**Prospect:** Select if this record is a potential customer. Prospects do not appear on the Aged Receivables or Customer Ledger reports. A prospective customer becomes a regular customer when this check box is cleared or when an invoice or receipt is entered for the prospect.

**Inactive:** Select this check box to mark the customer record as inactive and eligible for purging. If you try to enter a transaction with this customer, you will be warned of the inactive status.

▪ **General.** It includes the customer's billing and shipping addresses, sales tax information, customer type, telephone and fax numbers, e-mail address, and Web site address.

▪ **Terms and Credit.** This includes payment terms, credit limit amount, and credit status.

▪ **Payment Defaults.** This tab includes the customer's address, credit card number, expiration date, and Receipt window settings.

▪ **Custom Fields.** It allows you to customize customer information with five fields. You can add these fields to your customized reports. These fields are set up in the Customer Defaults window. For example, if you have set up a Second Contact field in Customer Defaults, here on the Custom Fields tab you would enter the actual name of the additional contact for the customer.

▪ **History.** This shows information about the selected customer record, including the customer-since date and invoice and payment dates and amounts. When entering a new customer record, you may edit the information on this tab. Once you save the customer record, however, you can no longer edit the history data.

#### 4.5 Entering Customer Beginning Balances

Customer beginning balances are essentially unpaid sales invoices you have issued to customers prior to the first transaction date in Peachtree. Let's say that your first fiscal year with Peachtree begins July 1. In this case, you can enter beginning balance invoices with dates June 30 or earlier.

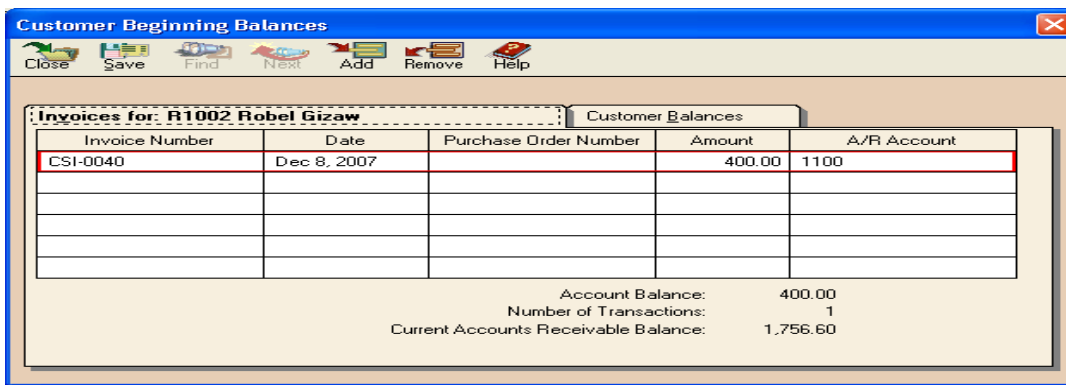
Beginning balance invoices are not posted to the general ledger. It is assumed that all unpaid sales invoices prior to starting Peachtree are entered as a single beginning balance amount for your accounts receivable account in Maintain Chart of Accounts.

To enter beginning balance invoices for customers, do the following:

- From the **Maintain** menu, select **Customers/Prospects**. In the Maintain Customers/Prospects window, enter or select the customer ID that you want to enter a beginning balance, then click the **Beginning Balances** button on the General tab.

Beginning Balances:

Customer Beginning Balances window will display:



There are two tabs in the Customer Beginning Balances window: Invoices for and Customer Balances.

- **Invoices for.** This tab lists each outstanding customer invoice dated prior to when you started using Peachtree. You can adjust these transactions until you apply a receipt to them. When a receipt is applied to a beginning balance invoice, the invoice line appears on a gray background. To modify a paid invoice, you must delete the receipt (in Peachtree's Receipts window).
- **Customer Balances.** It lists outstanding balances for existing customers. Select and double-click a customer name in the list. The Invoices for tab appears listing all beginning balance sales invoices for the customer.

#### 4.6 Entering a Sales Quote

Quotes are estimates for goods and services that you provide to your customers or potential customers (prospects). When you enter a quote for a customer, you are not updating any accounting information or inventory levels. Peachtree calculates what the total cost of a sale will be for a customer, including sales tax and freight. You can then print the quote for the customer. When your customer agrees to the sale, quotes can easily be converted to sales orders or sales invoices.

To enter a sales quote for a customer or prospect, do the following:

- From the **Tasks** menu, select **Quotes/Sales Orders**; then select **Quotes**.

#### 4.7 Converting a Quote

Once your customer accepts a quote, you can convert it to either a sales order or a sales invoice. Once you convert a quote, you can no longer edit the quote in the Quotes window. You must open the Sales/Invoicing or Sales Orders window, depending on which option you selected when you converted the quote. To convert a quote, do the following:

- From the **Tasks** menu, select **Quotes/Sales Orders**; then select **Quotes**. Open the sales quote that you want to convert, and then click the **Convert** button.  
You can only convert quotes dated in the current accounting period.  
Below are options for converting quotes:
- **Sale/Invoice:** Converts the quote to an invoice available for editing on the Sales/Invoicing window. If you already have an invoice number for this quotes and will not print the invoice, enter the number in the Invoice # field. You can also leave the Invoice # field blank to assign the invoice number when you print later.
- **Sale/Invoice and Print Now:** Allows you to convert the quote to an invoice and immediately print the invoice. Peachtree opens the standard dialog boxes to select the invoice form you want to use and provides you with the next available invoice number.
- **Sales Order:** This option lets you convert the quote to a sales order so you can invoice the customer for a partial shipment of items—for example, if some of the items are not in stock. Peachtree will display the next available sales order number when you convert the quote.

When you convert a quote, the quote number is retained for reference. You cannot edit the quote in the Quotes window, but the quote number will appear in the Sales Orders or Sales/Invoicing task window.

#### 4.8 Entering Sales Orders

A sales order is a document containing a list of items or services your customers want to buy from you. You might think of it as representing intent to sell. When you post a sales order, none of the accounting information is updated, since you have not actually shipped the items on the sales order.

Peachtree's Sales Order window is where you enter a sales request for items from a customer. No accounting information is updated when you post the order. Instead, accounting information is updated only when you ship the items on the sales order and enters them on the Sales/Invoicing window, or if you're using cash accounting, when you receive payment from the customer.

To enter a sales order for a customer, do the following:

- From the **Tasks** menu, select **Quotes/Sales Orders**; then select **Sales Orders**.

If needed, click the **Ship To** button to change the shipping address.

Enter or select a **Ship By** date. This will help you manage the order and the items needed to fill it.

Select the **arrow button** to the right of the customer balance to display the current Customer Ledgers report for this customer.

**Terms** automatically fills with the customer's default terms. If you want to show special terms for this customer on the order, enter new terms here.

In the Sales Orders window, you can choose to hide certain data-entry fields that you do not want to view. This will increase your data-entry speed.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

**Sales Orders**

Close New Open Save Print E-mail Delete Row Note Journal Event Template Help

Customer ID: E1001

Bill To: Eden Mitiku Kaliti

Ship To: Ship to Address 1

Date: 1/2/08

Ship By: Jan 8, 2008

SO No.: 50-0014

☒ Close SO

☐ Drop Ship

Customer PO: PO-0125 Ship Via: 2% 10, Net 30 Days Sales Rep: 1100 A/R Account: 1100

| Quantity | Shipped | Item | Description | GL Account | Unit Price | Tax | Amount |
|----------|---------|------|-------------|------------|------------|-----|--------|
| 5.00     | 5.00    | 0001 | Product A   | 4000       | 30.00      | 1   | 150.00 |
|          |         |      |             |            |            |     |        |
|          |         |      |             |            |            |     |        |
|          |         |      |             |            |            |     |        |
|          |         |      |             |            |            |     |        |

Customer Account as of Jan 2, 2008 Balance: 153.00

Sales Tax: 3.00 TOT08

Freight: 0.00

Opens a list to select from.

#### 4.9 Shipping Items from a Sales Order

After you have entered a sales order for your customer, the next step is to collect the items that you need to ship to the customer. If you do not have items in stock, you can purchase them. As purchased items are received or items are collected in your warehouse, you ship the items and invoice your customers. Once you enter the quantity of items you are shipping, you can print the invoice and have Peachtree assign an invoice number, or you can enter the invoice number if the invoice was prepared manually and you will not print it from Peachtree.

Shipping items on the sales order creates an open sales invoice in Peachtree, updating your inventory and accounts receivable information. You can have multiple invoices based on the same sales order; however, you cannot ship items from more than one sales order on the same invoice. To ship items to a customer from a sales order, do the following:

1. From the **Tasks** menu, select **Sales/Invoicing**. Peachtree displays the Sales/Invoicing window.
2. Enter or select the **customer ID**.
3. If this customer has open sales orders, the **Apply to Sales Order** tab appears in front.
4. Enter the invoice number in the **Invoice # field**
5. From the drop-down list on the **Apply to Sales Order** tab, select the sales order number that you want to ship items from. Peachtree displays the items on the order in the line-item list.
6. Enter the quantity of the item you plan to ship from the sales order.
7. If you plan to ship all of the items, select **Ship All** from the **Edit menu** or click the **Ship** button and choose the **All** option. Selecting **Ship None** removes all entries from the **Shipped** field.
8. Select the sales tax code for this sale.
9. When finished, select the **Save button** to save the transaction.

#### 4.10 Collecting Receipts from Customers

Generally, you will use the Receipts window whenever a customer makes payments on specific invoices, pays cash for a non-invoiced sale (also known as a cash sale) or makes prepayments before an invoice is entered. If a customer pays for a sales invoice the same day you enter it in Peachtree (referred to as a time-of-sale receipt), you can also use the Sales/Invoicing window to enter the receipt.

When you enter a receipt in Peachtree, the transaction is posted to the Cash Receipts Journal, and the general ledger is updated. If you are applying a receipt to a sales invoice, the invoice payment status is also updated accordingly.

To sum up, there are **three basic methods** of entering customer payments in the Receipts window:

- Apply a receipt to one or more sales invoices.
- Enter a cash sale for which you do not enter a sales invoice.
- Receive payment for a future sale.

##### 4.10.1 Receiving Invoice Payment

When a customer pays an invoice, enter the amount in the Receipts window. To enter customer payment on an invoice

1. From the **Tasks** menu, select Receipts. Peachtree displays the **Receipts** window.
2. Enter or select the **customer ID**.
3. Enter a **deposit ticket ID**.
4. Enter a **reference number** that will help identify the receipt (for example, the customer's check number).
5. Select a **payment method** (for example, Cash or Check).
6. On the **Apply to Invoices** tab, select the Pay check box next to each invoice that the customer is paying.
  - If the customer has paid the invoice **in full**, place the cursor in the Amount column for the invoice, and select the Pay check box. Peachtree will fill in the Amount Paid field.
  - If the customer has only paid a **partial amount** on the invoice, enter that amount. Peachtree will automatically select the Pay check box.
7. When finished, select **Save** to save the transaction.

If your customer pays for an invoice the same date you enter the invoice, you can quickly enter the customer's receipt in the Sales/Invoicing window. To do this, click the **Amount Paid at Sale** arrow button at the bottom of the **Sales/Invoicing window** with the customer invoice displayed.

**Peachtree Accounting: FORTUNE RETAIL COMPANY - [Sales/Invoicing]**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

Close New Open Save Print E-mail Delete Recur Row Note Journal Event Template Help

Customer ID: N1001 Invoice

Bill To: Nardos Dagmawi  
Arat-kilo

Ship To: Ship to Address 1  
Name  
Address Line 1  
Address Line 2  
City St Zip  
Country

Date: Jan 16, 2008  
Invoice No.: CSI-0047  
☐ Drop Ship

Ship Via Ship Date Terms Sales Rep A/R Account  
2% 10, Net 30 Days 1100

**Apply to Sales: 550.00**

| Quantity | Item | Description | GL Account | Unit Price | Tax | Amount | Job |
|----------|------|-------------|------------|------------|-----|--------|-----|
| 11.00    | 0004 | Product D   | 4000       | 50.00      | 1   | 550.00 |     |

Apply Tickets/Expenses

Customer Account as of Jan 16, 2008  
Balance: 561.00  
Credit Limit: 1,500.00  
Credit Status: Notify Over Limit

Sales Tax: 11.00 TOT08  
Freight: 0.00

Other Applied Credits 108.00 561.00 Invoice Total  
Amount Paid at Sale 0.00 459.00 Net Due

Take control of mailing and shipping the easy way!

Today 2/18/09 Period 1 - 1/1/08 to 1/31/08 Search Help

Sales Purchases Payroll General Ledger Inventory Time & Billing Analysis Company

If your customer has paid for the invoice the same day they are invoiced, click the **Amount Paid at Sale** button.

#### 4.10.2 Recording a Cash Sale

In Peachtree, cash sales are receipts that don't require entry of a customer invoice. There are two basic types of cash sales, which you can enter in the Receipts window:

- You can enter a payment from a customer **not stored** in Peachtree by leaving the Customer ID field blank. For a cash sale from a customer not on file (no customer ID exists), you must either enter a new customer ID or enter the one-time customer information in the appropriate fields.
- You can enter a cash sale from an **existing customer** by selecting the Apply to Revenue tab.

#### 4.10.3 Entering Customer Prepayments

The Apply to Revenues tab of Receipt window has a Prepayment check box. Prepayments in Peachtree are any receipts for which you don't yet have a sales invoice. They could be for a down payment, or just to allocate funds for a pending sale. When you designate a receipt as a prepayment, you can print the receipt and post it as you normally would. Note, however, that if you select the Prepayments check box, you can only enter one line on the Apply to Revenue tab. You cannot select a customer invoice and pay it at the same time you enter a prepayment. You can later apply the prepayment to a sales invoice.

After you post the prepayment and enter the customer ID in the Receipts window, the prepayment appears as a credit transaction (a negative amount) on the Apply to Invoices tab.

#### 4.11 Entering Credit Memos (Customer Refunds)

A credit memo is a document that specifies returns or credit amounts that are added to a vendor or customer account balance. For example, credit memos are issued to customers for returned merchandise or service refunds.

Use the Credit Memos window to enter credit memos for customer returns and credits; you can apply credit memos to any existing customer invoices. All entries made on this window are posted to General Ledger, customer records, and possibly inventory records. To enter a credit memo, do the following:

- From the **Tasks** menu, select **Credit Memos**. Peachtree displays the **Credit Memos** window.
- Enter or select the **customer ID**.
- In the **Credit #** field, enter the ID that you want to apply to the credit memo.

**Note:** You may want to connect the application amount to the credit memo. For example, if this credit memo is based on an existing invoice no. 106, you may want to type 106-C to indicate that the credit memo is applied to the invoice.

4. If the transaction date is different from the one displayed, enter or select a new date.

5. The Credit Memos window has two tabs: Apply to Invoices and Apply to Sales. Do one of the following:

0 If the credit memo is to be applied to an **existing invoice** for the customer, on the **Apply to Invoices tab**, use the drop-down list to select the appropriate invoice. When line-item information for the invoice appears, find the item or items to be returned, and in the Returned column enter the quantity. Peachtree will automatically restore this quantity to inventory.

0 If the credit memo is to be applied to a sale for which there is **no existing invoice**, on the **Apply to Sales tab**, enter line-item information for the item or items to be returned or credited, including quantity. Peachtree will automatically restore this quantity to inventory.

6. When finished, select **Save** to save the transaction.

## 5.THE ACCOUNTS PAYABLE SYSTEM

### 5.1 Introduction

Peachtree organizes and monitors accounts payable, the money you pay to suppliers or vendors. You can set up vendors, payment terms, aging guidelines, and more. Creating a list of these items makes entering purchases and payments simple and fast. The main tasks in accounts payable are:

- **Purchase Orders:** When you need to make a purchase, you can create a purchase order. Once you enter the vendor's ID, Peachtree automatically fills in the vendor name and address, your standard payment terms, and even the usual general ledger purchase account. You can edit this information, but in most cases you won't need to.
- **Purchases/Receive Inventory:** Once the items you have ordered arrive, you receive the items on the purchase order. Peachtree allows you to receive partial amounts of an item, or amounts greater than what you originally ordered. You can also enter new items that may not have been on the original purchase order. If you are not using purchase orders, you can enter a traditional purchase invoice.
- **Payments:** Paying for purchases is easy. When you select the vendor ID in the Payments window, a list of open invoices for that vendor appears. Select the Pay box next to the invoices you want to pay. You can print a check then, or print a batch of checks when it's more convenient. Also, you can pay a group of vendors at once, using the Select for Payment task.

## 5.2 Entering Vendor Defaults

Defaults are information you enter one time that will automatically appear in windows or is automatically used by the system. In the Vendor Defaults window, you define the default vendor payment terms, account aging, and custom fields available when you add vendors using the Maintain Vendors window. Setting up the default information saves you time when you enter your vendors. You may edit these defaults for each vendor.

The information in the Vendor Defaults window is displayed as several tabbed folders with a label on each tab. To view the information on that tab, select the tab. To open the Vendor Defaults window, do the following:

- From the **Maintain** menu, select **Default Information**. Then choose **Vendors**. Peachtree displays this window.

The screenshot shows the 'Vendor Defaults' window with four tabs: 'Payment Terms', 'Account Aging', 'Custom Fields', and '1099 Settings'. The 'Payment Terms' tab is active, showing options for 'Standard Terms' (C.O.D., Prepaid, Due in number of days, Due on day of next month, Due at end of month) and 'Sets Default Terms for Purchases, Default for Credit Limit' (Net due in 45 days, Discount in 15 days, Discount % 3.00, Credit Limit 10,000.00). The 'Account Aging' tab is also visible, showing 'Sets Default Accounts for new Vendor Records, the Purchase Account can also be changed in each Vendor Record' with fields for 'Purchase Account' (6840) and 'Discount GL Account' (6700). Callouts point to each tab with instructions: 'Use the **Payment Terms** tab to enter payment terms for all', 'Use the **Account Aging** tab to establish whether your payables are aged by the invoice date or the due date.', 'Use the **Custom Fields** tab to customize vendor information with five blank fields that you can use for:', and 'Use the **1099 Settings** tab to make 1099 assignments for each of the General Ledger accounts in your chart of accounts.'

- **Payment terms.** You can enter a set of standard terms to be used for all vendors. You may change these terms for a vendor in the Maintain Vendors window. When you change the standard terms on this window, the terms for all vendors who use standard terms change automatically. You should select a Standard Terms option that represents the majority of your vendors.
- **Account Aging.** You can establish whether your payables are aged by the invoice date or the due date. Note that to optimize cash flow, most businesses age accounts payable by due date rather

than invoice date, but you can choose invoice date if that's how your company operates. You also set the ranges of days you want to use for aging your payables. This information is reflected on the Aged Payables report and in the Payments Manager window.

- **Custom Fields.** You customize your vendor information with five blank fields, which can optionally appear on reports. Once you set up the fields here, you can enter information into the field in the Maintain Vendors window.

|    | Field Labels    | Enabled                             |
|----|-----------------|-------------------------------------|
| 1. | Office Manager  | <input checked="" type="checkbox"/> |
| 2. | Account Rep     | <input checked="" type="checkbox"/> |
| 3. | Special Note    | <input checked="" type="checkbox"/> |
| 4. | COD only        | <input checked="" type="checkbox"/> |
| 5. | Offers Delivery | <input checked="" type="checkbox"/> |

You can select these boxes to enable the custom fields.

On Custom Fields you can enter your own labels to keep track of specific information. For example, you could enter "Office Manager" as a field label and keep the office manager's name at your fingertips.

- **1099 Settings.** You can establish how 1099 calculations will be made for each of the General Ledger accounts in your chart of accounts.

### 5.3 Adding a Vendor Record

The Maintain Vendors window stores information about the companies and people from whom you purchase goods and services. It is also where you set up government agencies to whom you pay taxes, or bank institutions if you pay your taxes to banks using federal coupons. This information is displayed as four tabbed folders with a label on each tab. The fields on only one tab are visible at a time, but you can view the fields on another tab by clicking the tab label.

Use this procedure to set up a new vendor record.

1. Do one of the following:
  - From the **Maintain** menu, select **Vendors**. Then click the Vendors icon on the **Purchases Navigation Aid**. Peachtree displays the Maintain Vendors window.
2. Enter a new **vendor ID**, and complete the necessary vendor information.
3. When you're finished filling in the window, select the **Save** button.

Maintain Vendors window allow you to

- add a new vendor record,
- change existing vendor information, or
- delete a vendor record.

The Maintain Vendors window is very similar to the Maintain Customers/Prospects window. In Peachtree, vendor transactions are handled much like customer transactions, only reversed. Here, you are the customer.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

Use the **Header** fields above the tabs to set up vendor ID

Use the **General** tab to enter general vendor information,

Use the **Purchase Defaults** tab to enter vendor purchase information, such as purchase account

Use the **History** tab to enter historical information, such as the vendor-since date and invoice and

Use the **Custom Fields** tab to customize vendor information with five fields, which you can add to

Vendor ID: B2001

Contact: Ato Yehune

Account #:

Address: Wollo Sefer

City, ST Zip: Addis Ababa

Country: Ethiopia

Vendor Type:

1099 Type: None

Telephone 1: +251116185973

Telephone 2: +251116185975

Fax: +251116186473

E-mail: rebeccaco@ethionet.et

Web Site: www.rebeccaco.net

Beginning Balances:

Current Balance on Feb 24, 2009 560.00

Vendor information is broken up into **five** areas: Header fields, General tab, Purchase Defaults tab, Custom Fields tab, and History tab.

- **Header Information.** On the different tabs, the top portion of the information stays the same. This is called header information.

Vendor ID: SOGARDEN-01

Name: Southern Garden Wholesale

☐ Inactive

In the header fields, you can enter a new vendor ID and name. You can also choose whether to make the vendor inactive or not.

- **General.** Information on the General tab includes contact name and vendor address information. You may also specify a custom vendor type, 1099 information, telephone and fax numbers, e-mail address, and Web site address.  
Do not select the Beginning Balances button until you have entered the rest of the vendor information and are ready to save the vendor record.
- **Purchase Defaults.** You must enter a default purchase account number on this tab. This is normally an expense account.
- **Custom Fields.** Peachtree allows you to customize vendor information with five fields; you can add these fields to your customized reports. These fields are set up in the Vendor Defaults window.
- **History .**The History tab in the Maintain Vendors window shows information about the selected vendor, including the vendor-since date and invoice and payment dates and amounts. When entering a new vendor record, you may edit the information on this tab. Once you save the vendor record, however, you may no longer edit the data.

## 5.4 Entering Vendor Beginning Balances

Vendor beginning balances are essentially unpaid purchase invoices (bills) you have received from vendors prior to the first transaction date in Peachtree. For example, let's say that your first fiscal year with Peachtree begins July 1. In this case, you can enter beginning balance invoices with dates June 30 or earlier.

Beginning balance invoices are not posted to the general ledger. It is assumed that all unpaid purchases prior to starting Peachtree are entered as a single beginning balance amount for your accounts payable account in Maintain Chart of Accounts.

To enter beginning balance invoices for vendors, do the following:

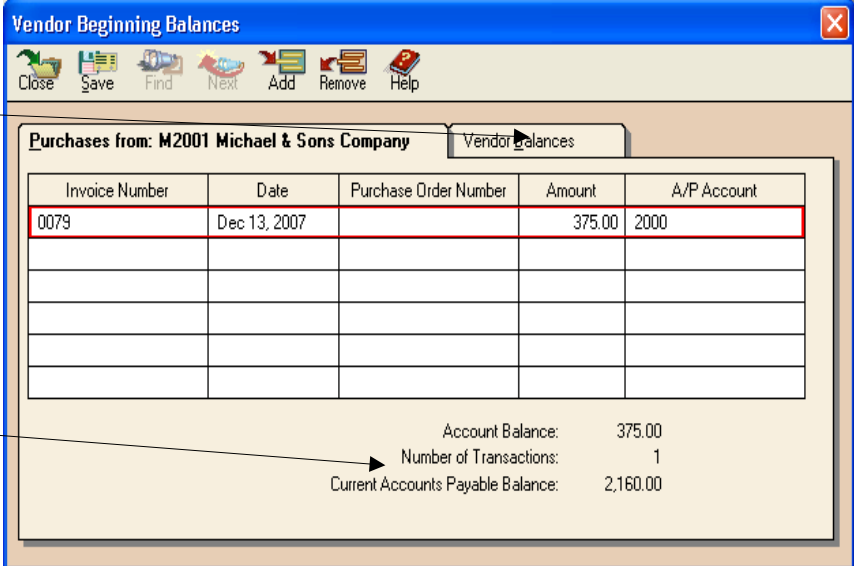
- From the **Maintain** menu, select **Vendors**. In the Maintain Vendors window, enter or select the vendor ID that you want to enter a beginning balance for, then click the **Beginning Balances** button on the General tab.

Beginning Balances: 

Vendor Beginning Balances window will display.

Click the **Vendor Balances** tab to display and select beginning balances for other

The **Current Accounts Payable** Balance displayed here is the total of all vendors beginning balance invoices entered in your company. This total should match the accounts payable beginning balance entry in your chart of



| Invoice Number | Date         | Purchase Order Number | Amount | A/P Account |
|----------------|--------------|-----------------------|--------|-------------|
| 0079           | Dec 13, 2007 |                       | 375.00 | 2000        |
|                |              |                       |        |             |
|                |              |                       |        |             |
|                |              |                       |        |             |
|                |              |                       |        |             |
|                |              |                       |        |             |

Account Balance: 375.00  
Number of Transactions: 1  
Current Accounts Payable Balance: 2,160.00

There are **two** tabs in the Vendor Beginning Balances window: Purchases from and Vendor Balances.

- Purchases from.** Here, enter amounts for each outstanding vendor invoice dated prior to when you started using Peachtree. You can adjust these transactions until you apply a payment to them. If a payment has been made on an invoice, it will appear on a gray background. To modify this paid transaction, you need to delete the payment made against it (in Peachtree's Payments window).  
If you have set up your company on an accrual basis, you must enter an accounts payable (A/P) general ledger account. If your company is set up on a cash basis, the words **<Cash Basis>** will appear in the A/P Account field, and the field will not be available.  
The beginning balance amount should not include any transactions that you have already entered in task windows, such as the Purchases window. Be sure that the total amount of your vendor beginning balances is equal to the amount you entered as a beginning balance in your chart of accounts for your A/P account(s).
- Vendor Balances.** This tab lets you check on balances for existing vendors. Select and double-click a vendor in the list. The Purchases from tab appears listing all beginning balance purchases from the vendor.

## 5.5 Entering Purchase Orders

A **purchase order** is a document containing a list of items or services you **want to buy** from a vendor. You might think of it as representing intent to purchase. The Purchase Orders window is where you enter a purchase request for items from a single vendor. To order from multiple vendors, use the **Select for Purchase Order** option; No accounting information is updated when you post the order. Instead,

accounting information is updated only when you receive the items on the purchase order and enters them on the Purchases/Receive Inventory window, or if you're using cash accounting, when you pay the vendor. To enter purchase order for your vendor, do the following:

- From the **Tasks** menu, select **Purchase Orders**.

In the Purchase Orders window, you can choose to hide certain data-entry fields that you do not want to view. This will increase your data-entry speed.

## 5.6 Receiving Inventory from a Purchase Order

After you have entered a purchase order for your vendor, the next step is to receive the inventory for that purchase order as it arrives. Peachtree allows you to receive a different quantity for an item than you originally ordered; that is, you can receive less or more than the originally ordered quantity. You can also receive items into your inventory, even if you have not yet received the invoice from your vendor.

Receiving items on the purchase order creates an open vendor invoice in the system, updating your inventory and accounts payable information. You can have multiple invoices based on the same purchase order; however, you cannot receive items from more than one purchase order on the same invoice.

To receive items on the purchase order, do the following:

1. From the **Tasks** menu, select **Purchases/Receive Inventory**.

The screenshot shows the 'Purchases/Receive Inventory' window. At the top, there's a menu bar with options like Close, New, Open, Save, Delete, Recur, Ship, Serial No, Note, Journal, Event, Template, and Help. Below the menu, there are fields for Vendor ID (CLAUSSEN-01) and Customer ID. The main section is divided into 'Remit To' (Claussen Farms, 503 Lyon Street, Norcross, GA 30093 USA) and 'Ship To' (Painted Post Catering, 1507 Pavilion Place, Norcross, GA 30093 USA). There are also fields for Date (Mar 15, 2007), Invoice No. (050907), and checkboxes for Drop Ship and Waiting on Bill. Below this, there are fields for Customer SO No., Customer Invoice No., Terms (2% 10, Net 30 Day), Ship Via (Hand Deliver), and A/P Account (20000). A section titled 'Apply to Purchase Order No.' shows a dropdown menu with '1972' selected and 'Apply to Purchases: 0.00'. Below this is a table with columns: Item, Remaining, Received, Description, GL Account, Unit Price, Amount, and Job. The table contains three rows: 1-VEGETABLE (Remaining: 4.53, Description: Vegetables, GL Account: 50000, Unit Price: 14.95), 1-POTATO (Remaining: 4.53, Description: Mashed Potato, GL Account: 50000, Unit Price: 11.45), and 1-SALAD (Remaining: 4.00, Description: Salad, GL Account: 50000, Unit Price: 44.95). At the bottom, there are fields for Other Payments and Credits (0.00), Invoice Total (0.00), Amount Paid at Purchase (0.00), and Net Due (0.00). A Vendor Balance on Mar 15, 2007 is shown as 915.73. Annotations include: 'If you have not yet received the vendor invoice for the shipment, select **Waiting on Bill**. You can then post this' pointing to the 'Waiting on Bill' checkbox; 'Use the **Apply to Purchase Order#** drop-down list to select the purchase order number you want to receive inventory' pointing to the dropdown menu; 'Select the arrow button to the right of the vendor balance to display the current Vendor Ledgers report for this vendor.' pointing to the arrow button next to the vendor balance; and 'Enter **vendor Invoice #**, a required field' pointing to the Invoice No. field.

If you have not yet received the vendor invoice for the shipment, select **Waiting on Bill**. You can then post this

Use the **Apply to Purchase Order#** drop-down list to select the purchase order number you want to receive inventory

Select the arrow button to the right of the vendor balance to display the current Vendor Ledgers report for this vendor.

Enter **vendor Invoice #**, a required field

If you **paid for the invoice** in full at the time of purchase, enter the amount paid here

2. Enter the **vendor ID**. If this vendor has open purchase orders, the **Apply to Purchase Order** tab appears in front. You then simply select the purchase order.
3. From the **Apply to Purchase Order #** drop-down list, select the purchase order number you want to receive inventory against.

The Purchases/Receive Inventory window has **two tabs**: **Apply to Purchase Order** and **Apply to Purchases**. This window allow you to receive items on a previously entered purchase order or to enter invoiced items you purchased from a vendor but did not enter on a purchase order.

- **Apply to Purchase Order:** When you select a vendor who has open purchase orders, the Apply to Purchase Order tab appears, allowing you to select which purchase order to receive items against.

- **Apply to Purchases:** If you select a vendor with no open purchase orders, this tab appears by default, so you can record a vendor invoice. In addition, when you receive items on a purchase order (on the Apply to Purchase Order tab), you can also select this tab to enter additional items that are not on the purchase order but which are in the same shipment.

## 5.7 Entering Disbursements in the Payments Window

There are **three** basic methods of entering disbursements in the Payments window:

- Apply to vendor invoices, previously entered as purchases.
- Enter a cash purchase for which you do not receive a vendor invoice.
- Write a check as prepayment of a future purchase.

### 5.7.1 Paying a Vendor Invoice

There are two basic methods of paying vendors:

1. **Apply vendor invoices:** pay previously entered invoices in the Purchases window.
2. **Apply to expenses (cash purchase):** pay a vendor without using a vendor invoice.

In the Payments window, you can pay existing vendor invoices. When you enter or select a vendor ID, any open purchase invoices previously entered for that vendor appear on the Apply to Invoices tab. To apply a payment to vendor invoices, do the following:

1. From the **Tasks** menu, select **Payments**.
2. Enter or select the **vendor ID** that you want to pay. For unpaid invoices for this vendor, Peachtree lists them on the Apply to Invoices tab.
3. Select the **Pay check box** to each the invoice that you want to pay.
  - If you want to pay an invoice in full, place the cursor in the **Amount** column for the invoice, and select the **Pay** check box. Peachtree will fill in the **Amount Paid** field.
  - If you want pay a partial amount on the invoice, enter that amount. Peachtree will automatically select the **Pay** check box.

When you enter or select a vendor with outstanding invoices, the **Apply to Invoices** tab appears by default, listing any open invoices. If you are not paying a specific invoice (this is a cash purchase) choose the **Apply to Expenses** tab.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

**Payments**

Close New Open Save Print Delete Recyr Row Detail Journal Event Help

FORTUNE RETAIL COMPANY

Check Number: 124563

Date: Jan 30, 2008

Vendor ID: P2001

\$ 388.00

Three Hundred Eighty-Eight and 00/100 \*\*\*\*\* Dollars

Pay to the Order of: Philips Company  
Debrezeit Road  
Address Line 2  
City St Zip  
Country

Memo: PV-0045

**Apply to Invoices: 388.00** **Apply to Expenses: 0.00**

| Invoice | Date Due    | Amount Due | Description | Discount |
|---------|-------------|------------|-------------|----------|
| 0083    | Mar 8, 2008 | 400.00     |             | 12.0     |

Discount Account: 6700

In Peachtree, cash purchases are disbursements that don't require entry of a vendor invoice as a purchase. There are two basic types of cash purchases, which you can enter in the Payments window:

1. You can enter a payment to a vendor not stored in Peachtree, by leaving the Vendor ID field blank.
2. You can enter a cash purchase from an existing vendor by selecting the Apply to Expenses tab.

To enter cash purchase, do the following:

1. From the **Tasks** menu, select **Payments**.
2. Enter or select the **vendor ID** that you want to pay. Or type in the name in the Pay to the Order of field.
3. Select the **Apply to Expenses** tab.

#### 5.7.10 Entering a Vendor Prepayments

In the Payments window, the Apply to Expenses tab has a Prepayment check box. Prepayments or deposits in Peachtree are any disbursements for which you don't yet have a vendor invoice. Later, you will apply it to a vendor purchase. To enter a deposit or prepayment, follow these steps:

1. From the **Tasks** menu, select **Payments**.
2. Enter or select the **vendor ID** that you want to pay.
3. Select the **Apply to Expenses** tab. Then, select the **Prepayment** check box.

After you post the prepayment and enter the vendor ID in the Payments window, the prepayment appears as a credit transaction (a negative amount) on the Apply to Invoices tab.

#### 5.8 Write Expense Checks

In Peachtree, **Write Checks** is a simplified version of the Payments window. It provides no allowances for paying an invoice or making a prepayment. Instead, you will use Write Checks whenever you need to pay an uncomplicated expense for which there is no invoice and no need to track inventory items. In addition, Write Checks lets you distribute the entire payment to a single expense account, though you can also make multiple individual line-item distributions if needed.

**Note:** All checks written in either the Payments or the V Disbursements Journal.

#### 5.9 Entering a Vendor Credit Memo

Occasionally, a vendor may issue you credit. You can apply credit memos either to an existing vendor invoice or to a direct sale without an invoice. Use the Vendor Credit Memo window to enter credit memos

for returns to and credits from a vendor. All entries made on this window are posted to General Ledger, vendor records, and when applicable, inventory records. To enter a vendor credit memo, do the following:

7. From the **Tasks** menu, select **Vendor Credit Memos**. Peachtree displays the **Vendor Credit Memos** window.
8. Enter or select the **Vendor ID**.
9. In the **Credit # field**, enter the ID that you want to apply to the credit memo.

**Note:** You may want to connect the application amount to the credit memo. For example, if the existing invoice number is 106, you may want to type 106-C to indicate that the credit memo is applied to the invoice.

10. If the transaction date is different from the one displayed, enter or select a new date.
11. The Vendor Credit Memos window has two tabs: Apply to Purchases and Apply to Invoices. Do one of the following:
  - If the credit is issued on a purchase without an invoice, you enter it on the **Apply to Purchases** tab of the Vendor Credit Memos window.
  - If the credit is issued on an existing invoice, you enter the credit on the **Apply to Invoice tab** of the Vendor Credit Memos window.
12. When finished, select the **Save button** to save the transaction.

## 6.INVENTORY

### 6.1 Introduction

Peachtree tracks the inventory items you buy and sell, and automatically updates the quantities after each posted transaction. It also allows you to store items you do not stock, but that you enter on invoices. This makes entering invoices faster for you.

Tracking inventory in Peachtree is basically a three-step process:

- Enter the item information, including sales, inventory, and cost of sales accounts.
- Use item codes when entering purchases and sales. Peachtree computes and tracks costs and quantities on a daily basis, based on transaction date.
- Enter inventory adjustments if necessary.

Peachtree does the rest, adjusting inventory levels each time you post a purchase or a sale of an inventory item. In addition, Peachtree can track the cost of each item on a daily basis, based on the transaction date.

Should I use inventory if I don't need to track costs or I only sell services?

In addition to tracking costs and quantities, using inventory makes entering transactions easier. Through Maintain Inventory Items, you set up the goods and/or services you sell. You can set a unit price and the account to be adjusted by the sale of this commodity. Then, when you enter the sale, you need only select an inventory item, enter a quantity ordered, and Peachtree computes the total. The inventory item description and any detailed description print on the invoice.

Peachtree has four different types of **cost methods** for inventory:

- Average Cost
- LIFO (last in, first out)
- FIFO (first in, first out)
- Specific Unit (Peachtree Premium only)

Once you select a costing type for an item and select Save, you cannot change it. Therefore, if you want to change the cost method for an item with posted transactions, you must enter the item again in Maintain Inventory Items and select the new costing type. Generally, your inventory should all use the same costing method. Check with your accountant about the implications of selecting an inventory costing method.

### 6.2. Entering Inventory Items Default

Default information is information that automatically appears in windows, or is automatically used by the system. In the Inventory Item Defaults window, you establish the defaults for custom field titles, taxes, general ledger link accounts, cost methods, and shipping methods. To open the Inventory Item Defaults window, do the following:

- From the **Maintain** menu, select **Default Information**. Then choose **Inventory Items**. Peachtree displays this window.

| Item Class        | GL Sales/Inc | GL Invtry/Wage | GL Cost Sales | Costing |
|-------------------|--------------|----------------|---------------|---------|
| Stock item        | 4000         | 1400           | 5000          | Average |
| Master Stock item |              |                |               | FIFO    |
| Non-stock item    |              |                |               |         |
| Description only  |              |                |               |         |
| Service           |              |                |               |         |
| Labor             |              |                |               |         |
| Assembly          |              |                |               | FIFO    |
| Activity item     |              |                |               |         |
| Charge item       |              |                |               |         |

These Defaults are used when creating new Items. Click on the cells to access the entry tools. Individual records can be changed as they are created in the Maintain Inventory Items Screen.

GL Freight Account  
6820 Transportation Expense This GL Link is for Freight Charges in Sales/Invoicing

When you set up a new company, some of the information in Inventory Item Defaults is entered. You can change these defaults if you like. There are several areas where you define default information for inventory items. These areas are discussed below:

- **General.** This lets you choose whether or not to allow items to share UPC/SKU (Universal Product Code/Stock Keeping Unit) values.
- **Ordering.** This lets you set a number of options that determine how Peachtree handles general inventory situations, including
- **General Ledger Accounts and Costing Methods.** Here, you set the most common general ledger accounts for different item types, the most common costing method, and the default freight account. The information you enter here automatically appears when setting up inventory items, thereby speeding up the process.
- ✓ Sales accounts are typically income-type accounts for all item classes.
- ✓ Inventory accounts are for stock and assembly items.
- ✓ The other item classes use a Salary or Wages Expense type account.
- ✓ Cost of Goods are Cost of Goods Sold type accounts.

Fields that are gray are inaccessible. You cannot enter general ledger accounts for Description Only items, because no accounts are entered or tracked for this item class. You can only enter costing methods for Stock and Assembly items, since we only track costing for those item classes. You should use the same costing method for all items.

You need to enter the general ledger default account for Freight charges on Quotes, Sales Orders, and Sales Invoices. This account will be used every time you enter the Freight field on Sales Orders and Invoices. Usually the account selected should be an expense or cost of sales account depending on how you handle freight (for example, Freight Expense or Shipping Charges Cost of Sales).

- **Taxes and Shipping.** To set up default tax type categories and shipping methods for your inventory items, select the **Taxing/Shipping** tab

An item can be taxed or it might be exempt. You can use item tax types to identify these unique categories. The shipping methods you enter appear in the Ship Via list, which displays on appropriate transaction windows. You can also select from these default shipping methods when setting up your customers and vendors.

- **Custom Fields.** Peachtree allows you to customize item information with five blank fields. You can customize some reports to use these fields. Here, you are entering the label or name of the field. The field will appear in Maintain Inventory Items, where you will enter the actual data stored by the field.

- **Price Levels.** Price levels offer you a way to charge different prices to different customers. For example, a regular customer who buys large quantities of an item may get a better price than the occasional customer who only buys one of those same items.

## 6.1 Setting Up Inventory Items

You set up your inventory items through the Maintain menu. You can establish general ledger accounts, usual vendors, tax types (exempt reasons), sales price levels, and reorder quantities. To open the Maintain Inventory Items window, do the following:

- From the **Maintain** menu, select **Inventory Items**. Peachtree display Maintain Inventory Items window.

Inventory item information is divided into **six areas**: Header fields, General tab, Custom Fields tab, History tab, Bill of Materials tab (for assemblies only), and Item Attributes tab (for master stock and substock items).

- **Header Information.** On the different tabs, the top portion of the information stays the same. This is called header information.

The screenshot shows the 'Maintain Inventory Items' window in Peachtree Accounting. The title bar reads 'Peachtree Accounting: FORTUNE RETAIL COMPANY - [Maintain Inventory Items]'. Below the menu bar, there is a toolbar with icons for Close, Save, Delete, ChangeID, New, Detail, Note, and Help. The main area has a light beige background. On the left, there are two text boxes: 'Item ID:' with the value '0003' and 'Description:' with the value 'Product C'. To the right of these is a dropdown menu for 'Item Class:' set to 'Stock item'. Below the dropdown are two checkboxes: 'Inactive' and 'Subject to Commission', both of which are currently unchecked.

In the **header fields**, you can enter a new inventory item and description. You can also choose whether to make the inventory item record inactive or not. In addition, there are a number of item classes to choose from. This field determines what gets tracked for the item. It also allows you to indicate if this item is subject to commission.

- **General.** Information on the General tab includes a separate description to be used for purchases or sales, different sales price levels, the location of the item in your warehouse, and the IDs of the preferred vendor and buyer for the item. You can also specify general ledger accounts to update when the item is bought or sold.
- **Custom Fields.** Peachtree allows you to customize inventory item information with five fields that you create. You can add these five fields to reports.
- **History.** You can view information about the history of the selected item. This information is read-only and cannot be changed here.
- **Bill of Materials.** You can specify items as assembly items, and create a unit made up of component items. These component items have to be created first before you can create the assembly. The bill of materials tells Peachtree what components make up the assembly, and how many of them are needed for one assembly unit.
- **Item Attributes.** You can set up master stock items, which in turn govern the creation of substock items. Substock items share the attributes of the master stock item that creates them. First you add a master stock item as you would an inventory item, entering its ID and description. Then you add both primary and secondary attributes for the item. Item attributes could include size, length, color, price range, and so forth.

## 6.2 Enter Beginning Balances for Inventory

Use this procedure to enter inventory beginning balances for stock items and assemblies. This establishes the quantity on hand of items when you started Peachtree.

1. Do one of the following:
  - From the **Maintain** menu, select **Inventory Items**.
  - From the **Maintain** menu, select **Setup Checklist**. Under the Inventory Items heading, click the **Inventory Beginning Balances** setup option.
  - Click the Inventory Items icon on the Inventory Navigation Aid.
 Peachtree displays the Maintain Inventory Items window.
2. On the **General** tab, select the **Beginning Balances** button. Peachtree displays the Inventory Beginning Balances window.
3. From the **item list**, enter or select an item ID that you want to record a beginning balance.
4. For each item, **enter two of the three fields**: quantity (on hand), unit cost, and total cost. Peachtree will calculate the third or remaining field.
5. When finished entering beginning balances for all your inventory items, select **OK**.

You can modify the beginning balance whenever you like, until you close the fiscal year. Once you close the fiscal year, you can no longer change beginning balances for any item that was used in any transaction in the closed year. You could, however, do an inventory adjustment on the first day of period one.

The total amount of your inventory beginning balances entered here should be the same amount you entered in your Chart of Accounts beginning balance for Inventory. If you don't do this, your general ledger and financial reports will not match your inventory reports.

### 6.3 Inventory Adjustments

Occasionally, you may need to record adjustments to on-hand quantities of inventory items. This might be due to faulty records, pilferage, spoilage, or inventory change. The **Inventory Adjustment** task makes it easy to make these adjustments, and to track them. There are two types of inventory adjustments: increases in quantity and decreases in quantity.

- For an **adjustment up**, enter a positive quantity; you can also enter a unit cost. This will increase your quantity on hand and total inventory value much as a purchase would. You might use an adjustment up if you previously miscounted your inventory and now have more units on hand than you thought you had.

- For an **adjustment down**, enter a negative

- e quantity; you **can't enter** a unit cost. Peachtree will figure out the cost value that these units are being removed at, much like a sale. An inventory adjustment down will decrease the quantity on hand as well as the total value. You might use an adjustment down if something was stolen, for breakage, or if inventory was previously miscounted.

When you make an adjustment, the cost of goods sold, inventory total value, and inventory general ledger accounts are all updated. The Inventory Adjustment window below shows adjustment down for an inventory item (Product B) of one fictitious company.

**Peachtree Accounting: FORTUNE RETAIL COMPANY**

File Edit Maintain Tasks Analysis Options Reports Services Window Help

Peachtree Today - Welcome

**Inventory Adjustments**

Close New Open Save Delete Help

Item ID: 0002 Reference: ICS-102

Name: Product B Date: Jan 31, 2008

Job:

GL Source Acct: 5000 (Account from which adjustment is taken)

Unit Cost: 0.00

Quantity On-Hand: 41.00

Adjust Quantity By: -2.00 Reason to Adjust: spoilage

New Quantity: 39.00

## 7 ACCOUNT RECONCILIATION

Peachtree reconciles the selected G/L account against your monthly statement. You can reconcile any general ledger account in Peachtree. Typically, you would reconcile bank accounts, cash accounts (such as petty cash), and credit card accounts. You should systematically reconcile accounts each period so that you can quickly detect bank errors, match real-world data with Peachtree data, and identify possible fraudulent activity.

To avoid fraud and quickly detect errors, strive to have your bank send statements toward the end of a period or month. Then always reconcile your account as soon as it arrives.

You can apply (or clear) transactions in three different categories:

- deposits in transit
- outstanding checks
- other outstanding items (such as General Journal entries)

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### 7.1 BANK STATEMENT RECONCILIATION

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Peachtree allows you to reconcile any account in your chart of accounts. Typically, you would reconcile bank accounts, cash accounts (such as petty cash), and credit card accounts. This unit focuses on reconciling bank accounts.

? What is a monthly bank statement?

Once in a month, the bank sends each depositor a statement and returns the canceled checks that it has paid and charged to the depositor's account. The returned checks are said to be "canceled" because the bank stamps or cancels, them to show that they have been paid. The bank statement shows the balance at the beginning of the month, the deposits, the checks paid, other debits and credits during the month, and the balance at the end of the month.

Rarely will the balance of a company's cash account exactly equal the cash balance shown on the bank statement. Certain transactions shown in the company's records may not have been recorded by the bank, and certain bank transactions may not appear in the company's records. Therefore, a necessary step in internal control is to prove both the balance shown on the bank statement and the balance of cash in the accounting records.

**Bank reconciliation** is the process of accounting for the difference between the balances of cash according to the company's records and the bank's record. This process involves making additions to and subtractions from both balances to arrive at the adjusted cash balance.

"What factors caused the depositor's balance to be different from the bank's balance?"

The cash balance indicated on the monthly bank statement seldom agrees with the cash balance indicated by the depositor's ledger account for cash because of the following reasons:

- a. **Outstanding checks:** are checks sent for payment to the bank but have reached the bank too late to be included in the monthly bank statement.
- b. **Deposit in transit:** are checks sent for deposit to the bank but have reached the bank too late to be included in the monthly bank statement.  
Outstanding checks and deposit in transit are most common examples of transactions shown in a company's records but not entered in the bank's records.
- c. **Bank debit memorandum:** are deductions made by the bank which the depositor knows of such fact only at the time the bank statement received. Examples include:
  - **Bank service charge.** Banks often charge a fee, or a service charge, for the use of a checking account. Many banks have the service charge on a number of factors, such as the average balance of the account during the month or the number of checks drawn
  - **Deductions for depositing "NSF" checks.** A check deposited by the company that is not paid when the company's bank presents it to the maker's bank. The bank charges the

company's account and returns the check so that the company can try to collect the amount due. If the bank has deducted the NSF check from the bank statement but the company has not deducted it from its book balance, an adjustment must be made in the bank reconciliation. The depositor usually reclassifies the NSF check from cash to Account Receivable because the company must now collect from the person or company that wrote the check.

- **Miscellaneous charges.** Banks also charge for other services such as
  - ❖ Check printing fee/charge
  - ❖ Collection fee
  - ❖ Payment of promissory note.

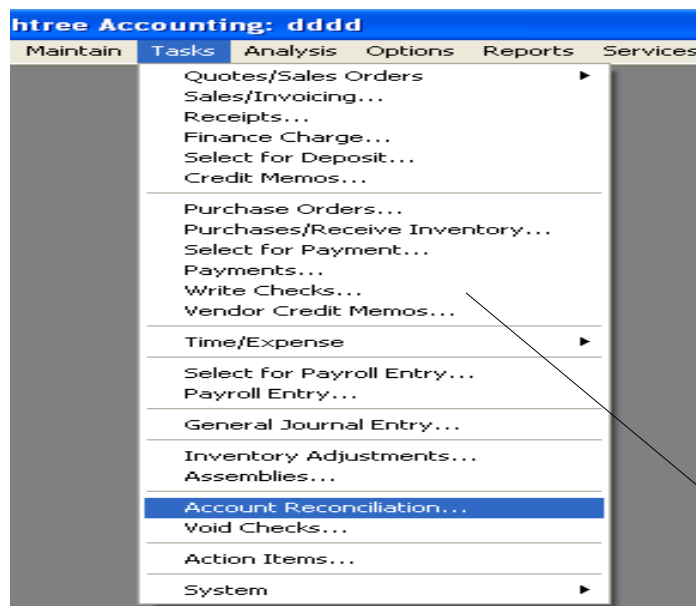
The bank notifies the depositor of each deduction including a debit memorandum with the monthly statement.

- d. **Bank Credit memorandum:** are additions made by the bank which the depositor knows of such facts only when the monthly bank statement is received. Examples include
  - **Collection on behalf of the depositor.** A bank will sometimes serve as an agent in collecting on promissory notes for the depositor.
  - **Interest Income.** It is very common for banks to pay interest on a company's average balance. Such interest is reported on the bank statement.
- e. Errors made by the bank or depositor.

**Note: You can only reconcile an account once per accounting period.** However, you can return to the Account Reconciliation window anytime during the accounting period to make adjustments. Always reconcile an account before closing the fiscal year. You cannot reconcile an account with a bank statement dated in a closed fiscal year.

**Important:** If you are using the batch method, post your accounts to the General Ledger before you reconcile. This ensures that you are using up-to-date information.

**Step I.** From the **Tasks** menu, select **Account Reconciliation**. Peachtree displays the Account Reconciliation window.



Bank reconciliation can be prepared from the 'task' menu.

**Step II.** Enter or select **the account** you want to reconcile. To display a list of existing accounts, type ? in the **G/L Account ID** field, or select the Lookup button.

**Step III.** Enter the closing date from the bank or credit card statement as the **Statement Date**. The statement date you select must be within the current accounting period.

**Step IV.** Enter the **Statement Ending Balance** (the ending balance amount included on the bank statement) in the lower-right section of the window.

Account Reconciliation

Cancel OK Range Row Adjust Help

Account to Reconcile: Statement Date: Jan 31, 2004

Checks and Credits

| Clear | Reference | Amount | Date | Vendor/Payee |
|-------|-----------|--------|------|--------------|
|       |           |        |      |              |
|       |           |        |      |              |
|       |           |        |      |              |

Deposits and Debits

| Clear | Reference | Amount | Date | Description |
|-------|-----------|--------|------|-------------|
|       |           |        |      |             |
|       |           |        |      |             |
|       |           |        |      |             |

Cleared Transactions

Checks/Withdrawals  
Deposits/Debits

Transactions not Cleared

Checks/Withdrawals  
Deposits/Debits

Statement Ending Balance:

Outstanding Checks -  
Deposits in Transit +  
GL (System) Balance -

Unreconciled Difference =

Beginning Transactions:

State the statement date. As of when the bank reconciliation is to be prepared?

Fill in the specific **'cash'** account number that the reconciliation is to be made.

Insert the **bank statement's ending balance** on the statement date in this box.

? What will be displayed when you select the cash account in Account Reconciliation window?

When the account number of the 'cash' account is selected in Account Reconciliation window the system would display:

- All the payments and receipts on the depositor's record recorded in relation to that 'cash' account during the stated period of time; and
- Uncleared deposits or withdrawals from the previous bank reconciliation; (these are items identified as outstanding checks or deposits-in-transit while performing the most recent (previous period's) bank reconciliation.

To reconcile, you enter the bank statement date and the ending bank balance. Then, you need to clear transactions that are reported on the bank statement.

Which transactions are to be cleared? Transactions that are available to be cleared are listed in two groupings: **Checks and Credits, Deposits and Debits**. For each transaction, reference information such as check numbers, amounts, dates, and vendor/payees or descriptions are listed. Checks are sorted by check number.

To clear transactions, put a check mark (✓) in the first column for deposits in transit, outstanding checks, or other outstanding items. See Figure 8.3 below.

**Note:** Each time you clear a transaction, the difference is reflected in the **Outstanding Checks** and **Deposits in Transit** fields.

Account Reconciliation

Account to Reconcile: 1001 Statement Date: Jan 31, 2004

| Clear                               | Reference | Amount   | Date        | Vendor/Payee |
|-------------------------------------|-----------|----------|-------------|--------------|
| <input checked="" type="checkbox"/> |           | 1,000.00 | Jan 1, 2004 |              |
| <input checked="" type="checkbox"/> |           | 30.00    | Jan 1, 2004 | hhh          |
| <input checked="" type="checkbox"/> |           | 5,150.00 | Jan 1, 2004 | kk           |

| Clear                               | Reference | Amount   | Date        | Description    |
|-------------------------------------|-----------|----------|-------------|----------------|
| <input checked="" type="checkbox"/> |           | 8,000.00 | Jan 1, 2004 |                |
| <input checked="" type="checkbox"/> |           |          | Jan 1, 2004 | kk             |
| <input checked="" type="checkbox"/> | 1         | 2,000.00 | Jan 1, 2004 | Deposit Ticket |

Cleared Transactions

|   |                    |           |
|---|--------------------|-----------|
| 8 | Checks/Withdrawals | 31,330.00 |
| 6 | Deposits/Debits    | 60,329.28 |

Transactions not Cleared

|   |                    |        |
|---|--------------------|--------|
| 0 | Checks/Withdrawals | 0.00   |
| 1 | Deposits/Debits    | 333.00 |

Statement Ending Balance: 30,000.00

Outstanding Checks - 0.00

Deposits in Transit + 333.00

GL (System) Balance - 29,332.28

Unreconciled Difference = 1,000.72

Beginning Transactions: [ ]

Check mark (✓) in this sense refers to a payment or deposit being cleared; i.e. treated by both the depositors and the bank.

### Step V. Entering Adjusting Entries

Select the **Adjust** button to enter adjusting journal entries the bank statement included but which are not included in Peachtree's general ledger. (For further information **Read 8.2 Recording Adjustments**) For example, you may have to add bank service or finance charges. Adjustments are made in the **General Journal Entry** window. Once the adjustment is entered and saved, you can close the General Journal Entry window and return to Account Reconciliation.

#### Note:

- If you entered adjusting entries, select the **Clear** check box next to each of these items.
- When you have successfully reconciled the account (the **unreconciled difference** is zero if you do not have Beginning Transaction), select OK to close the window. On how to enter Beginning Transaction read Step VI.

Bank service charge and interest income, among other reconciling items, can be entered as follows:

#### Entering service charges:

- In the **Service charges** box, enter any charges incurred by the account.
- In the **Date** box, enter the date when the charges were incurred.
- In the **Account** box, enter or select the appropriate service charge account to act as offsetting account for the charge.

When the current period is closed, this service charge information will be saved as a general journal entry.

#### Entering interest income:

- In the **Interest income** box, enter any interest earned by the account.
- In the **Date** box, enter the date when the interest was earned.
- In the **Account** box, enter or select the appropriate interest income account to act as offsetting account for the charge. Do not choose the account you are reconciling.

When the current period is closed, this information will be saved as a general journal entry.

Select the Clear check box next to each item that is included on the bank statement.

You can also select the **All** button to select all transactions as cleared. Or you can select the **Range** button to choose a range of checks or deposits to clear.

Peachtree keeps track of how many transactions recorded in the general ledger are cleared, how many are not, and the associated totals.

When all transactions listed on the bank statement are entered and cleared in Peachtree and outstanding transactions have been accounted for, the **unreconciled difference** should be zero (0.00). If not, check the bank statement to make sure that each transaction listed is also entered in Peachtree. For example, a service charge listed on the statement may need to be entered in Peachtree.

### Step VI. Entering Beginning Balances

By the time Peachtree accounting is started, there might exist reconciling factors considered from the most recent bank reconciliation. These are usually, outstanding checks and deposit-in-transits identified on the previous bank reconciliations and other factors that are not yet cleared off when Peachtree

accounting system is started. This may cause you to have an **unreconciled difference**. These uncleared reconciling factors from the most recent bank reconciliation by the time Peachtree accounting is placed operational can be entered as beginning balances from '**Beginning Transactions**' box.

| Clear                               | Reference | Amount   | Date        | Description    |
|-------------------------------------|-----------|----------|-------------|----------------|
| <input checked="" type="checkbox"/> |           | 30.00    | Jan 1, 2004 | hhh            |
| <input checked="" type="checkbox"/> |           | 5,150.00 | Jan 1, 2004 | kk             |
| <input checked="" type="checkbox"/> | 1         | 2,000.00 | Jan 1, 2004 | Deposit Ticket |

Statement Ending Balance: 30,000.00

Outstanding Checks - 0.00

Deposits in Transit + 333.00

GL (System) Balance - 29,332.28

Unreconciled Difference = 1,000.72

Beginning Transactions:

Select the Beginning Balance button to enter uncleared reconciling factors from the most recent bank

### Entering Beginning Balances

**Tip:** If you are interrupted during the middle of reconciling, select OK, and exit the window. Later, while still in the same accounting period, you can resume where you left off. All your cleared items and other reconciliation information for the account will remain. You can also change accounting periods to edit previous account reconciliations, if necessary.

## 7.2 RECORDING ADJUSTMENTS

? What if an item is found onto the bank statement but not on the depositor's record?

Some additions or deductions may appear into the bank statement which hasn't yet affected the depositor's record. Such events (if found to be proper) may be recorded as **an adjustment into the depositor's record** simultaneously while preparing the bank reconciliation.

Therefore, adjust the bank account only for the bank's **debit memo**, **credit memo**, and the **depositor's error** identified. Other reconciling factors identified do not require adjusting the cash account. If you need to make an adjustment, use the **Adjust button** at the top of the window; adjustments are entered in the **General Journal**. From your study in Unit 3, you know that the General Journal is used to enter those types of transactions that are not readily categorized in the **Tasks menu**. Typical General Journal entries include chart of account beginning balances, depreciation, and account transfers.

Entering adjustments can be performed from the '**adjust**' toolbar of 'account reconciliation' window.

When you select the Adjust button on Account Reconciliation window, the window shown below will display.

*This is the window entitled 'additional transactions' to follow in order to enter adjustments on the 'cash' account as debit or credit memos sent by the bank*

Therefore, here below you will see how to make adjustments for these three reconciling items:

**Case I. Adjustments for Credit Memo.** Credit memos are additions or deposits made by the bank without the knowledge of the depositor. Hence, these will be recorded into **'additional deposits'** section of the 'additional transactions' window (see the window shown below).

*Complete the adjustment by clicking on 'OK'*

*Enter the **credit memos** into this section indicating the GL account to be credited. Don't forget the 'cash' account under reconciliation would be debited by default.*

What next? After inserting the credit memos as an adjustment to the 'cash' account, the adjustments will be shown onto the 'account reconciliation' window being unticked as they are new deposits entered. *Thus, this deposit should be cleared by placing a check mark (✓) into the box parallel to it to indicate that it is a deposit processed into both the depositor's and the bank's record.*

**Case II. Adjustments for Debit Memo.** Bank debit memos to accompany the bank statement indicate payments made by the bank without the knowledge of the depositor. Hence, these will be recorded into **'additional withdrawals'** section of the 'additional transactions' window. What next?

Complete the adjustment by clicking on  
**'OK'**

Enter the **debit memos** into this section indicating the GL account to be debited. Don't forget the 'cash' account under reconciliation would be credited by default.

After inserting the debit memos as an adjustment to the 'cash' account, the adjustments will be shown onto the 'account reconciliation' window being unticked as they are new payments entered. *Thus, these payments should be cleared by placing a check mark (✓) into the box parallel to it to indicate these payments are considered both by the depositor and the bank.*

**Case III. Depositor's Error.** In preparing bank reconciliation, another thing that should be considered is any amount recorded differently by the depositor and the bank? If a given item is recorded differently by the two parties, it is an indication that either of the parties has committed an error. In such case, the first thing to be identified should be 'whose error is it?' The error demands adjustment from the '**adjust**' toolbar only when it is found to be the depositor's error. Otherwise, the bank's error requires only notification; not of an adjustment.

## ACCOUNT RECONCILIATION REPORTS

Account Reconciliation reports detail the status of your bank accounts. When you display or print a report, Peachtree displays the following three tabs:

- ▮ **Filter:** Select the **Filter** tab to determine the data criteria for the reports you want to see or print. For specific information about a particular report's filter options, select the report from the list below.
- ▮ **Fields:** Select the **Fields** tab to choose which data fields to include and where the columns break on your report.
- ▮ **Fonts:** Select the **Fonts** tab to set the font styles for the heading and body of the report. You can also have the titles of the report show special codes, such as the current period, today's date, an as-of date, and the company name.

**Note:** Some account reconciliation reports display direct deposit paychecks differently from other transactions.

## 8 PAYROLL ACCOUNTING IN THE ETHIOPIAN CONTEXT

### Introduction

Peachtree automates your payroll process. Once you set up payroll tax tables, employee defaults and employee records, you only have to select each employee using the payroll tasks, and Peachtree automatically computes the paycheck. Then, you can print a batch of checks for all employees or print a single paycheck, if you like.

The payroll process in Peachtree Accounting involves the following five steps:

1. Completing Payroll Setup Wizard

2. Maintaining Payroll Tax Tables
3. Entering Employee Default Information
4. Maintaining Employee Personal Records
5. Completing Payroll Tasks

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## STEP 1: COMPLETING PAYROLL SETUP WIZARD

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Completing the payroll setup wizard process helps you to establish standard payroll fields, default general ledger accounts and other optional payroll fields such as employee vacation time tracking. Note, however, that all the procedures in the payroll setup wizard may not necessarily have impact on the *Ethiopian Payroll System (EPS)*. Nevertheless, it is not possible to handle transactions and data related to the EPS using payroll facilities of *Peachtree Accounting Complete Software Packages (PACSP)* without passing through or completing all the procedures making up the Payroll Setup Wizard.

The following steps help you to complete the Payroll Setup Wizard.

### Step 1. Initial Payroll Setup

- i. From the *Maintain main* menu, select Default Information, and then choose *Payroll Setup Wizard*.
- ii. In the *Payroll Setup Wizard* window, select the *next* button or select the *Initial Payroll Setup* option, and in the Initial Payroll Setup folder
  - Enter or select from the drop-down list a state abbreviation for the state where in majority of your employees work.
  - Enter or select a locality and locality tax rate if the fields are available and applicable.
  - Enter the unemployment percentage the state government requires your company to pay
  - Select Yes to create payroll fields for employee tips and meals, otherwise select No.

Although the aforementioned procedures do not affect the **EPS**, you cannot pass to the next steps particularly without selecting any one of the states from the state drop-down list and specifying general ledger accounts to be used by Peachtree in setting up basic payroll fields. Therefore, it is a must to select one from the available states and enter the appropriate GL accounts in the boxes available as given in step-iii below and after that you may escape the remaining procedures.
- iii. Select the *next* button and enter payroll default general ledger accounts to be used in relation to standard payroll fields. Later you can establish accounts for specific pay rates and payroll fields, if you want.
  - **Gross Pay Account.** Typically, this is the Salaries Expense or Wages Expense account which will be used to record all kinds of payments to employees including basic salary, allowances, overtime, etc. Later you can set up individual expense accounts for each pay or salary type, if you want.  
**For Ethio Retail Plc-Basic salary( Account ID-6000)**
  - **Tax Liability Account.** This account will be used to record obligations of the employer for its share of contributions in to employees' pension/provident fund plan. This could be Pension or Provident Fund Payable account.  
**For Ethio Retail Plc -Employee Income tax Payable (Account ID-2330)**
  - **Tax Expense Account.** This account may be used to record expenses related to contributions by the employer in to the employees' pension/provident fund plan. This is commonly the Payroll Expenses Account.  
**For Ethio Retail Plc -Payroll Tax Expense( Account ID-6600)**
- iv. The next steps in the Payroll Setup Wizard are not that much relevant to the **EPS**. Thus, unless otherwise you want to know something about these steps, select the next button until the finish button is enabled which helps you to finish the *Payroll Setup Wizard*. Note, however, that the steps related to *Vacation Time Tracking* may be helpful to your company if it wants to track employee vacation time.

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## STEP 2: MAINTAINING PAYROLL TAX TABLES

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The *maintain company payroll tax tables* window enables you to create a new tax table or modify an exiting one which will be used to determine amounts related to particular payroll field such as employee income tax and employee/employer pension/provident fund contribution.

## **Procedures For Maintaining Income Tax Table( Income tax, pension and Overtime)**

### **Entering Income Tax Rates**

**File → Payroll tax table → user Maintained → user maintained payroll tax table window appears**

**Tax ID:** Eth Tax

**Tax name:** ETH Tax 11

- 11 stands for the payroll year( 2011)
- Make a single space between Eth tax and 11

**Filing statues:** All statues

**Appear on payroll tax Report:** Leave this blank (do not put a check mark)

**Government:** Federal

**Type:** Deduction

**Formula:** ANSWER=-Table(Adjusted\_Gross)

**Click the Table button on the tool bar and enter the following on the coming window**

#### **Withholding tax percentage Table Entry**

| <b>Gross More Than</b> | <b>Withhold</b> | <b>Plus%</b> |
|------------------------|-----------------|--------------|
| 150.00                 | 0.00            | 10.00        |
| 650.00                 | 50.00           | 15.00        |
| 1400.00                | 162.50          | 20.00        |
| 2350.00                | 352.50          | 25.00        |
| 3550.00                | 652.50          | 30.00        |
| 5000.00                | 1087.50         | 35.00        |

### **Entering Pension**

In the same window, enter pension 8%( employees' contribution)

**Tax ID:** Pens8

**Tax name:** Pens8 11

**Filing statues:** All statues

**Appear on payroll tax Report:** Leave this blank (do not put a check mark)

**Government:** Federal

**Type:** Deduction

**Formula:** ANSWER=-0.08\*(Gross)

**Then save**

In the same window, enter pension 10%( employer's contribution

**Tax ID:** Pens10

**Tax name:** Pens10 11

**Filing statues:** All statues

**Appear on payroll tax Report:** Leave this blank (do not put a check mark)

**Government:** Federal

**Type:** Deduction

**Formula:** ANSWER=-0.10\*(Gross)

**Then save**

### **Entering Overtime rate( This is entered after default information is created for DT,NT,WT and HT in step 3 below)**

In the same window, enter overtime rates

**Tax ID:** OT

**Tax name:** OT 11

**Type:** Addition

**Formula:** ANSWER=(Gross/160)\*((DT\*1.25)+(NT\*1.50)+(WT\*2.00)+(HT\*2.50))

**Then save**

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## **STEP 3: ENTERING EMPLOYEE DEFAULT INFORMATION**

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Once you have completed the Payroll Setup Wizard (or copied employee defaults from an existing company in the New Company Setup wizard), you can modify payroll setup to match your business's specific payroll needs. The information on the Employee Defaults window displays standard employee information that will be considered during payroll entry. You can also modify individual employee records

for unique setup, if necessary, while maintaining employee personal records in the Maintain Employees/Sales Reps window.

**The following steps, broken up by tabs/folders help you to setup employee default information.**

→ **From the Maintain menu, select Default Information, and then choose Employee**

→ Entering general information in the **General FolderTab**

- Click **W-2s** and select **None** from all boxes, and click **OK**
- Click **EmployeeEE** Paid Taxes and select **None** all boxes, and click **OK**
- Click **EmployeeER** Paid Taxes and select **None** all boxes, and click **OK**

→ Entering information in the **Pay Level Folder Tab**

- **Click this Tab, under the salary Pay levels enter the following**

|   | Field name   | GL Account |
|---|--------------|------------|
| 1 | Basic Salary | 6000       |
| 2 | Overtime     | 6010       |
| 3 | Allowance-T  | 6020       |
| 4 | Allowance-NT | 6030       |

→ Entering information in the **EmployeeEE Folder Tab**

- **Delete** existing records that appear under Field name. GL Account, Calc, and Tax Name, However **Gross** can not be deleted.
- After deleting the existing records, enter items that appear on the payroll register such as the Basic salary, Over time, Allowance, Income tax 8% pension and other Deductions with their respective GL accounts.
- Put a check mark under Calc column only for those that the amount is calculated by the program( Income tax and pension in our example).
- Under the amount column, enter -10( union fee), an amount that is assumed to be deducted uniformly from all employee( the negative is used to show that it is a deduction)

**For Ethio Retail Company in the EmployeeEE Folder Tab enter information as indicated below**

| Field Name    | GL Account | Calc | Tax name                                                       | Amount | Memo | Run | Adjust |
|---------------|------------|------|----------------------------------------------------------------|--------|------|-----|--------|
| Basic Salary  | 6000       |      |                                                                |        |      |     |        |
| Over time     | 6010       | ✓    | Click the box, use the look up button & select the Tax name OT |        |      |     |        |
| Allowance-T   | 6020       |      |                                                                |        |      |     |        |
| Allowance -NT | 6030       |      |                                                                |        |      |     |        |

|               |      |   |                                                                     |      |   |  |                                                                                                                             |
|---------------|------|---|---------------------------------------------------------------------|------|---|--|-----------------------------------------------------------------------------------------------------------------------------|
| E. Income Tax | 2330 | ✓ | Click the box, use the look up button & select the Tax name Eth Tax |      |   |  | <b>Click Adjust:</b> in the Clac Adjusted Gross Window, under Use column put a tick mark only on taxable earnings the OK    |
| Pension8%     | 2350 | ✓ | Click the box, use the look up button & select the Tax name Pens8   |      |   |  | <b>Click Adjust:</b> in the Clac Adjust Gross Window, under Use column put a tick mark only on Basic Salary & Gross, the OK |
| Union Fee     | 2370 |   |                                                                     | -10  |   |  |                                                                                                                             |
| Credit A.     | 2360 |   |                                                                     | -100 |   |  |                                                                                                                             |
| DT            |      |   |                                                                     |      | ✓ |  |                                                                                                                             |
| NT            |      |   |                                                                     |      | ✓ |  |                                                                                                                             |
| WT            |      |   |                                                                     |      | ✓ |  |                                                                                                                             |
| HT            |      |   |                                                                     |      | ✓ |  |                                                                                                                             |

**In the EmployerER folder tab enter the following information**

| Field Name | Liability | Expense | calculate | Tax name  | Adjust                                                                                                                       |
|------------|-----------|---------|-----------|-----------|------------------------------------------------------------------------------------------------------------------------------|
| 10%pension | 2350      | 6600    | ✓         | Pension10 | <b>Click Adjust:</b> in the Clac Adjust Gross Window, under Use column put a tick mark only on Basic Salary & Gross, then OK |

**Note:** Maintain Overtime rate

**STEP 4: MAINTAINING EMPLOYEE PERSONAL RECORDS**

The *Maintain Employees/Sales Reps* window helps you to store personal information associated with each and every employee and/or sales representative (rep) of your company. You can use this window to add a new employee record and/or modify/delete an existing employee record.

**Payroll Data:** The company has four employees. It contributes 10% and the employees contribute 8% for provident fund. The company expects to work 40 hrs per week. The data for the month of May are presented as show below. All employees worked what is expected of them during the month.

| ID    | Name             | Basic salary | Taxable Allowance | Non- taxable allowance | OT hrs worked       |
|-------|------------------|--------------|-------------------|------------------------|---------------------|
| A-001 | Almaz Belete     | Br 800       | Br 200            | Br200                  | 8hrs.( Week ends)   |
| B-002 | Bekele Worku     | 1280         | 200               | 250                    | 8hrs.( 10 pm-6am)   |
| S-003 | Solomon Ambachew | 1440         | 300               | 250                    | 10hrs (Up to 10 pm) |
| Z-004 | Zerihun Demise   | 960          | 200               | 150                    | 6hrs.( Holiday)     |

*DT= Day time, NT= Night time, WT= Week ends, HT= Holiday*

**Additional information:**

- Zerihun is not a permanent employee
- Union fee of Br 10 is deducted from permanent employees beginning May 2011
- Br 100 is deducted from each permanent employee as a monthly saving in a credit association

**Required: Enter relevant information for each employees**

**Prepare Payroll Register**

From **Maintain Menu** open the *Maintain Employees/Sales Reps* window, then enter relevant information for each employees as shown below.

**Entering Data for the first Employee: Almaz Belete**

**Employee ID: A-001**

|  |       |        |           |
|--|-------|--------|-----------|
|  | First | Middle | Last name |
|--|-------|--------|-----------|

|      |       |  |        |
|------|-------|--|--------|
| Name |       |  |        |
|      | Almaz |  | Belete |

- Select ( click on ): Employee
- Click **Pay Information Folder Tab**
- Pay method- Select salary
- Frequency- Select monthly
- Salary rate- **800**

|              |     |            |             |
|--------------|-----|------------|-------------|
| Field name   | Std | GL account | Salary rate |
| Basic salary | ✓   | 6000       | 800         |

Note: here the in **Std column the “Tick Mark “** is removed only if there is a need to change the GL account No. otherwise, do not remove it.

→ **Click EmmmployeeEE folder Tab and enter Overtime and Allowance Amount:**

- Click the Tick Mark under Std column, in line with Allowance T, enter 200 in the amount column
- Click the Tick Mark under Std column, in line with Allowance NT, enter 200 in the amount column
- Click the Tick Mark under Std column, in line with WT, enter 8 in the amount column
- Click save

| <b><i>Field Name</i></b> | <b><i>Std</i></b> | <b><i>GL Account</i></b> | <b><i>Cal c</i></b> | <b><i>Tax Name</i></b> | <b><i>Amount</i></b> | <b><i>Memo</i></b> | <b><i>Run</i></b> | <b><i>Adjust</i></b> |
|--------------------------|-------------------|--------------------------|---------------------|------------------------|----------------------|--------------------|-------------------|----------------------|
| Allowance T              | click             | 6020                     |                     |                        | 200                  |                    |                   |                      |
| Allowance NT             | click             | 6030                     |                     |                        | 200                  |                    |                   |                      |
| Credit Ass.              | click             | 2360                     |                     |                        | 100                  |                    |                   |                      |
| WT                       |                   |                          |                     |                        | 8                    |                    |                   |                      |

### **Entering Data for The second Employee: Bekele Worku** **Employee ID: B-002**

|      |        |        |           |
|------|--------|--------|-----------|
| Name | First  | Middle | Last name |
|      | Bekele |        | Worku     |

- Select ( click on ): Employee
- Click **Pay Information Folder Tab**
- Pay method- Select salary
- Frequency- Select monthly
- Salary rate- **1280**

|              |     |            |             |
|--------------|-----|------------|-------------|
| Field name   | Std | GL account | Salary rate |
| Basic salary | ✓   | 6000       | 1280        |

Note: here the in **Std column the “Tick Mark “** is removed only if there is a need to change the GL Account No. otherwise, do not remove it.

→ **Click EmmmployeeEE folder Tab and enter Overtime and Allowance Amount:**

- Click the Tick Mark under Std column, in line with Allowance T, enter 200 in the amount Column.
- Click the Tick Mark under Std column, in line with Allowance NT, enter 250 in the amount Column
- Click the Tick Mark under Std column, in line with Credit Association Payable, enter 100 in the amount column
- Click the Tick Mark under Std column, in line with NT, enter 10 in the amount column
- Click save

| <b>Field Name</b> | <b>Std</b> | <b>GL Account</b> | <b>Cal c</b> | <b>Tax Name</b> | <b>Amount</b> | <b>Memo</b> | <b>Run</b> | <b>Adjust</b> |
|-------------------|------------|-------------------|--------------|-----------------|---------------|-------------|------------|---------------|
| Allowance T       | click      | 6020              |              |                 | 200           |             |            |               |
| Allowance NT      | click      | 6030              |              |                 | 250           |             |            |               |
| Credit Ass.       | click      | 2360              |              |                 | 100           |             |            |               |
| NT                |            |                   |              |                 | 8             |             |            |               |

### **Entering Data for the third Employee: Solomon Ambachew**

**Employee ID: S-003**

| Name | First   | Middle | Last name |
|------|---------|--------|-----------|
|      | Solomon |        | Ambachew  |

- Select ( click on ): Employee
- Click **Pay Information Folder Tab**
- Pay method- Select **salary**
- Frequency- Select **monthly**
- Salary rate- **1440**

| Field name   | Std | GL account | Salary rate |
|--------------|-----|------------|-------------|
| Basic salary | ✓   | 6000       | 1440        |

Note: here the in **Std column the “Tick Mark “** is removed only if there is a need to change the GL account No. otherwise, do not remove it.

- Click EmployeeEE folder Tab and enter Overtime and Taxable Allowance Amount:
- Click the Tick Mark under Std column, in line with Allowance T, enter 300 in the amount column
- Click the Tick Mark under Std column, in line with Allowance NT, enter 250 in the amount column
- Click the Tick Mark under Std column, in line with DT, enter 10 in the amount column
- Click save

| <b>Field Name</b> | <b>Std</b> | <b>GL Account</b> | <b>Cal c</b> | <b>Tax Name</b> | <b>Amount</b> | <b>Memo</b> | <b>Run</b> | <b>Adjust</b> |
|-------------------|------------|-------------------|--------------|-----------------|---------------|-------------|------------|---------------|
| Allowance T       | click      | 6020              |              |                 | 300           |             |            |               |
| Allowance NT      | click      | 6030              |              |                 | 250           |             |            |               |
| Credit Ass.       | click      | 2360              |              |                 | 100           |             |            |               |
| DT                |            |                   |              |                 | 10            |             |            |               |

### **Entering Data for the fourth Employee: Zerihun Demise**

**Employee ID: Z-004**

| Name | First   | Middle | Last name |
|------|---------|--------|-----------|
|      | Zerihun |        | Demise    |

- Select ( click on ): Employee
- Click **Pay Information Folder Tab**
- Pay method- Select **salary**
- Frequency- Select **monthly**
- Salary rate- **960**

| Field name | Std | GL account | Salary rate |
|------------|-----|------------|-------------|
|------------|-----|------------|-------------|

|              |   |      |     |
|--------------|---|------|-----|
| Basic salary | ✓ | 6000 | 960 |
|--------------|---|------|-----|

Note: here the in **Std column the “Tick Mark “** is removed only if there is a need to change the GL account No. otherwise, do not remove it.

→ **Click EmmmployeeEE folder Tab and enter Overtime and Allowance Amount:**

- Click the Tick Mark under Std column, in line with Allowance T, enter 200 in the amount column
- Click the Tick Mark under Std column, in line with Allowance NT, enter 150 in the amount column
- Click the Tick Mark under Std column, in line with HT, enter 6 in the amount column
- Click save

| <i>Field Name</i> | <i>Std</i> | <i>GL Account</i> | <i>Cal c</i> | <i>Tax Name</i> | <i>Amount</i> | <i>Memo</i> | <i>Run</i> | <i>Adjust</i> |
|-------------------|------------|-------------------|--------------|-----------------|---------------|-------------|------------|---------------|
| Allowance T       | click      | 6020              |              |                 | 200           |             |            |               |
| Allowance NT      | click      | 6030              |              |                 | 250           |             |            |               |
| Credit Ass.       | click      | 2360              |              |                 | 100           |             |            |               |
| HT                |            |                   |              |                 | 6             |             |            |               |

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#### STEP 5: COMPLETING PAYROLL TASKS

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Payroll tasks include:

- **Payroll Entry** - Entering and printing one paycheck at a time.
  - **Select for Payroll Entry** - This is a pay method that helps you to filter a group of employees you want to pay and process a batch of paychecks at one time. It is the quickest and automatic way to process payroll each period.
  - **Payroll Reports and Forms** - This task helps you to generate different payroll reports and forms including payroll register which is important for the EPS.
  - **Closing Payroll Year** - Usually there is no need to close a payroll tax year exactly at the end of each calendar year. If you want, however, you can do it by following the procedures in the *Year-End Wizard* which is accessible by selecting the system option from the tasks main menu.
- Once payroll is properly set up, you have very little work to do for paying employees.

To **prepare a paycheck** for an employee, do the following

- i) From the tasks main menu, select Payroll Entry...
- ii) In the Payroll Entry window,
  - Enter or select the employee ID from the employee lookup list. Once a valid employee ID has been entered, the rest of the information is filled in automatically.
  - Specify the pay period or enter the pay date.
  - Verify the information that appears (amount of hours or salary, deductions and allowances, or any other calculated amounts). *If the information is correct, proceed to the next steps. It is in the payroll entry window that you will be prompted a feedback consisting of a "beep" sound followed by a written message - it could not find the tax table - which indicates that the program is unable to find payroll tax table which it is required to use in calculating a certain amount. So, some of the amounts you see in this window may not be correctly calculated. When you face with such feedback, go to the Maintain Company Payroll Tax Tables window to make sure that you correctly entered the tax table which the program is not able to find. Check for the single space and tax year rules.*
  - Click the *Save button* to save the event. All payroll transactions will be posted both to the general ledger and to the employee file.

- Click the *Journal button* to see how the payroll amounts are to be journalized.
- Click the *Print button* to print the paycheck.
- Click the *New button* to prepare paychecks for another employee or the *Close button* to finish the process of preparing paychecks.

If you want to **pay a group of employees** in one batch, do the following;

- i) From the tasks main menu, choose the *Select for Payroll Entry...* option
- ii) In the *Select Employees - Filter Section* window
  - Select the Pay Frequencies (weekly, monthly etc.) and Methods (salary or hourly) to be included in the pay process.
  - Select the employees to be treated in the pay process (e.g. all or some of them).
  - If you want to prepare paychecks for some of your employees, put a check mark in the *From* option and select group of employees from the drop-down list.
  - Finally, click *Ok* to go to the *Select Employees to Pay* window where you can see list of employees to be paid including employee gross and net pays related to each employee.
  - If you want to see the details of payments for an employee and check for their accuracy, select the employee name and click the *Detail* button at the top row of the *Select Employees to Pay* window.
  - Finally, click *Ok* to leave the *Select Employees to Pay - Detail* window and go back to the *Select Employees to Pay* window where in you may select the *Print* button to print pay checks and click the *close* button to finish the process of preparing paychecks.

To **design and view Payroll Register**, do the following

- i) From the Reports main menu, select the *Payroll...* option
- ii) In the *Select a report* window
  - Select payroll from the report area and select payroll register from the report list
  - To design/redesign the format of, view and print the payroll register, click the *design*, *preview* and *print* buttons, respectively, available at the top of this window and complete the necessary procedures therein.

To **close Payroll Tax Year**, do the following

Peachtree refers to the payroll tax year as the calendar year in which payroll transactions take place. Peachtree keeps two years of payroll activity open at one time. As a result, there is no need to close a payroll tax year exactly at the end of each calendar year. For example, if 2000 is the first of two fiscal periods, you do not need to close this payroll tax year until the end of 2001. On the other hand, if 2000 is the second of the two payroll years, you must close the 1999 payroll tax year before you can enter 2001 payroll transactions. It is highly recommends that you wait to close the first payroll tax year until all payroll reports and related data are finalized, may be up to the first quarter of the second payroll tax year. If there are mistakes in employee earnings and/or other related data, you will have the opportunity to correct them. To close payroll tax year, follow the procedures you will be prompted by the *Year-End Wizard* which is accessible by selecting the *system* option from the tasks main menu. The *Year-End wizard* prompts you for completion of any uncompleted year-end tasks. The wizard will remind you to print any journals, reports, payroll checks and forms you may have neglected to print. It will also prompt you to backup your data if you have not already done so.