

19 Bounced Checks, Finance Charges and Collections

Unfortunately, a customer may issue a check that does not clear your bank (a bad check). Or, you may find it is necessary to assess a finance charge to customers who are slow at paying your invoices. Likewise, you may need to send your customer a collection letter to encourage payment on an outstanding invoice.

19.1 Bounced Checks from Customers

When a customer's check is returned for insufficient funds, you can handle it as follows:

1. Create Items for tracking bounced checks and their associated charges (a one-time setup procedure).



Create an Other Charge item titled "NSF Check". In the Amount field leave a zero amount, clear the Taxable checkbox, and enter your bank account in the Account field.

Create an Other Charge item titled "NSF Fee". Enter the desired charge in the Amount field, clear the Taxable checkbox, and enter an income account, such as Returned Check Charges, in the Account field.

New Item Type a help question **Ask** **How Do I?**

Type: Other Charge Use for miscellaneous labor, material, or part charges, such as delivery charges, setup fees, and service charges.

Item Name/Number: NSF Check Subitem of: []

This is a reimbursable charge

Description: NSF Check Amount or %: 0.00 Account: 1000 · Checking

Item is inactive

Buttons: OK, Cancel, Next, Custom Fields, Spelling

2. Invoice your customer using the NSF Check and NSF Fee items.

INVOICE

TO:
Cristina Andres
4242 Cypress Hill Rd
Bayshore CA 94326

DATE: 12/15/2007 INVOICE NO.: NSF

TERMS: 2% 10 Net 30 DUE DATE: 01/14/2008

ITEM	DESCRIPTION	QTY	RATE	CLASS	AMOUNT
NSF Check	NSF Check		800.00		800.00
NSF Fee	NSF Fee		35.00		35.00
Total					835.00

Customer Message:

To be printed To be e-mailed

Apply Credits Payments Applied: 0.00
Balance Due: 835.00

Memo:

Let QuickBooks help you get paid online by credit card.

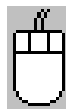
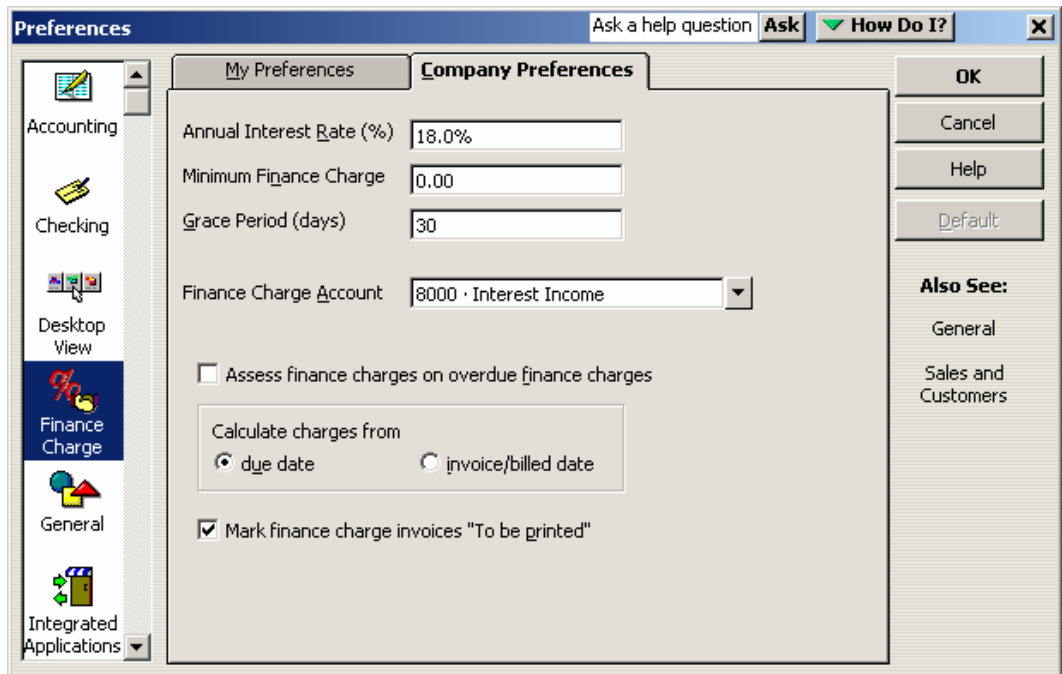
Save & Close Save & New Clear

3. Record your bank's charges for a bounced check.

This creates a receivable for the bounced check amount (plus applicable fees), and deducts the NSF check and fees amount from your bank account.

19.2 Finance Charge Preferences

In order to assess finance charges to customers with overdue balances, you must first set up the Finance Charge preferences.



To access Finance Charge Preferences:

1. From the Edit menu, choose Preferences.
2. In the Preferences window, select Finance Charges from the scroll box and then click the Company Preferences tab.

19.3 Assess Finance Charges

When you assess finance charges, QuickBooks creates an invoice for each charge.

Assess Finance Charges

Type a help question **Ask** **How Do I?**

Click the assess column for each customer for whom you wish to create a finance charge invoice.

Assessment Date: 12/15/2007 Template: Finance Charge

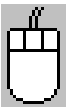
Assess	Last FC	Customer	Overdue Bal.	Finance Charge
<input checked="" type="checkbox"/>	12/10/2007	Crenshaw, Bob	200.00	0.49
<input checked="" type="checkbox"/>		Jim's Family Store	800.00	12.23

Mark Invoices "To be printed"

Customers with *s have payments or credit memos which have not been applied to any invoice. The overdue balance does not include these credits.



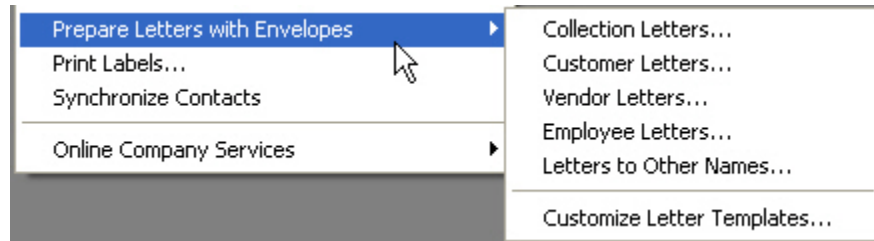
Don't forget to print and mail your finance charge invoices! Check the box to *Mark Invoices "To be printed"*.



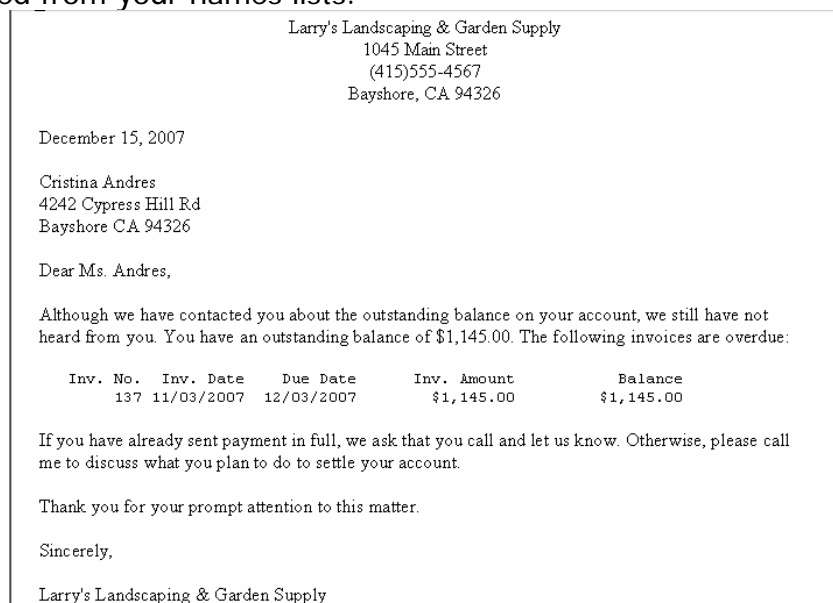
To assess finance charges to customers, choose Assess Finance Charges from the Customers menu.

19.4 Collection and Other Letters

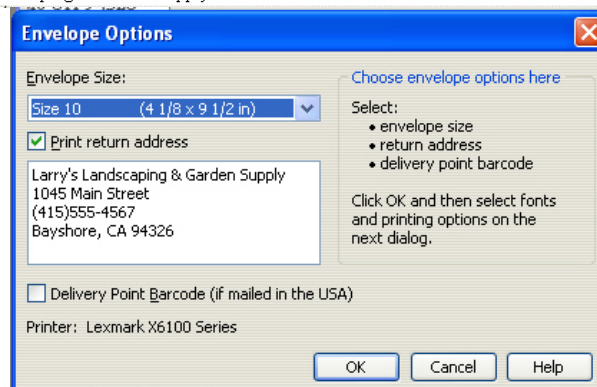
You can easily send letters to customers or vendors with QuickBooks Letters, a set of prewritten, preformatted business letters. These letters include collection letters, thank you notes, and more. To create a letter, begin by using the Write Letters wizard (found under the Company menu), where you can specify choices for letter types, lists of recipients, and other information.



When you've made all the necessary selections, you can begin creating your letters in Word. As you work in Word, you can access a set of QuickBooks toolbars that will help you enter data fields in the letters you create. QuickBooks fields act as placeholders for the QuickBooks data extracted from your names lists.



Print envelopes for the customer letters through the Letters and Envelopes Wizard out of Microsoft Word.



19.5 Bad Debt Write-offs

As the aging of your accounts receivable grows, so does your potential for bad debt. When you have exhausted your efforts to collect from a customer, you will need to remove the receivable from your books. This is known as a bad debt write-off. There are several ways to accomplish this in QuickBooks. The following are a few options:

- ◆ Enter a journal entry, debiting a Bad Debt expense account and crediting Accounts Receivable (be sure to include the customer name).
- ◆ Write off the balance of a particular customer invoice(s), using the *Discount & Credits...* button in the Customer Payment window. On the Discount tab, enter the amount of the write-off and select a Bad Debt expense account as your discount account.
- ◆ If sales tax is involved, create a credit memo to the customer, using a "bad debt" item (directed to the account for bad debt expense), and mark the item as taxable. QuickBooks will reduce the sales tax liability account accordingly.

Finally, be sure to apply the journal entry or credit memo to the outstanding invoice(s).



Avoid bad debt!
Subscribe to the QuickBooks Credit Check Services, powered by D&B, to acquire online credit reports on your commercial customers. For each of these companies you will receive an alert when there is news affecting the company.

20 Writing Checks

You can write a check for almost any kind of expense you incur. However, you should NOT use the Write Checks window to write a paycheck, pay your payroll liabilities, pay sales tax, or pay bills that you've already entered in the Enter Bills window.

Write Checks - Checking

Bank Account: 1000 · Checking Ending Balance: 29,661.00

Print As: Mark Townley Insurance Agency No. 1129
Date 12/14/2007

Pay to the Order of Townley Insurance Agency \$ 545.00

Five hundred forty-five and 00/100* Dollars

Address: Mark Townley Insurance Agency
P.O. Box 6257
Middlefield CA 94482

Expenses \$545.00 Items \$0.00

Account	Amount	Memo	Customer:Job	Class
6930 · Worker's C...	210.00			Overhead
6910 · Disability	50.00			Overhead
6920 · Liability	285.00			Overhead

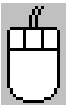
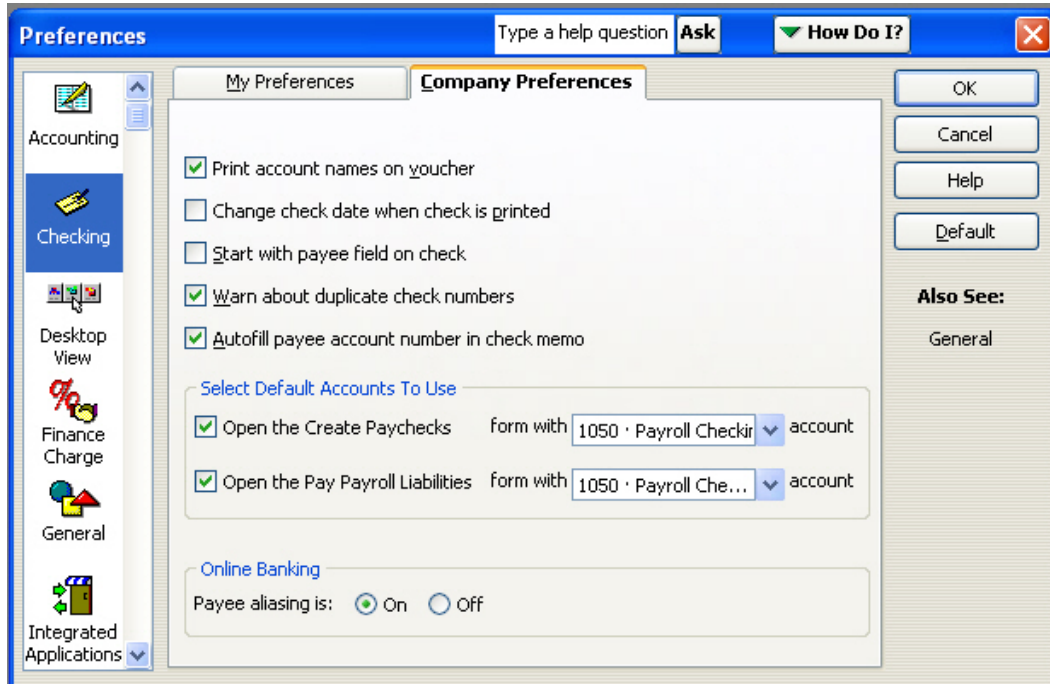
Buttons: Clear Splits, Recalculate, Save & Close, Save & New, Revert



To create checks, simply choose Write Checks from the Banking menu.

20.1 Checking Preferences

If you regularly use the same account for specific banking transactions, you can set preferences so that a form always opens with the desired account filled in. You can also select preferences that make check writing easier.



To access checking preferences, choose Preferences from the Edit menu. Then select Checking from the scroll box on the left.

20.2 Expenses vs. Items

The detail area of the Write Checks window lets you track exactly what you spend your money on and whether any part of the expenditure should be reimbursed by a customer. You can distribute the amount to expense accounts, specific items you have purchased, or a mixture of both.

Expenses

To enter overhead expenses, shipping charges, or other expenses not associated with any one item, click the Expenses tab. In the detail area, enter each charge and associate it with its correct expense account.

Write Checks - Checking Type a help question **Ask** **How Do I?**

Previous Next Print Find Journal

Bank Account: 1000 · Checking Ending Balance: 29,661.00

No. 1131
Date 12/14/2007
Pay to the Order of FedEx \$ 45.00
Forty-five and 00/100***** Dollars
Address: FedEx, PO Box 1140, Memphis, TN 38101-1140
Memo: Acct #895598337-002

Expenses \$45.00 **Items** \$0.00 Online Payment To be printed

Account	Amount	Memo	Customer:Job	Class
6850 · Freight an...	5.44	Overnight Reports		
6850 · Freight an...	3.58	2 Day Delivery		
6850 · Freight an...	10.98	2 Day Delivery Ro...	Balak, Mike:Resid...	
6850 · Freight an...	25.00	Returned RA #99...		

Clear Splits Recalculate Save & Close Save & New Revert

Items

On the Items tab of the Write Checks window, you can edit items that displayed from your purchase order and/or enter new items.

Write Checks - Checking Type a help question **Ask** **How Do I?**

Previous Next Print Find Journal

Bank Account: 1000 · Checking Ending Balance: 29,661.00

No. 1130
Date 12/15/2007
\$ 63.93

Pay to the Order of Adams Garden Supplies

Sixty-three and 93/100***** Dollars

Address: Adams Garden Supplies
189 Old Bayshore Rd
Bayshore, CA 94326

Memo

Expenses \$0.00 **Items \$63.93** Online Payment To be printed

Item	Description	Qty	Cost	Amount	Customer:Job	Class
Fertilizer:Lawn ...	Lawn & Garden Fertilizer	22	1.89	41.58	Andres, Cr...	Lan...
Fertilizer:Plants...	Plant & Tree Fertilizer	15	1.49	22.35	Andres, Cr...	Lan...

Select PO Receive All Show PO Time

Clear Splits Recalculate Save & Close Save & New Revert

20.3 Tracking Job Costs and Billable Expenses

In the detail area of the Write Checks window, you can assign costs of items or expenses directly to a job. You can also choose to make the expenditure billable or not billable to your customer.



Use items rather than expenses to get the *most* out of your software! QuickBooks provides many reports and features based solely on the use of items. Use the Expenses tab to enter general and overhead costs only.

Write Checks - Checking

Bank Account: 1000 · Checking Ending Balance: 29,661.00

No. 1130
Date 12/15/2007
\$ 63.93

Pay to the Order of Adams Garden Supplies

Sixty-three and 93/100* * * * * * * * * * Dollars

Address: Adams Garden Supplies, 189 Old Bayshore, Bayshore, CA 94021

Memo: _____

Expenses \$0.00 **Items \$63.93** Online Payment To be printed

Item	Description	Qty	Cost	Amount	Customer:Job	Class
Fertilizer:Lawn ...	Lawn & Garden Fertilizer	22	1.89	41.58	Andres, Cr...	Lan...
Fertilizer:Plants...	Plant & Tree Fertilizer	15	1.49	22.35	Andres, Cr...	Lan...

Select PO Receive All Show PO Time

Clear Splits Recalculate Save & Close Save & New Revert

Link a purchase to a job to achieve job costing

The invoice icon allows you to pull this information into a customer invoice. Place an x over this information to hide this cost for invoicing purposes.