

SOP CASH BASED ACCOUNTING
VENDORS

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AIM

This document describes how to work with vendors that operate on a cash basis. This process entails working with vendor pro forma invoices – recording the pro forma invoice received from the vendor, issuing a payment for this invoice, and subsequently recording a regular purchase invoice (resulting in a journal entry that is posted to the ledger) once a regular invoice is received from the vendor.

SETUPS

- Set properties for pro forma invoices in the Financial Documents form.
- For any vendors that work with pro forma invoices, flag the Pro Forma Invoices column of the Vendors form.

PROCEDURE

STAGE ONE: RECORDING A VENDOR PRO FORMA INVOICE

1. Enter the Vendor Pro Forma Invoices form.
2. Specify the number of the vendor that is billing you, record a Date for the invoice and specify the vendor's Invoice Number (the number appearing on the original invoice).
3. Do one of the following:
 - If the invoice is based on a single GRV or purchase order, specify its number in the Document Number or Order Number column of the References tab, respectively.
 - If the invoice is based on several GRV and/or any vendor returns, enter the GRV's for Invoice and/or Return Documents for Invoice sub-level forms, respectively. In the relevant form, record a line for each GRV or return document being billed/credited in this invoice.
 - If the invoice is based on several purchase orders, or on lines from within several different purchase orders, enter the Choose Order Items sub-level form and select the desired order items.
4. Enter the Invoice Items sub-level form, which automatically displays the lines from any GRVs, return documents and/or purchase orders selected for this invoice.
5. Record any additional items manually by specifying the relevant Part Number, Inv. Quantity and Unit Price.
6. To record remarks pertaining to this invoice that will appear in the printout, use the Invoice/Memo - Remarks sub-level form.
7. To define payment installments for the invoice that differ from the vendor's standard payment terms, enter the Payment Installments sub-level form.
8. Return to the upper-level form, click the Price tab and make sure that the Amount Owing is correct.
9. Select Finalize Invoice/Memo or Finalize & Print Invoice from the list of Direct Activations.

RESULTS

- A unique Internal Invoice number is assigned to the invoice.
- If the invoice is linked to a project, project profitability decreases, as the invoice total is added to projected costs (in the Open Vend Pro Formas column).
- A pro forma journal entry (with the "VPF" entry code) is recorded for the invoice, and assigned an entry number with the prefix P.

Note: To run aged payable reports for the vendor, run the reports as usual and, in the appropriate input screen, flag the option to base the report on Pro Forma Entries.

STAGE TWO: RECORDING A PAYMENT BASED ON A VENDOR PRO FORMA INVOICE

Payment by Check

1. Enter the Check Payments form.
2. Choose the Vendor's Account. The Vendor Name is filled in automatically.
3. In the Paying Bank Account column, choose the bank account number from which payment is being made.
4. Ensure that the correct Check Date and Currency appear.
5. Enter the Flag Pro Forma Invoices sub-level form and flag all pro forma invoices for which payment is being made.
6. Enter the parallel Payment Details sub-level form and, if necessary, modify the recorded Sum.
7. Return to the upper-level form and select Finalize Check Payment from the list of Direct Activations.
8. To print the check, select Print Checks Via Word Template from the list of Direct Activations, specifying the desired Check Number.

Note: The Check Number is filled in automatically based on the Next Check to Print column of the Bank Accounts form, but may be revised.

Payment by Bank Transfer

1. Enter the Payments by Bank Transfer form.
2. Choose the Vendor's Account. The Vendor Name is filled in automatically.
3. In the Paying Bank Account column, choose the bank account number from which payment is being made.
4. Ensure that the correct Payment Date and Currency appear.
5. Enter the Flag Pro Forma Invoices sub-level form and flag all pro forma invoices for which payment is being made.
6. Enter the parallel Payment Details sub-level form and, if necessary, modify the recorded Sum.
7. Return to the upper-level form and select Finalize Bank Transfer Payment from the list of Direct Activations.

RESULTS

- The payment and its linked invoice are reconciled.
- The paid invoice will not appear in aged payable reports based on pro forma entries.
- The pro forma invoice can no longer be flagged for payment when preparing vendor payments.

STAGE THREE: RECORDING A MULTI-GRV INVOICE FOR THE PAYMENTS

1. Enter the Multi-GRV Invoices form.
2. Select the vendor in the Vendor Number column.
3. In the Date column, indicate the date of the purchase invoice.
4. Specify the vendor's Invoice Number.
5. A temporary Internal Invoice number (with the prefix T) is filled in automatically and the Debit/Credit column is flagged with a D (revise this in the case of a credit memo).
6. By default, the transaction date in the journal entry for the invoice is the invoice date. To use a different date, click the Payment Info tab and indicate the desired Transaction Date.
7. In the Payment Info tab, the Payment Date is filled in automatically on the basis of the payment terms agreed upon with the vendor, but may be revised by doing one of the following:
 - To revise the payment date only, indicate the desired Payment Date.
 - To revise the payment terms and, in turn, the payment date, use the Invoice - Add'l Details sub-level form.
 - To define payment in installments, enter the Payment Installments sub-level form.
8. In the upper-level form, click the References tab and, in the Details column, record a brief remark regarding this invoice.
9. Do one or more of the following:
 - To base the invoice on a single GRV or vendor return, specify its number in the Document Number column of the References tab.
 - To base the invoice on multiple GRV's and/or return documents, enter the GRV's for Invoice and/or Return Documents for Invoice sub-level form, respectively. In the relevant form, record a line for each document being billed/credited in this invoice.
 - If the invoice was received before the goods were delivered, you can base the invoice on one or more purchase orders, or on lines from within several different purchase orders.
 - If the invoice is based on a single purchase order, specify its number in the Order Number column in the References tab.
 - If the invoice is based on several purchase orders, enter the Choose Order Items sub-level form and select the desired order items.

Note: You can include both GRV's and return documents in a single invoice.

10. Enter the Invoice Items sub-level form, which automatically displays the lines from any GRVs, return documents and/or purchase orders selected for this invoice. For each item:
 - Make sure that the Inv. Quantity, which is filled in based on the corresponding GRV or return document, reflects the quantity recorded in the original invoice. Revise if necessary.
 - Make sure that the Unit Price, which is filled in based on the price source determined by the PurchDocPrice constant, is correct. Revise if necessary.
 - Make sure that the % Item Discount, which is filled in based on the corresponding GRV or return document, is correct. Revise if necessary.
- Note: If the invoice includes both received and returned goods, the former are debited and the latter are credited (appear with negative quantities).
11. Use the Invoice Item - Remarks sub-level form to record any remarks pertaining to an individual line item, if desired.
12. Return to the upper-level form and select Finalize Invoice/Memo or Finalize & Print Invoice/Memo from the list of Direct Activations.

RESULT

- A unique internal invoice number is generated, replacing the temporary number that appeared when the invoice was opened.

STAGE FOUR: RECONCILING THE PAYMENT ENTRY WITH THE PURCHASE INVOICE

1. Run the Prepare for Reconciliation program. Choose the A/P Ledger and then indicate the number of the A/P account to be reconciled.
2. When the program finishes running, enter the Reconciliation Worksheet, retrieve the entries for the vendor payment and subsequent purchase invoice and assign both the same number in the Reconciliation Num. column.
3. Select Finalize Reconciliation from the list of Direct Activations.

Note: To view pro forma invoices for which purchase invoices have not been recorded, run the Pro Formas w/o Purchase Invoice report.

RESULT

The payment entry has been reconciled with the purchase invoice, and the invoice will no longer appear in aged payable reports.