

## How to Process AP Prepayments, Wire Transfers, COD, Etc.

This customer support note explains how to handle prepayments, wire transfers, cash on delivery, etc. Two different scenarios will be described:

- Making a Prepayment on an Inventory Part
- Making a Prepayment on an Expense Item

### Making a Prepayment on an Inventory Part

**Scenario** One inventory part is ordered. The PO price for the part is \$220. A prepayment of \$100 is required. The standard material cost is \$200 and the overhead is \$400. Thus the standard unit cost for the part is \$600. A purchase order has been entered for this part.

### Making a Prepayment on an Expense Item

**Scenario** One expense item is ordered. The PO price for the expense item is \$220. A prepayment of \$100 is required. A purchase order has been entered for the expense item.

Follow these steps to set up a prepayment. (These steps apply to both an inventory part and an expense item.)

- 1) Make sure that a prepayment account number is set up as an asset in the **Chart of Accounts Editor**.
- 2) Create a prepayment voucher in **AP Invoice/Memo Entry**.
  - a) Invoice Type = "IP" (if PO# is known. Invoice Type = "IN" if PO# is not known.)

**Note:** Even though the item has not been received, you can still enter an IP invoice and use the **New Other** button. (See step 2c.)
  - b) Enter PO, invoice ID (ex: prepay/PO), invoice date, invoice total amount (enter the full \$ amount for complete prepayment or amount of partial prepayment), terms and due date. (In this example, the prepayment amount is \$100.) Click the **Next** button at the bottom of the AP Invoice/Memo Entry screen.
  - c) Click the **New Other** button. Click the **New Line** button on the **Detail Entry** screen.
  - d) Enter the prepayment account in the **Account** field. The amount from Line Amount displays in "Amount." (The amount is a debit, for example \$100. This debits the prepay account.) Click the **OK** button in the **Detail Entry** screen and the **Save** button on the **AP Invoice/Memo Entry** screen.
- 3) Use **Handwritten Checks Entry** or **Check Print** to make the vendor prepayment.
- 4) When the goods arrive, process the receipt (**PO Receipts Entry**).
- 5) After receipt of goods, use the AP Invoice/Memo Entry function.
  - a) Invoice Type = IP
  - b) Enter PO, vendor's invoice, invoice date, and invoice amount. (\$0 if there was a total prepayment; the amount due if prepayment was partial. In this example, the invoice amount is \$120.). Click the **Next** button.
  - c) Click the **New Line** button. To check the distributions, click the **Review Auto Distribution** and **Yes** buttons. Or to approve the distributions without checking them, click the **Accept Auto Distribution** button. Then click the **OK** button.
  - d) Click the **New Other** and **New Line** buttons. Enter the prepayment account number and the amount of the prepayment in "Line Amount." (The amount is a credit, for example -\$100. This credits the prepay account.)
  - e) Click the **OK** and **Save** buttons. The transaction is complete.
- 6) Use **Handwritten Checks Entry** or **Check Print** to make the final payment.

### T-Accounting for Making a Prepayment on an Inventory Item

Inventory part costs \$220 and a prepayment of \$100 is required.

AP Trade	Prepaid Account	Cash Account	Inventory Account
<sup>3</sup> \$100	<sup>2</sup> \$100		<sup>4</sup> \$600
\$100 <sup>2</sup>	\$100 <sup>5</sup>	\$100 <sup>3</sup>	
<sup>6</sup> \$120		\$120 <sup>6</sup>	
\$120 <sup>5</sup>			
AP Accrual	Overhead	Purchase Price Var.	
<sup>5</sup> \$600		<sup>5</sup> \$20	
\$600 <sup>4</sup>	\$400 <sup>5</sup>		

**Inventory Part**

\$220 – PO Price

\$200 – Std. Mtl. Cost

+ \$400 – Overhead

\$600 – Std. Unit Cost

### T-Accounting for Making a Prepayment on an Expense Item

Expense item costs \$220 and a prepayment of \$100 is required.

AP Trade	Prepaid Account	Cash Account	Expense Account
<sup>3</sup> \$100	<sup>2</sup> \$100		<sup>5</sup> \$220
\$100 <sup>2</sup>	\$100 <sup>5</sup>	\$100 <sup>3</sup>	
<sup>6</sup> \$120		\$120 <sup>6</sup>	
\$120 <sup>5</sup>			