

Accruing Accounts Payable Invoices

Choosing Your Philosophy

When posting Accounts Payable Invoices, you will choose how you want to post them. By this we mean there are two choices. The first choice is that you post all invoices as they come in. You choose not to worry about which month the invoice is posted to. In the second method you want invoices and receipts to match the month in which the event happened so you choose to leave your month open until all invoices have been received. The final method finds you choosing to accrue accounts payable. Each one of these will be discussed in more detail.

Processing AP Invoices Without Regard To Dates

In this example, we would choose not to update General Ledger when the product is received. The inventory file (IN100) is updated with quantities but the General Ledger is not update in any manner when the product is received. Let's assume for discussion the product arrives on the 25th of the month.

The invoice arrives on the 5th of the following month. In this example you would have already closed your month and run your financial statements. You would enter the invoice with the following entries:

Credit Accounts Payable for the amount of the invoice

Debit Cost of Goods Sold or Inventory

Debit Transportation or Freight

When you pay the invoice you would have the following General Ledger entries:

Debit Accounts Payable for the amount of the payment

Credit Cash for the amount being paid

Processing AP Invoices By Matching Receipts To Invoices

This example works just like the previous example except that you want the invoice to be shown or posted in the same month as the month in which the product is received. In this example you do everything the same, except you will leave your General Ledger open until all invoices have been received, posted and updated. Once the invoices have been received, posted and updated you can finish your End of Month General Ledger updates and run your financial statements.

Note: Make sure you understand thoroughly the steps that must be taken when leaving months or multiple months open so no mistakes are made.

Accruing Accounts Payable

When you accrue Accounts Payable you must make the General Ledger postings when the products are received. In this situation, the receiving update will make the following postings:

Credit Accrued Accounts Payable

Debit Cost of Goods Sold or Inventory

Debit Transportation or Freight

When the invoice comes in from the vendor, the General Ledger entries will be:

Debit Accrued Accounts Payable

Credit Accounts Payable

All you are doing at this point is moving the amount of the invoice from Accrued Accounts Payable to Accounts Payable.

As before, when you pay the invoice you would have the following General Ledger entries:

Debit Accounts Payable for the amount of the payment

Credit Cash for the amount being paid

If you need more assistance, contact your support representative.