Correcting Transactions Added in 2009 Online Banking

If you used QuickBooks 2009 online banking to add transactions to your bank register, some of those added transactions may have been posted incorrectly. In most cases, the General Ledger totals will be accurate, but your sales reports and your inventory and item reports may not match (depending on the types of transactions you added.)

You cannot use the QuickBooks 2009 online banking window's forms to add a new transaction that is a sale of goods or services, or a purchase of an inventory item. We have an article on our web site explaining how to enter those transactions if you're using online banking in QuickBooks 2009. Click the link below to go directly to the article:

http://www.cpa911.com/read_article.asp?ID=261

If you didn't see the article, or if you'd already added download transactions to your bank account before you saw the article, you must correct the transaction or your sales reports, sales tax reports, COGS, item reports, and inventory numbers may not be accurate.

If the downloaded transaction was a deposit that represented a new sale of goods or services, the form you used in the online banking window did not post that sale correctly, because the form in the online banking window has the following shortcomings:

- You can't link the sale to an item. If the item is an inventory item, inventory isn't decremented, so cost of goods sold isn't affected. If you used the Online Banking window to incorrectly enter these types of sales, both your Balance Sheet and Profit & Loss Statement will be incorrect, which may affect your tax reports. Additionally, if the item is not an inventory item, you won't be able to get accurate reports on that item's activity.

- The sale won't appear in the customer's record in the Customer Center (making it difficult to analyze or report on the customer's account, or to discuss the account with the customer).

- Sales tax included in the sale amount isn't tracked, which means your sales tax reports won't include the total sale of goods and services and the tax due on the sale.

- The sale won't appear in the standard sales reports. This means your income total (on your Profit & Loss report) won't match the total sales you see in sales reports.

If the downloaded transaction was a withdrawal that represented the purchase of an inventory item, the form in the online banking window did not properly post any part of the transaction except the withdrawal of funds from your bank account. This creates the following problems:

- Inventory quantity was not updated.

- The inventory asset account was not updated properly.

- The amount QuickBooks uses to calculate Cost of Goods sold was not updated.

This article explains the methods available for correcting these transactions so your financial records are accurate, and your tax preparation can proceed with the proper numbers. Incorrectly added deposits are covered first, followed by incorrectly added purchases of inventory items.

Identifying Incorrectly Posted Deposits

Finding these incorrectly posted transactions isn't easy, but we've created a memorized report named **Suspicious Added Deposits.QBR** that may help. You can use this report to compare customer records against the correctly posted transactions (transactions entered in the Sales Receipt transaction window).

Transactions that appear in the memorized report and do not appear in the standard sales reports are probably transactions you entered in the online banking window, and we discuss the remedies in this article.

Downloading the Suspicious Added Deposits.QBR Report

To download a copy of this report go to the Downloads section of CPA911Publishing's web site. Follow the instructions on the web page to Save the file; do not Open the file.

Make a note of the location (folder) where you save the file so you can find it when you want to import it into your QuickBooks 2009 company file (instructions for importing the file are in the next section).

To go directly to the Downloads page, click the link below:

http://www.cpa911publishing.com/Downloads.htm

Importing the Report

Open your QuickBooks 2009 company file and use the following steps to import the file:

1. Choose Reports → Memorized Reports → Memorized Report List.
2. Click the Memorized Report button at the bottom of the Memorized Report List window to open the menu.
3. Select Import Template.
4. Navigate to the folder where you saved the downloaded file.
5. Double-click Suspicious Added Deposits.QBR to open the report and add it to your Memorized Report list.

Using the Report

This customized report displays deposits made to your bank account that did not result from a sales transaction window.

When the report opens, it displays all bank deposits that were entered using either of the following methods:

- Directly entered in the Make Deposits transaction window using a customer/job name or leaving the name column blank
- Directly entered into the bank account register using a customer/job name or leaving the name column blank

Both methods produce the same result in your company file, and because of the way QuickBooks tracks these transactions it's not possible to design a report that separates deposits entered in the Make Deposits transaction window from those entered directly into the bank account register.

You can use the Make Deposits function or a direct entry in the bank account register to record income that hasn't been posted through the Sales Receipts or Receive Payments transaction forms. When you do, those transactions are not connected to items, customers, or classes. Even if you enter a customer name, the transaction doesn't appear in the customer record nor in standard sales reports.

The Add Deposits function in the QuickBooks 2009 online banking window is a Make Deposits function. That's why it doesn't work properly for recording downloaded deposits that are sales.

By default, the report opens with the current month as the date range. Change the date range to match the dates you want to investigate. If you have a great many downloaded deposits that you entered in the online banking window you may want to select a short date range, such as a single day or a two-day span, and repeat the processes discussed here for additional date ranges.

Compare Sales Totals to Income Totals

Sales transactions entered in the online banking window will be part of the Income total displayed in your Profit & Loss report, but will not appear in standard sales reports.

- Choose Reports → Company & Financial → Profit & Loss Standard. Set the date range to the same date range as the Suspicious Added Deposits report. Make a note of the total income, or print the report.

- Choose Reports → Sales → Sales by Customer Summary. Set the date range to the same date range as the Suspicious Added Deposits report. Make a note of the total sales, or print the report.

Correcting the Deposits

Optimally, the total amount displayed in the Suspicious Added Deposits report is equal to the difference between your sales total and your income total. If the difference isn't the same as the

total in the Suspicious Added Deposits report, then you have to investigate each transaction that appears in the Suspicious Added Deposits report to determine which of them were the result of your own creation of a transaction in the register or the Make Deposits window, instead of the result of incorrectly adding a transaction via the online banking window.

All of the transactions in the Suspicious Added Deposits report that are the result of adding transactions in the online banking window have to deleted and re-entered in the Sales Receipt transaction window.

Following are some guidelines for performing this task.

- Create the sales receipt transaction before you delete the transaction created in the online banking center (so you have the date and financial information available).

- Add the appropriate item to the sales receipt. Hopefully, you have some record of the sale apart from the downloaded transaction so you can determine the item sold. There may be a shipping record, an e-mail message from the customer, or a report from your online shopping cart.

- If you cannot determine the item, create a placeholder item to use in the sales receipt. Use a Service item or Other Charge item and name it TBD (To Be Determined). Then, if information about the item involved in the sale becomes available in the future, you can edit the transaction to change the item.

- You cannot use a placeholder item if the item is an inventory item. You must track inventory accurately.

- If the item is not an inventory item, the downside of omitting an item is that you won't be able to analyze your sales by item. In addition, if the item is a "two-sided" item (you configured the item to track purchases and sales, including subcontracted services), you won't be able to get accurate job costing numbers. This will be a problem if you create profit and loss reports for jobs, but it's not as big a problem (in terms of Profit & Loss figures and tax returns) as the failure to record the sale of an inventory item.

- When you create the sales receipt, if you automatically deposit the revenue into Undeposited Funds, use the Make Deposits function to move the funds from the transaction into the bank account (which means the bank account will have a duplicate transaction that matches the original transaction you created in the online banking center). Don't wait until you've created multiple sales receipts, each sales receipt must be deposited into the bank individually so that it matches the amount of the downloaded transaction.

- To delete the original incorrect deposit (the one created in the online banking center), select the transaction's listing in the bank account register and press Ctrl-D.

- If the deposit you're deleting has been reconciled (cleared via the monthly statement received from the bank and displaying a check mark in the "Cleared" column), QuickBooks issues a warning. Continue to delete the deposit. Then click the "Cleared" column in the new deposit (the deposit you created in Sales Receipts) to put a check mark in the column to indicate this transaction was reconciled. QuickBooks issues a warning, but you must mark this transaction cleared in order to maintain an accurate opening balance the next time you reconcile the account. (Remember that downloading and matching transactions

is *not* the same as reconciling transactions, so don't try to replace a lightning bolt in the "Cleared" column, it's only the check mark that indicates reconciliation that matters.)

Identifying Incorrectly Posted Withdrawals

You have to find and correct any withdrawals you added in the online banking center if those withdrawals were for the purchase of inventory items, and they were direct payments (no vendor bill existed in your company file). This is the same as using Write Checks to purchase inventory (instead of creating a Purchase Order and then logging the receipt of goods and the receipt of the vendor's bill).

If a vendor bill for the inventory existed, the Add Transaction function in online banking let you add a downloaded transaction as a bill payment, in which case the downloaded transaction was posted to Accounts Payable (when you created the bill you posted the correct information for inventory purchases). In that case, you don't have to correct this transaction.

For direct purchases of inventory (the same as writing a check instead of paying an existing bill), you must locate the incorrectly posted downloaded withdrawals by creating a report on the account you used to post the transaction in the transaction form available in the online banking window.

Most businesses that posted transactions within the online banking window that were for inventory purchases used Costs of Goods Sold or Inventory Asset as the posting account.

Here's how to create the report you need:

1. Open the Chart of Accounts window.

2. Select the account you used to post a withdrawal for the purchase of inventory.

3. Press Ctrl-Q to open a QuickReport on this account.

4. Enter a date range that covers the dates during which you added these transactions within the online banking window.

5. Click Modify Report and move to the Filters tab.

6. In the Chose Filter list, select Transaction Type.

7. In the Transaction Type field, select Check.

The transactions displayed in the report represent direct disbursements checks (the type of transaction that results when you use the Write Checks window).

There may be some "legitimate" checks within the list, where a check was used to post receipt of inventory instead of entering a vendor bill (common for businesses that don't use purchase orders and don't enter vendor bills, preferring to pay bills with a direct check).

The way to separate the legitimate checks from the incorrectly posted checks is to double-click each check's listing to open the check:

- If the Items tab was used to post the transaction, the check is legitimate and inventory postings were correctly applied in QuickBooks.

- If the Expenses tab was used to post the transaction, the check is suspicious.

If the posting account in the Expenses tab is Inventory Asset, then you must change the check

to post it correctly (covered next).

If the posting account in the Expenses tab is Cost of Goods Sold, and you never post any type of check to that account, then this is a check that was entered in the online banking window, and must be changed. If you *do* occasionally write checks that are posted to COGS, then you must rely on your memory to separate the purchase of inventory items from other disbursements that were posted to COGS.

Correcting the Withdrawals

For each check that was posted incorrectly in the Expenses tab, you must move to the Items tab and specify the item(s), quantity, and amount, using the same amount posted to the Expenses tab. Then, move back to the Expenses tab and delete the data. The check amount remains the same, but the check is now posted properly to track inventory.