



Article # 1103

Technical Note: How to Record Accounts Receivable Customer NSF Checks

Difficulty Level: Intermediate Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
AccountMate 7 for LAN
AccountMate 6.5 for SQL and MSDE
AccountMate 6.5 for LAN

Module(s) Affected: AR, BR, GL

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DESCRIPTION

There are times when banks return customer checks due to insufficient funds. These NSF checks require adjustments to bring the company's customer and other GL accounts to their proper balances. The actual steps to record these adjustments in AccountMate will depend upon the circumstances under which the user receives information about the NSF check. This document discusses the different options for recording NSF checks in AccountMate.

SOLUTION

Below are six possible circumstances under which users may receive notice about NSF checks:

1. Before the check is recorded in AccountMate as part of a bank deposit and Bank Reconciliation (BR) is installed
2. After the check is recorded in AccountMate as part of a bank deposit, but before the check is verified, and BR is installed
3. After the check is recorded in AccountMate as part of a bank deposit and is verified through the Reconcile Bank Account function in BR
4. Before the check is recorded in AccountMate as part of a bank deposit and BR is not installed
5. After the check is recorded in AccountMate as part of a bank deposit, but before the check is verified, and BR is not installed
6. After the check is recorded in AccountMate as part of a bank deposit and is verified through the Verify Bank Deposit function in AR (BR is not installed)

Below are the common concerns that users must address regardless of which above circumstances apply:

1. Adjust the Cash Account balance to the correct amount without affecting the deposit record that included the NSF check. This is especially true for those times when the affected deposit is comprised of receipts other than the NSF check.
2. Cancel the customer payment.
3. Handle bank fees associated with the NSF transaction.

A. Check is not part of an AccountMate Deposit Record (BR is Installed)

If you have recorded the NSF check as part of the bank deposit record and you have installed BR, you must perform the following procedures:

1. Create a deposit record for the NSF check and verify it through the Reconcile Bank Account function in BR just as you would on any regular deposit. Be sure to create the deposit record for the NSF check before you void the receipt in AR. A voided receipt will not be available for selection when recording bank deposit in AR.
2. Create in the Transaction Code Maintenance of the BR module a Transaction Code for NSF checks. Select Disbursement option for the Transaction Type and do not mark the Require Deposit / Check # checkbox.
3. Create in the Transaction Code Maintenance of the BR module a Transaction Code for bank fees. Select Disbursement option for the Transaction Type. Assign the Transaction Code with a GL Account ID to which you want to post the expense debit entry for the bank fees. AccountMate will use the GL Account ID assigned to the Bank Account record for the corresponding credit entry. In AccountMate 7, you can assign several Reference GL Account IDs in Transaction Code.
4. Access the Record Checks/Other Disbursements function; then, select the Record Other Disbursement option. Choose the appropriate Bank Account record. Select the Transaction Code that you created in step 2. Enter the NSF check amount and a description/memo that will properly identify the nature of this transaction. Do not include the associated bank fees.
5. Before you save the NSF check transaction, make certain that the Transfer to GL checkbox is not marked. This is to avoid duplicate posting of the reduction in the GL Cash Account balance since you must also cancel the AR customer payment.
6. Access the Record Checks/Other Disbursements function; then, select the Record Other Disbursement option. Choose the appropriate Bank Account record. Select the Transaction Code that you created in step 2. Enter the amount of the bank fees associated with the NSF check and a description/memo that will properly identify the nature of this transaction. Do not include the amount of the NSF check.
7. Before you save the bank fees transaction, be certain that the "Transfer to GL" checkbox IS MARKED. This is to reduce the GL Cash Account balance with the bank fees amount.
8. During bank reconciliation, mark as cancelled both the disbursement transactions that you created for the NSF check just as you would on any other disbursement recorded in AccountMate. The original deposit record that includes the NSF check is to remain verified in the system.
9. Void the NSF check's payment record in the Void Payment function of the Accounts Receivable module. When you encounter the message, "Is this payment included as part of a deposit that has actually reached the bank?" Choose "Yes" and confirm that you wish to proceed with voiding the payment

record. This will generate the corresponding reversing entries to reduce the Cash Account balance and increase the receivables with the voided NSF check/receipt amount.

10. If you wish to charge the associated bank fees expense to your customer, you must create an AR invoice for that purpose.

B. Check is part of an Unverified AccountMate Deposit Record (BR is Installed)

If you have recorded the NSF Check as part of an unverified deposit and you have installed BR, the process will be as follows:

1. Verify the affected deposit record through the Reconcile Bank Account function just as you would on any regular deposit. Post a separate transaction in the BR module to handle the reduction to the Bank Account's GL Account ID balance for any associated bank fees.
2. To record the return of the NSF check and the corresponding bank charges, follow the procedures described in steps 2 through 10 in section A of this document.

C. Check is part of a Verified AccountMate Deposit Record (BR is Installed)

If you have recorded the NSF check as part of a Bank Deposit record and you have verified the deposit through the Reconcile Bank Account function in BR, refer to the procedures described in steps 2 through 10 in section A of this document.

D. Check is not part of an AccountMate Deposit Record (BR is not installed)

If you have not recorded the NSF Check as part of a deposit record and you have not activated BR, the process will be slightly different:

1. Create a deposit record for the NSF check and verify it in the Verify Bank Deposit function in AR. Record the deposit before you void the receipt in AR. A voided receipt cannot be selected during the creation of a new deposit record.
2. You cannot record the return of the NSF check or any associated bank fees for bank reconciliation purposes; however, you can still void the AR receipt that represents the NSF Check.
3. To void the NSF check, access the Void Payment function in AR. As discussed previously, you will encounter the message, "Is this payment included as part of a deposit that has actually reached the bank?" Choose "Yes" and confirm that you wish to proceed with voiding the payment record. This will reduce your Cash Account balance and increase your customer balances by the NSF check amount.
4. If you wish to charge the associated bank fees expense to your customer, you must create an AR invoice for that purpose.

E. Check is part of an AccountMate Deposit Record That Was Not Verified in AR (BR is not installed)

If you have recorded the NSF Check as part of a deposit, but you have not verified the deposit through the Verify Bank Deposit function in AR; and you have not activated BR, the process is as follows:

1. Verify the deposit in the Verify Bank Deposit function in AR.
2. You cannot record the return of the NSF check or any associated bank fees for bank reconciliation purposes; however, you can still void the AR receipt that represents the NSF Check.
3. To void the NSF check, access the Void Payment function in AR. As discussed previously, you will encounter the message, "Is this payment included as part of a deposit that has actually reached the bank?" Choose "Yes" and confirm that you wish to proceed with voiding the payment record. This will reduce your Cash Account balance and increase your customer balances by the NSF check amount.
4. If you wish to charge the associated bank fees expense to your customer, you must create an AR invoice for that purpose.

F. Check is part of an AccountMate Deposit Record That Was Verified in AR (BR is not installed)

If you have recorded the NSF Check as part of a deposit record, but you have verified the deposit through the Verify Bank Deposit function in AR and you have not activated BR, perform steps 2 through 4 of section E.

Knowledge on how to record NSF Checks in AccountMate ensures proper recording of these checks. The aforementioned procedures are important so that users can accordingly adjust the GL Accounts with the NSF check and bank fees amount; thus, maintaining fair and accurate Financial Statements.

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