

Article # 1190

Technical Note: Understanding How Open Debit Transactions Affect the Past-Due Aging Report and GL Account Balances

Difficulty Level: Beginner AccountMate User

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

Module(s) Affected: AP and GL

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DESCRIPTION

When reconciling vendor account balances with the GL account balances, one must also consider vendor open debit transactions. Open debits generally result from either of these transactions: down payments required for order fulfillment or purchase returns. AccountMate's Accounts Payable (AP) module is equipped with tools that the user can utilize to record these transactions.

This technical note discusses how AP open debits are reflected in the Past-Due Aging Report and identifies the journal entries that are generated.

SOLUTION

A. Open Debit Invoices vs. AP Prepayments

To fully appreciate the effect of the two open debit transaction types on the Past-Due Aging Report and GL Account balances, it is important to understand how each is handled in AccountMate.

1. Creating the open debit:
 - a. An open debit is created when an AP invoice with a negative invoice amount is saved. This is referred to as an open debit invoice.
 - b. A prepayment transaction creates an open debit when the user posts a handwritten check or prints a computer check for the prepayment invoice.

2. Reducing the open debit balance:
 - a. The open debit invoice balance is reduced when it is applied to a regular AP invoice using the **Post Handwritten Check** or **Print Computer Check** function, thereby reducing the check payment amount.
 - b. The prepayment open debit is reduced when it is applied during create or amend of a regular AP invoice.

B. Open Debit Transactions in the Past-Due Aging Report

When reconciling open debit transactions using the Past-Due Aging Report, keep these things in mind:

1. To view open debit invoices and prepayments on the Past-Due Aging Report, mark the Include Open Debit Transactions option on the report criteria selection screen.
2. For open debit invoices that are partially applied to regular AP invoices:
 - a. The full open debit invoice amount is shown under the Inv Total column.
 - b. The total amount applied to AP invoices is shown under the Total Paid column.
 - c. The balance is shown under the AP age category that applies to the open debit invoice.
3. For AP prepayments:
 - a. The full prepayment amount is shown under the Total Paid column.
 - b. The total amount applied to AP invoices is shown under the Total Used column.
 - c. The balance is shown under the AP age category that applies to the prepayment.
4. Both transactions are omitted from the report when they are fully applied or voided.

The difference in treatment is due to the different natures of the two open debit transactions. AP prepayments are advanced payments and must be reflected as such, hence their appearance under the Total Paid column until such time as they are fully applied. Open debit invoices, on the other hand, are not considered "paid" until such time as they are applied to regular invoices when the user processes payment for those invoices.

When the Past-Due Aging Report is generated for a report date that is on or after the open debit invoices and/or prepayments are fully applied, neither transaction will show on the report as not one has an outstanding balance.

