

This article has been contributed by Arlene Arlow, Director - Addventive Academy

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POSTING EXPENSES BY JOURNAL ENTRY

A sample blank spreadsheet has been included at the end of this article.

- Note:
- Receipts for expenses must show the nature of the expense(s), the date, name of the vendor or supplier, items and price, GST, PST, and the total. A debit slip that does not show what was purchased nor the taxes is not a proper receipt as per Canada Revenue Agency
 - It is helpful to have the QuickBooks Chart Of Accounts handy (either printed form or on the computer) so you can categorize each expense according to the Chart Of Accounts
 - These steps are for business expenses paid out-of-pocket, non-business credit cards, Petty Cash or other similar means
 - Substitute an "expense" account for a "Fixed Asset" account from the COA where appropriate

The important areas of a Sales Receipt have been circled and noted in the sample below:

Outside-The-Box Shipping Solutions Inc. 144-7110 Ajax Place Delrose Downs Ottawa, ON M2R 1L6 Ph Toll-Free: 888-625-0631 Website: www.outside-the-box.ca Sales: sales@outside-the-box.ca			
***** sales receipt *****			
			July 11, 2006
Qty	Description	Rate	Total
6	Shipping boxes	4.45	26.70 T
2	Bubble Wrap	15.95	31.90 T
5	Styro chips	5.95	29.75 T
Cash <input checked="" type="checkbox"/> Visa Mastercard Debit		Sub-total	\$ 88.35
		GST	\$ 5.30
		PST	\$ 6.18
		Total Balance Due	\$ 99.83

Date to use in the J.E. is the end of the respective month ie) 07/31/06
GST is recorded as an ITC (acc't = GST Payable)
The subtotal and PST are added to arrive at the net expense (acc't = Shipping Supplies)

1. Sort all receipts by month
2. Sort each month's receipts by date. Staple any Debit or Visa slips to the proper receipts. In other words, if you have a white receipt and a yellow debit slip for the transaction, you need to process them as ONE transaction, not two
3. Check the receipts for any meal expenses. For (ONLY) meal receipts, write down 50% of the GST on the bottom of the receipt. The remainder (subtract 50% of the GST from the total bill) is the net cost of the meal
4. Record a breakdown on the face or back of the receipt for each expense and the GST. For business expenses that include PST, the PST becomes part of the net expense. It is only the GST that gets pulled out to be reclaimed. Businesses that do not have a GST number cannot reclaim the GST but must expense the entire receipt.

Examples:

-gas receipt totaling \$21.00 for a vehicle (where GST is 6% would be written as:

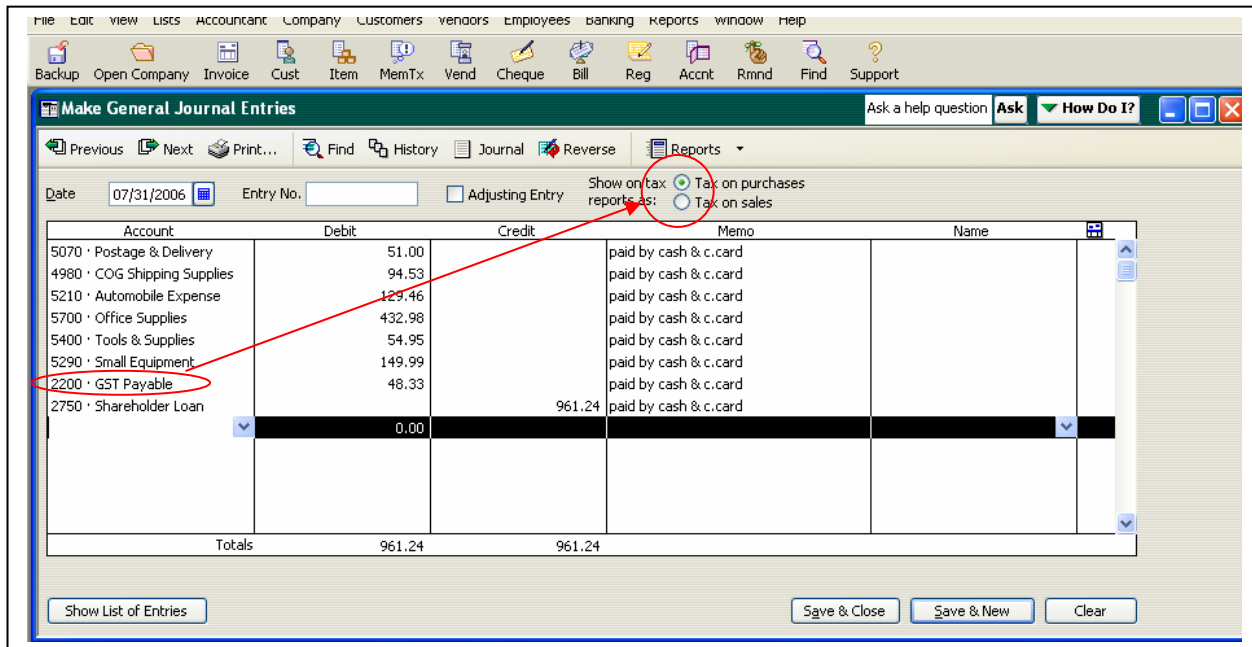
GAS \$19.81
GST \$ 1.19

-printer paper receipt totaling \$35.96 (where GST is 6% and PST is 7%) would be written as:

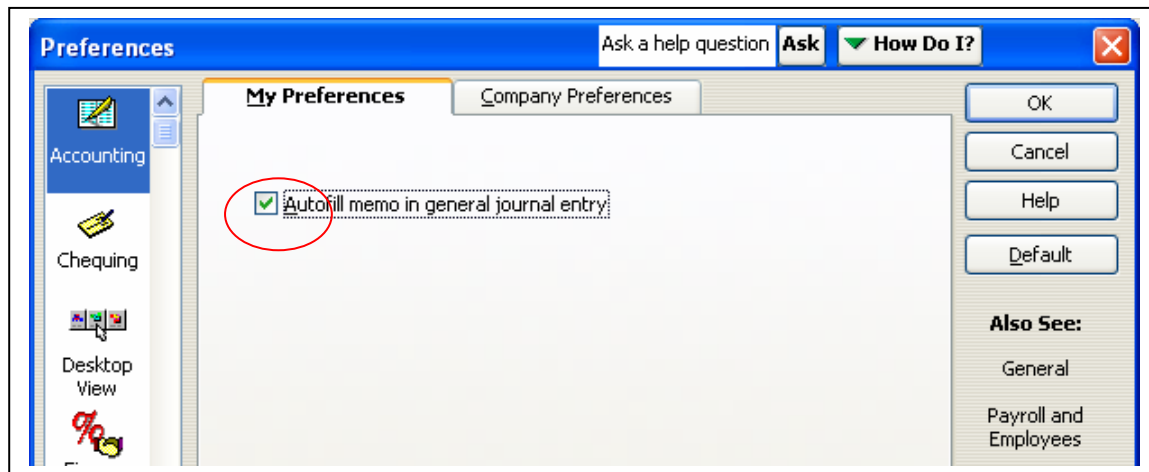
OFFICE SUPPLIES \$30.76
GST \$2.20

5. Write on the top of the blank spreadsheet the date that the Journal Entry applies to (the month that the receipts are for). For example, the expenses for July, 2006 would dictate a spreadsheet label "EXPENSES JULY 2006"
6. At the top of the far-right column on the spreadsheet, write "GST"
7. Keeping the receipts in date order, label the top of the first column on the left with the expense account for the first receipt (use the COA). If the first receipt in July is for auto gas, label the top of the column "Auto Fuel" or other appropriate expense account. Record the net cost (without GST) of the gas in the first blank cell of the first column, and the GST for that transaction in the far-right cell (the GST column) on the same line
8. Record the second receipt onto the spreadsheet using the second line on the spreadsheet, labeling the second column from the left appropriately at the top of the column. Use the correct expense account from the COA. If the second receipt is for auto gas, record it immediately beneath the first expense in column 1. Continue to label the columns at the top as necessary (you only need one column for each expense type)
9. Once all receipts are recorded, add up the columns of the spreadsheet and record the totals (in pencil) in the bottom cell of each spreadsheet column
10. Using an adding machine, add up all the totals across the bottom and tape or staple this slip to the top of the spreadsheet
11. Run another adding machine tape of the receipt totals from the receipts. If this total matches exactly the total of the spreadsheet columns, you have completed the spreadsheet correctly. If not, you need to find and correct your error on the spreadsheet, revise the column totals and redo the adding machine slip for the column totals
12. With QuickBooks open, click on "Company", "Make Journal Entry"
13. The date of the transactions is the last day of the applicable calendar month (the month that the receipts are for)
14. Tab through to the "Account" column. Select the expense account of the first spreadsheet column from the drop-down list. Press the tab key. Record the total from the first spreadsheet column as a DEBIT in QuickBooks. Tab through to the next Journal Entry line. Use the drop-down list again to select the second expense account. Work your way through the Journal Entry, recording the spreadsheet column totals as DEBITS in the Journal Entry. Once each column total has been recorded in the DEBIT column, tab through to the final line of the Journal Entry. There should be a total in the CREDIT column that matches exactly the total of your adding machine tape from the spreadsheet. Select "Capital" or "Shareholder Loan" from the drop-down list (where the owner has paid out-of-pocket or by personal credit card) or select "Petty Cash" if the expenses were paid out of Petty Cash. Record a memo in each line of the journal entry where applicable. Be sure to click beside "☉ Tax on purchases". Select SAVE & CLOSE or SAVE & NEW
15. Staple the applicable receipts together neatly, and staple them to the back of the spreadsheet
16. Write or stamp "POSTED" somewhere on the spreadsheet and file with the expenses for that month (need to be kept for 6 years following the taxation "Notice of Assessment")

A sample Journal Entry for expenses in July, 2006. Total of receipts in this example is \$961.24. The memo line is filled in for each line of the Journal Entry. Select "Tax on purchases" if "GST Payable" is used in the Journal Entry:



Activate autofill for the memo lines of a Journal Entry through "Edit", "Preferences", "Accounting", and "My Preferences". Place a checkmark ✓ beside "Autofill memo in general journal entry". Memo must be typed in the first line of the J.E. for autofill to function:



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