Connecting Time Matters/Billing Matters and QuickBooks

Caren Schwartz
Time & Cents Consultants, LLC

While many firms will choose to utilize the full capabilities of Billing Matters, other firms will use QuickBooks for the accounting side of managing the business. If your firm chooses to use QuickBooks, this white paper will help you in the setup and running of the accounting. This white paper is not intended to give detailed advice on setting up Billing Matters for purposes of creating invoices or to give tax advice or replace your accountant. It is assumed you have a working knowledge of QuickBooks and Billing Matters.

It is recommended that you work with someone knowledgeable in Billing Matters and QuickBooks to setup your system and use this paper as a guideline for assistance in setup and in processing transactions.

At the present time this paper does not cover entering expenses into Billing Matters and sending them to QuickBooks as bills to be paid. The instructions assume you are linking on a cash basis and posting in detail.

Please note that all instructions are based on Time Matters/Billing Matters v9 and QuickBooks v2008. The general instructions are applicable to all versions but keystrokes and screen views may be different.

Why Choose QuickBooks

Firms choose to use QuickBooks accounting for several reasons, including:

- Already familiar with QuickBooks
- Accountant uses QuickBooks and likes getting the data in that format
- Downloading of transactions from online bank or credit card
- Payroll processing

Why Use Billing Matters

Firms choose to use Billing Matters for their billing because of limitations in the billing aspects of QuickBooks, including:

- Billing of one client at a time.
- Not easy to show prior balances and payments on a QuickBooks invoice.
- Can not show trust funds on invoices
- No sort capability for items on invoice
- Interest must be handled on statements or separate invoices
- Limitations of bill layouts in QuickBooks
- Limited number of simultaneous users
- Granularity of security

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Question to Ask

Once you have made the decision to use Billing Matters for your billing and QuickBooks for your accounting, there are some basic questions that must be answered before you can start.

- How many computers need to link Billing Matters and QuickBooks?
- Do I want to link or do I want to print reports from Billing Matters and manually enter the data into QuickBooks?
- Do I want to keep QuickBooks on a cash or accrual basis?
- How do I want to track income in QuickBooks – by matter, by activity, by timekeeper?
- Will reimbursed expenses be tracked as an asset, an expense or income?
- Are we billing by contact, matter or contact – matter?
- Have we modified the *Area 5/ User 7* field on the contact form (contact based billing) or matter form (matter based billing)? Does the field contain information that has to be moved to another location?

Getting Started in Billing Matters

Once the firm and the accountant have agreed on the answers to these questions you can begin to use the Billing Matters and QuickBooks link.

When you start linking to QuickBooks, you may have historical transactions in Billing Matters that has either already been entered in QuickBooks or will be entered as beginning balances. You will also want to deposit all payments that have been received within Billing Matters if the deposits should not be transferred to QuickBooks.

FIRST - MAKE A BACKUP!

If you have not been posting to another accounting system, you will need to clear out the transactions from Billing Matters before you start linking. To determine if this will need to be done go to *Report – Standard Reports – Transactions* and run the *Billing (AR) GL Distribution* Report. Use the Filter Tab to set a date range to limit the report to transactions prior to the QuickBooks transfer start date you wish to use.

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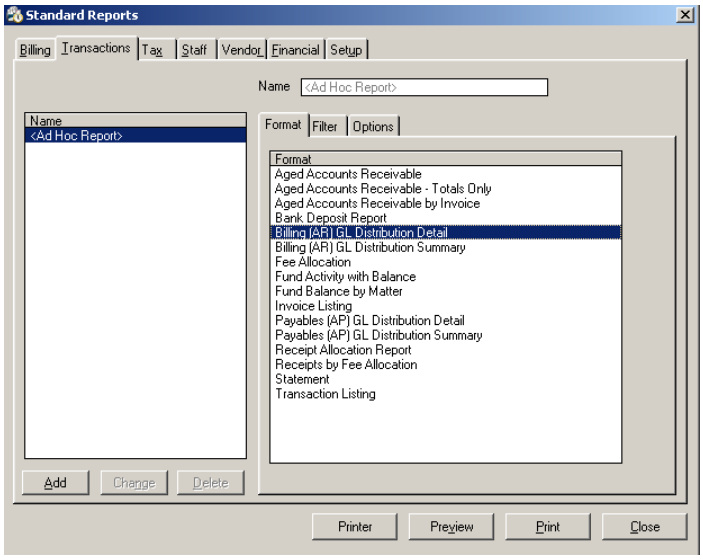
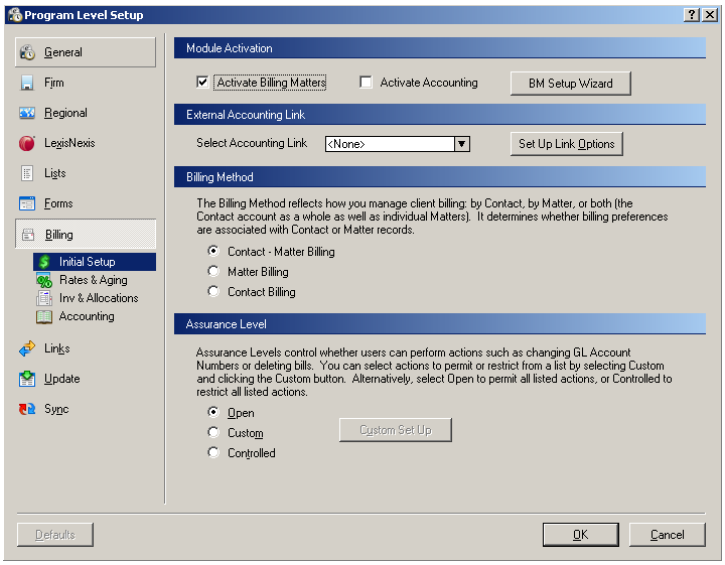


If the report shows no transactions you are ready to proceed. If transactions are listed, that you do not want to send to QuickBooks you will need to post the transactions. If the transactions are not able to be posted you may find it easier to turn off the accounting link, setup the appropriate General Ledger accounts based on account names and then post before proceeding.

In order to setup the General Ledger Accounts, go to *File – Setup – General – Program Level Setup* (Alt-Shift-P). Click on *Billing* and make sure that *Activate Accounting* is not checked. If you need to de-activate accounting, you will need to exit Billing Matters and then reopen the program.



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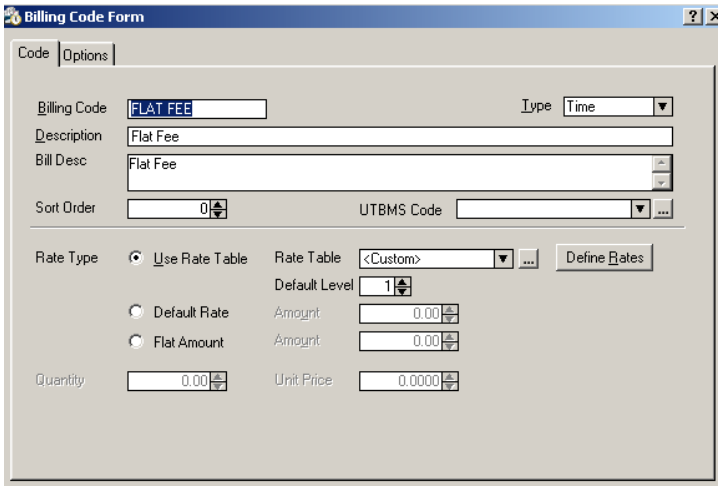
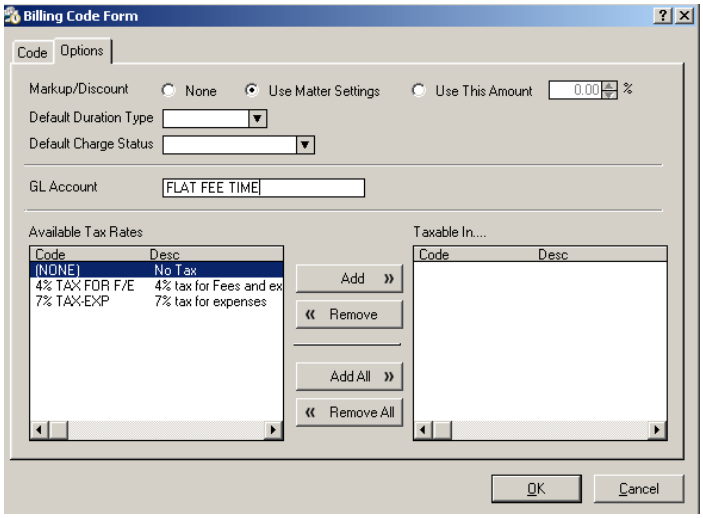
When you re-start, go to *File – Setup – Codes – Billing Codes* and make sure you have codes that can be used for Flat Fee Time and Flat Fee Expenses. If you do not have codes for this purpose create them.



On the Options tab, enter a description in the General Ledger box. I recommend Flat Fee Time and Flat Fee Expenses.



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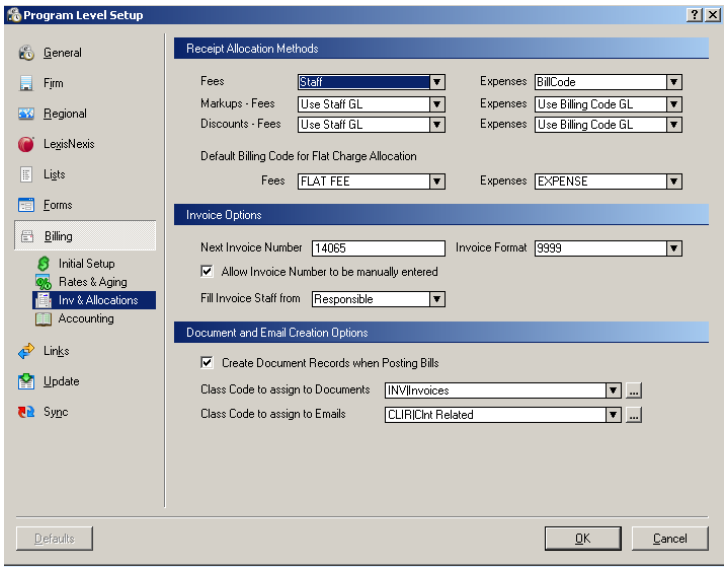
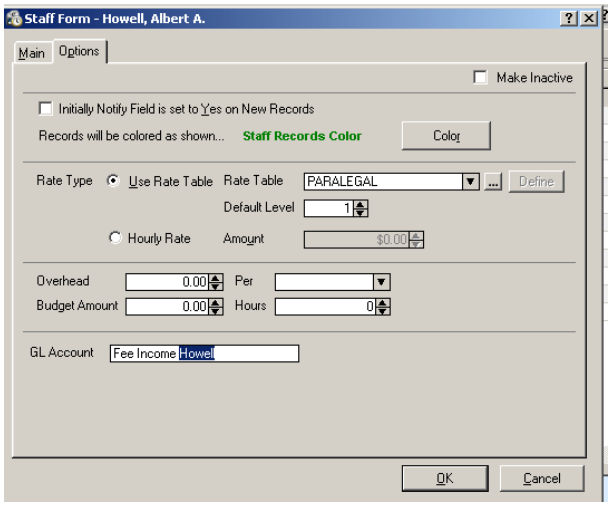
Now, return to the Billing section under *Program Level Setup*. Click on *Inv & Allocations*. Here you will see how you have the allocations setup, whether as Client, BillCode or Staff. This will determine where in the program you need to go to setup General Ledger accounts. Make sure you assign your *Default Billing Codes for Flat Charge Allocations* for *Fees* and *Expenses*.



If you have set the *Receipt Allocation Method* to *Staff*, you will need to go to *Database – Staff*, click on the Options tab and assign a general ledger account to each staff. At this point, this is just a text field.



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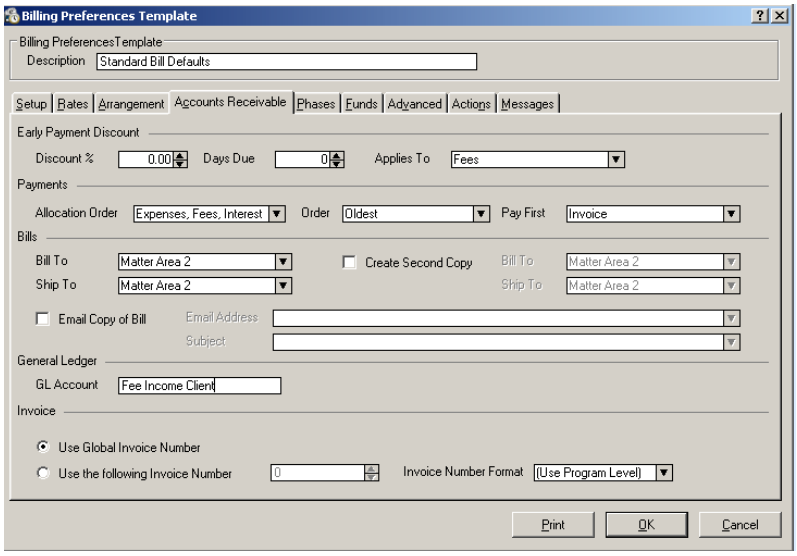
If you have set the *Receipt Allocation Method* to *BillCode*, you will need to go to *File – Setup – Codes – Billing Codes*, click on the Options tab and assign a general ledger account to each Billing Code. Again, this is just a text field.

If you set the *Receipt Allocation Method* to *Client*, you will need to assign a General Ledger account to the Billing Preferences for each client. The easiest way to do this is to setup the account you wish to use on a Billing Preferences Template. Go to *File – Setup – Templates – Billing Preferences*. Choose a template to change or create a new template and click on the *Accounts Receivable* tab. Under General Ledger, fill in the GL Account field with text. Click *OK* to save and then click on *Close* to close the Billing Preferences Template window.



To copy the General Ledger account from the Billing Preferences Template to all existing clients:

- Open the Matter list (if doing Contact – Matter or Matter Billing)
- OR Open the Contact list (if doing Contact billing).
- Then click on the small arrow next to the Process Icon (looks like two pieces of paper with a checkmark on it.).

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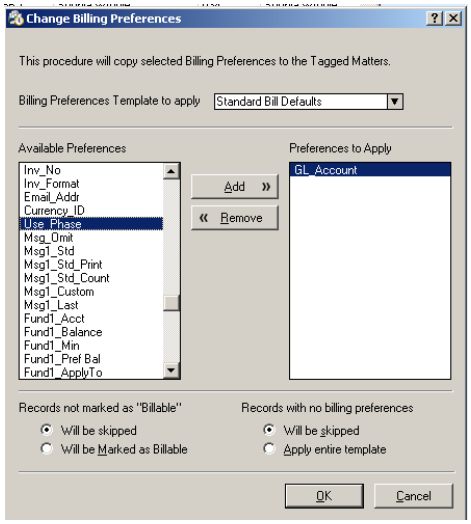
- Click on *Change Billing Preferences* and Choose the option to *Tag All Records*.
- In the box *Billing Preferences Template to apply* choose the Billing Preferences Template you previously modified.
- Locate *GL_Account* in the *Available Preferences* column. Highlight the *GL_Account* field and click on Add to move the *GL_Account* into the *Preferences to Apply* column. Click *OK* and wait while the contacts or matters are updated.



You will also need to assign *General Ledger* accounts on the *Accounting* tab and to your *Bank Accounts*.

For the *Accounting* Tab use *ALT-SHIFT-P* to go to *Program Level setup*. Click on *Billing* and then *Accounting.* Enter a text description in each of the *General Ledger Accounts* boxes. As you change each line, you may receive a message "*Changing this GL Account after posting to the GL is not recommended. Continue?*" Click on *Yes* to continue. You may also receive a warning when you finish and click on *OK*. Confirm that you want to make the changes.

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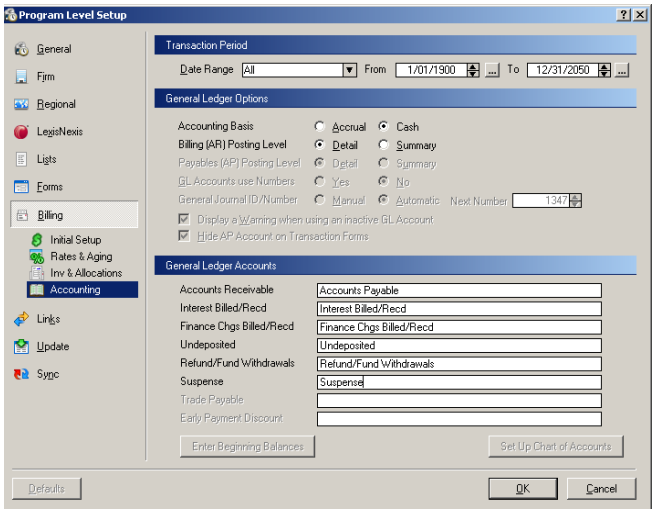
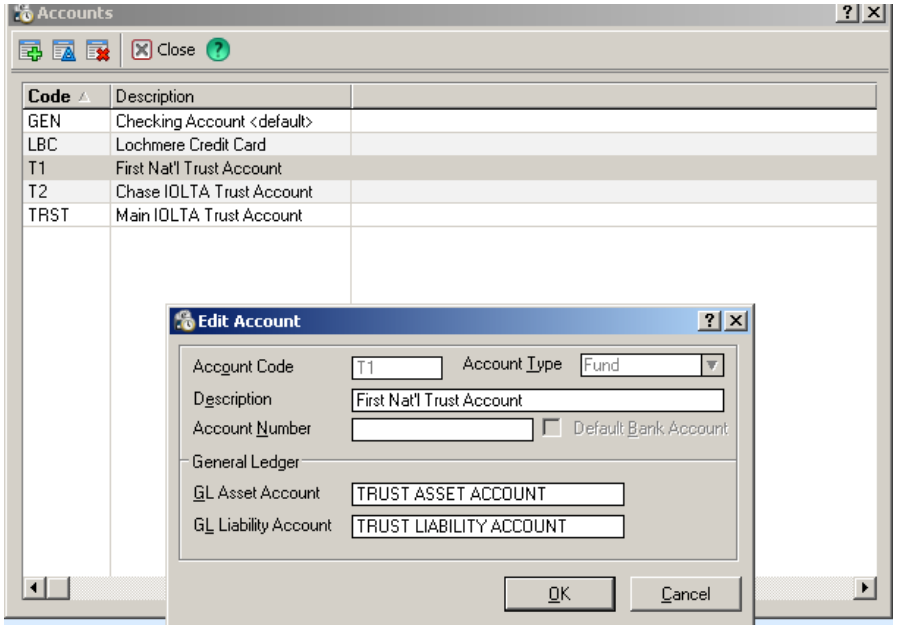


To setup the Bank Accounts go to *File – Setup – Rates and Accounts – Accounts*. Open each account. For Trust Accounts assign a *GL Asset Account* and a *GL Liability Account*. For Regular Bank Accounts assign a *GL Asset Account*. For Credit Card Accounts assign a *GL Liability Account*.



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You are now ready to clear your General Ledger by going to *Report – Standard Reports – Transactions – Billing (AR) GL Distribution Detail*. If appropriate set a date filter. Preview the Report and go to the very end. If the report ends with numbers that are equal in both columns, you will probably be able to post the transactions. If there are errors the last page(s) of the report will indicate the errors you need to fix before you can post the report. You can print the report or save it to a PDF before closing. You will NOT be able to recreate this report after posting. When you close you will be asked if you want to post the report, say yes.

Make sure that you have NOT customized the *User7* field on the *Contact* or *Matter* form (depending on whether billing by contact or matter/contact-matter). This field will be used for the link to QuickBooks. If you have data in this field, it is important that you move the data out of the field before you start working with the Billing Matters – QuickBooks link.

Getting Started in QuickBooks

FIRST – MAKE A BACKUP!

Before you connect Billing Matters and QuickBooks you want to make sure your chart of accounts is properly setup in QuickBooks. Within QuickBooks you will want to make sure you have the following accounts:

- Bank Account for each General Bank Account
- Trust Bank Account for each Trust Bank Account
- Trust Liability Account for each Trust Bank Account
- Suspense Account – used to track money received but not yet applied to an invoice
- Accounts Receivable Account
- Undeposited Funds Account – see note below
- Exchange Account – this should be a bank account
- Income Accounts –
    - As appropriate based on how income will be tracked
    - Account for recording interest received from clients – even if you don't currently charge interest. This can be a generic income account.
    - Account for recording finance charges received from clients – even if you don't currently assess finance charges. This can be the same as the interest income account.
- Sales Tax Accounts –if you charge sales tax, you must have at least a liability account setup for sales tax. It should not be the real QuickBooks sales tax account.

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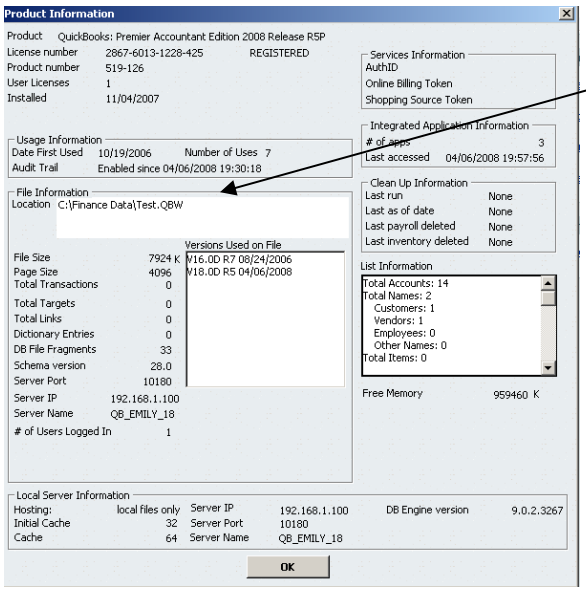
NOTE: It is important that this is the "true" QuickBooks *Undeposited Funds Account* that QuickBooks creates. To insure this, click on *Customers – Enter Sales Receipts*. When the sales receipt screen opens you can click on the X in the upper right hand corner to close the sales receipt. Then go to your Chart of Accounts and make sure you see an *Undeposited Funds Account* listed as an *Other Current Asset* type of account. If you do not see it listed, click on *Include Inactive* at the bottom of the Chart of Accounts. If the account shows on the list with an X next to it, right click on the account and choose *Make Active*.

It is recommended that you setup a "global" customer and vendor to facilitate the General Ledger activity transfer from Time Matters to QuickBooks. If you will be transferring in summary format, these are mandatory. I generally create them as *TM Customer* and *TM Vendor*.

It is also recommended that you setup a user called TMLink. This will facilitate tracking of changes made in QuickBooks by Billing Matters when a user is not logged in to QuickBooks.

In order to connect to QuickBooks, you need to know the path to your QuickBooks database. To locate the path, open QuickBooks and hold the Ctrl key while pressing the number 1 on the keyboard. (Do not use the number 1 on the numeric keypad.). On the screen that opens you will see the path to your database.



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Linking Billing Matters and QuickBooks

Whenever you will be using Billing Matters and QuickBooks **on the same computer**, and want both programs open at the same time, you must first open QuickBooks and then open Billing Matters. When you are ready to close QuickBooks, or if you need to switch to single user mode in QuickBooks, or if you want to switch QuickBooks companies, you must first close Billing Matters.

Make a new backup of Time Matters/Billing Matters and QuickBooks. Do not overwrite previous backups.

Open Billing Matters and go to *Program Level Setup – Billing – Initial Setup*. Set the *Select Accounting Link* to *QuickBooks*. Then click on *Set Up Link Options.*

Choose whether you will be using the Billing Server for QuickBooks or a regular link to QuickBooks 2004 or later. Note you must be running QuickBooks Pro, Premier or Enterprise.

The primary purpose of the Billing Server for QuickBooks is to allow multiple Billing Matters Users to use the real-time link with QuickBooks regardless of whether or not they have QuickBooks installed. The Billing Server also permits more than five Users to access the QuickBooks Company File. Detailed information on Setting up the QuickBooks Billing Server can be found in the help file by searching for "QuickBooks Server". If you use Billing Server you will need to know the computer name of the computer that holds the QuickBooks database, as well as the path to the QuickBooks database.

You will need to close Time Matters/Billing Matters and then reopen the program. Make sure that QuickBooks is open and that you are logged in to QuickBooks as the Administrator. Go to *Program Level Setup – Billing – Initial Setup - Set Up Link Options – File Locations.* Navigate to the path to the database in the QuickBooks Company File box.

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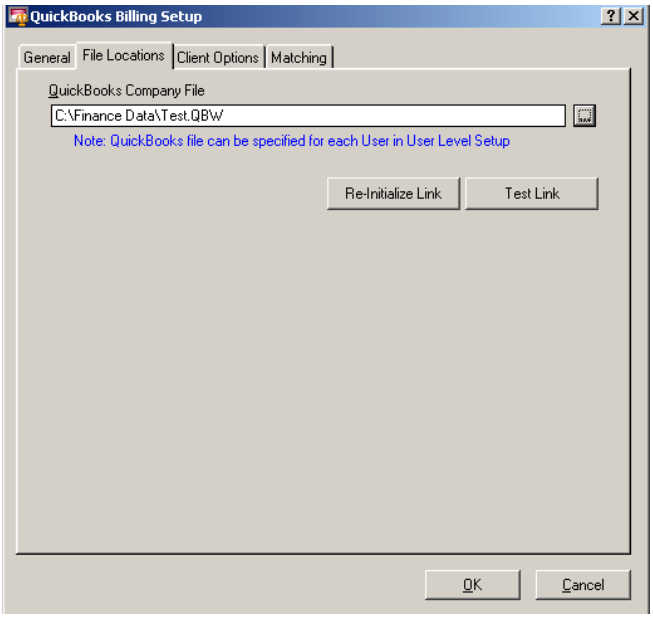
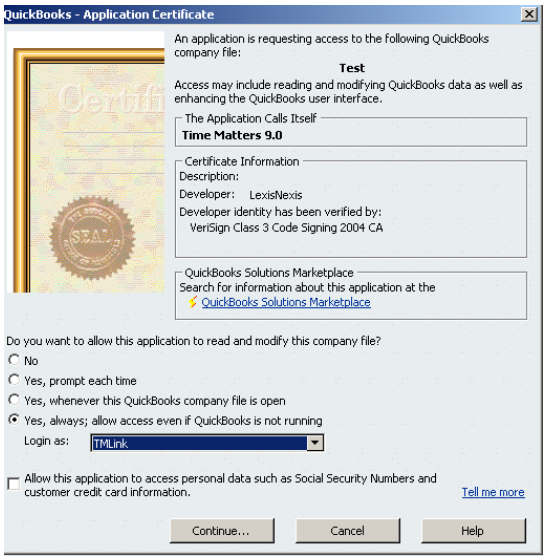


- Click on *Test Link*.
- A screen will come up showing *Initializing the QuickBooks link*, followed by a *QuickBooks – Application Certification* screen,
- Click on *yes, always; allow access even if QuickBooks is not running. Login as:*.
- In the *Login as* box choose *TMLink*. This unique user you will help provide an audit trail within QuickBooks of the transactions created by the Billing Matters Link when the user of the link is not specifically logged in to QuickBooks.
- Click on *Continue.*



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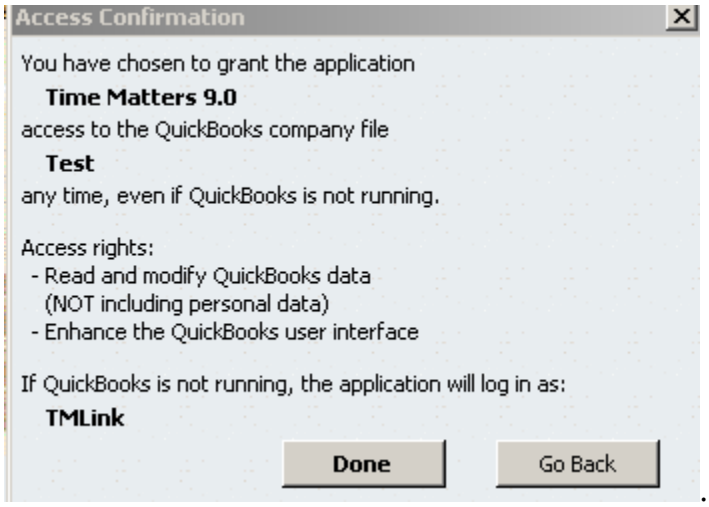
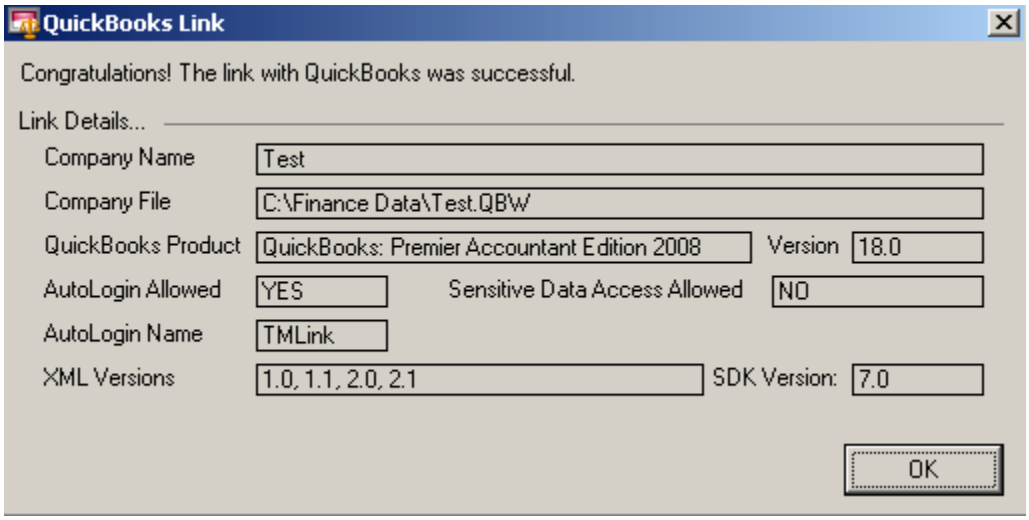
- When the *Access Confirmation* screen appears, click on *Done*.



- You should receive a *Link Successful* message. Click *OK* and wait for the processing to finish.
- When it completes a message will appear showing the QuickBooks link has been successfully established. **Be patient as this may take a little while.**



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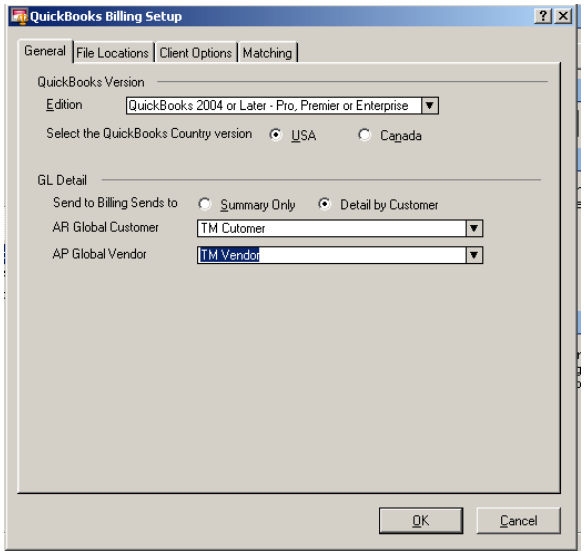
Click *OK* and you will be returned to the *Billing Matters – File Locations* tab. It is recommended you exit Billing Matters and then restart the program to insure that all changes are saved. When you return go to *Program Level Setup – Billing – Initial Setup – Link Options – General.*

Set whether you are going to transfer *Summary Only* or *Detail by Customer*. *Detail by Customer* is recommended since it provides more information and makes it easier to cross-check the information in QuickBooks against Billing Matters if needed.

Use the drop down to choose the AR Global Customer and AR Global Vendor from the QuickBooks database.



Click on the *Client Options* tab and select your preferences. Since Billing Matters has more fields for contact/matter information and breaks out the address more completely, it is recommended that you always start Matters in Billing Matters and send them to QuickBooks and that you do not send changes from QuickBooks to Billing Matters.

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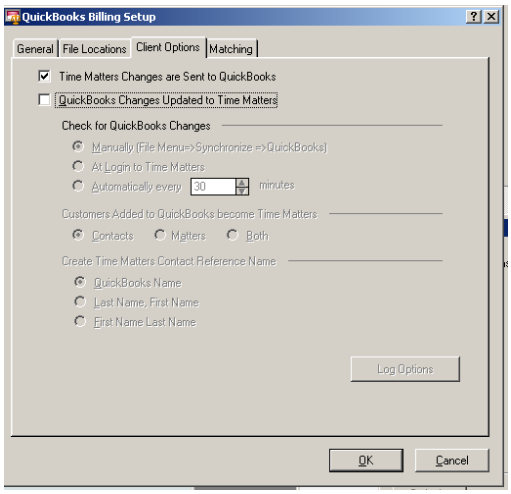
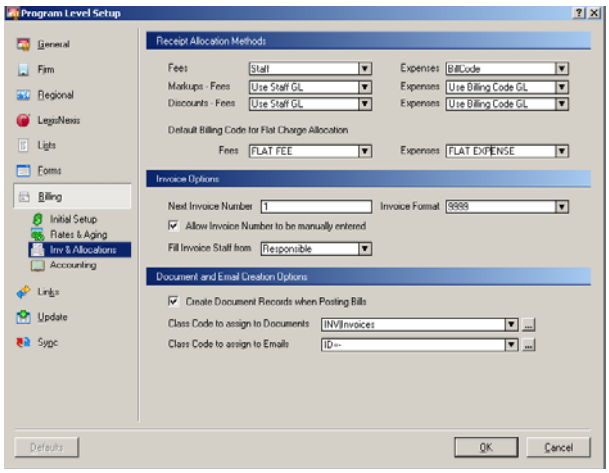


If desired you can go to the *Matching* tab and change the template settings for Contacts or Matters, depending on whether you are billing by Contact or Matter. (Contact-Matter Billing is billing by Matter.) Generally I find this to be unnecessary.

If you do not need to change the templates, or when you are finished, click on *OK* to save your changes.

Proceed to the *Inv & Allocations* section of the *Billing setup.* Make sure your *Receipt Allocation Methods* and your *Default Billing Code for Flat Charge Allocation* are setup properly. For *Fees* you can use whichever method is most appropriate for your business. For *Expenses* I recommend using an allocation method of *Bill Code*.



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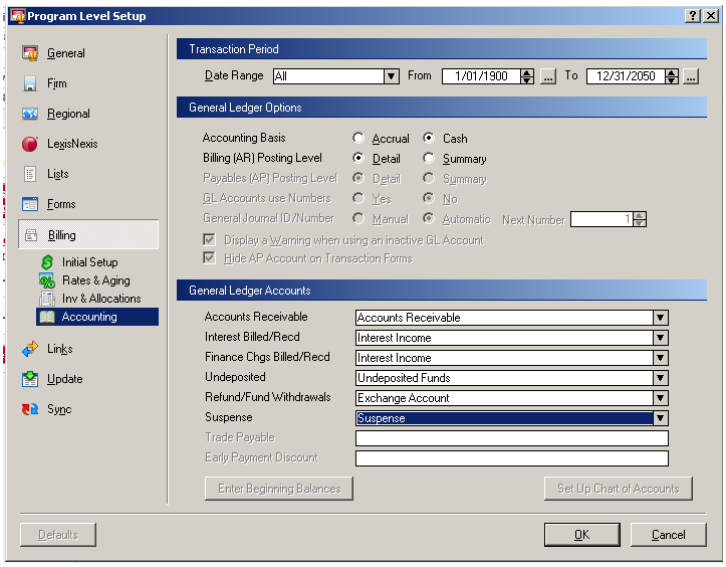
Go to the *Accounting* section of *Billing* setup. Insure that your *Accounting Basis* and *Billing (AR) Posting Level* are properly setup. *Cash Basis* and *Detail* Posting are recommended. If you choose to post on an *Accrual* Basis you will need to manually apply payments to customers in QuickBooks after the payments are posted from Billing Matters to QuickBooks in order to have accurate reports in QuickBooks. The discussions in the rest of this document assume you are linking on a cash basis and using Billing Matters to track accounts receivable.

Assign the *General Ledger Accounts*. The *Refunds/Fund Withdrawals* should be assigned to the *Exchange Bank Account*.



When you finish filling in the fields and click on *OK* you will receive a warning about *Changing System Level General Ledger Accounts*. Click *OK*.

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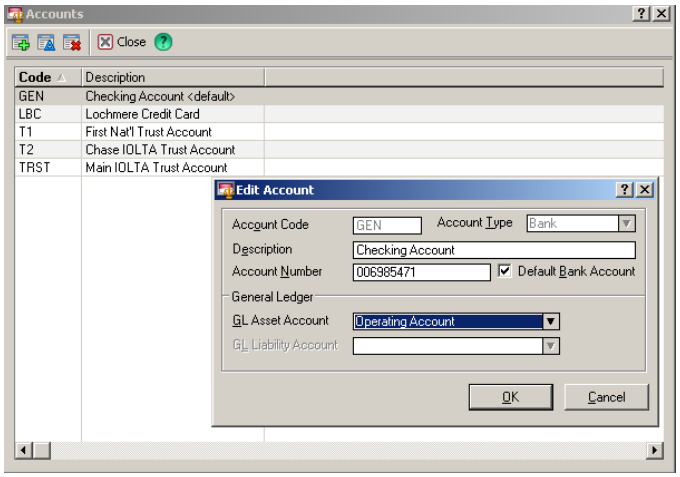
When this is finished you should setup links for your *Bank Accounts* and for *Staff*, *Billing Codes* and *Clients*, as appropriate.

To setup General Ledger accounts for your bank and credit card accounts go to *File – Setup – Rates and Accounts – Accounts.* Open each of your accounts and link to the appropriate account in your chart of accounts. Bank Accounts should link to the appropriate Bank Account.



Trust Bank Accounts should be linked to the Client Trust Bank Account and the Client Trust Liability Account.

<u>Receipt Allocation Method - Staff</u>
If you set your *Receipt Allocation Method* (under *File – Setup – General – Program Level Setup – Billing – Inv & Allocations)* to *Staff* then you will need to assign a General Ledger account to each staff person. This will be an income account. When money is received for work done by the staff person the income will be allocated to this assigned account. If you are allocating income based on Staff it is recommended that you make the *Staff* field on the *Billing form* a *Required* field. This is done by opening the Billing Form and right clicking on the *Staff* field and choosing *Customize Field*. The click the *Required* box. This will eliminate problems caused by someone failing to fill in the field.

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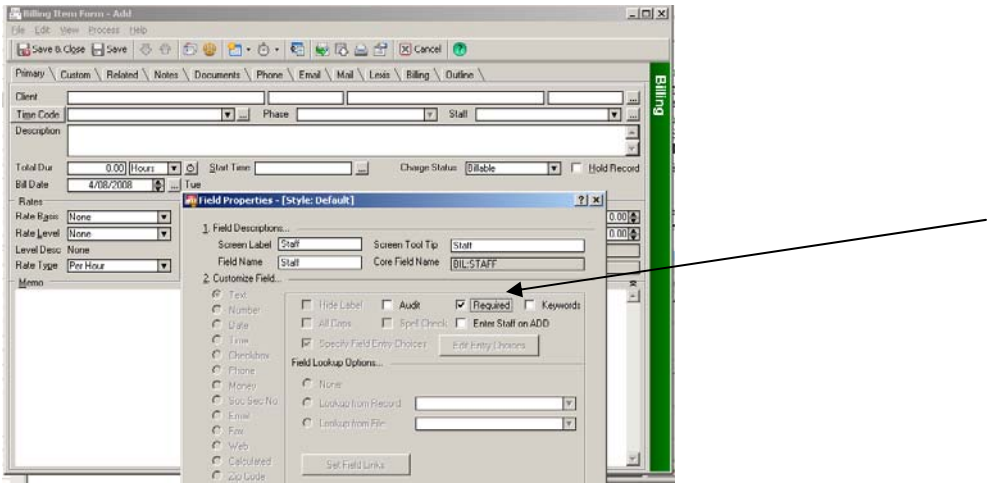
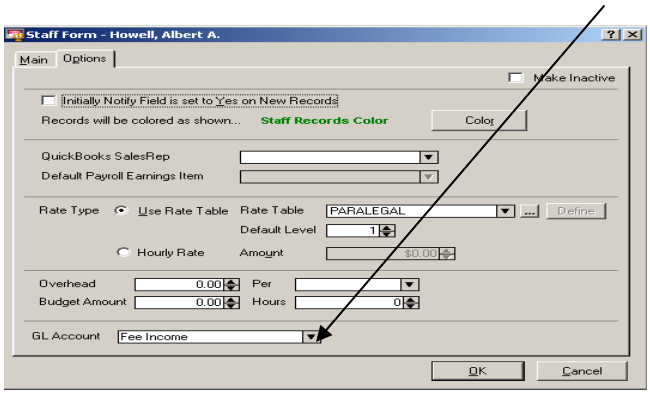


To setup the General Ledger account go to *Database – Staff*. Open each staff person in turn and click on *Options*. Fill in the *GL Account* from the drop down list.



<u>Receipt Allocation Method – Bill Code</u>

If you set your *Receipt Allocation Method* to *Bill Code* then you will need to assign a General Ledger account to each bill code. When money is received for work done on a Billing item that is associated with this Bill code the income will be allocated to the assigned General Ledger account. Time based *Bill Codes* will be linked to Income accounts. Expense based Bill Codes should be linked to the Reimbursable Client Expenses account, which is generally an asset account.

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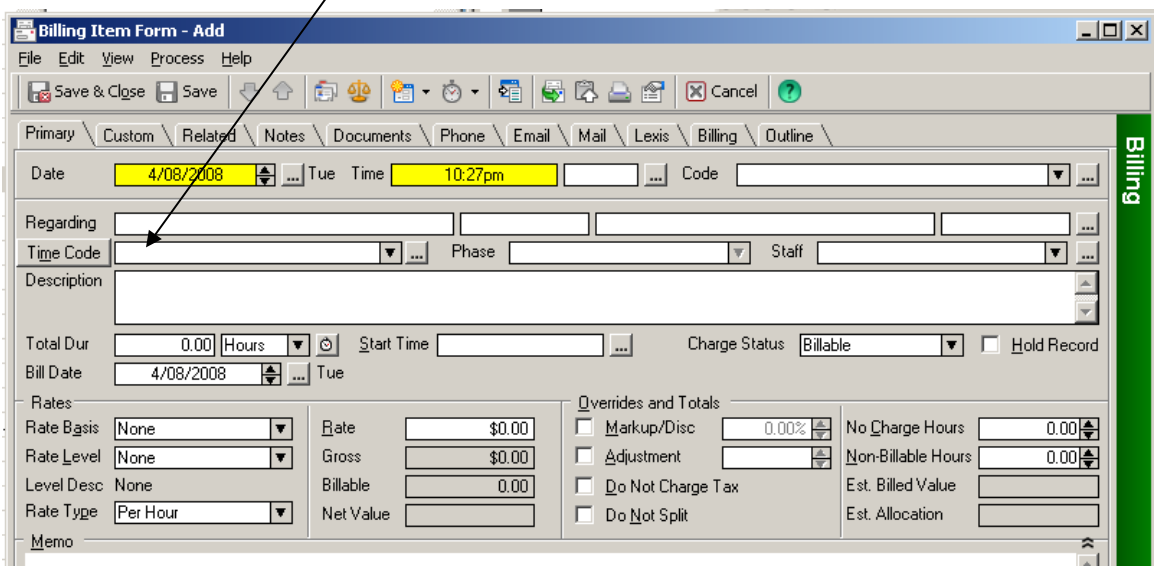
If you are allocating income based on Bill Code it is recommended that you make the *Bill Code* field on the *Billing form* a *Required* field. This is done by opening the Billing Form and right clicking on the *Bill Code* field and choosing *Customize Field*. The click the *Required* box.



To setup the General Ledger accounts go to *File – Setup – Codes – Billing Codes*. Open each Billing Code in turn and click on *Options*. Fill in the *GL Account* from the drop down list.

If you setup Receipt Allocation for Fees and Expenses differently you only need to setup General Ledger Accounts for the appropriate Bill Codes with one exception. Regardless of your Receipt Allocation Method you need to assign a General Ledger account to the codes you entered for *Flat Fee Time* and *Flat Fee Expense*.

<u>Receipt Allocation Method - Client</u>
If you set your *Receipt Allocation Method* to *Client* then you will need to assign a General Ledger account to each Client. This is most easily done through *Billing* Preferences. When money is received for work done on the Client the income will be allocated to the assigned General Ledger account.

To setup your system to assign General Ledger accounts to new clients you will want to set Billing Preferences to reflect the appropriate account. You can setup multiple Billing Preferences Templates by going to *File – Setup – Templates – Billing Preferences.* To modify an existing template double click on it. To add a new template click on the *Plus*

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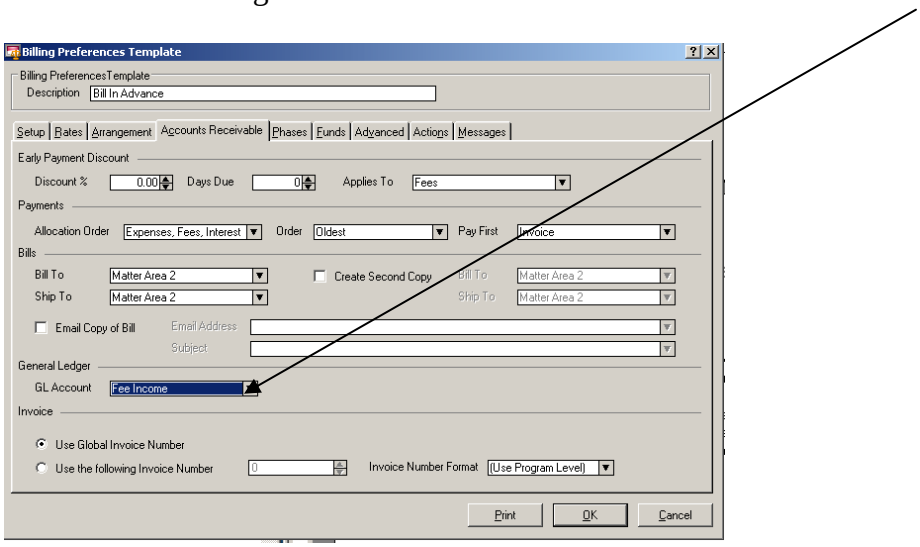
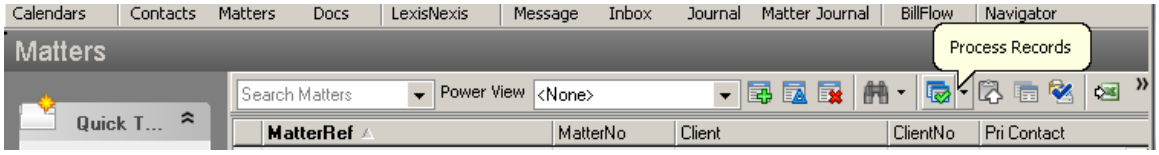
sign. Once the template is open you will need to go the Accounts Receivable tab and assign a GL Account in the appropriate box. This should be an income account. Note that there is only one box for *GL Account* on the *Billing Preferences*. This means that if you choose a *Receipt Allocation Method* of *Client* for *Fees* and for *Expenses* everything for each client will go to the same *GL Account*.



To setup General Ledger accounts for existing Clients (Contacts or Matters) you can edit the Billing Preferences of the Client by right clicking on the client and clicking on *Billing – Billing Preferences*. You can then go to the *Accounts Receivable* tab and choose a *GL Account.*

Alternatively, after setting up a Billing Preferences template with the appropriate *GL Account*, you can go to the Client list and tag those you wish to change. You can then go to *Process – Change Billing Preferences.*



Choose the *Billing Preference Template to Apply* and from the *Available Preferences* column choose *GL_Account.* Add this to the *Preferences to Apply* column by clicking on the *Add* button in the middle of the screen. Click on OK and wait for the changes to complete.

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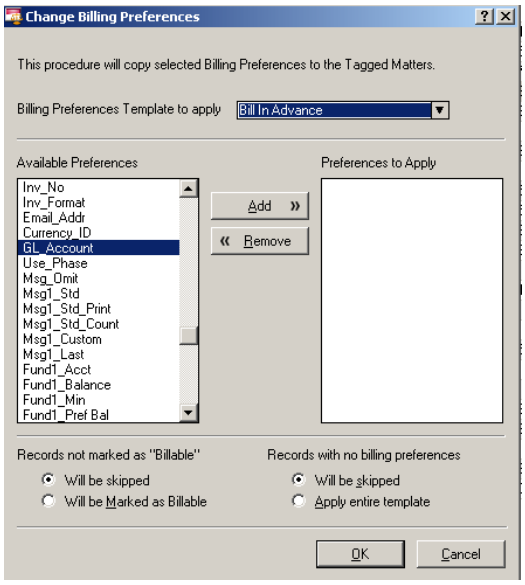
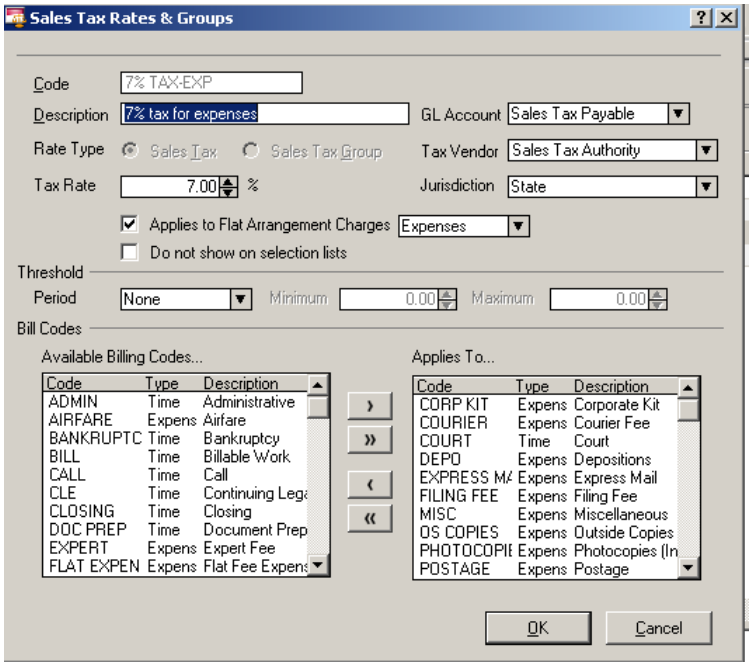


Sales Tax

If you will be charging Sales Tax, you will also need to assign GL Accounts to your sales tax items. Go to *File – Setup- Rates and Accounts – Sales Tax Rates.* Open each rate and assign a *GL Account.* This will be an Other Current Liability account, but not the "real" QuickBooks Sales Tax Liability Account. Also choose the appropriate *Tax Vendor*.



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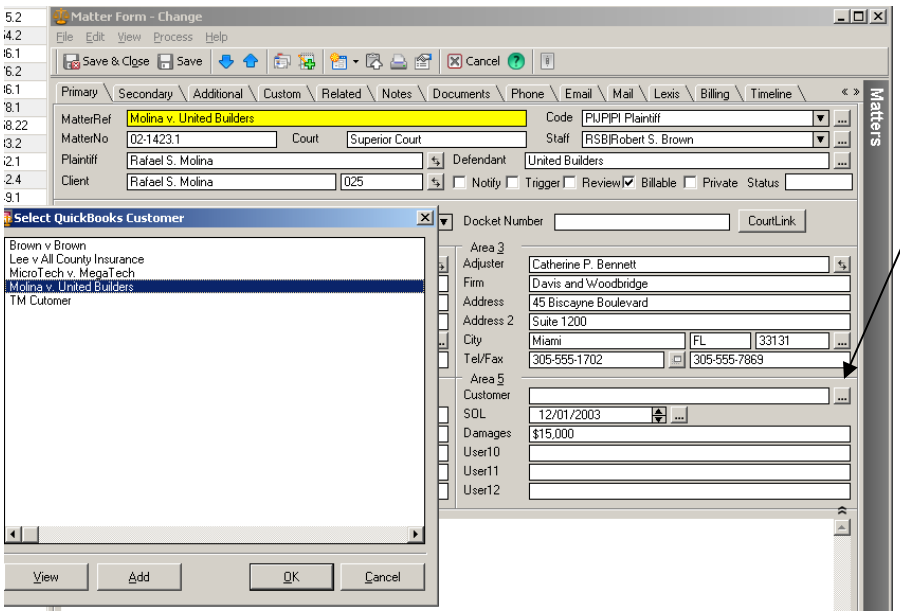
Using the Link

Once you have setup the connection between Billing Matters and QuickBooks you can enter time and expenses, generate bills and enter transactions as you would normally. Assuming you are linking on a cash basis, what will go over to QuickBooks are the transactions entered into Billing Matters. These include payments, deposits, refunds, payments to funds, etc. Some of these transactions will require special handling in QuickBooks.

Nothing will be sent to QuickBooks until you run and post the *Billing (AR) GL Distribution Detail Report.* (This assumes you have setup your system to post in detail not in summary.) This report is found under *Report – Standard Reports – Transactions*. It is recommended that you run the report, review it and post whenever you will be taking money to the bank or need to update the information in QuickBooks.

Connecting Time Matters Contact/Matter to QuickBooks Customer

It is important to have your clients in both Time Matters and QuickBooks. Each Time Matters *Contact* (if doing Contact Billing) or *Matter* (if doing Matter or Contact/Matter Billing) should be connected to a QuickBooks *Customer*. This connection is made by opening the *Contact* or *Matter* and going to the User 7 field which should now be labeled *Customer*. Click on the dots at the end of the *Customer* field to open the link to the QuickBooks Customer list. The *Select QuickBooks Customer* screen will open. If the *Matter* already exists in QuickBooks, highlight it in the list and click *OK*.



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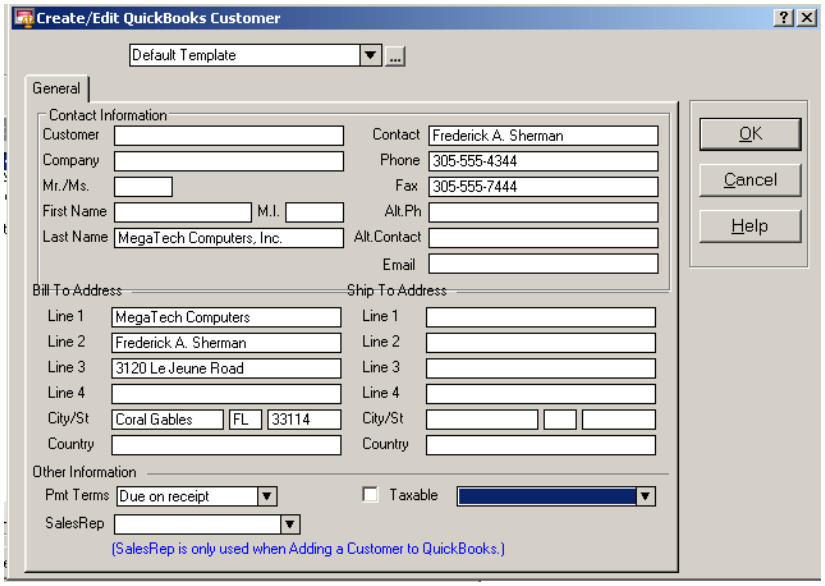
If the Matter is not already setup as a *Customer* in QuickBooks click *Add*. The *Create/Edit QuickBooks Customer* screen will open. Fill in the *Customer* field with the name you wish to have appear in QuickBooks and then click on *OK* to save. Then choose this name from the *Select QuickBooks Customer* screen and click *OK*.



Transactions

Payment

A *Payment* is entered anytime a client gives you money that will be going into an operating bank account. When you make a payment Billing Matters will create a journal entry:
Debit: *Undeposited Funds*
Credit: *Income* and/or *Reimbursed Client Expense* – if paying a bill
Suspense – if payment is not allocated to an invoice.

If you are not creating deposits in Billing Matters then when you open QuickBooks you will need to go to Banking – Make Deposits to choose the items to be deposited into the bank account.

Note: You may also want to include the Matter Name on all transactions in the *Suspense Account* to make it easier to identify balance issues in the account.

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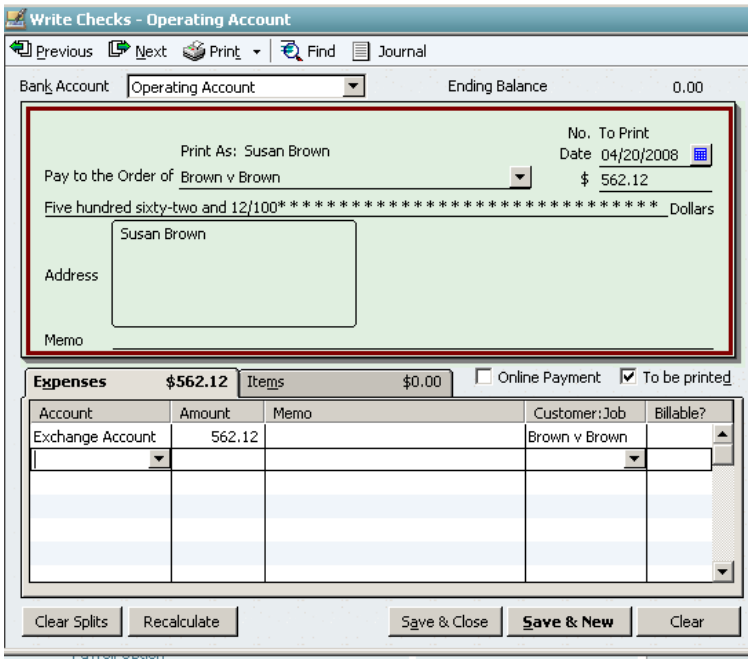
Credit and Write off

While some firms use *Credit* and *Write off* interchangeably; a good rule is to use a *Credit* when giving a reduction against charges not yet billed and to use a *Write-off* to decrease the client's outstanding balance. When transferring to QuickBooks on a cash basis, these entries have no impact on QuickBooks, and they will not show in the *Billing (AR) GL Distribution Detail Report*.

Refund

A *Refund* transaction is used to return money to the client when, for example, the case is closed and the client has a credit balance. The entry sent to QuickBooks will be:
Debit: *Suspense*
Credit: *Exchange Account*
The entry is set to the *Exchange Account* rather than the *Bank Account*, since you need to issue a check and QuickBooks does not allow checks to be created from journal entries. When you go to QuickBooks you will notice a negative balance in your *Exchange Account*. Open the *Write Checks* screen in QuickBooks and create a check from the *Bank Account.* The check should be written to the client and the *Account* should be *Exchange Account.* To facilitate reports it is helpful to include the Matter name in the *Customer:Job* field.
After you have recorded the check the *Exchange Account* should have a zero balance.



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Note: In order to have the *Customer:Job* as Brown v Brown but have the name print as Susan Brown you may need to edit the *Customer:Job* within QuickBooks. Open the customer record and change the first line of the *Addresses: Bill To* field to the name that should print. To prevent this change from impacting Billing Matters, it is important that you did NOT check *QuickBooks Changes Updated to Time Matters* in the QuickBooks link setup on the tab - *Client Options.*

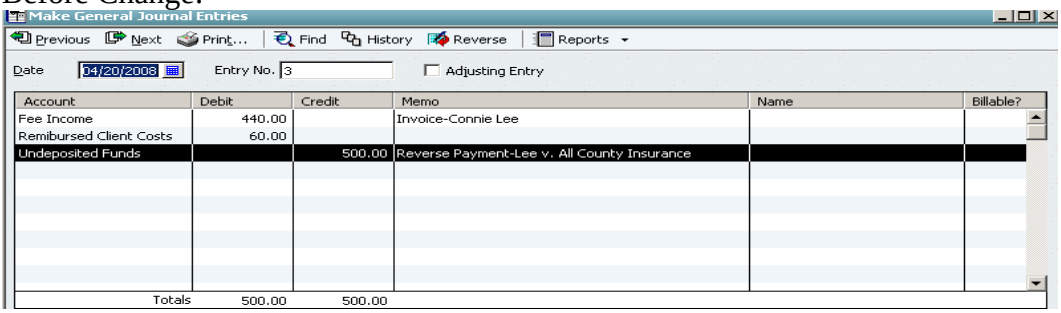
You may also want to include the Matter Name on all transactions in the *Exchange Account* and the *Suspense Account* to make it easier to identify balance issues in these accounts.

Reverse Payment

A *Reverse Payment* is primarily used when a check, previously received into the Operating Account, has been returned by the bank. The entry sent to QuickBooks will be the reverse of what was sent when the check was received.
Debit: *Income* and/or *Reimbursed Client Expense* – if paying a bill
Suspense – if payment is not allocated to an invoice.
Credit: *Undeposited Funds*
Since in QuickBooks you can not deposit a negative amount, this entry requires some special handling. A suggested procedure within QuickBooks is:

1. *Lists – Chart of Accounts* to open the *Chart of Accounts*
2. Double click on the *Undeposited Funds* account in the list to open the account
3. Locate the *Reverse Payment* transaction in the register. The *Memo* will show *Reverse Payment – matter name* and the amount of the reversed payment will be in the *Decrease* column.
4. Right click on the transaction and choose *Edit General Journal Entry*
5. On the line showing the account as *Undeposited Funds* change the account to the *Bank Account* the money was taken from.
6. Add the Matter name under the *Name* column if desired
7. Click on *Save & Close* to save your changes.

Before Change:



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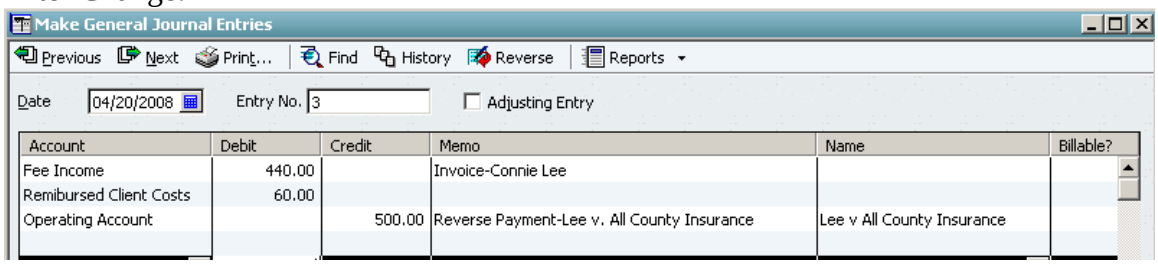
After Change:



Bank Deposit

Bank Deposits group the individual items that are being deposited to the bank into a single batch. This makes it easier to reconcile your bank statement in QuickBooks because the deposits will match the bank statement rather than be a series of individual items.

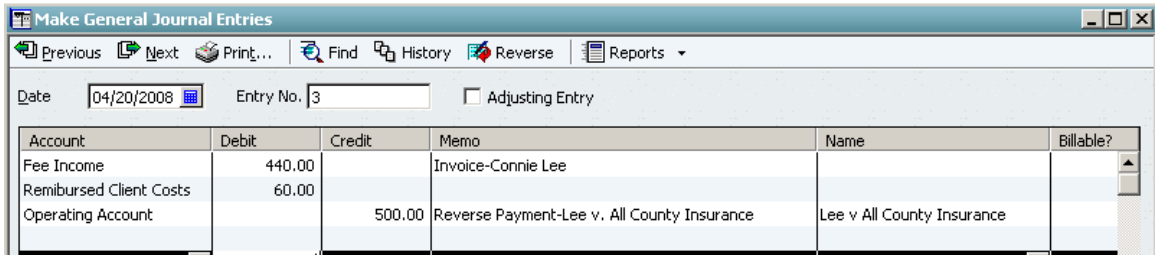
When using the link *Bank Deposits* are optional as the same thing can be achieved within QuickBooks.

The entry that will go to QuickBooks will

Debit: *Bank Account*

Credit: *Undeposited Funds*

When you go into QuickBooks you will need to go to *Banking – Make Deposits* and record a zero amount deposit to clear out the deposit amount that was transferred over from Billing Matters against the amounts that were created from the deposits received into QuickBooks. It is recommended that you *Deposit* this zero balance transaction into the *Exchange Account* to avoid zero based entries in the regular bank account that may confuse the reconciliation or reporting processes.



If you do not use *Bank Deposit* in Billing Matters, you will go to QuickBooks and *Make Deposits* directly into the *Bank Account* at the time you take the money to the bank.

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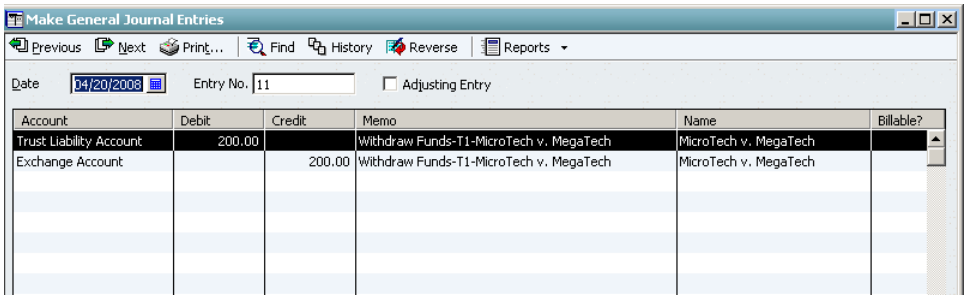
Pay to Funds

A *Pay to Funds* transaction is used to reflect money being deposited into the *Client Funds Account*. Since this money does not belong to the firm, it is especially important that this money is properly tracked.
The entry that will go to QuickBooks will
Debit: *Undeposited Funds*
Credit: *Trust Liability Account*
Whether you are recording deposits in Billing Matters or in QuickBooks, you will need to perform the same steps as described in the section above titled Bank Deposits, substituting the *Trust Bank Account* for the *Bank Account.*
If you want to be able to run reports of Client Trust Balances within QuickBooks you will need to edit the transaction within QuickBooks to include the Matter Name in the *Name* field of all transactions in the *Trust Liability Account*.



Note: You may also want to include the Matter Name on all transaction in the *Exchange Account* and the *Suspense Account* to make it easier to identify balance issues in these accounts.

Withdraw Funds

Withdraw Funds is used when removing money from the Client Trust Account for a purpose OTHER THAN paying your firms bill. This may include refunding excess Trust Funds to the client or paying a third party from the Trust Account. Since a check will need to be written from QuickBooks, extra processing is required within QuickBooks.
The entry that will go to QuickBooks will
Debit: *Trust Liability Account*
Credit: *Exchange Account*
The entry is set to the *Exchange Account* rather than the *Client Trust Account*, since you need to issue a check and QuickBooks does not allow checks to be created from journal entries.
When you go to QuickBooks you will notice a negative balance in your *Exchange Account*. Open the *Write Checks* screen in QuickBooks and create a check from the

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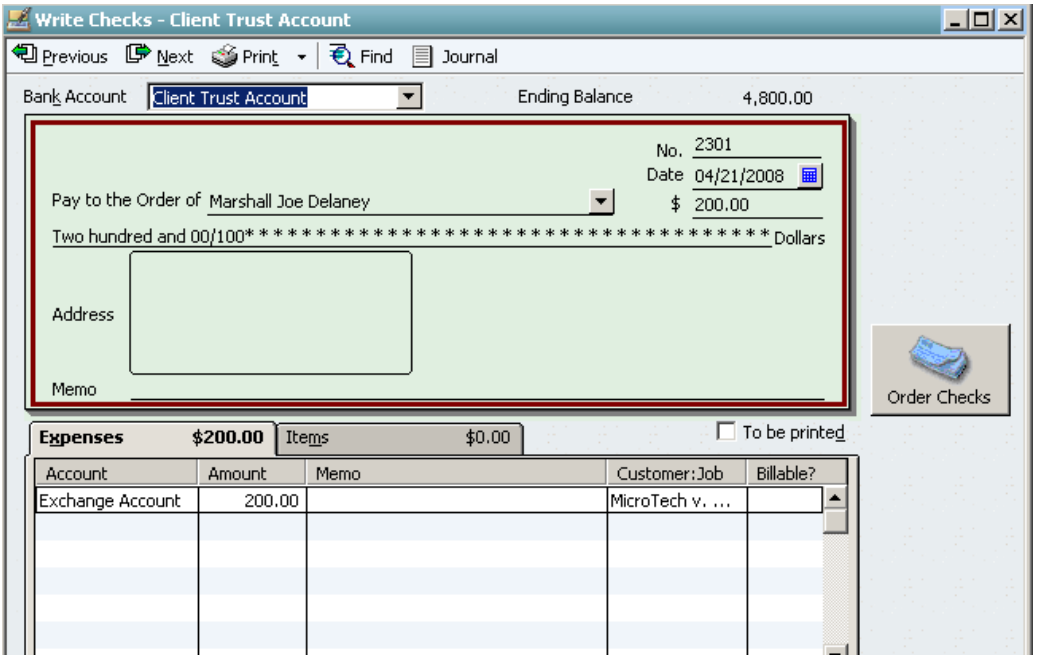
Client Trust Account. The check should be written to the appropriate vendor and the *Account* should be *Exchange Account.* To facilitate reports it is helpful to include the Matter name in the *Customer:Job* field.
After you have recorded the check the *Exchange Account* should have a zero balance.



Apply Funds to A/R

An *Apply Funds to A/R* transaction is created to move money from the *Client Funds Account* for purposes of paying the firm invoice. If you have checked *Automatically Apply Payments to new charges on Bills* in the *Billing Preferences* for the client, this transaction will be created automatically if there is money in the *Client Funds Account* at the time you create and post the bill.
This transaction is the equivalent of a **Payment** and a **Withdraw Funds**. You will notice that the journal entry created is the same combining the journal entries from those two transactions.
The journal entry created to be sent to QuickBooks will be
Debit: *Trust Liability Account*
Credit: *Exchange Account*
Debit: *Undeposited Funds*
Credit: *Income* and/or *Reimbursed Client Expense*

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You will need to follow the steps to

1. Move the money into the *Operating Account* (depending on whether or not you are recording *Deposits* in Billing Matters. – See instructions under **Payment**
2. Write a check from the *Trust Liability Account* with a payee of the firm – See instructions under **Withdraw Funds**.
    - If you move money from the *Trust Liability Account* via phone or computer rather than a physical check, it is recommended that you follow the same steps but include a term like *Debit* on the line where a check number would normally be entered

Transfer to Funds

If a client has a credit balance you may need or want to move that money into the *Client Trust Account*. This is done through a *Transfer to Funds* transaction. The journal entry created will be
Debit: *Suspense*
Credit: *Exchange Account*
Debit: *Undeposited Funds*
Credit: *Trust Liability Account*
In QuickBooks you will need to

1. Move the money into the *Trust Bank Account* (depending on whether or not you are recording *Deposits* in Billing Matters. – See instructions under **Pay to Funds.**
2. Write a check from the *Operating Account* with a payee of the *Trust Bank Account.* The *Account* charged should be the Exchange Account.
    - If you move money from the *Operating Account* via phone or computer rather than a physical check, it is recommended that you follow the same steps but include a term like *Debit* on the line where a check number would normally be entered.
3. To facilitate reporting remember to add the Matter Name to the *Exchange Account* and the *Trust Liability Account* transactions.

Fund to Fund Transfer

Fund to Fund Transfer is used to move client trust funds from one matter to another. Both matters must be setup to use the same *Client Trust Fund Account*, as the *Fund to Fund Transfer* does not move money across bank accounts.
This transaction will not generate any entry to be sent to QuickBooks. However, if you are tracking client fund account balances in QuickBooks you will need to make a journal entry in QuickBooks to correct the client balances.
For the Matter for which the balance is being increased the entry will need to
Debit: *Client Trust Fund Account* and specify the Matter
Credit: *Trust Liability Account* and specify the Matter

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For the Matter for which the balance is being decreased the entry will need to
Debit: *Trust Liability Account* and specify the Matter
Credit: *Client Trust Fund Account* and specify the Matter

Useful QuickBooks Reports

There are several reports in QuickBooks that can be especially useful when using the link.

1. *Journal Entries Entered/Modified Today*
   This report is usually found under *Reports – Memorized Reports – Accountant*. If run the same day you post from Billing Matters, the report should duplicate the entries from the *Billing (AR) GL Distribution Detail Report*. If you do not run the report on the day you do the transfer, you can modify the date of the report by clicking on *Modify Report – Filters* and change the filter *Entered/Modified Today* to be the date the report was posted from Billing Matters.
   This report is useful for reviewing the transactions as well as for using the "quick zoom" feature to access and change a transaction.

2. *Transaction Detail by Account*
   Found under *Reports – Accountant and Taxes*, the *Transaction Detail by Account* can be setup to show the balances in the *Exchange Account*, the *Suspense Account*, or the *Trust Account* by Matter, assuming the matter has been assigned to the transactions as discussed previously. Once these reports are set the way you want, you may want to memorize each one to make it easy to use in the future.
   a. *Exchange Account by Matter*
      If the Exchange Account is not zero and reviewing the register does not help identify the issue, the *Transaction Detail by Account* may help identify the issue.
      Open the *Transaction Detail by Account* report Go to Modify Report – Filters. Filter the *Account* to show only the *Exchange Account* and clear the date range. Then go to the *Display* tab and set *Total by* to *Customer*. All transactions listed on the report under *No Name* can be examined and modified to include a matter reference.

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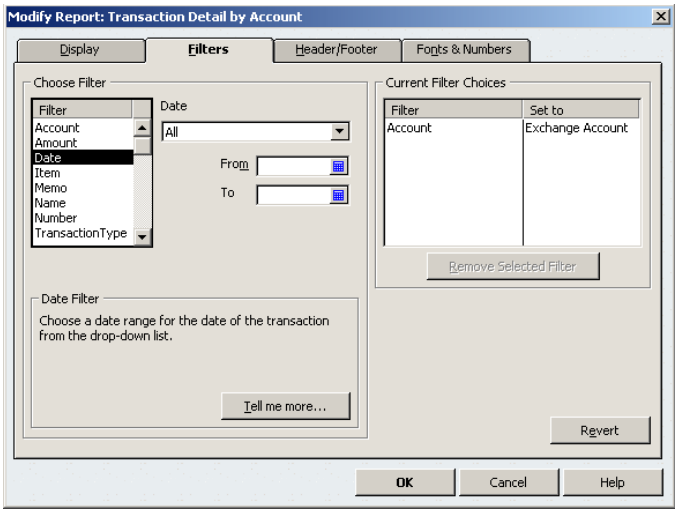

b. *Suspense Account by Matter*
If the *Suspense Account* is not zero and you would like to know who has money in Suspense, the *Transaction Detail by Account* can help identify those matters.
Open the *Transaction Detail by Account* report Go to Modify Report – Filters. Filter the *Account* to show only the *Suspense Account* and clear the date range. Then go to the *Display* tab and set *Total by* to *Customer*.
All transactions listed on the report under *No Name* can be examined and modified to include a matter reference.

c. *Trust Account by Matter*
The *Transaction Detail by Account* can help identify those matters with money in *Trust*. This can be useful as a cross check against Billing Matters and to make sure all money has been appropriately deposited and/or transferred.
Open the *Transaction Detail by Account* report Go to Modify Report – Filters. Filter the *Account* to show only the *Trust Liability Account* and clear the date range. Then go to the *Display* tab and set *Total by* to *Customer*.
All transactions listed on the report under *No Name* can be examined and modified to include a matter reference.

We hope this document has been helpful.
For further assistance please contact your local Certified Independent Consultant or Caren Schwartz at 203-254-7736.

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