



## Stale Cheques

### Support Note

For MYOB BusinessBasics, MYOB FirstEdge, MYOB Accounting V15, MYOB Accounting Plus V15, MYOB Premier V9, MYOB Premier Enterprise V3 and AccountEdge V5.

#### Introduction

Occasionally, for various reasons, cheques are not presented to the bank by the payee. The usual outcome is to either cancel and reissue the payment, or just cancel it. Either way, stale cheques are easily accounted for in your MYOB program. This support note explains how this is done.

### How is a stale cheque accounted for?

A stale cheque is simply a payment recorded in your company file which won't be presented to the bank. Until an adjustment is made, your cheque account balance will be less than actual.

To overcome this difference, the stale cheque will need to be reversed. This will place your bank account balance, and other affected account balances, in a position they would be in if the original payment hadn't been recorded.

### How is a stale cheque reversed?

A payment will result in a withdrawal from your cheque account. Therefore, a deposit of the same value can be considered a reversal. With this in mind, the options to reverse a payment are:

- Manually record a deposit using **Receive Money** or a **Journal Entry** (general journal). If entering a manual reversal, ensure the allocation accounts and GST tax codes are the same as those used on the stale cheque.
- Use MYOB's **Reverse** function. This is the recommended method and **must** be used if the payment was applied to a **Bill** using **Pay Bills**.

#### Please note:

- Using MYOB's **Reverse** function will provide you with a complete audit trail of the payment/reversal. It's also the quickest and most accurate method.
- Deleting stale cheques isn't an option we recommend as it may affect the GST for a previously reported period.

### Reversing the stale cheque - using the Reverse function

#### Step 1 – Setting MYOB's Preferences

Go to **Setup** choose **Preferences** and click the **Security** tab. Mark the **Transactions Can't Be Changed; They Must Be Reversed** option then click **OK**.

#### Step 2 – Reversing the stale cheque

- Go to the **Banking** command centre and click **Transaction Journal**.
- Enter the date of the cheque in the **Date From** and **To** fields then press the <tab> key.
- Identify the stale cheque then click its zoom arrow.
- Go to **Edit** and choose **Reverse Cheque Transaction**.



- Check and edit the reversal transaction details then click **Record**.

The window below shows the ledger postings of a typical **Spend Money** payment and reversal.

The screenshot shows the 'Transaction Journal' window with the 'Disbursements' tab selected. The window displays a table of transactions for the date 01/07/2004. The first transaction is a disbursement of \$150.00 to 'Local Paper - Advertising' with a debit to 'General Cheque Account' and credits to 'Advertising' and 'GST Paid'. The second transaction is a reversal of the same amount, with a credit to 'General Cheque Account' and debits to 'Advertising' and 'GST Paid'.

| Date       | ID# | Account                       | Debit    | Credit   | Job |
|------------|-----|-------------------------------|----------|----------|-----|
| 01/07/2004 |     | Local Paper - Advertising -   |          |          |     |
| 2          |     | 1-1120 General Cheque Account |          | \$150.00 |     |
| 2          |     | 6-1110 Advertising            | \$136.36 |          |     |
| 2          |     | 2-3030 GST Paid               | \$13.64  |          |     |
| 01/07/2004 |     | Reversal; 2; 01/07/2004       |          |          |     |
| CD000000   |     | 1-1120 General Cheque Account | \$150.00 |          |     |
| CD000000   |     | 6-1110 Advertising            |          | \$136.36 |     |
| CD000000   |     | 2-3030 GST Paid               |          | \$13.64  |     |

**Please note:** If the payment (**Pay Bills** or **Spend Money**) isn't going to be reissued, then use **Receive Money** to reverse the payment. Allocate the deposit reversal to the original expense account. Or, create a new Income account called Unrealised Expenses and allocate it to this account.

### Step 3 – Reissue the payment.

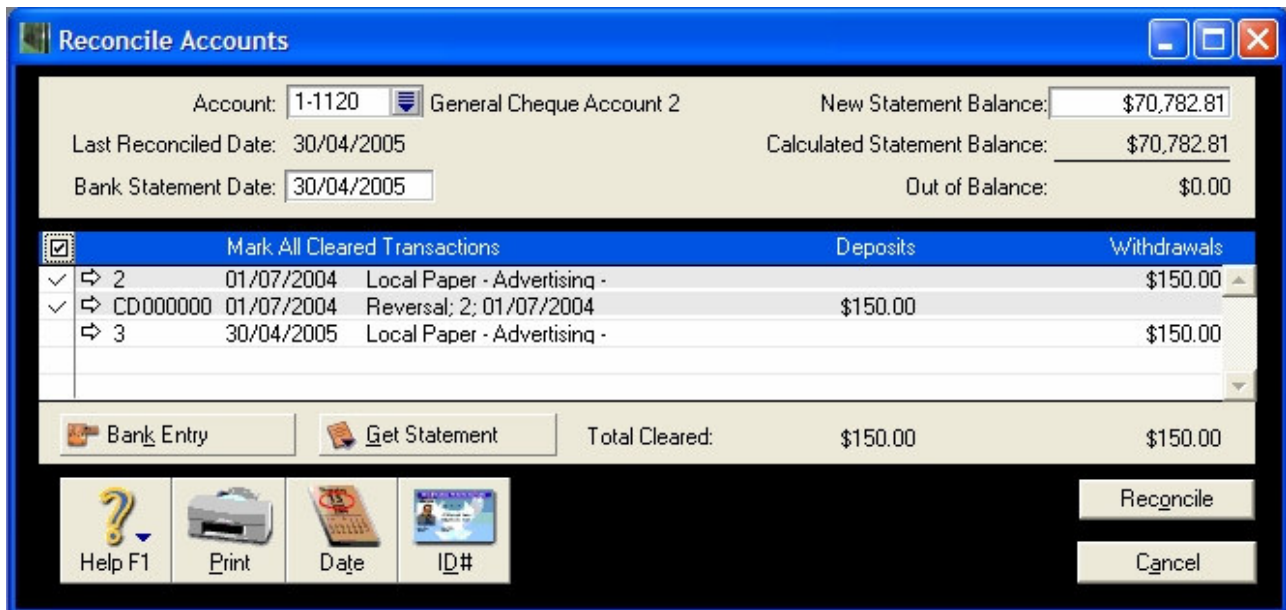
If the payment is to be reissued, then use the same payment type that was used for the stale cheque. For example: Reversing a **Pay Bills** payment will cause the status of the closed **Bill** to revert back to Open. Therefore, use **Pay Bills** again when reissuing the payment.

Similarly, use **Spend Money** if the original transaction was entered using **Spend Money**.

### Step 4 – Reconcile the cheque account.

When you **next** reconcile your cheque account, you will need to select both the stale cheque (withdrawal) and the reversal (deposit) as **Cleared**. As they are for the same amount, they will negate each other leaving your cheque account balance unaffected.

The window on the following page shows the **Reconcile Accounts** window with both the stale cheque and the reversal selected as **Cleared**. It also includes the reissued payment which is yet to be presented to the bank and is therefore not selected as **Cleared**.



## Do stale cheques affect the GST?

**Pay Bills** – GST input tax credits are recorded with the **Bill**, and not the payment (**Pay Bills** payment) applied to it. Therefore, **Pay Bills** payments can be freely reversed and re-entered without affecting the GST, if reporting your GST on accrual basis.

**Spend Money** – Regardless of the GST reporting method, reversing a **Spend Money** payment will reverse the GST input tax credit claimed on the original payment.

If the original payment was dated in a previously reported (finalised) BAS period, then the reversal will need to be dated in the current BAS period. By doing this, the previously reported BAS won't be affected and the input tax credits will be adjusted and reported in the current period.

## What if the stale cheque is dated in a previous financial year?

Transactions dated in a financial year prior to your company file's **Current Financial Year**, can only be reversed. Also, as transactions can't be recorded in a previous financial year period, the reversal will need to be dated in the current period. To determine your data file's **Current Financial Year**, go to **setup** and choose **Company Information**.

It is recommended **Receive Money** be used to record these reversals. By using **Receive Money**, you can allocate the reversal to an Income account (4-xxxx) named Unrealised Expenses, which you may need to setup. Alternatively, allocate the reversal to the expense account used on the original payment. And again, use the same Tax Codes that were used in the original transaction.

Please seek your accountant's advice regarding any tax implication this may have.

**Disclaimer:** This information is of a generic nature. For specific advice regarding your particular circumstances please seek assistance from your Accountant, the Australian Taxation Office or your IT Consultant as appropriate.