



# Payables Reconciliation

This support notes are suitable for:

- MYOB Accounting
- MYOB Premier
- MYOB PremierPlus

## Solution Summary

Run the Payables Exception report found in the Accounts tab of the Index to report. If it reports 'Nothing to Print' and you know that it is out of balance, or if you are using an earlier version of MYOB, run the Payables Reconciliation report.

Do this several times narrowing the date range each time until you identify the day the out of balance occurred. This will enable you to identify the specific transaction that has caused the imbalance.

It is important you check from time to time that your Payables are in balance. What this means is that the sum total of the amounts your suppliers owe you as shown on Supplier Cards is equal to the balance of your Payables or Trade Creditors account. The Payables Reconciliation Report compares these figures for you.

### How do I resolve an out of balance in my Payables Reconciliation?

#### What is the Payables Reconciliation report?

The **Payables Reconciliation** report provides a 'snapshot' of your Payables as at the selected **Date**.

Shown below is an excerpt of a **Payables Reconciliation Summary** report taken from Clearwater (MYOB's sample company file).

Please note:

- The **Total** (\$31408.75) is the balance of the **Supplier Cards** and is sometimes referred to as the Payables subsidiary ledger.
- The **Payables Account** balance (\$31288.75) is the balance of the linked Payables ledger account, which is sometimes known as the Trade Creditors control account.
- Any variance between the **Total** and the **Payables Account** is displayed as the **Out of Balance Amount** (\$120.00).

## Payables Reconciliation [Summary] 19/05/2005

Name	^ Total Due ^	0 - 30 ^	31 - 60 ^	61 - 90 ^
Clear & Bright Filters	\$531.51	\$0.00	\$0.00	\$0.00
Curbys Super Stands	\$825.00	\$0.00	\$0.00	\$0.00
Huston & Huston Packaging	\$335.20	\$0.00	\$0.00	\$0.00
Mojo Advertising	\$1,059.30	\$0.00	\$0.00	\$0.00
Mountain Spring	\$8,526.33	\$0.00	\$0.00	\$0.00
Underwater Springs Pty Ltd	\$20,131.41	\$0.00	\$0.00	\$0.00
Total:	\$31,408.75	\$0.00	\$0.00	\$0.00
Ageing Percent:		0.0%	0.0%	0.0%

Payables Account:       \$31,288.75  
Out of Balance Amount:     \$120.00

### What are the common causes of out of balance amounts in the Payables report?

When you record a purchase or a Supplier payment through the **Purchases** command centre, your ledger stays in balance. This is because MYOB automatically updates both the Supplier card and the Trade Creditors or Payables account. This way they are both kept synchronised.

However, the following transactions, scenarios and user actions will cause an out of balance:

- Transactions such as General Journals, Spend Money entries made in the Banking Command Centre, or Purchases transactions posted directly to the Trade Creditors account.
- A false out of balance. This happens if a payment applied to a Purchase is dated prior to the Purchase itself. This will also happen if a debit note is applied on a date prior to the date of a purchase or the debit note itself.
- A change to the opening balance figure for the linked Trade Creditors account. This would be done by going to the **Setup** menu, selecting **Balances** then **Account Opening Balances** and changing the amount that appears next to Trade Creditors or Payables account.
- The linked account for Payables has been changed.
- A partially deleted Finance Charge.

We will now look at each of these scenarios in more detail:

#### A transaction directly allocated to the linked Payables account

Allocating a transaction directly to the Payables account won't update the balance of the Supplier card. This therefore will cause an out of balance.

Below is an example of a Banking **Spend Money** transaction allocated directly to the Trade Creditors account.

**Spend Money**

Pay from Account: 1-1110 General Cheque Account 1 Balance ⇄: \$180,158.01  
 Tax Inclusive

Card ⇄: Huston & Huston Packaging Cheque No.: 108  
 Payee ⇄: Huston & Huston Packaging Date: 19/05/2005  
 237 Mason Parade Amount: \$120.00  
 North Sydney NSW 2060 Australia  
 One Hundred and Twenty Dollars and 0 Cents  
 Memo: Huston & Huston Packaging *Clearwater Pty Ltd*

Acct #	Name	Amount	Job	Memo	Tax
2-2000	Trade Creditors	\$120.00			N-T

Total Allocated: \$120.00  
 Tax ⇄: \$0.00  
 Total Paid: \$120.00  
 Already Printed Out of Balance: \$0.00

Save as Recurring  Use Recurring

Help F1 Print Journal Register OK Cancel

Shown here is the **Payables Reconciliation** report after the above transaction has been recorded.

**Payables Reconciliation [Summary]**  
 19/05/2005

Name	Total Due	0 - 30	31 - 60	61 - 90
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Curbys Super Stands	\$825.00	\$0.00	\$0.00	\$0.00
Huston & Huston Packaging	\$335.20	\$0.00	\$0.00	\$0.00
Mojo Advertising	\$1,059.30	\$0.00	\$0.00	\$0.00
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Total:	\$31,408.75	\$0.00	\$0.00	\$0.00
Ageing Percent:		0.0%	0.0%	0.0%

Payables Account:	\$31,288.75
Out of Balance Amount:	\$120.00

Because the Spend Money transaction has updated the Trade Creditors account but not the Supplier Card, the out of balance occurs. The Banking Spend Money transaction is not designed for this and will not update the card even if the Supplier card is selected.

The latest version of your MYOB software includes a report called the **Payables Reconciliation Exception** report. This report, which is found in the **Accounts** tab of the **Index To Reports**, is designed to identify incorrect transactions such as the above example. Here's an example:

## Payables Reconciliation Exceptions

### 19/05/2005

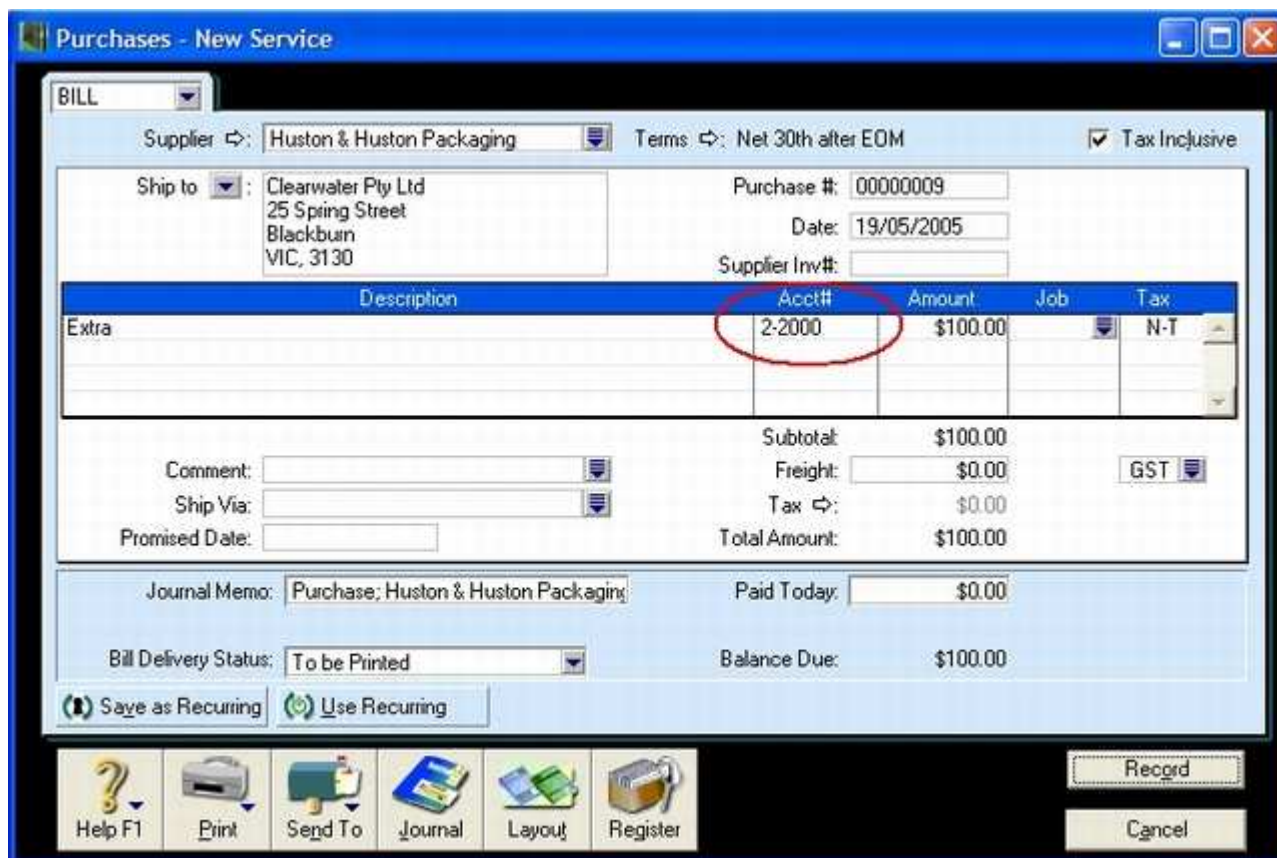
ID#	^Src^	Date	Memo	Debit	Credit	^Job No^
<b>Total Amount Outstanding:</b>			<b>\$31,408.75</b>			
<b>Linked Payables Account Balance:</b>			<b>\$31,288.75</b>			
<b>Out of Balance Amount</b>			<b>\$120.00</b>			

#### Possible causes of exceptions

108	CD	19/05/2005	Huston & Huston Packaging	\$120.00		
Total:				\$120.00	\$0.00	
Difference:				\$120.00		

As you can see, the report has identified the offending transaction. If you put your mouse pointer over the line representing the transaction, it will turn into a magnifying glass. Click the line to display the transaction itself. You can now go to the **Edit** menu and choose **Delete Cheque Transaction** and then re-enter the payment through the **Purchases** Command Centre by clicking **Pay Bills**. You may need to re reconcile your bank account if the deleted transaction had been previously reconciled.

Similarly, a Purchase transaction posted directly to the Trade Creditors account which in this sample file is 2-2000 will also cause an out of balance amount. An example of such a transaction is shown below.



To fix this, change the allocation account to an Expense account. If this transaction cannot be changed, you may delete or reverse it.

#### A false out of balance

A 'false' out of balance will occur if the payment applied to a purchase is dated prior to the **Purchase** itself. Or, if the application of a debit note is dated prior to either the:

- **Purchase** it has been applied to or

- The **Date** of the debit note itself.

This is easily determined by dating the **Payables Reconciliation** report for a 'far off' future date such as 31/12/9999. This is because the **Payables Reconciliation** report will balance once it is dated for the same, or a later date, than the debit note.

Shown on the next page are the journal entries of a purchase, a **Debit Note** and the **Application** of the Debit Note.

- The Purchase is dated 30/05/2005
- The Debit Note is dated 01/05/2005
- The application of the Debit Note is date 05/05/2005

**Note:**

When a supplier gives you a 'credit note' for goods you have returned or for any other reason, from the point of view of your accounting records, technically, it is called a debit note.

If you run the Payables Reconciliation report as at 18/05/2005, the report will show an out of balance amount. If you run it for any date after the 30/05/2005, because the application of the debit note is included in the date range, the report will show that the Payables are in balance.

The screenshot shows a 'Transaction Journal' window with the following data:

Date	ID#	Account	Debit	Credit	Job
01/05/2005 Debit Note: Huston & Huston Packaging					
	00000010	2-2000 Trade Creditors	\$90.91		
	00000010	2-2000 Trade Creditors	\$9.09		
	00000010	6-1180 Office Supplies		\$90.91	
	00000010	2-3030 GST Paid		\$9.09	
05/05/2005 Huston & Huston Packaging: Debit 00000010 Applied					
	PJ000001	2-2000 Trade Creditors		\$100.00	
	PJ000001	2-2000 Trade Creditors	\$100.00		
30/05/2005 Purchase: Huston & Huston Packaging					
	00000009	2-2000 Trade Creditors		\$90.91	
	00000009	2-2000 Trade Creditors		\$9.09	
	00000009	6-1160 Freight Paid	\$90.91		
	00000009	2-3030 GST Paid	\$9.09		

**Changing the opening balance of the linked Payables account**

If you go to **Setup**, choose **Balances** then **Account Opening Balances** you will see the following window.

General	Disbursements	Receipts	Sales	<b>Purchases</b>	Inventory	All
Dated From:	30/05/2005	To:	30/05/2005			
ID From:		To:				
Date	ID#	Account	Debit	Credit	Job	
⇒ 30/05/2005		Purchase; Huston & Huston Packaging				
	00000009	2-2000 Trade Creditors		\$90.91		
	00000009	2-2000 Trade Creditors		\$9.09		
	00000009	6-1160 Freight Paid	\$90.91			
	00000009	2-3030 GST Paid	\$9.09			

The amounts shown here relate to the **conversion month** or time at which you began using this particular data file to track your balances and transactions. If the opening balance of your Trade Creditors account is modified, your Payables will be out of balance. Restoring a backup may help determine the original opening balance figure.

### Changing the linked account for accounts payable

The linked Payables account is accessed by going to **Setup** selecting **Linked Accounts** and then **Purchases Accounts**. The linked Payables account is the account entered in the **Liability Account for Tracking Payables** field.

If: there are open Purchases when the account is changed and

- additional Purchases are entered after the linked account is changed,

The balance of your **Supplier Cards** will be spread across two ledger accounts. However, the **Payables Reconciliation** report will only report the balance of the account which is the one that is linked at the time the report is generated.

The only way to check for a changed linked account is to restore the earliest known backup of your company data file. Compare the linked accounts in the restored data file with your current working file. The linked accounts in both files should be the same.

### A partially deleted Finance Charge transaction

When a Finance Charge is recorded, MYOB creates two transactions. If only one of these is deleted, an out of balance will occur.

### What steps are needed to find the cause of the out of balance?

The **Payables Reconciliation** report is the primary tool for both reporting and finding out of balances.

#### Step 1 – Check for a false out of balance

As previously noted, customise the **Payables Reconciliation** report for a far off future date. If the out of balance is false, the Payables will show a zero **Out of Balance Amount**.

Follow the remaining steps if the out of balance remains.

#### Step 2 - Is the out of balance from a previous financial year?

Assume:

- the date is now 30/6/05 (end of the 04-05 financial year) and
- the data file's **Current Financial Year** is 2005. The **Current Financial Year** can be accessed by going to **Setup** and selecting **Company Information**.

Customise the **Payables Reconciliation** report for the

1/7/04 (or the beginning of your **Current Financial Year**). Is the **Out of Balance Amount** zero?

If not, then the cause of the out of balance will be in the previous financial year(s). You will need to restore last year's backup and then search for the cause of the out of balance in the restored file.

For more information on this, please refer to the section further below.

**Step 3 – Eliminate or narrow down date ranges where the transaction causing the out of balance took place.**

Finding the out of balance is simply a matter of finding the day the out of balance occurs. This is achieved by continually customising the **Payables Reconciliation** report for a sequence of dates that allows you to systematically hone in on the particular day.

Once the day is known, each transaction posted to the linked Payables account for that day can be checked. For example:

1. Re-customise the report for 1/1/XX (the middle of the financial year). If the **Out of Balance Amount** changes, then the offending transaction must be dated between 1/1/XX and 30/6/XX.
2. Re-customise the report for the 1/4/XX (halfway between 1/1/XX and 30/6/XX). If the **Out of Balance Amount** doesn't change, then the offending transaction must be dated between 1/1/XX and 1/4/XX.
3. Re-customise the report for the 15/2/XX (halfway between 1/1/XX and 1/4/XX). Continue re-dating the **Payables Reconciliation** report until the **Date** the out of balance occurs can be identified.

**Step 4 – Finding the offending transaction**

Once the date that the out of balance occurs is identified, check the transactions for that day to find the offending transaction.

In these examples we will find some of the transactions discussed above.

1. Go to the **Accounts** Command Centre, click **Transaction Journals** then click the **All** tab.
2. Enter the date identified in the previous step in both of to and from date fields.
3. We note the Purchase that has been directly allocated to the linked account for tracking Payables. Normally a Purchase transaction would be posted to an Expense account but in this case both the credit and debit are posted to the Trade Creditors account.

General		Disbursements		Receipts		Sales		Purchases		Inventory		All	
Dated From:	30/05/2005	To:	30/05/2005										
ID From:		To:											
Date	ID#	Account		Debit	Credit	Job							
⇨	30/05/2005	Purchase; Huston & Huston Packaging											
	00000009	2-2000	Trade Creditors		\$90.91								
	00000009	2-2000	Trade Creditors		\$9.09								
	00000009	6-1160	Freight Paid	\$90.91									
	00000009	2-3030	GST Paid	\$9.09									

4. To fix this refer to instructions on page 4.

5. Repeat the above steps for further out of balance amounts. In the next example an out of balance is determined to have taken place on the 5/5/2005.

General	Disbursements	Receipts	Sales	Purchases	Inventory	All
Dated From:	05/05/2005	To:	05/05/2005			
ID From:		To:				
Date	ID#	Account	Debit	Credit	Job	
⇒ 05/05/2005		Huston & Huston Packaging: Debit 00000010 Applied				
	PJ000001	2-2000 Trade Creditors		\$100.00		
	PJ000001	2-2000 Trade Creditors	\$100.00			

### How are errors corrected?

Before you take steps to correct the error, you need to determine what the purpose of the original transaction was.

For example:

- A **Purchase** being allocated back to the linked Payables account may have been a simple mistake and can be corrected by changing the allocation account to an **Expense** account.
- The **Spend Money** transaction allocated directly to the Trade Creditors should be deleted and replaced using **Pay Bills**.

### What if the error is present as at the start of the year and it relates to a transaction from a previous financial year which has been purged?

If the transaction in question was from a previous financial year, it may not be practical to restore that year's back up and re-enter that data entered since then. An alternative may be to enter an adjusting general journal.

You would date the journal as at the first day of the current financial year. For example, 1/7/2004. Every journal must have a debit and a credit and therefore will affect two accounts. Obviously, one account will be the Trade Creditors account. The question becomes what account the other side of the transaction should be posted to.

There are several options:

- You can restore the back up from the year in question and determine what account was used in the original transaction and use that account again.
- You can post the transaction to 8-XXXX 'Other Income' or 9-XXXX 'Other Expense' account. This way they are grouped differently on your profit and loss. (Not available for BusinessBasics or FirstEdge).
- You can create a 'Suspense account' and post the transaction to it.

**You must consult with your accountant or accounting professional prior to performing any such adjustment. The transaction may affect a BAS from a previous period. It will also affect other reports including your profit and loss.**

If you are unable to consult with your accounting professional at the time, the use of a suspense account may be the best option. This way, the amount can be journaled out of the suspense account at a later time. In any case, it is important to enter a meaningful explanation in the memo field of the journal so that the purpose of the transaction can be understood down the track.

**Disclaimer:** This information is of a generic nature. For specific advice regarding your particular circumstances please seek assistance from your Accountant.