SedonaOffice
Pre-Paid Accounts Payable

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About This Document

This document is being provided to explain how to handle the situation where your company is required to pre-pay a Vendor prior to the receipt of the goods or services on a purchase order.

This document explains the setup and the process using two methods:

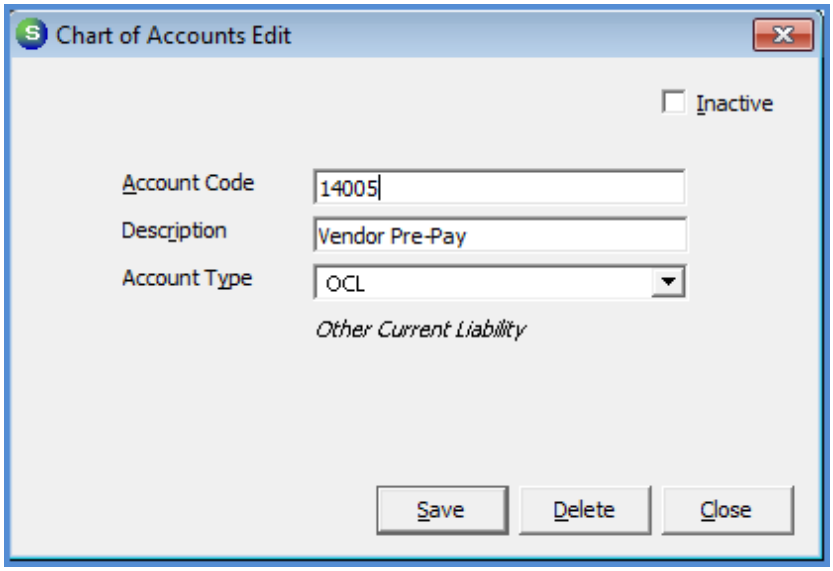
- The Vendor is being pre-paid with a company check
- The Vendor is being pre-paid with a credit card.

Setup

You will need to setup a G/L Account for the purpose of processing the pre-payment.

Chart of Accounts

1. Setup a new G/L Account with the account type of OCL. You may use the same description as shown in the example below or use other words that will describe that this account will be used for the purpose of pre-paying a Vendor Bill.



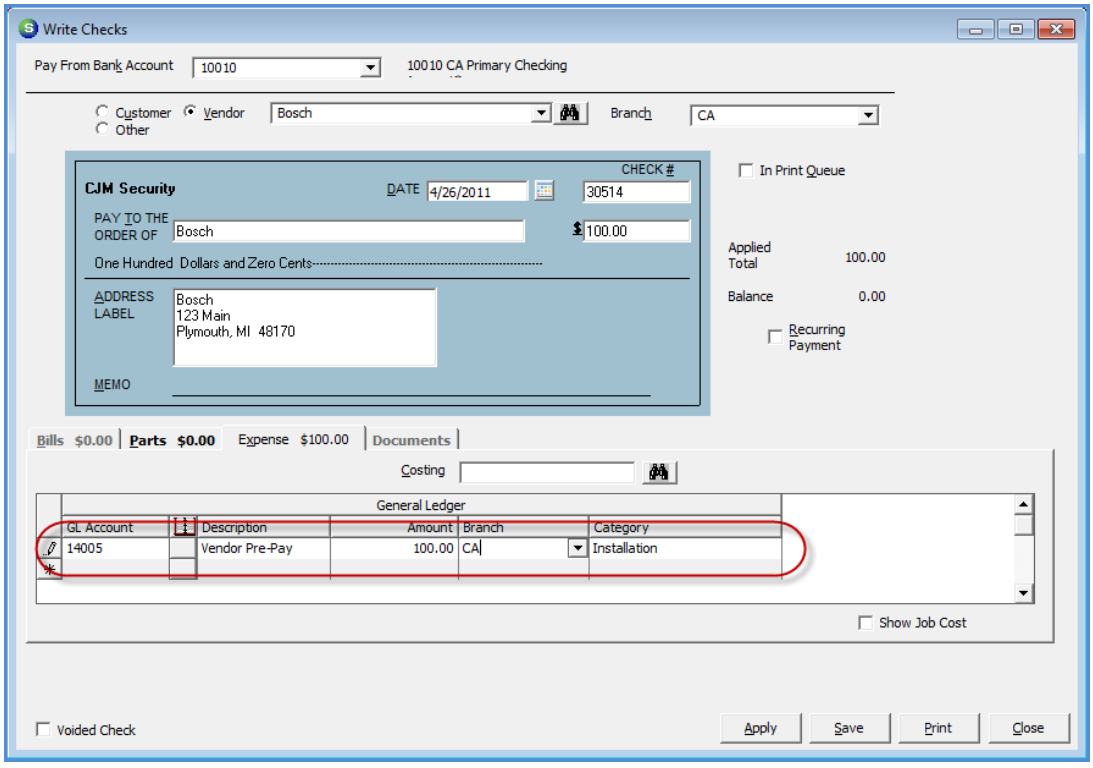
The Process

Pre-paying the Vendor with a Company Check

Basically, you will write a check to the Vendor using the newly created G/L account on the previous page as the expense account on the check. Next a vendor credit will be created [on the same Vendor] for the same amount of the check using the same newly created G/L account for the expense account.

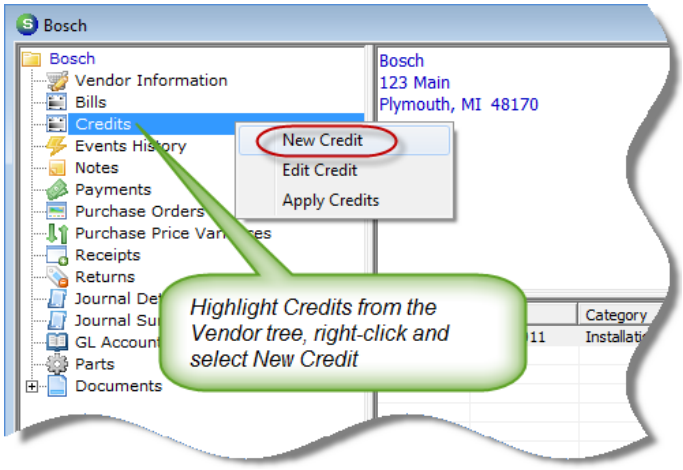
Once the Purchase Order for the goods or services have been received, you will create a Bill from the receipt, and then apply the Vendor Credit to the Bill using the Pay Bills function.

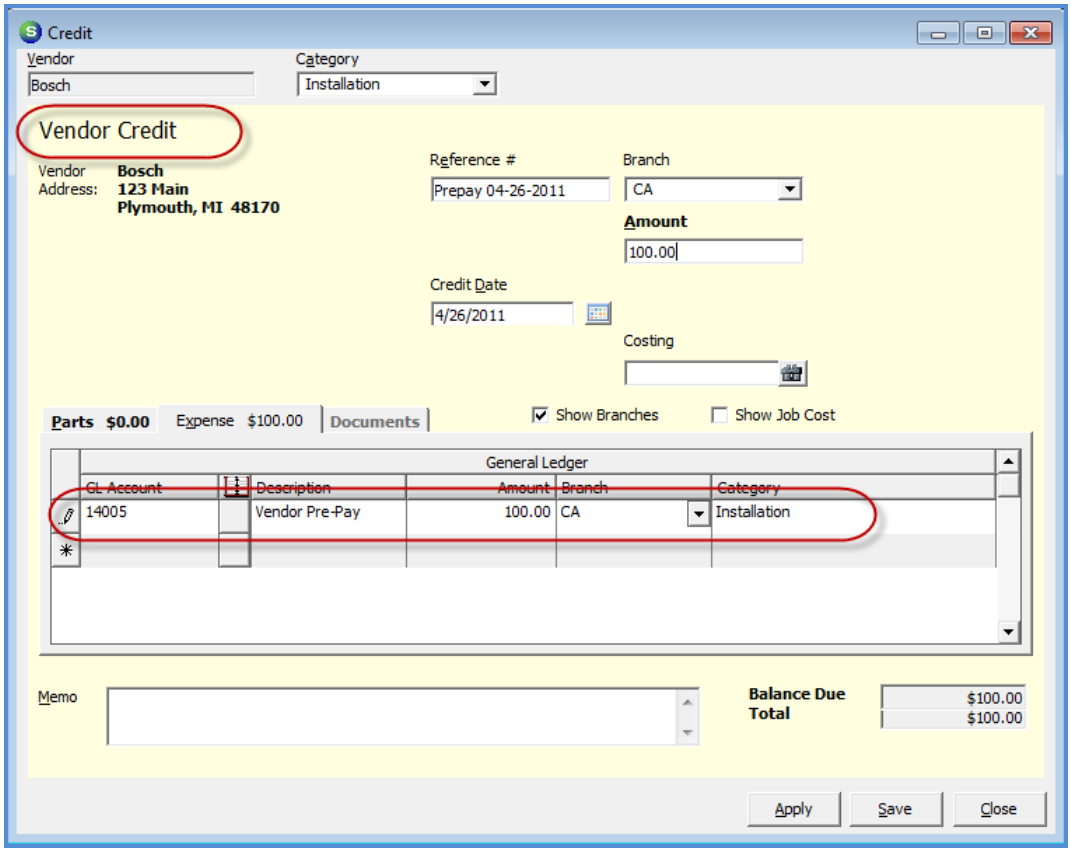
1. Navigate to the Write Checks option from the Accounts Payable module.
2. Create the check for the Vendor using the newly created G/L Account as the expense account.



Pre-paying the Vendor with a Company Check (continued)

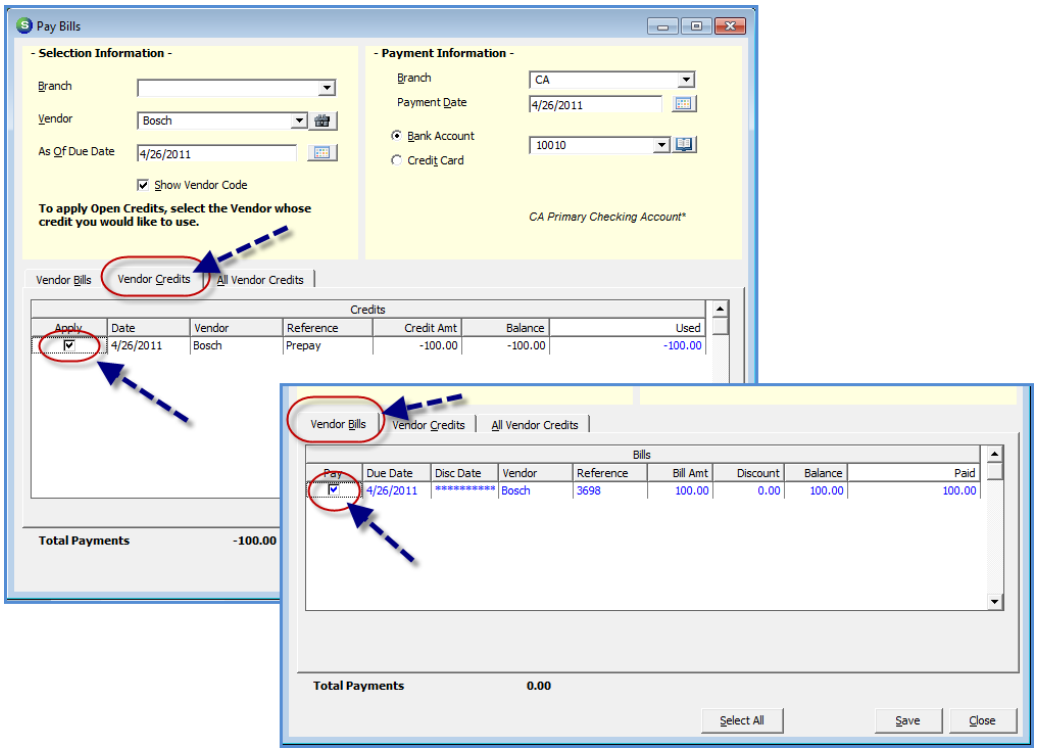
3. Create a Vendor Credit on the same Vendor for the same amount of the check using the same newly created G/L Account.



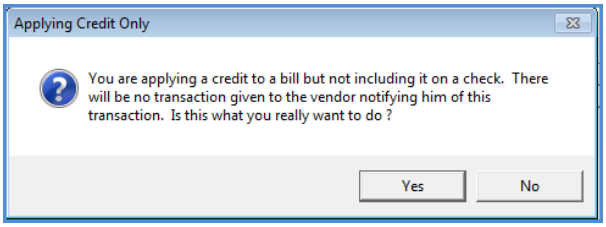


Pre-paying the Vendor with a Company Check (continued)

4. Once the Purchase Order for the goods or services have been received, enter a Bill for the receipt as usual.
5. Pay the Bill entered for the receipt by applying the Vendor Credit using the Pay Bills function.
   - Select the Vendor from the drop-down list.
   - Navigate to the Vendor Credits tab and check the box to the left of the Credit to apply to the Bill. You will be selecting the Vendor Credit created in step 3 above.
   - Navigate to the Vendor Bills tab and check the box to the left of the Bill to which the Credit will be applied. You will be selecting the Bill created in step 4 above.
   - Press the *Save* button.



A confirmation message will be displayed indicating that no check will be printed; click *Yes* to confirm.

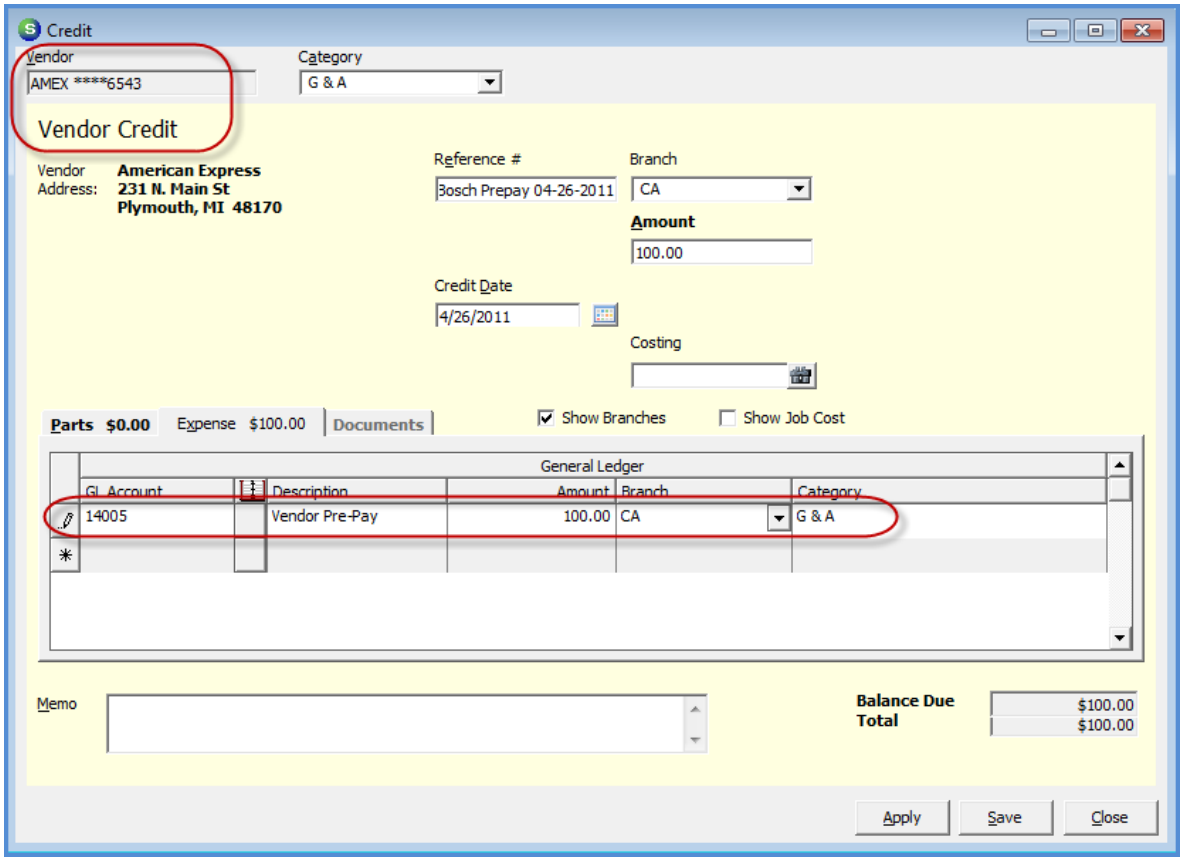


Pre-paying the Vendor with a Credit Card

Create a Vendor Credit on the Credit Card Vendor in the amount you are pre-paying for the goods or services using the newly created G/L account [on page 1] as the expense account.

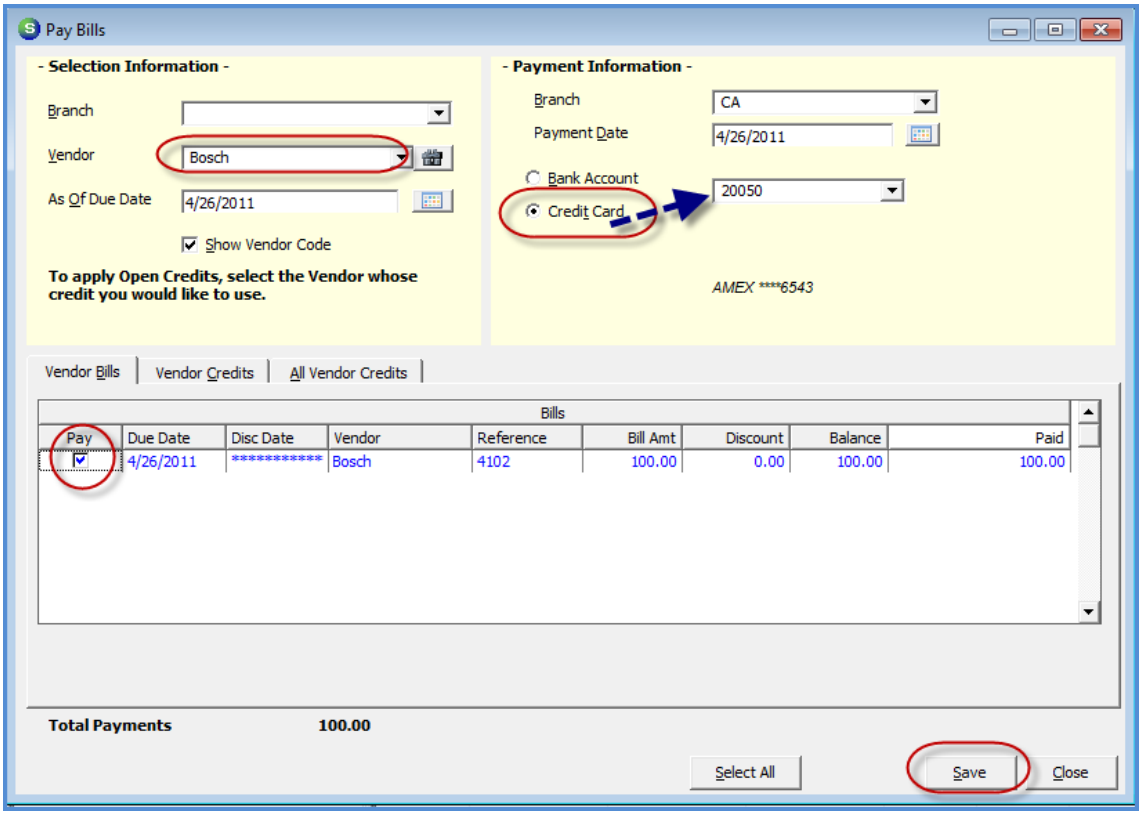
Once the Purchase Order for the goods or services have been received, you will create a Bill from the receipt, and use the Pay Bills function to pay the Bill with the credit card. Lastly you will pay the Bill transferred to the Credit Card Vendor using the Pay Bills function by applying the Vendor Credit to the Bill.

1. Create a Vendor Credit on the Credit Card Vendor for the amount you are pre-paying using the newly created G/L Account [page 5].



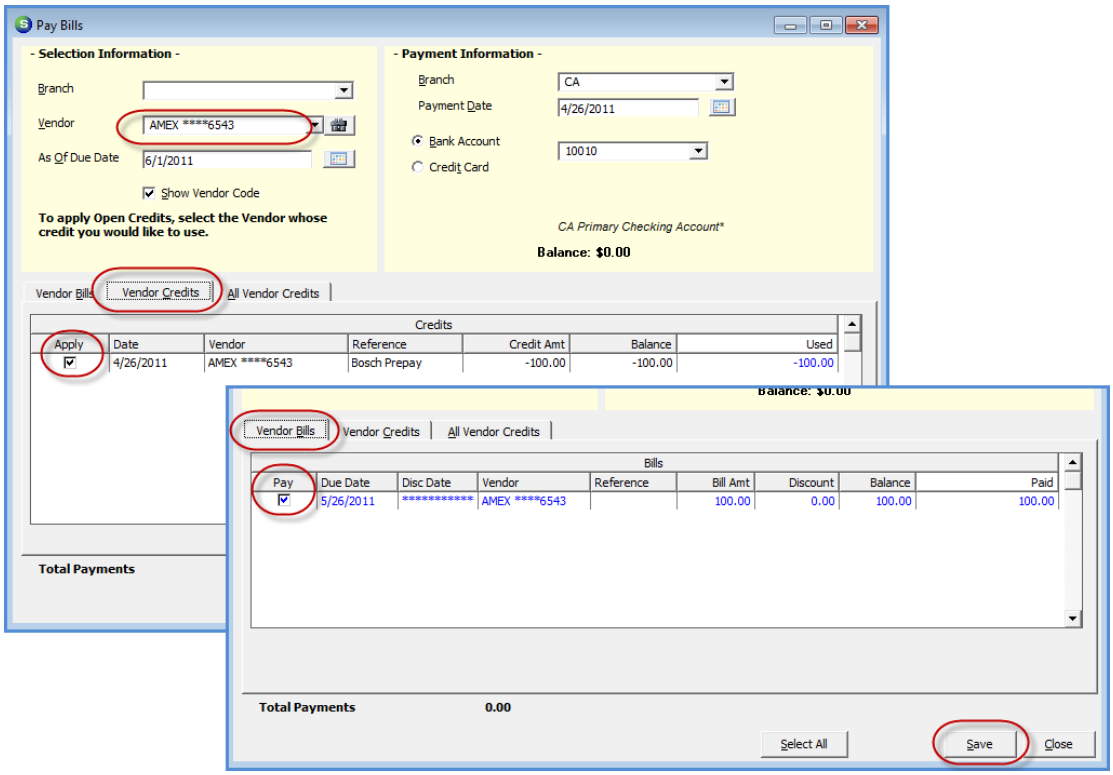
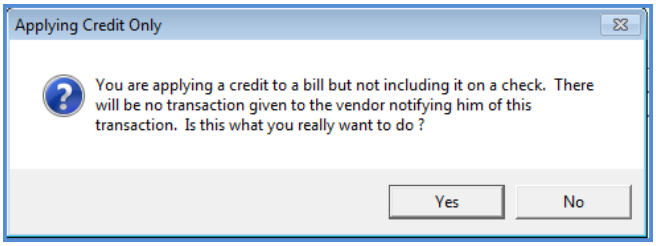
Pre-paying the Vendor with a Credit Card (continued)

2. Once the Purchase Order for the goods or services have been received, enter a Bill for the receipt as usual.
3. Using the Pay Bills function from the Accounts Payable module, pay the Bill entered for the receipt with the Credit Card option. This will transfer the bill to the Credit Card Vendor.



Pre-paying the Vendor with a Credit Card (continued)

4. Lastly you will pay the Bill transferred to the Credit Card Vendor with the Pay Bills function and apply the outstanding Credit created in step 1.
   - Select the Credit Card Vendor from the drop-down list.
   - Navigate to the Vendor Credits tab and check the box to the left of the Credit to apply to the Bill. You will be selecting the Vendor Credit created in step 1.
   - Navigate to the Vendor Bills tab and check the box to the left of the Bill to which the Credit will be applied. You will be selecting the Bill created by step 3.
   - Press the *Save* button.



A confirmation message will be displayed indicating that no check will be printed; click *Yes* to confirm.