AGENDA
FINANCIAL RECONCILIATION & PROBLEM TRANSACTIONS

What is reconciliation?
Definition
What iMIS does
Some double-entry bookkeeping

Fixing those transactions
What actually needs to be fixed
iMIS processes

Some good practice
Processes
System set-up
WHAT IS RECONCILIATION?

DEFINITION

• Wikipedia’s summary definition

• Reconciliation is the process of ensuring that two sets of records are in agreement

WHAT IS RECONCILIATION?

WHY RECONCILE?

• Identify errors
  – Your errors
  – Other people’s errors

• Identify fraud

• Improve the accuracy of financial recording and reporting
WHAT IS RECONCILIATION?
WHAT DO YOU RECONCILE?

- Reconcile: Bank
- Compare: Your records of deposits and withdrawals
- With: Bank records of deposits and withdrawals
- How: Using your accounting system reconciliation process
- Fix errors
  - Deposits on bank statement not in iMIS (and accounting system)
    • Enter into iMIS
  - Deposits in iMIS (and accounting system) not in bank
    • Enter reversing transactions into iMIS
  - Export new transactions from iMIS and import to accounting system

WHAT IS RECONCILIATION?
WHAT DO YOU RECONCILE?

- Reconcile: Debtors
- Compare: Your records of amounts owed by customers
- With: What customers believe that they owe
- How: Regular issuing of statements
- Fix errors
  - Customer has actually paid an outstanding amount
    • Enter payment into iMIS (*-tab unidentified deposits)
  - Customer no longer owes amount for other reason
    • Enter cancellation or credit memo into iMIS
**WHAT IS RECONCILIATION?**

**WHAT DO YOU RECONCILE?**

- Reconcile: Stock
- Compare: Your records of stock levels
- With: Actual stock levels
- How: Print stock list from iMIS and count all stock
- Fix errors
  - Enter inventory adjustments into iMIS
- We are only touching lightly on stock today

**WHAT IS RECONCILIATION?**

**WHAT iMIS DOES**

- iMIS, in accounting terms, is a sales ledger, recording
  - Sales made
  - Money received for goods and services
  - The amount of money owed for goods and services
- Another term for this money that is owed is accounts receivable
- If you are integrating iMIS with your accounting system, then iMIS will pass over to your accounting system:
  - Total value of sales made, split by income account code
  - Total GST collected on those sales
  - Total money received for goods and services
  - Changes in the amount of money owed for goods and services
In double entry bookkeeping, every transaction has two sides:
- Debit
- Credit

For example, you always receive money for something.

Understanding the basics helps with untangling problems.

Don’t think of them as positive and negative, or an increase and a decrease.

They are two related changes in your accounts.

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**Amy makes a donation for overseas aid**

| Receive money into the bank | $100 | Donations for overseas aid | $100 |
### WHAT IS RECONCILIATION?

#### EXAMPLE TRANSACTIONS

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian pays his membership subscription</td>
<td>$110</td>
</tr>
<tr>
<td>Receive money into the bank</td>
<td>$110</td>
</tr>
<tr>
<td>Membership income</td>
<td>$100</td>
</tr>
<tr>
<td>GST collected</td>
<td>$10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandu registers and pays for an event</td>
<td>$220</td>
</tr>
<tr>
<td>Receive money into the bank</td>
<td>$220</td>
</tr>
<tr>
<td>Event income</td>
<td>$200</td>
</tr>
<tr>
<td>GST collected</td>
<td>$20</td>
</tr>
</tbody>
</table>
### WHAT IS RECONCILIATION?
#### EXAMPLE TRANSACTIONS

<table>
<thead>
<tr>
<th>Davinder registers for an event</th>
<th>Davinder's debt increases $220</th>
<th>Event income $200</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GST collected $20</td>
<td></td>
</tr>
<tr>
<td>Davinder pays his event invoice</td>
<td>Receive money into the bank $220</td>
<td>Davinder's debt decreases $220</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eagle Pty Ltd is invoiced for corporate membership</th>
<th>Eagle's debt increases $1,100</th>
<th>Membership income $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GST collected $100</td>
<td></td>
</tr>
<tr>
<td>Eagle pays its membership invoice</td>
<td>Receive money into the bank $1,100</td>
<td>Eagle's debt decreases $1,100</td>
</tr>
</tbody>
</table>
**WHAT IS RECONCILIATION?**

**EXAMPLE TRANSACTIONS**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatima places an order with payment for books</td>
<td>$231</td>
</tr>
<tr>
<td>Receive money into the bank</td>
<td>$231</td>
</tr>
<tr>
<td>Fatima’s debt decreases (in the form of a prepayment)</td>
<td>$231</td>
</tr>
<tr>
<td>Fatima’s order is invoiced and processed</td>
<td></td>
</tr>
<tr>
<td>Fatima’s debt increases</td>
<td>$231</td>
</tr>
<tr>
<td>Book 1 income</td>
<td>$50</td>
</tr>
<tr>
<td>Book 2 income</td>
<td>$100</td>
</tr>
<tr>
<td>Book 3 income</td>
<td>$40</td>
</tr>
<tr>
<td>Freight</td>
<td>$20</td>
</tr>
<tr>
<td>GST collected</td>
<td>$21</td>
</tr>
</tbody>
</table>

**WHAT IS RECONCILIATION?**

**EXAMPLE TRANSACTIONS**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other transactions for Fatima’s book order</td>
<td></td>
</tr>
<tr>
<td>Book 1 cost of goods increases</td>
<td>$20</td>
</tr>
<tr>
<td>Book 1 inventory decreases</td>
<td>$20</td>
</tr>
<tr>
<td>Book 2 cost of goods increases</td>
<td>$35</td>
</tr>
<tr>
<td>Book 2 inventory decreases</td>
<td>$35</td>
</tr>
<tr>
<td>Book 3 cost of goods increases</td>
<td>$10</td>
</tr>
<tr>
<td>Book 3 inventory decreases</td>
<td>$10</td>
</tr>
</tbody>
</table>
### WHAT IS RECONCILIATION?

#### TURNING THIS INTO ACCOUNTING

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amy makes a donation for overseas aid</td>
<td>$100</td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>Brian pays his membership subscription</td>
<td>$110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST collected</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Davinder's debt increases</td>
<td>$220</td>
<td></td>
<td>$220</td>
</tr>
<tr>
<td>Eagle Pty Ltd is invoiced for corporate membership</td>
<td>$1,100</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>GST collected</td>
<td></td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Fatima places an order with payment for books</td>
<td>$231</td>
<td></td>
<td>$231</td>
</tr>
<tr>
<td>Fatima's order is invoiced and processed</td>
<td>$20</td>
<td></td>
<td>$20</td>
</tr>
<tr>
<td>Fatima's order is invoiced and processed</td>
<td></td>
<td>$10</td>
<td></td>
</tr>
<tr>
<td>Fixing those transactions</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### REVERSING OR CANCELLING A CASH BILLING PAYMENT

- **The original transaction**
  - Increased cash at bank
  - Increased income and GST collected

- **The reversal (giving money back)**
  - Decreases income and GST collected
  - Decreases cash at bank

- **The cancellation (not giving money back)**
  - Decreases income and GST collected
  - Increases the customer's credit balance
REVERSING OR CANCELLING A CASH BILLING PAYMENT

• The technique
  – Reversal
    • Enter a negative payment amount to give money back
  – Cancellation
    • Enter a payment amount of 0 to create a credit balance
  – Always
    • Enter a negative amount paid against each line

• Issues
  – Note or calculate the split between lines (fee and GST, for example)
  – If the billing lines have been deleted, you have to recreate them
  – Manually adjust the paid thru dates on the billing lines and the customer
  – A credit balance can be refunded or applied to another sale
**FIXING THOSE TRANSACTIONS**  
**CANCELING AN EVENT REGISTRATION (UNPAID)**

- **The original transaction**  
  - Increased income and GST collected  
  - Increased customer debt

- **The cancellation**  
  - Decreases income and GST collected  
  - Decreases (clears) customer debt

- **The technique**  
  - Find the registration  
  - Delete it

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**FIXING THOSE TRANSACTIONS**  
**CANCELING AN EVENT REGISTRATION (PAID)**

- **The original transaction**  
  - Increased income and GST collected  
  - Increased cash at bank

- **The cancellation**  
  - Decreases income and GST collected  
  - Increases the customer’s credit balance

- **The technique**  
  - Find the registration  
  - Delete it

- A credit balance can be refunded or applied to another sale
Create your cancellation fee as a function in the desktop.

After cancelling a registration:
- Edit the registration
  - This will uncancel it
- Manually edit the status
  - C for cancelled
- Manually add the cancellation fee (type GST inclusive amount)
- Save
When you charge a cancellation fee, you are increasing income and GST collected.

If the registration was unpaid, the customer’s debt is still decreased by the cancellation, but not completely cleared.

If the registration was paid, the customer’s credit balance is still increased by the cancellation, but not by the full amount originally paid.

Cancelling an entire event does the equivalent of cancelling each registration.

It will create credit balances for paid registrations.

List the paid registrations before you cancel the event.
• Editing an event registration will
  – Increase or decrease income and GST collected
  – Increase or decrease customer debt

• You can manually reprice to any desired amount

• Don’t forget to add quantity of 1 when entering a price

• Always include GST in your price; iMIS will work it out for you

FIXING THOSE TRANSACTIONS
EDITING EVENT REGISTRATIONS

• Use the Transfer/Substitute button to
  – Change the event (transfer)
  – Change the registrant (substitute)
  – Change the bill to ID (“My invoice must be addressed to my company”)

• When using Transfer
  – If the new event does not have automatic option set up on functions, then
    the correct functions may not be selected

• When using Substitute
  – If the new registrant has a different registrant class, they may not be able
    to register for certain functions

FIXING THOSE TRANSACTIONS
TRANSFER AND SUBSTITUTE IN EVENT REGISTRATIONS
**FIXING THOSE TRANSACTIONS**

**CANCELLING A PAID ORDER THAT HAS NOT BEEN INVOICED**

- The original transaction
  - Increased cash at bank
  - Increased prepayments

- The cancellation
  - Decreases prepayments
  - Increases the customer's credit balance

- The technique
  - Find the order
  - Delete it

- A credit balance can be refunded or applied to another sale

**FIXING THOSE TRANSACTIONS**

**CANCELLING AN UNPAID ORDER THAT HAS NOT BEEN INVOICED**

- The original transaction
  - There is no original transaction
  - An order that has not been invoiced is just in preparation

- The cancellation
  - Removes the order that is in preparation
  - Marks the order as CANCELLED

- The technique
  - Find the order
  - Delete it
**FIXING THOSE TRANSACTIONS**

**CANCELLING A PAID ORDER THAT HAS BEEN INVOICED**

- The original transaction
  - Increased income and GST collected
  - Increased cash at bank

- The cancellation
  - Decreases income and GST collected
  - Increases the customer's credit balance

- The technique
  - Enter a credit memo

- A credit balance can be refunded or applied to another sale

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**FIXING THOSE TRANSACTIONS**

**CANCELLING AN UNPAID ORDER THAT HAS BEEN INVOICED**

- The original transaction
  - Increased income and GST collected
  - Increased customer debt

- The cancellation
  - Decreases income and GST collected
  - Decreases customer debt

- The technique
  - Enter a credit memo
• Enter a credit memo as a new order
• Select your credit memo order type (typically CM or RET)
• Enter or lookup the ID
• Enter or lookup the invoice you are crediting
• Enter or lookup each product you are crediting and the quantity
  – Enter quantities as positive values; iMIS will make them negative
• Save
**FIXING THOSE TRANSACTIONS**

**CREDIT MEMOS**

- Credit memos must be processed (invoiced) to take effect

- Credit memos may need to affect stock levels, so your system may have two types
  - General credit memos that adjust charges but not stock
  - Return credit memos that adjust charges and stock

- If you charge for returns or otherwise cancelled orders, the iMIS add-on charge is *restocking*.

**FIXING THOSE TRANSACTIONS**

**DEBIT MEMOS**

- Debit memos are used to increase charges on a given invoice

- Use a debit memo to make other increases to charges on an invoice

- Debit memos will typically not affect stock

- If someone is ordering more products, it makes sense to create a new invoice
In accrual dues, income is recorded at the point of billing, resulting in:
- Increased income and GST collected
- Increased customer debt

If you use accrual dues, you need to do credits and debits using the dedicated functionality in the billing module.

Credit memos will:
- Decrease income and GST collected
- Decrease customer debt

Debit memos will:
- Increase income and GST collected
- Increase customer debt
FIXING THOSE TRANSACTIONS

*TAB

- In the desktop, entering a payment method (check number) of *TAB will open the customer's list of credit balances, which can then be used in part or full payment for another sale.

- You can also find every credit balance in the system through this method.

SOME GOOD PRACTICE

REFUNDS

- People often think about fixing transactions as “doing refunds”.

- You can’t (shouldn’t) refund money to a customer until you have created a credit balance.

- An ordinary (debit) balance where the customer owes money is a positive amount.

- A credit balance, where you owe the customer money, is a negative amount.
**SOME GOOD PRACTICE**

**REFUNDS**

- Split your stages of the process; if you are big enough, split the responsibilities

1. Create the credit balance through the appropriate correction/cancellation process
2. Process the refund
3. If you haven’t processed the refund in iMIS, record the refund in iMIS

- A refund is a negative payment applied to a negative (credit) balance

- Even if you have auto-apply set for payments, you have to manually apply the negative payment to the correct line

**SOME GOOD PRACTICE**

**REFUNDS**

- Refunds as negative credit card transactions in iMIS
  - You need the customer’s card details to do this
  - You have to have your gateway set up correctly
  - Anyone who can enter transactions can do these
  - Refunds may not be to the same card/method as the original transaction
  - Record and process in one step

- Refunds via your payment gateway
  - You can do a full or partial refund referenced to the original transaction
  - Restricted to certain staff members
  - Separate process and then record in iMIS
Refunds as manual payments through internet banking
- You need the customer’s bank details to do this
- Restricted to certain staff members
- Separate process and then record in iMIS

Refunds as batch payments through internet banking file upload
- You need the customer’s bank details and to set them up as a payee within your accounting system
- Restricted to certain staff members
- Use the iMIS refund clearing process to move the credit balances to a liability account, which is used in your accounting system as the expense account for the payments

You can also use this latter method for cheque payments

Some Good Practice
Refunds

You can create a refund request activity type for staff generating credit balances to notify accounts of a credit balance to refund
SOME GOOD PRACTICE
REFUNDS

• You can create a refund activity type to capture details of refunds processed through refund clearing

<table>
<thead>
<tr>
<th>Activity Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>REFUND</td>
</tr>
</tbody>
</table>

SOME GOOD PRACTICE
UNIDENTIFIED DEPOSITS

• Do you let customers drop money into your bank account?
• Do they identify those deposits clearly?
• You need to enter the deposits, because you need to reconcile your bank account
• So create a dummy customer for unidentified deposits and put them all as prepayments against that customer
• When someone phones because they paid and put “ABC membership” as the description, that is where any iMIS user can find it
SOME GOOD PRACTICE
RECONCILING YOUR BANK STATEMENT

• With one system, you can enter transactions as you (don’t) find them

• With two integrated systems, when you find a missing transaction, you need to:
  – Create a batch for the correct date
  – Enter the transaction
  – Post the batch
  – Repeat for each transaction
  – Create the GL journal for the correct period
  – Import it to your accounting system

SOME GOOD PRACTICE
RECONCILING YOUR BANK STATEMENT

• Various things can stop the amounts transferring over from iMIS matching the amounts on your bank statement
  – Transactions entered for the wrong day (especially cheques)
  – Credit card transactions on one date before and after settlement time
  – Amex transactions not settling on the same day
Ways to make reconciliation easier include

- Export by batch is normally sufficient to support reconciliation
- Always enter cheques with a date that matches the anticipated deposit date
- If you enter cheques through the desktop, use a single batch for all of them with the anticipated banking date
- Update all open batches to be ready at 6pm (settlement time)
- Use separate clearing “bank” accounts for Visa/MC and for Amex
- Daily export/import and reconciliation

IN SUMMARY

- You don’t need the “how” for every situation that might come up
- You need to understand the transaction(s) you are trying to fix
- What is the other half of the fix you are being asked to do?
- To refund an amount, it must be available as a credit balance
Questions?

(Debits by the window, credits by the door)