

How to Record Deposits received in advance

Question: *If I invoice a client for an upfront deposit, how do I show the deposit? I want full visibility of deposits that have been received*

Answer: An upfront deposit, is money that belongs to the customer, but which the customer has given to you to hold or to use to purchase tools, materials, supplies, and/or labour for their job. It is money you have received, but not yet earned so you should not record it as income when you get it. But should record it in a current liability account.

1. Go to Lists -> Chart of Accounts, click on the Account button, select New, and add a current liability account called Customer Deposits.
2. Go to Lists -> Item list, click on the Item button, select New, and add a service item called Customer Deposit mapped to the Customer Deposit account you setup above.
3. Create an Invoice or Sales Receipt for the deposit, and receive payment as usual.
4. On the final invoice, invoice for the full amount of the contract and add a line using the Customer Deposit item using a negative amount for the deposit already received. The total on the invoice should show the remaining amount due.
5. Periodically go to Banking -> Reconcile and reconcile the Customer Deposit account so that the customer deposits that have been applied to invoices are marked as cleared.
6. Then you can filter a report to only show uncleared transactions to get a report of only Customer Deposits that haven't been applied yet.

How to Record Part Payments received at the time of invoice

Question: *If I invoice a client and they part pay the invoice at that time, how do I show the payment on the invoice I give to the customer*

Answer: In this instance the money has been earned so:

1. Go to Lists -> Item list, click on the Item button, select New, and add a payment item called Payment Received
2. Select the Bank account that the money will be receipted in or Undeposited Funds.
3. Create the Invoice for the items being sold
4. Add a line for Payment Received and the amount of the payment.