



# Receivables Reconciliation

This support notes are suitable for:

- MYOB Accounting
- MYOB Premier
- MYOB PremierPlus

## Solution Summary

Run the Receivables 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 Receivables 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.

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

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

## What is the Receivables Reconciliation report?

The **Receivables Reconciliation** report provides a 'snapshot' of your receivables as at the selected **Date**. Shown below is an excerpt of a **Receivables Reconciliation Summary** report taken from

Clearwater (MYOB's sample company data file).

Please note:

- The **Total** (\$8078.24), is the balance of the **Customer Cards** and is sometimes referred to as the receivables subsidiary ledger.
- The **Receivables Account** balance (\$7958.24), is the balance of the linked receivables ledger account, which is sometimes known as the Trade Debtors control account.
- Any variance between the **Total** and the **Receivables Account** is displayed as the **Out of Balance Amount** (\$120.00).

## Receivables Reconciliation [Summary] 18/05/2005

Name	Total Due	0 - 30	31 - 60	61 - 90	90+
A-Z Stationery Supplies	\$1,486.23	\$20.25	\$0.00	\$0.00	\$1,465.98
James Cameron	\$2,067.60	\$0.00	\$0.00	\$0.00	\$2,067.60
Cash Sales	-\$269.50	\$0.00	\$0.00	\$0.00	-\$269.50
Chelsea Mosset	-\$162.50	\$0.00	\$0.00	\$0.00	-\$162.50
Chris Davis	\$240.00	\$0.00	\$0.00	\$0.00	\$240.00
Footloose Dance Studio	\$577.97	\$0.00	\$0.00	\$343.43	\$234.54
Island Way Motel	\$2,351.83	\$0.00	\$0.00	\$352.19	\$1,999.64
Leisure Landscape Nursery	\$699.00	\$0.00	\$0.00	\$0.00	\$699.00
My Town Reality	\$262.10	\$0.00	\$0.00	\$437.60	-\$175.50
The Motor Company	\$825.51	\$0.00	\$825.51	\$0.00	\$0.00
Total:	\$8,078.24	\$20.25	\$825.51	\$1,133.22	\$6,099.26
Ageing Percent:		0.3%	10.2%	14.0%	75.5%

Receivables Account:      \$7,958.24  
Out of Balance Amount:      \$120.00

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

When you record an invoice or a customer payment through the **Sales** command centre, your ledger stays in balance. This is because MYOB automatically updates both the customer card and the Trade Debtors or Receivables 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, Receive Money entries made in the Banking Command Centre, or Sales transactions posted directly to the Trade Debtors account.
- A false out of balance. This happens if a payment applied to an invoice is dated prior to the invoice itself. This will also happen if a credit note is applied on a date prior to the date of an invoice or the credit note itself.
- A change to the opening balance figure for the linked Trade Debtors 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 Debtors or Receivables account.
- The linked account for receivables has been changed.
- Partially deleted Finance Charge transaction

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

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

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

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

**Receive Money**

Deposit to Account: 1-1110 General Cheque Account 1 Balance ⇄: \$180,398.01  
 Group with Undeposited Funds:  Tax Inclusive

Payor ⇄: Cameron, James ID #: CR000042  
 Amount Received: \$100.00 Date: 18/05/2005  
 Payment Method: EFTPOS   
 Memo: James Cameron

Acct #	Name	Amount	Job	Memo	Tax
1-1700	Trade Debtors	\$100.00			N-T
Total Allocated:		\$100.00			
Tax ⇄:		\$0.00			
Total Received:		\$100.00			
Out of Balance:		\$0.00			

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

### Receivables Reconciliation [Summary] 18/05/2005

Name	Total Due	0 - 30	31 - 60	61 - 90	90+
A-Z Stationery Supplies	\$1,486.23	\$20.25	\$0.00	\$0.00	\$1,465.98
James Cameron	\$2,067.60	\$0.00	\$0.00	\$0.00	\$2,067.60
Cash Sales	-\$269.50	\$0.00	\$0.00	\$0.00	-\$269.50
Chelsea Mosset	-\$162.50	\$0.00	\$0.00	\$0.00	-\$162.50
Chris Davis	\$240.00	\$0.00	\$0.00	\$0.00	\$240.00
Footloose Dance Studio	\$577.97	\$0.00	\$0.00	\$343.43	\$234.54
Island Way Motel	\$2,351.83	\$0.00	\$0.00	\$352.19	\$1,999.64
Leisure Landscape Nursery	\$699.00	\$0.00	\$0.00	\$0.00	\$699.00
My Town Reality	\$262.10	\$0.00	\$0.00	\$437.60	-\$175.50
The Motor Company	\$825.51	\$0.00	\$825.51	\$0.00	\$0.00
<b>Total:</b>	<b>\$8,078.24</b>	<b>\$20.25</b>	<b>\$825.51</b>	<b>\$1,133.22</b>	<b>\$6,099.26</b>
Ageing Percent:		0.3%	10.2%	14.0%	75.5%

Receivables Account: \$7,978.24  
 Out of Balance Amount: \$100.00

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

The latest version of your MYOB software includes a report called the **Receivables 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:

### Receivables Reconciliation Exceptions 18/05/2005

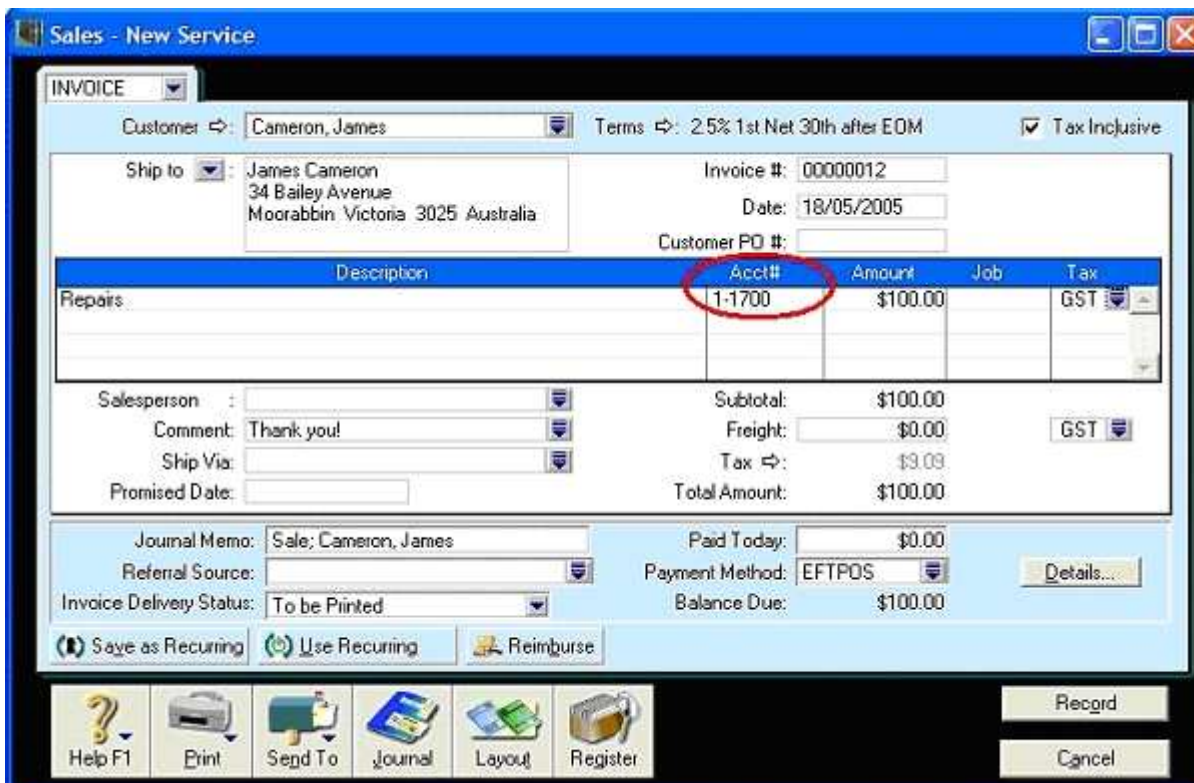
ID#	Src	Date	Memo	Debit	Credit	Job No
<b>Total Amount Outstanding:</b>			<b>\$8,078.24</b>			
<b>Linked Receivables Account Balance:</b>			<b>\$7,978.24</b>			
<b>Out of Balance Amount</b>			<b>\$100.00</b>			

**Possible causes of exceptions**

CR000042	CR	18/05/2005	James Cameron		\$100.00
Total:				\$0.00	\$100.00
Difference:					\$100.00

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 Deposit Transaction** and then re-enter the payment through the **Sales** Command Centre by clicking **Receive Payments**. You may need to re-reconcile your bank account if the deleted transaction had been previously reconciled.

Similarly, a sales transaction posted directly to the Trade Debtors account which in this sample file is 1-1700 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 income account. If this transaction cannot be changed, you may delete or reverse it.

## A false out of balance

A 'false' out of balance can will occur if:

- The payment applied to an **Invoice** is dated prior to the **Invoice** itself.
- If the application of a credit note is dated prior to either the:
  - Invoice** it has been applied to or
  - the **Date** of the credit note itself.
- A payment was applied to an order and that order was changed to an invoice, with the date of the payment being different to the invoice date.

Eventually, once you date **Receivables Reconciliation** report to a date that incorporates both the payment and invoice dates, you will then be back in balance.

You can determine this by dating the **Receivables Reconciliation** report for a 'far off' future date such as

31/12/9999. This is because the **Receivables Reconciliation** report will balance once it is dated for the same, or a later date, than the credit note.

Below is an example of the effects of the applying of a credit note at a different date than it was created:

- The Invoice is dated 30/05/2005
- The Credit Note is dated 01/05/2005
- The application of the Credit Note is date 05/05/2005

If you run the Receivables 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 credit note is included in the date range, the report will show that the receivables are in balance.

**Transaction Journal**

General Disbursements Receipts **Sales** Purchases Inventory All

Dated From: 01/05/2005 To: 30/05/2005  
 ID From: To:

Date	ID#	Account	Debit	Credit	Job
01/05/2005 Credit Note; Cameron, James					
	00000012	1-1700 Trade Debtors		\$90.91	
	00000012	1-1700 Trade Debtors		\$9.09	
	00000012	4-1100 Sales - Spring Water	\$90.91		
	00000012	2-3010 GST Collected	\$9.09		
05/05/2005 Cameron, James: Credit Note 00000012 Applied					
	SJ000001	1-1700 Trade Debtors	\$100.00		
	SJ000001	1-1700 Trade Debtors		\$100.00	
30/05/2005 Sale; Cameron, James					
	00000013	1-1700 Trade Debtors	\$90.91		
	00000013	1-1700 Trade Debtors	\$9.09		
	00000013	4-1100 Sales - Spring Water		\$90.91	
	00000013	2-3010 GST Collected		\$9.09	

Help F1 Print Close

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

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

**Account Opening Balances**

Enter the balance of your accounts as of 01/07/2003 (Balance Sheet Only).  
 (Remember, enter all balances as positive numbers, unless the balance really was negative.)

Acct #	Name	Opening Balance
1-1310	Less Prov'n for Doubtful Debts	\$0.00
1-1400	Inventory	\$0.00
1-1500	Prepaid Insurance	\$0.00
1-1600	Deposits with Suppliers	\$0.00
1-1700	Trade Debtors	\$0.00
1-1960	Voluntary Withholding Credits	\$0.00
1-1970	ABN Withholding Credits	\$0.00
1-2110	F & F - At Cost	\$0.00
1-2120	F & F - Accum Dep'n	\$0.00

Amount left to be allocated: \$0.00  
 This will be the Opening Balance of the Historical Balancing Account Account.

Help F1 OK

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 Debtors account is modified, your receivables will be out of balance. Restoring a backup may help determine the original opening balance figure.

## Changing the linked account for accounts receivable

The linked receivables account is accessed by going to **Setup** selecting **Linked Accounts** and then **Sales Accounts**. The linked receivables account is the account entered in the **Asset Account for Tracking Receivables** field.

If:

- there are open Invoices when the account is changed and
- additional Invoices are entered after the linked account is changed,

the balance of your **Customer Cards** will be spread across two ledger accounts. However, the **Receivables 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. For further information and instructions on correcting this please refer to support note Finding and deleting Finance Charge Transactions .

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

The **Receivables 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 **Receivables Reconciliation** report for a far off future date. If the out of balance is false, the receivables 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 **Receivables 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 **Receivables 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 receivables 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 **Receivables 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 sale that has been directly allocated to the linked account for tracking receivables. Normally a sale transaction would be posted to an income account but in this case both the debit and credit are posted to the Trade Debtors account.

General		Disbursements		Receipts		Sales		Purchases		Inventory		All	
Dated From:		18/05/2005		To:		18/05/2005							
ID From:				To:									
Date	ID#	Account		Debit	Credit	Job							
⇒ 18/05/2005		Sale: Cameron, James											
	00000012	1-1700	Trade Debtors	\$100.00									
	00000012	1-1700	Trade Debtors		\$100.00								

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		Cameron, James: Credit Note 00000012 Applied											
	SJ000001	1-1700	Trade Debtors	\$100.00									
	SJ000001	1-1700	Trade Debtors		\$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:

- An **Invoice** being allocated back to the linked receivables account may have been a simple mistake and can be corrected by changing the allocation account to an **Income** account.
- The **Receive Money** transaction allocated directly to the Trade Debtors should be deleted and replaced using **Receive Payments**.

**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 Debtors 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 a 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.