

Handling Reimbursable Expenses in QuickBooks

Aim

If you run a service business, you may incur expenses on behalf of clients which the clients subsequently reimburse. The aim of this paper is show how this is handled in QuickBooks.

Versions

This paper was written using QuickBooks 2009/10. Procedures apply to most versions, although you will require QuickBooks Pro, QuickBooks Premier or QuickBooks Enterprise to do some of the procedures in this paper.

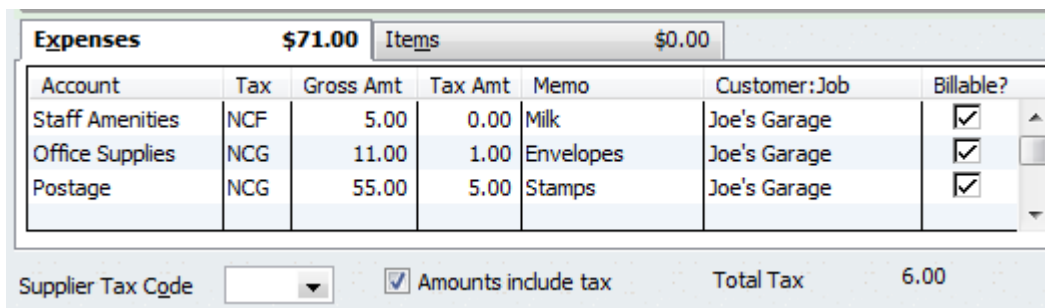
Example

Betty's Better Bookkeeping mainly invoices for bookkeeping services, but there are a number of expenses she pays on behalf of clients, and then seeks reimbursement.

Betty is heading to Joe's Garage to do the monthly statements; Joe asks Betty to pick up some envelopes and stamps on the way. Joe also mentions that he is out of milk so she grabs that as well. Joe hasn't got enough money in his petty cash tin, so he asks Betty to add it on the Bill.

Step 1 - Record the Expense

The expense can be recorded as a Bill, Cheque, or Credit Card Charge. The allocation account for the transaction is shown below:



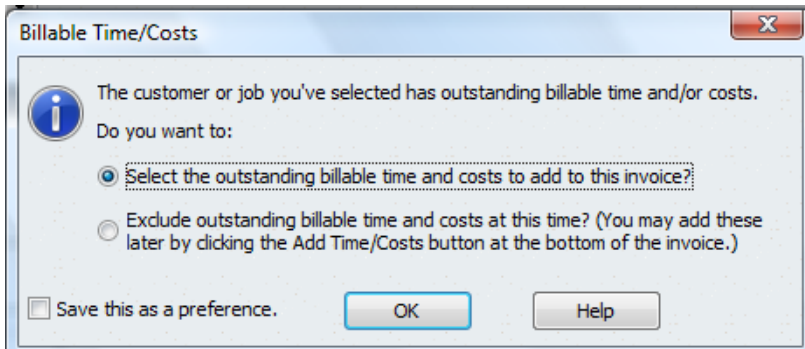
Expenses		\$71.00		Items		\$0.00	
Account	Tax	Gross Amt	Tax Amt	Memo	Customer:Job	Billable?	
Staff Amenities	NCF	5.00	0.00	Milk	Joe's Garage	<input checked="" type="checkbox"/>	▲
Office Supplies	NCG	11.00	1.00	Envelopes	Joe's Garage	<input checked="" type="checkbox"/>	■
Postage	NCG	55.00	5.00	Stamps	Joe's Garage	<input checked="" type="checkbox"/>	▼

Supplier Tax Code Amounts include tax Total Tax 6.00

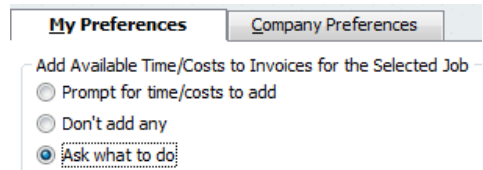
Note that Joe's Garage is selected in the Customer:Job column and that the Billable column is ticked.

Step 2 - Record the Invoice

The next step is record the invoice. This is started like a normal invoice, but you must untick the Amt's Inc Tax tickbox. Select a customer, and this message appears:

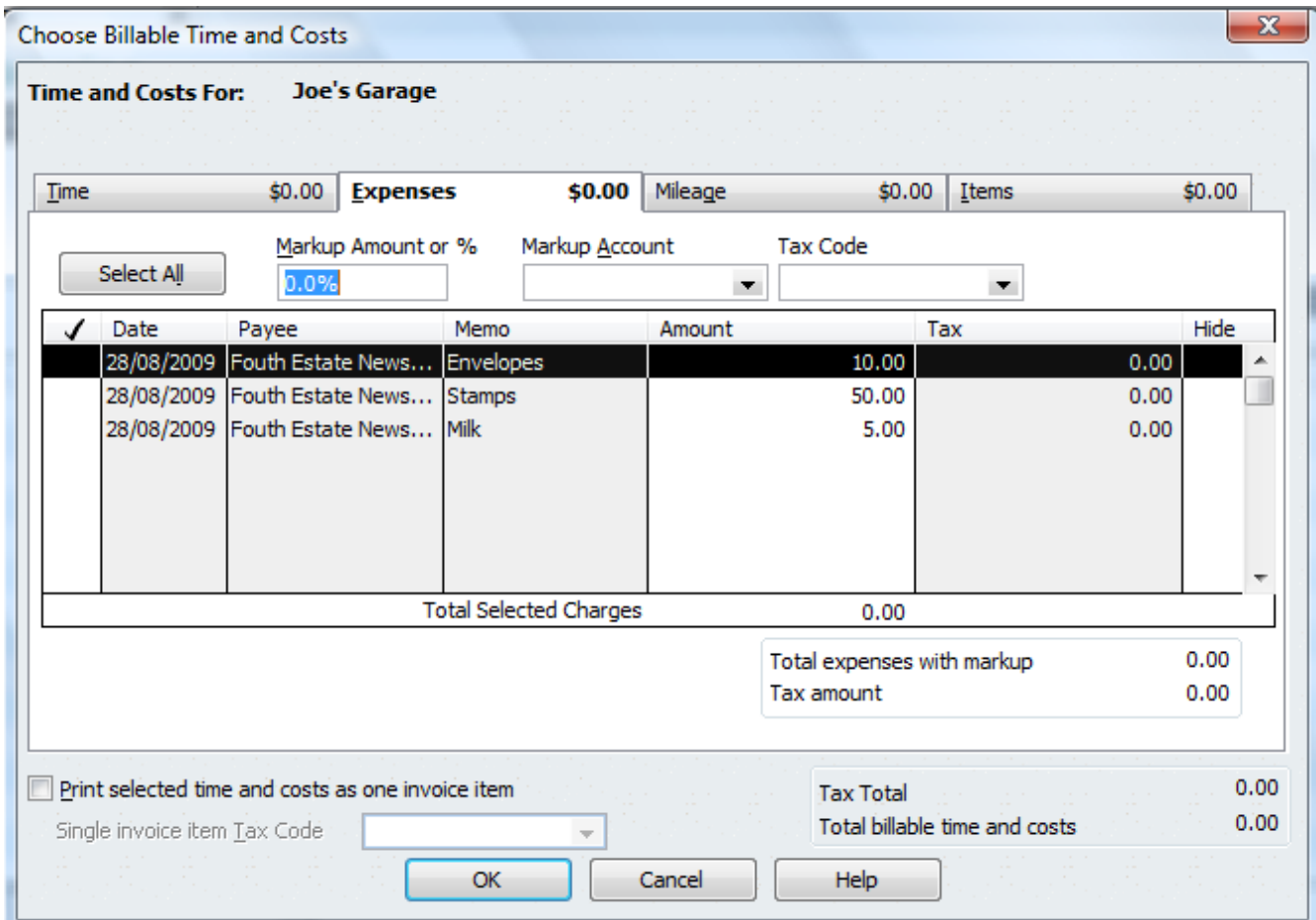
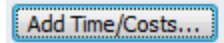


This message's appearance is determined via Edit > Preferences > Sales & Customers Icon > My Preferences:



Leave "Select" chosen then click OK .

Once selected, a "Choose Billable Time and Costs" screen will open. Select the "Expenses" tab. The expenses you have marked against Joe's Garage should now be displayed. (If not displayed, you can select the "Add Time/Costs Button" at the bottom of the invoice screen:



Once this screen appears, you need to do 2 things: press the "Select All" button to tick the expenses you wish to invoice; and select GST from the Tax Code dropdown.

Markup Amount or % Markup Account Tax Code

✓	Date	Payee	Memo	Amount	Tax	Hide
✓	28/08/2009	Fouth Estate News...	Envelopes	10.00	1.00	
✓	28/08/2009	Fouth Estate News...	Stamps	50.00	5.00	
✓	28/08/2009	Fouth Estate News...	Milk	5.00	0.50	

If you want to add a markup, add this to the "Markup Amount or %" box and select an Income Account from the Markup Account Dropdown. The markup can also be a fixed dollar amount. Note that for the example on the next page, the markup has been left at 0%.

Markup Amount or % Markup Account

Once everything is ready, press OK to transfer the items to your Tax Invoice.

Create Invoices Type a help question **Ask** How Do I?

Customer: Job Template

Date: 28/08/2009 Tax Invoice #: 1

Date	Item	Description	Qty	Rate	Tax	TAX AMT	Amount	
28/08/2009	Reimb Group	Envelopes		11.00	GST	1.00	11.00	
28/08/2009		Stamps		55.00	GST	5.00	55.00	
28/08/2009		Milk		5.00	FRE	0.00	5.00	
Total Reimbursable Expenses							71.00	
Customer Message							Total Tax	6.00
Total							71.00	

To be printed
 To be emailed
 Amounts include tax

Add Time/Costs... Apply Credits... Payments Applied: 0.00
 Balance Due: 71.00
 Customer Tax Code:
 Memo:

Ensure you tick the "Amounts include Tax" tickbox, change the GST Free items to from

taxcode GST to FRE, and check that the Tax Invoice total is same as our expenses incurred - in our case \$71.00.

Notice also the item "Reimb Group"; QuickBooks automatically creates two items for use in reimbursables.

Name	Description	Type
◊Reimb Subt	Reimbursable Expenses Subtotal	Subtotal
◊Reimb Group	Total Reimbursable Expenses	Group

Checking the Results

If you now go back to the Cheque/Bill/Credit Card where we originally incurred the expense, you will notice that the Billable column now shows an Invoice Icon indicating that the reimbursable has been invoiced.



Expenses		\$71.00	Items		\$0.00	
Account	Tax	Gross Amt	Tax Amt	Memo	Customer:Job	Billable?
Staff Amenities	NCF	5.00	0.00	Milk	Joe's Garage	
Office Supplies	NCG	11.00	1.00	Envelopes	Joe's Garage	
Postage	NCG	55.00	5.00	Stamps	Joe's Garage	

Supplier Tax Cgde Amounts include tax Total Tax 6.00

The final screen capture shows a Profit & Loss by Account so you can see how the transactions are coded. Note amounts are GST Exclusive and Net Income is zero.

Type	Date	Num	Adj	Name	Description	Clr	Split	Amount
Income								
Expense								
Office Supplies								
Cheque	28/08/2009	EFT		Joe's Garage	Envelopes		Cheque Acco...	10.00
Tax Invoice	28/08/2009	1		Joe's Garage	Envelopes		Accounts Re...	-10.00
Total Office Supplies								0.00
Postage								
Cheque	28/08/2009	EFT		Joe's Garage	Stamps		Cheque Acco...	50.00
Tax Invoice	28/08/2009	1		Joe's Garage	Stamps		Accounts Re...	-50.00
Total Postage								0.00
Staff Amenities								
Cheque	28/08/2009	EFT		Joe's Garage	Milk		Cheque Acco...	5.00
Tax Invoice	28/08/2009	1		Joe's Garage	Milk		Accounts Re...	-5.00
Total Staff Amenities								0.00
Total Expense								0.00
Net Income								0.00

Alternative Coding of Transaction

If you don't touch the default preferences, the "income" from the invoice for expenses reimbursed gets posted against the relevant expense account as displayed above.

By setting a preference, the "income" from the invoice can be posted to an income account. You can also set a default Markup Percent in the same area:

- Edit > Preferences > Sales & Customers Icon > Company Preferences tab.
- Tick "Track reimbursed expenses as income"
- Set Markup percentage. Here I have left the percentage as zero.

Miscellaneous

Track reimbursed expenses as income

Default Markup Percentage

Once this preference is set, two things happen:

- A new Income Account called "Reimbursed Expenses" is created; and
- an extra field appears when editing Expenses in the Chart of Accounts. In this field, you need to select an Income Account - usually "Reimbursed Expenses".

Track reimbursed expenses in Income Acct.

You can only select ONE Income Account. If you want to have separate Income Accounts, you will need to create sub-accounts under a single Income Account.

- ◆ Reimbursed Expenses
- ◆ Reimbursed Office Supplies
- ◆ Reimbursed Postage
- ◆ Reimbursed Staff Amenities

In example below, I have just used one income account (Reimbursed Expenses) and one expense account (Reimbursable Expenses).

In step 1 above, the allocation for the Cheque/Bill/Credit Card would be:

Expenses		\$71.00		Items		\$0.00	
Account	Tax	Gross Amt	Tax Amt	Memo	Customer:Job	Billable?	
Reimbursable Expenses	NCF	5.00	0.00	Milk	Joe's Garage	<input checked="" type="checkbox"/>	
Reimbursable Expenses	NCG	11.00	1.00	Envelopes	Joe's Garage	<input checked="" type="checkbox"/>	
Reimbursable Expenses	NCG	55.00	5.00	Stamps	Joe's Garage	<input checked="" type="checkbox"/>	

Here, I have used a 10% markup and indicated an account for the Markup Income.

Time \$0.00 Expenses \$71.50 Mileage \$0.00 Items \$0.00

Clear All Markup Amount or % Markup Account Tax Code

✓	Date	Payee	Memo	Amount	Tax	Hide
✓	29/08/2009	Fouth Estate Newsage...	Milk	5.00	0.50	
✓	29/08/2009	Fouth Estate Newsage...	Envelopes	10.00	1.00	
✓	29/08/2009	Fouth Estate Newsage...	Stamps	50.00	5.00	

As I have used a 10% markup, I am required to now charge GST on the milk. The invoiced amount is now \$78.15 consisting of \$71 Costs + \$0.50 Extra GST on Milk +\$7.15 Tax Inc Markup.

Date	Item	Description	Qty	Rate	Tax	TAX AMT	Amount
	Reimb Group						
29/08/2009		Milk		5.50	GST	0.50	5.50
29/08/2009		Envelopes		11.00	GST	1.00	11.00
29/08/2009		Stamps		55.00	GST	5.00	55.00
	Reimb Subt	Total Reimbursable Expenses					71.50
		Markup		10.0%	GST	0.65	7.15
						Total Tax	7.15
						Total	78.65

The above transaction will then report as follows. Note also that Reimbursable Expenses are equal to Reimbursed Expenses.

◇	Type	◇	Date	◇	Num	◇	Name	◇	Descrip...	◇	Clr	◇	Split	◇	Amount	◇
Income																
Markup on Reimbursables																
	Tax Invoice		28/08/2009		2		Joe's Garage		Markup				Accounts Receivable		6.50	
															Total Markup on Reimbursables	6.50
Reimbursed Expenses																
	Tax Invoice		28/08/2009		2		Joe's Garage		Milk				Accounts Receivable		5.00	
	Tax Invoice		28/08/2009		2		Joe's Garage		Envelopes				Accounts Receivable		10.00	
	Tax Invoice		28/08/2009		2		Joe's Garage		Stamps				Accounts Receivable		50.00	
															Total Reimbursed Expenses	65.00
Total Income															71.50	
Expense																
Reimbursable Expenses																
	Cheque		28/08/2009	EFT			Joe's Garage		Milk				Cheque Account		5.00	
	Cheque		28/08/2009	EFT			Joe's Garage		Envelopes				Cheque Account		10.00	
	Cheque		28/08/2009	EFT			Joe's Garage		Stamps				Cheque Account		50.00	
															Total Reimbursable Expenses	65.00
Total Expense															65.00	
▶ Net Income															6.50	◀

Related Papers

There is a companion paper on Handling Billable Mileage & Consumables in QuickBooks.

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