

## Encourage customers to pay on time — or suffer your finance charges



If too many of your customers make late payments, you may decide to encourage them to pay on time by letting QuickBooks automatically calculate and assess finance charges on overdue balances. Let customers know that late payments hurt your company financially by setting up this feature to roll the cost of decreased cashflow back on the customer.

To set up and assess finance charges for overdue invoices automatically, we'll:

- Set up a base finance charge including a grace period, interest rate and minimum fee.
- Assess finance charges on special invoices.
- Print or email reminder statements so our customers know how much they owe us.
- Review current finance charges and make adjustments if necessary.

Collecting fees for overdue balances doesn't need to involve a pencil and a calculator. QuickBooks can help you keep customers on track with their payment schedules by automating the process of assessing finance charges. We'll help familiarize you with the process — from set up to reporting.

### Set up a base finance charge

While you don't need to use a special account for finance charges, we recommend that you create a Finance Charge income account in your Chart of Accounts to make reporting on finance charges easier. Depending on how you initially created your company, QuickBooks may have created a Finance Charge item for you in the Item List window. If so, edit the Finance Charge item and make sure you assign it to the Finance Charge

income account. If QuickBooks didn't create a Finance charge item for you, create one in the Item List and assign it to the Finance Charge account.

**Important:** If you're using the network version of QuickBooks, only the Administrator can set up finance charges.

The most common mistakes occur when finance charges aren't set up correctly. Here's how you should set up the feature.

### To set up your company's default finance charge:

1. Launch QuickBooks and open your company file, or follow along with us using the Sample Graphic Design/Ad Agency company file.
2. Choose Edit | Preferences from the menu bar to display the Preferences window. Click on the

Finance Charge icon on the left side of the window and select the Company Preferences tab.

3. Enter the annual interest rate you want to apply to overdue balances in the Annual Interest Rate text box.

**Caution:** The interest rate you charge is annual, not monthly. So an annual interest rate of 18 percent is actually a monthly interest rate of 1.5 percent.

4. Enter the minimum amount you want to charge in the Minimum Finance Charge text box.
5. Type the number of days an invoice must be overdue before QuickBooks applies finance charges in the Grace Period text box.
6. Choose an account for posting finance charge revenue using the Finance Charge Account dropdown list.



Our mission is to focus on the Accounting and Tax needs of Small Businesses Owners, so they can leverage their time to focus on what they do best and enjoy the most. Our ultimate goal is to help Clients reduce stress and make more money.



7. Select the Assess Finance Charges On Overdue Finance Charges check box if you want to apply further fees for overdue finance charges.

**Note:** In some states, charging interest on interest is illegal. Consult your state or with us before you double-up your fees.

8. Choose the Due Date option button in the Calculate Charges From panel if you want to apply the finance charges only to the number of days past an invoice's due date. Otherwise, choose the Invoice/Billed Date option button to calculate finance charges on the number of days from the date of the invoice.
9. Select the Mark Finance Charge Invoices 'To Be Printed' check box if you want to print the finance charge invoices. If you intend to send reminder statements, leave this check box unselected. Click OK to apply the settings.

Your finance charge settings should look similar to the ones shown in **Figure 1**. Keep in mind that QuickBooks uses a combination of each invoice's terms and the grace period you supply to choose the invoices to which finance charges should be applied.

For example, suppose that terms are Net 30 days, and you designate a grace period of 30 days. In essence, you will

give your customer 60 days to pay the bill before QuickBooks will assess a finance charge. Alternatively, suppose that the invoice terms are Net 30 days and you stipulate a grace period of one day. You will give your customer 31 days to pay before QuickBooks will assess a finance charge.

## Assess finance charges

When you generate finance charges, QuickBooks places them on special finance charge invoices. You don't need to print these invoices unless you intend to mail them to customers. If you don't print them, you should print reminder statements, because the finance charges will appear on the reminder statements.

The best time to assess finance charges is immediately before you print customer statements. You can also assess finance charges as part of the process of printing reminder statements. We'll go over how to do these two tasks simultaneously later in this article.

It's important to note that you can selectively charge finance charges. When you assess finance charges, you can choose the customers you want to charge from a list of customers that QuickBooks displays.

### To apply finance charges to eligible customers:

1. Choose Customers | Assess Finance Charges from the menu bar or click the Finance Charges icon in the

Customer section of your Home page. The Assess Finance Charges window displays, as shown in **Figure 2**.

2. Select customers to whom you want finance charges applied by clicking in the Assess column so a check mark displays.
3. Choose the date you want QuickBooks to use when calculating the amount of finance charges in the Assessment Date text box.

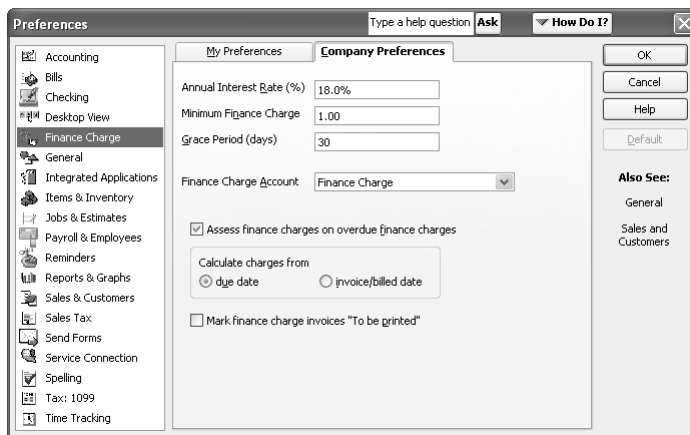
**Expert tip:** You can change the amount of the finance charge by simply typing a number next to the customer's name in the Finance Charge column.

4. Select the Mark Invoices 'To Be Printed' check box if you intend to print finance charge invoices.
5. Click the Assess Charges button to apply the finance charges to selected customers.

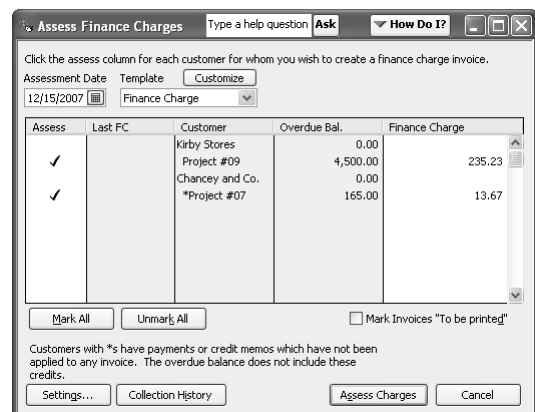
When you apply the finance charges, QuickBooks calculates the fees based on your preferences and then creates the finance charge invoices.

## Print reminder statements

You can print reminder statements, and, if you want, assess finance charges at the same time.



**1:** QuickBooks applies your company's finance charge to unpaid balances that exceed both the invoice's terms and the grace period.



**2:** You can quickly select all of the customers in the Assess Finance Charges window by clicking the Mark All button.

**To print reminder statements:**

1. Choose Customers | Create Statements from the menu bar or click the Statements icon in the Customer section of your Home page. The Create Statements window displays.
2. Apply settings to create either a Balance Forward statement or an Open Item statement, using **Table 1** as a guide.
3. Identify the customers to whom you want to send statements in the Select Customers panel.

**Email it:** Choose the Preferred Send Method option button and then select Email from the resulting dropdown list to email your statements.

4. Select a form for your statements from the Template dropdown list.
5. Choose either Per Customer or Per Job from the Create One Statement dropdown list, depending on how you want the statements divided.
6. Select other check boxes in the Select Additional Options panel depending on your own preferences, as shown in **Figure 3**.

**To simultaneously assess finance charges as you print statements:**

1. Click the Assess Finance Charges button in the Create Statements window. The Assess Finance Charges window displays, as shown in **Figure 2**.

**Print finance charge invoices**

If you plan to print your finance charge invoices and you've marked them 'To Be Printed' through QuickBooks settings, you can quickly print them all at once. Just follow these 3 steps:

1. Choose File | Print Forms | Invoices from the menu bar.
2. Select any invoice in the list box that begins with the letters FC, indicating that it's a finance charge invoice.
3. Click OK to print the invoices all at once.

2. Follow the steps 2-5 in the "To apply finance charges to eligible customers" section.
3. Preview the statements onscreen once you've assessed your finance charges and have returned to the Create Statements window by clicking the Preview button. Or you can skip the preview and print them right away by clicking the Print button.

**To email statements to your customers:**

1. Click the Email button in the Create Statements window instead of clicking the Print button.

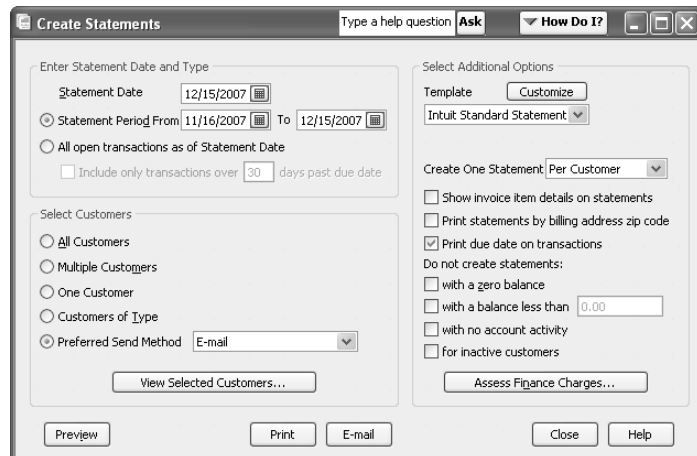
QuickBooks displays the Select Forms To Send window.

**Caution:** If you're missing information QuickBooks needs to send emails to the selected customers, such as email addresses, QuickBooks will prompt you to enter that information before it displays the Select Forms To Send window.

2. Select the customers you want to email statements to by clicking in the check mark column to the left of each customer listed.
3. Edit the text of the email, if you'd like, by clicking the Edit Email button to

Statement type	Purpose	Settings
Balance Forward	Shows all transactions, including invoices, payments and credits, that affect a customer's balance	Select the Statement Period From option button in the Enter Statement Date And Type panel.
		Enter the day after the last date you sent statements in the From text box.
		Enter today's date in the To text box.
Open Item	Lists the open balance on each unpaid invoice as of the statement date	Select the All Open Transactions As Of The Statement Date option button in the Enter Statement Date And Type panel.  If you wish, limit the open transactions to only those that are over a specified number of days past the due date by selecting the Include Only Transactions Over check box and entering a number in its corresponding text box.

**Table 1:** Settings for Balance Forward and Open Item statements.



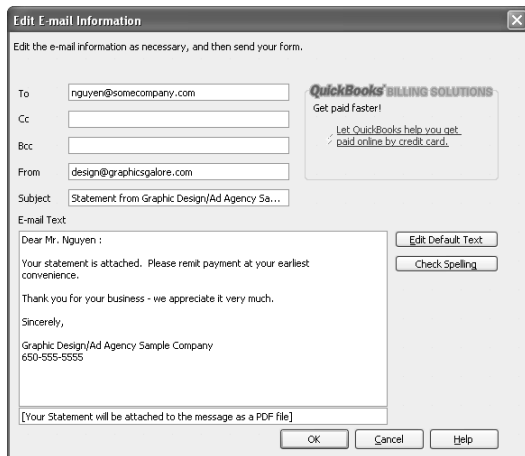
**3:** Specify information about the reminder statements you want to print in the Create Statements window.

display the Edit E-mail Information window, as shown in **Figure 4**.

**Expert advice:** If you want to permanently change the default email message, click the Edit Default Text button. QuickBooks displays the Send Forms tab in the Preferences window. Changes you make through this window will still be intact the next time you email statements.

4. Click OK when your email is ready to return to the Select Forms To Send window.
5. Click the Send Now button in the Select Forms To Send window to send the emails with attached statements.

The emails you send include the text you edited through the Edit E-mail Information window along with an



**4:** When you email your statements, QuickBooks attaches them as PDF documents.

attachment containing a PDF file of the customer's statement.

## Review and adjust finance charges

If you set up a special Finance Charge account in your Chart of Accounts, as we recommended earlier in this article, you can customize your Open Invoices report to show only open finance charge invoices.

### To customize the Open Invoices report:

1. Choose Reports | Customers & Receivables | Open Invoices from the menu bar to view the default Open Invoices report.
2. Click the Modify Report button to display the Modify Report window.

3. Select the Filters tab and choose Account in the Filter list box. Choose the Finance Charge account from the Account dropdown list.
4. Click OK to return to your report. Now the report shows only open finance charge invoices, as shown in **Figure 5**.

### To edit an existing finance charge invoice:

1. In the Open Invoices report, double-click on the invoice number of the invoice you want to edit. QuickBooks opens the invoice in the Create Invoices window.
2. Edit the invoice as needed. Click Save & Close to save the changes you've made.
3. Delete the invoice altogether, if necessary, by pressing [Ctrl]D.

Type	Date	Item	P. O. #	Terms	Due Date	Class	Aging	Open Balance
<b>Kirby Stores</b>								
Project #09								
Invoice	12/15/2007	FC 2			12/15/2007			235.23
Total Project #09								235.23
Total Kirby Stores								235.23
<b>Chancey and Co.</b>								
Project #07								
Invoice	12/15/2007	FC 1			12/15/2007			13.67
Total Project #07								13.67
Total Chancey and Co.								13.67
<b>TOTAL</b>								<b>248.90</b>

**5:** Filter the Open Invoices report so it shows only finance charges posted against your Finance Charge income account.

From  
The  
Offices  
Of:

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