Entering, Managing and Accounting for Prepayments

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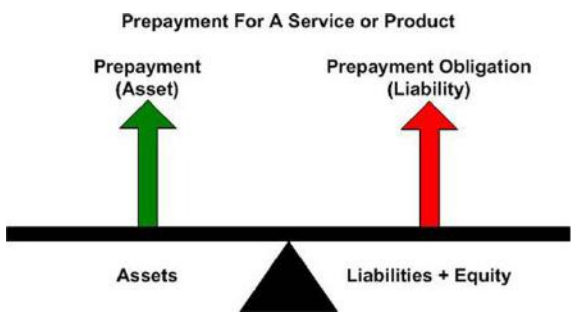
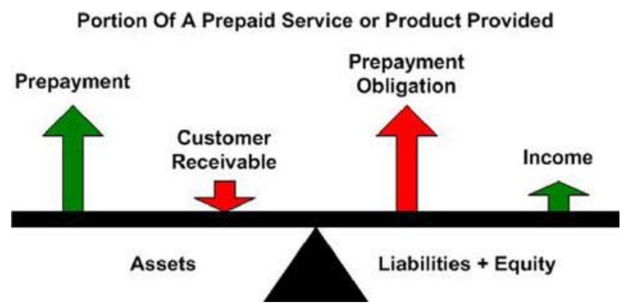
Prepayments

Prepayments are common in many horse businesses. Prepayments are made for services or products to be provided at a later date. Prepayment for riding lessons is a good example. Many horse businesses that provide riding lessons offer reduced pricing on lesson packages if they are paid in advance. A prepayment is treated as both an asset (cash received) and a liability (obligation owed) until the prepaid service or product is provided. When a prepaid service or product is provided, the prepayment obligation (liability) is reduced by the amount of the service or product provided. The prepaid service or product provided, or a portion of it is treated as a charge and a payment at the same time, thus offsetting each other while keeping the accounting correct and the accounting equation happy. equineGenie's easily records, accounts for, tracks, measures and reports on prepayments.

The Accounting Equation Prepayment Illustration





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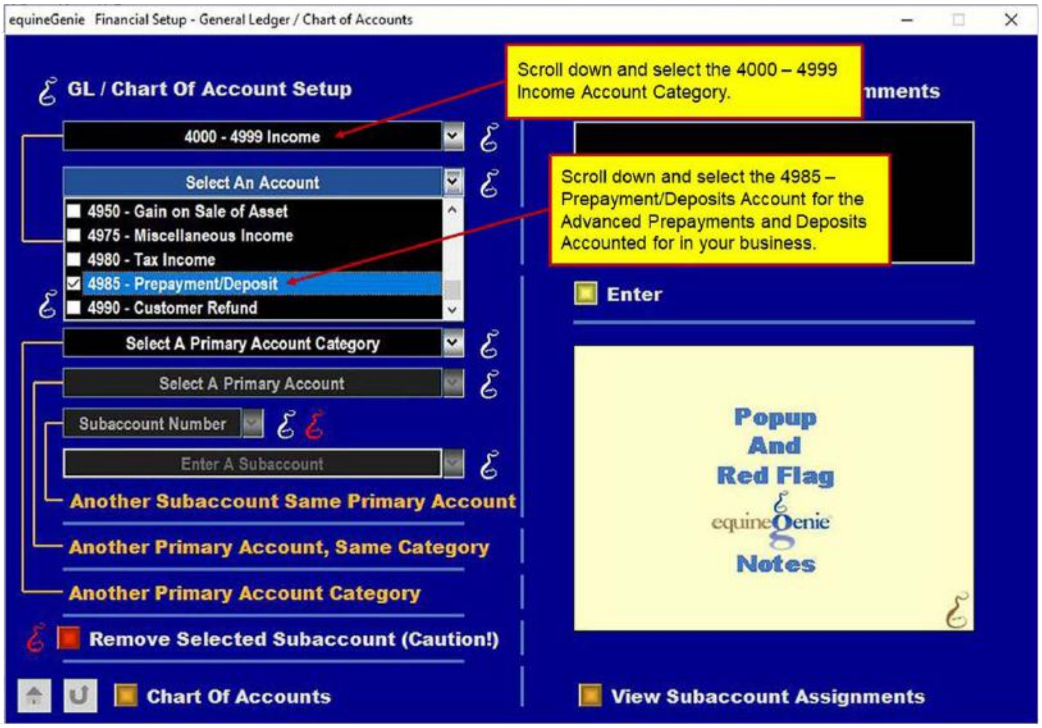
Prepayment Account and Prepayment Received

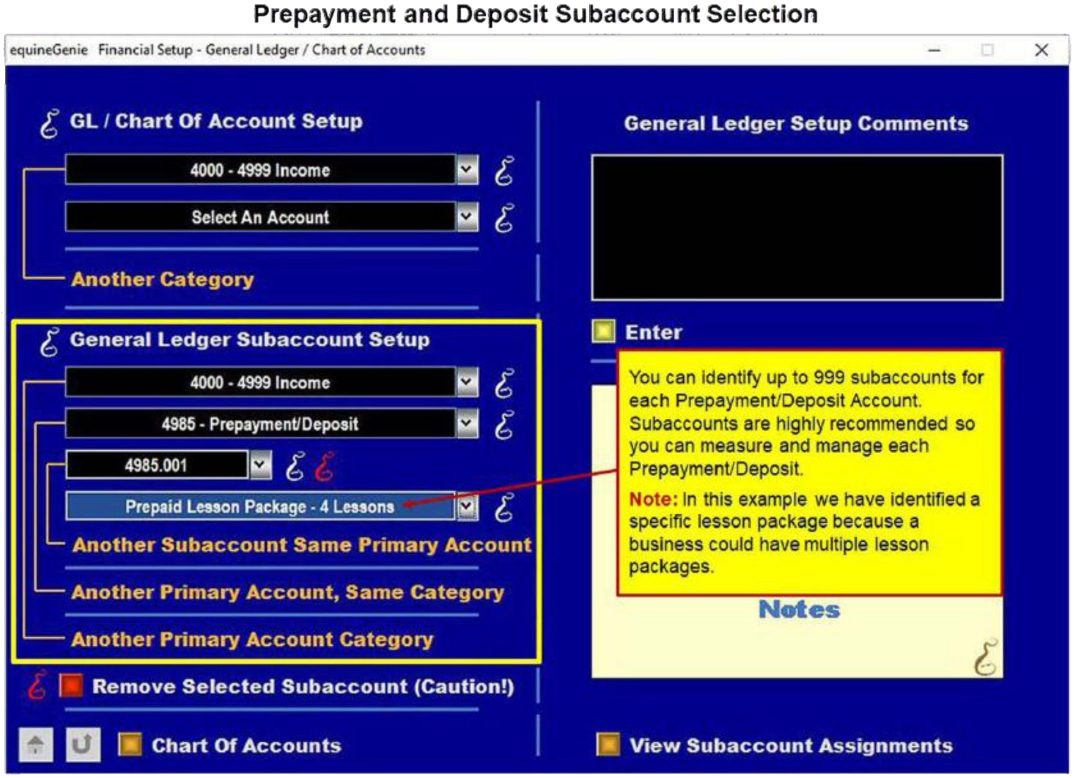
Chart of Accounts

equineGenie's *Prepayment and Deposit account* needs to be selected and any associated prepayment subaccounts need to be identified in the *Chart of Accounts*.

Prepayment and Deposit Account Selection



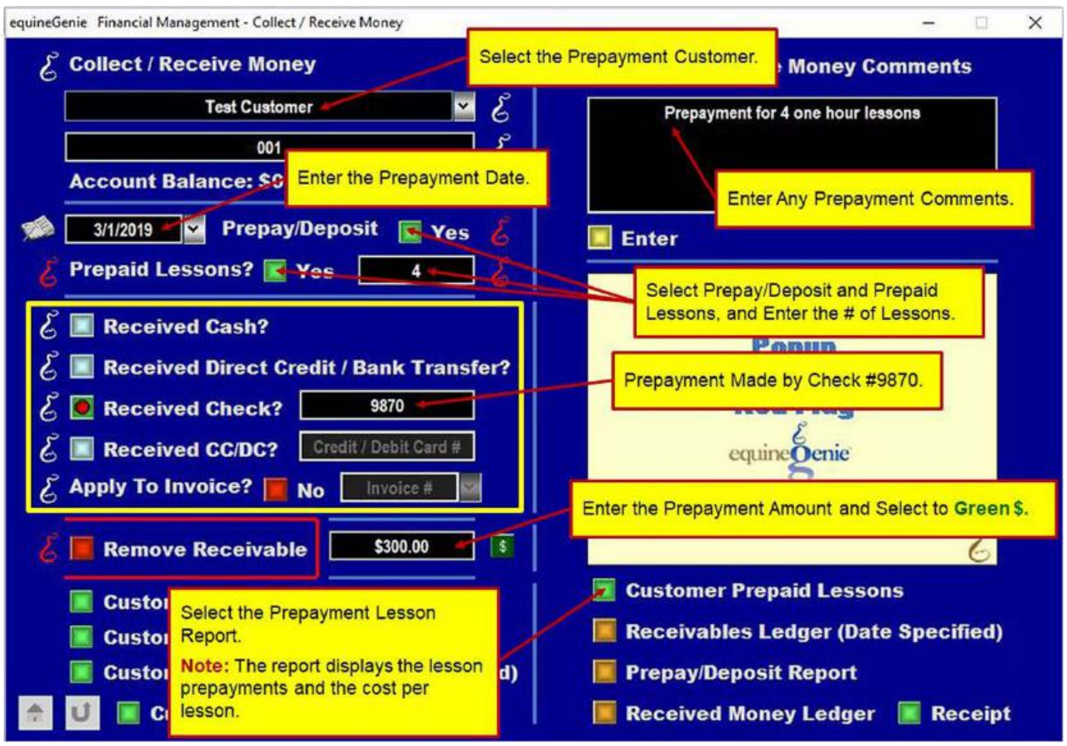
Prepayment and Deposit Subaccount Selection



The following illustrates how prepayments are received in equineGenie. This tutorial uses riding lessons as an example. Riding lesson prepayments are common in many horse businesses. The above subaccount example only illustrates one riding lesson package. Riding lesson businesses generally offer more than one package. If that is the case in your business, it is suggested that each package offered should be assigned a subaccount. This will enable you to measure and manage each package. Subaccounts provide you with more than just financial information; they also provide you with marketing and pricing information. You will learn which packages are used the most and how the pricing may influence your customers' choice.

Prepayment Received

Receive Prepayment



A prepayment received is entered on the Receive Money screen as displayed above. The Prepay/Deposit button needs to be selected. The Prepay/Deposit button lets equineGenie know that the money being received is for a prepayment and needs to be accounted for different from a payment. Selecting the Prepay/Deposit button changes it from a **Red** **No** to a **Green** **Yes**.

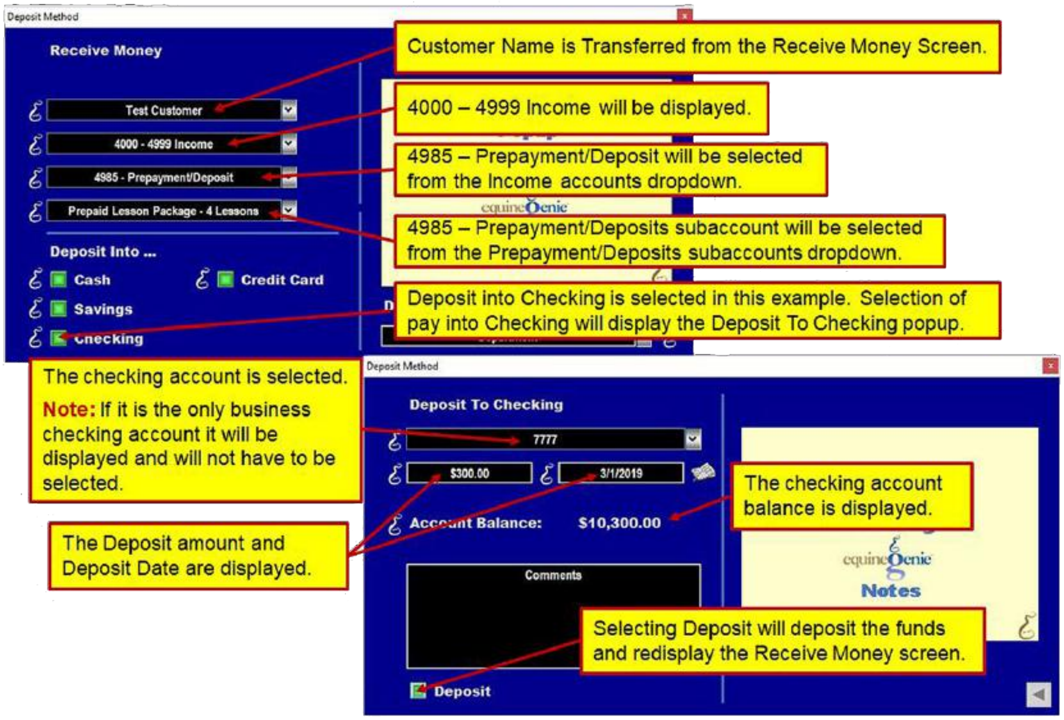
If the prepayment is for lessons, you need to select the Prepaid Lessons Button and enter the number of prepaid lessons. Selecting the Prepaid Lessons button changes it from a **Red** **No** to a **Green** **Yes**. The number of lessons entered is used by equineGenie to calculate an individual lesson cost and to track, manage and measure a lesson's prepayment.

There is no invoice number associated with a prepayment. The only thing that needs to be identified is how the funds were received. In this example the prepayment was received by **check # 9870**.

The prepayment amount, including any sales tax, is entered and the **Green $** is selected. Selection of the **Green $** will display the Deposit Method popup. Selection of the deposit method will display the Deposit To popup. Selection of the Deposit button on the Deposit To popup will complete the financial transaction, close the popup and redisplay the Receive Money screen.

Prepayment Transaction

Prepayment Funds Deposit



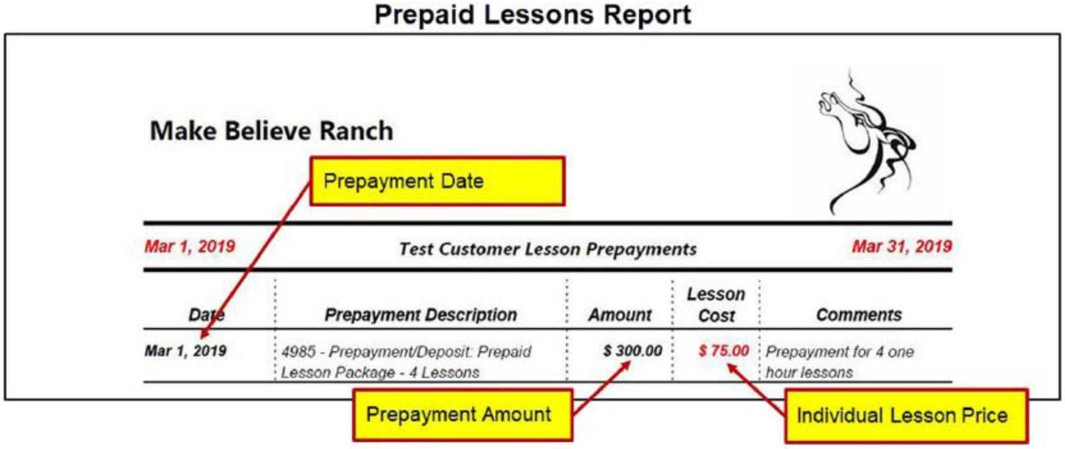
The important detail here is the selection of the, 4985 – Prepayment/Deposit income account. This tells equineGenie that the prepayment is both an asset and a liability and is not to be accounted for in the customer's receivables, but in the customer's balance sheet.

When the Receive Money screen is redisplayed, selecting the Enter button will complete the prepayment transaction. equineGenie will record and account for the prepayment.

Customer Prepaid Lesson Report

The prepayment, the number of prepaid lessons and the price of each prepaid lesson is reported on the Customer Prepaid Lessons. The report can be viewed, exported or printed.

Prepaid Lessons Report



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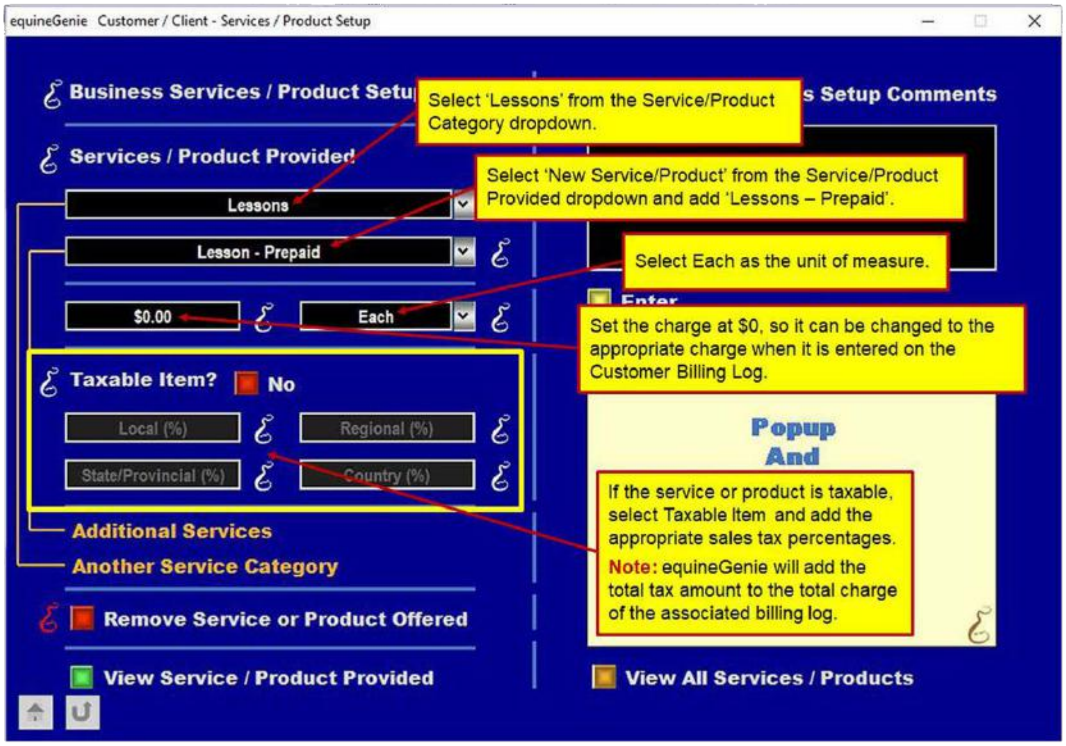
Prepayment Billing Setup

Prepayment Services/Products Setup

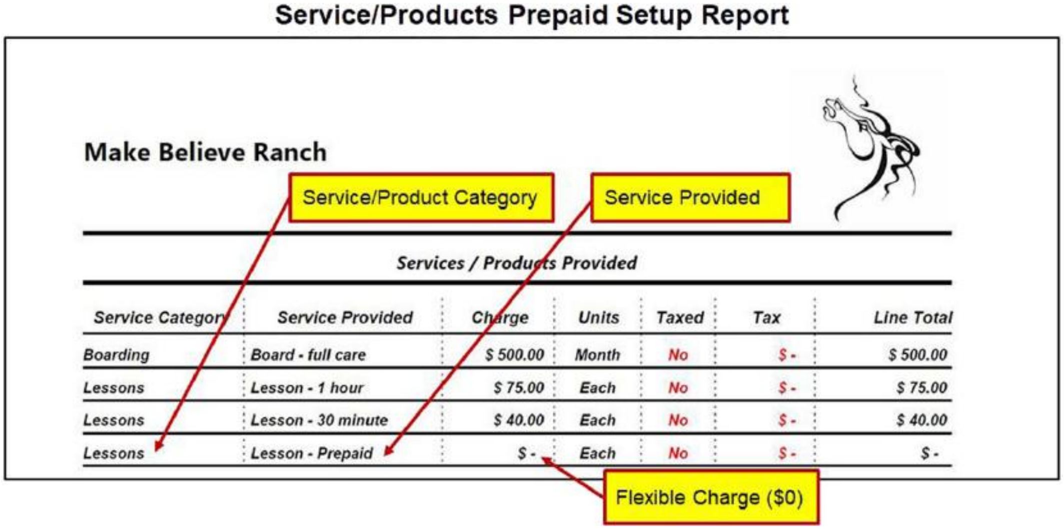
The prepaid service or product needs to be setup on the Customer/Client - Services/Products Setup screen. Again, we will use riding lessons as an example.

Prepayment Services/Product Provided Setup



Multiple prepaid services or products can be entered on the Customer/Client – Services/Products Provided Setup screen. If the service or product is taxable, the **Taxable Item** is selected. Any tax percentages entered only apply to the service or product being setup. equineGenie calculates the total amount of tax and applies it to the service or product entered on a horse or customer billing log.

Service/Products Prepaid Setup Report



Make Believe Ranch

Services / Products Provided

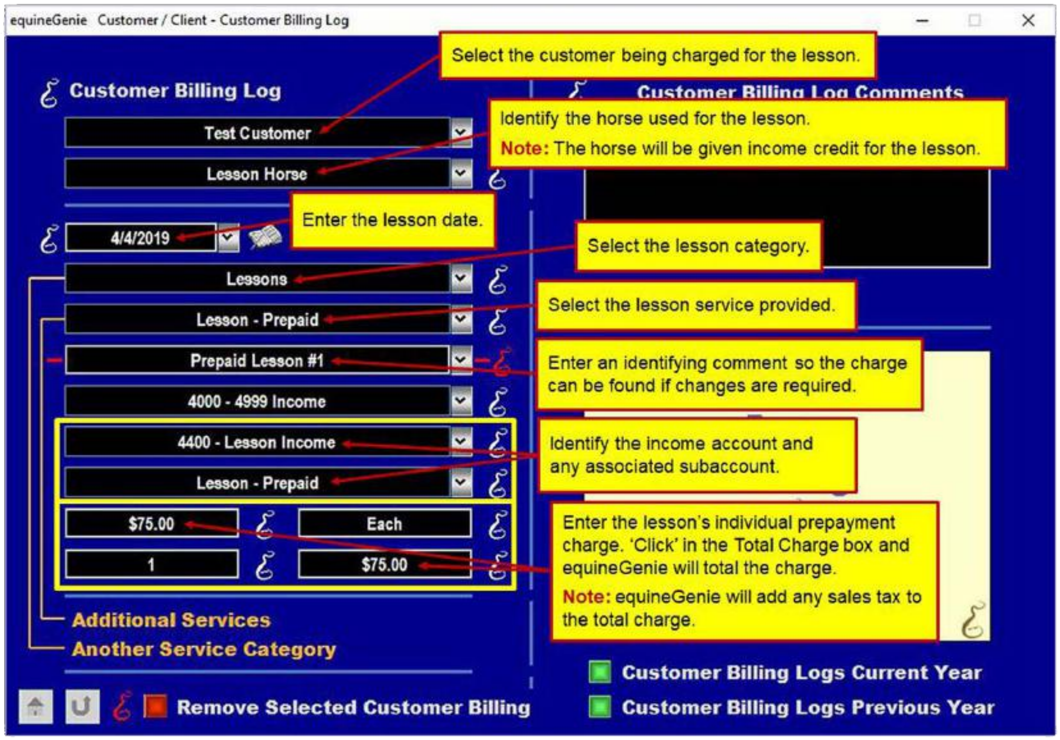
Service Category	Service Provided	Charge	Units	Taxed	Tax	Line Total
Boarding	Board - full care	$ 500.00	Month	No	$ -	$ 500.00
Lessons	Lesson - 1 hour	$ 75.00	Each	No	$ -	$ 75.00
Lessons	Lesson - 30 minute	$ 40.00	Each	No	$ -	$ 40.00
Lessons	Lesson - Prepaid	$ -	Each	No	$ -	$ -

Billing Prepayments

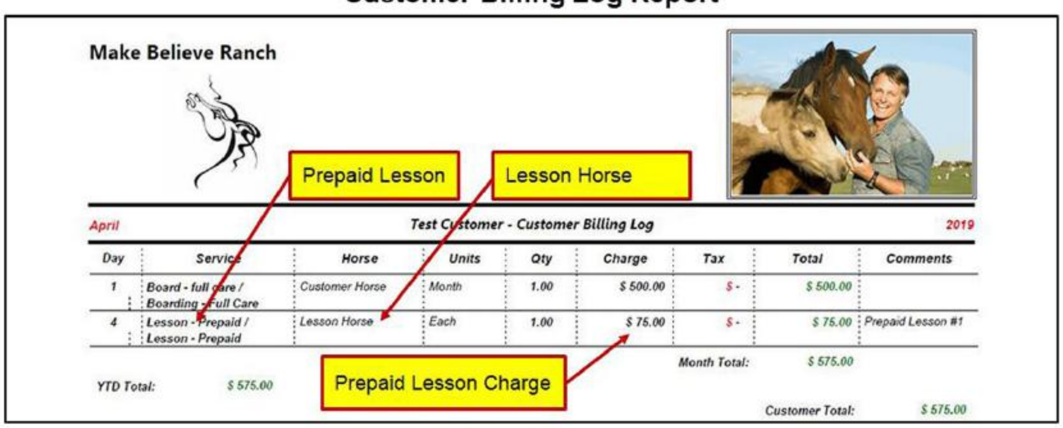
Prepayment Billing Log Charges

A customer needs to be charged for a prepaid service or product in order to transfer the prepayment or a portion of the prepayment to income. This will also let a customer know how much of the prepayment that has been used. *To make sure the customer is not double charged, when a prepayment charge is entered on a billing log the same amount needs to be subtracted from the initial prepayment and a payment made for the same amount on the Receive Money screen.*

Customer Billing Log Lesson Charge



Customer Billing Log Report

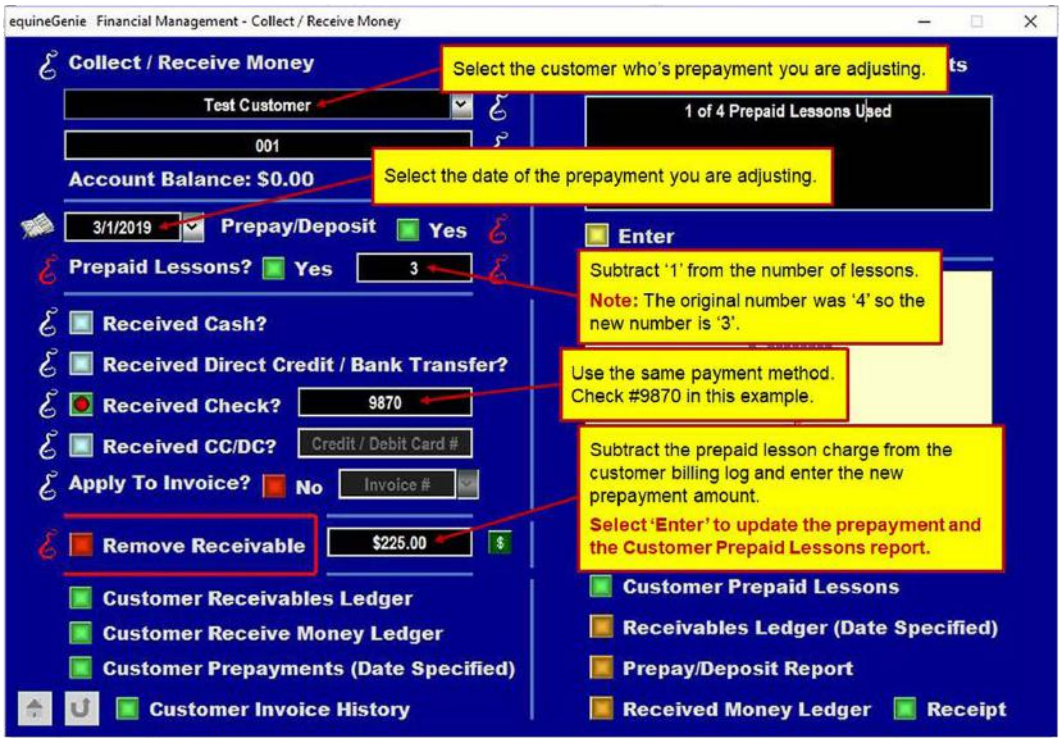


Receive Money Prepayment Adjustment

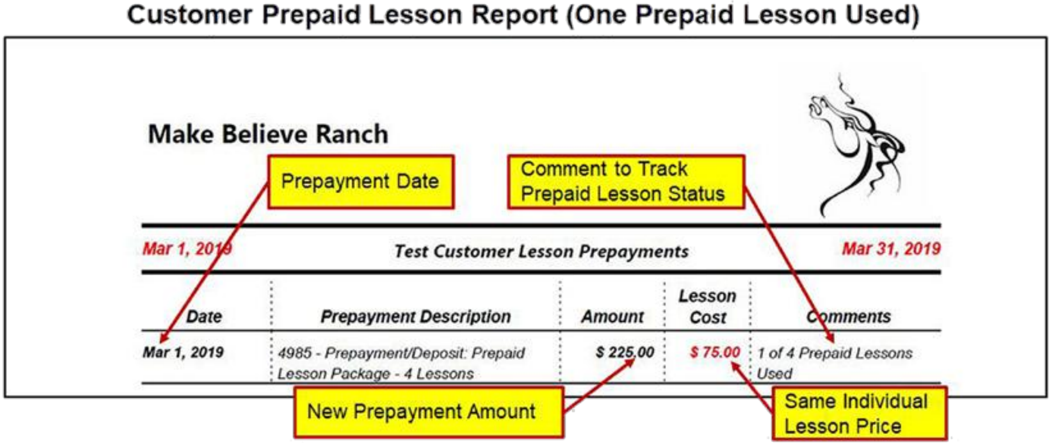
Subtracting a prepayment portion that is equivalent to a billing log charge is easily done on the Receive Money screen. The prepayments information is available by viewing the Customer Prepayments report. For our example; recall the associated lesson prepayment by selecting the customer and the initial prepayment date. Subtract the lesson charged on the customer billing log from the number of prepaid lessons and enter the remaining number of lessons. Use the same receive payment method since it is not a new payment; funds are just being moved to the income statement. Deduct the amount charged on the customer billing log from the displayed prepayment amount and replace the amount with the new prepayment total. Finally, select Enter on the Receive Money screen. equineGenie will reduce the number of lessons remaining and the prepayment amount. The Customer Prepaid Lessons report will contain the updated prepayment information.

Note: *Entering a comment documenting what was done on the Receive Money screen is strongly suggested.*

Prepayment Receive Money Adjustment



Customer Prepaid Lesson Report (One Prepaid Lesson Used)

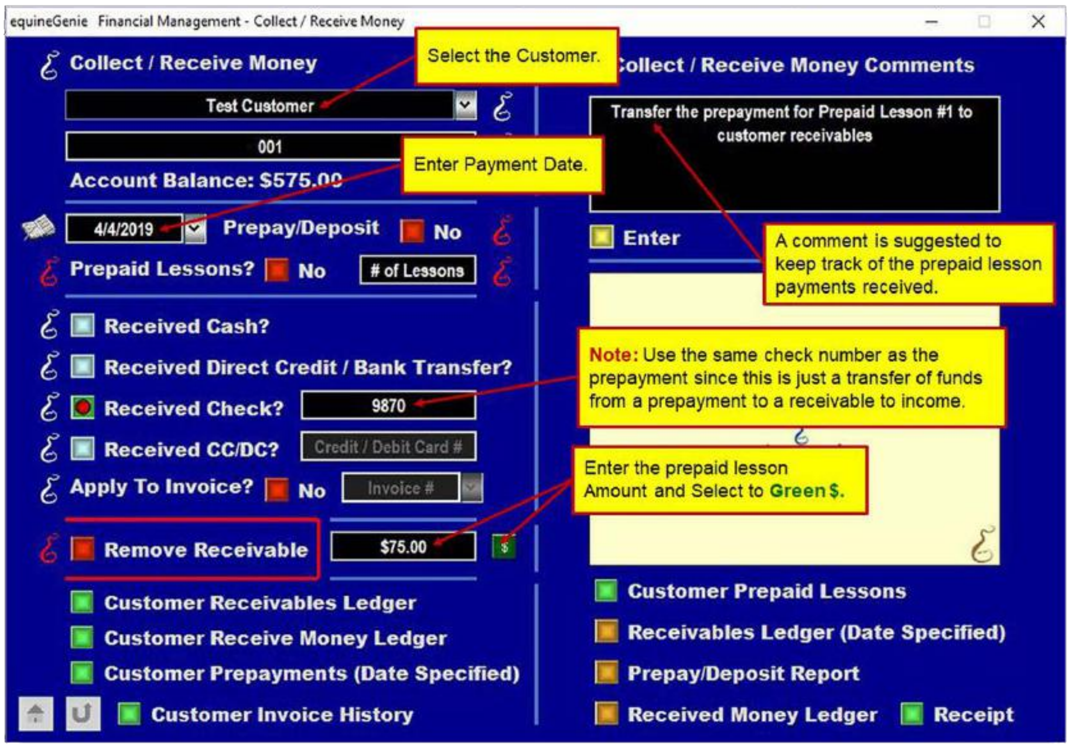


Each time a prepaid lesson is entered on the customer billing log the associated prepayment needs to be adjusted on the Receive Money screen. The number of prepaid lessons and the remaining prepayment amount will be reported on the Customer Prepaid Lesson Report.

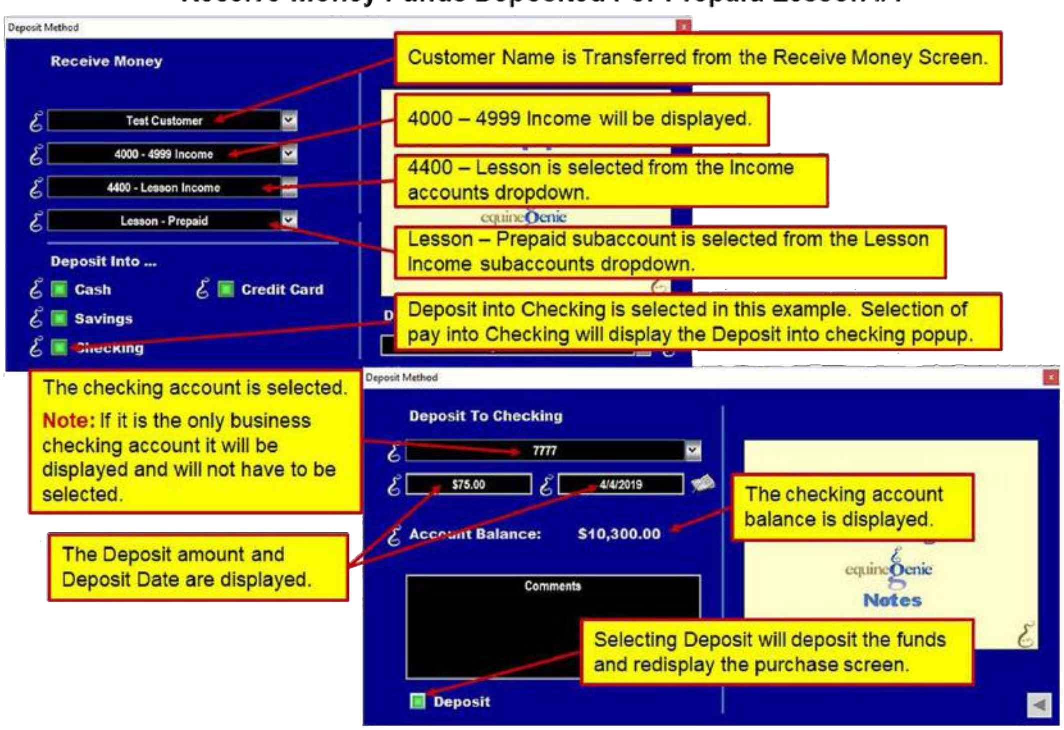
Receive Money for Prepaid Lesson

Another task that needs to be done each time a customer is charged for a prepaid lesson is that a payment for the amount charged needs to be entered in the customer's receivables. This will prevent the customer from being double charged by offsetting the billing log charge. It will also keep the accounting equation in balance and the financials happy.

Transfer Prepayment Portion To A Receivable For A Prepaid Lesson



Receive Money Funds Deposited For Prepaid Lesson #1

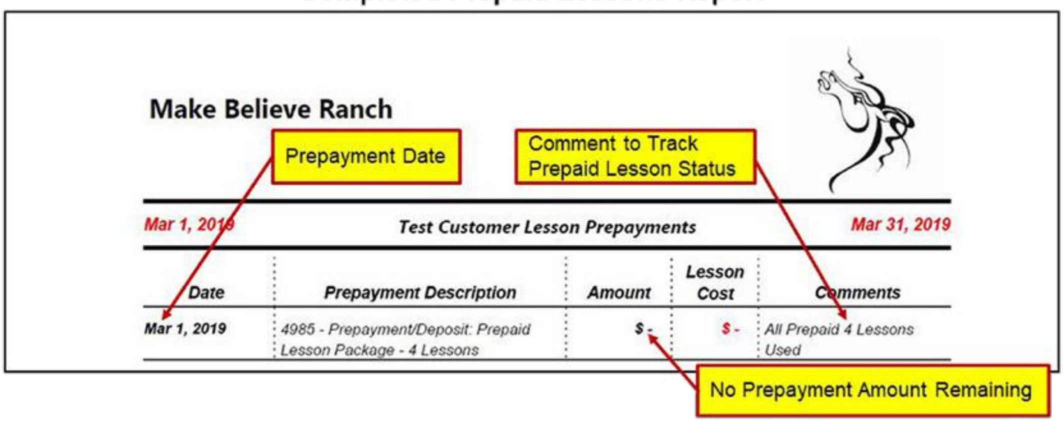


The same **check # 9870** is used for the prepaid lesson payment because a portion of the funds from the prepayment check is being transferred from a liability to a receivable and income. It is not a new initial payment.

The above process is repeated each time a prepaid lesson is given and a customer is charged until the total prepayment amount has been used. When the prepayment amount has been used completely the Customer Prepaid Lesson report will show a zero balance.

Note: *Don't forget to record a comment on the Receive Money screen each time the initial prepayment is reduced and a payment is received for the portion of the prepayment that was charged on a billing log.*

Completed Prepaid Lessons Report



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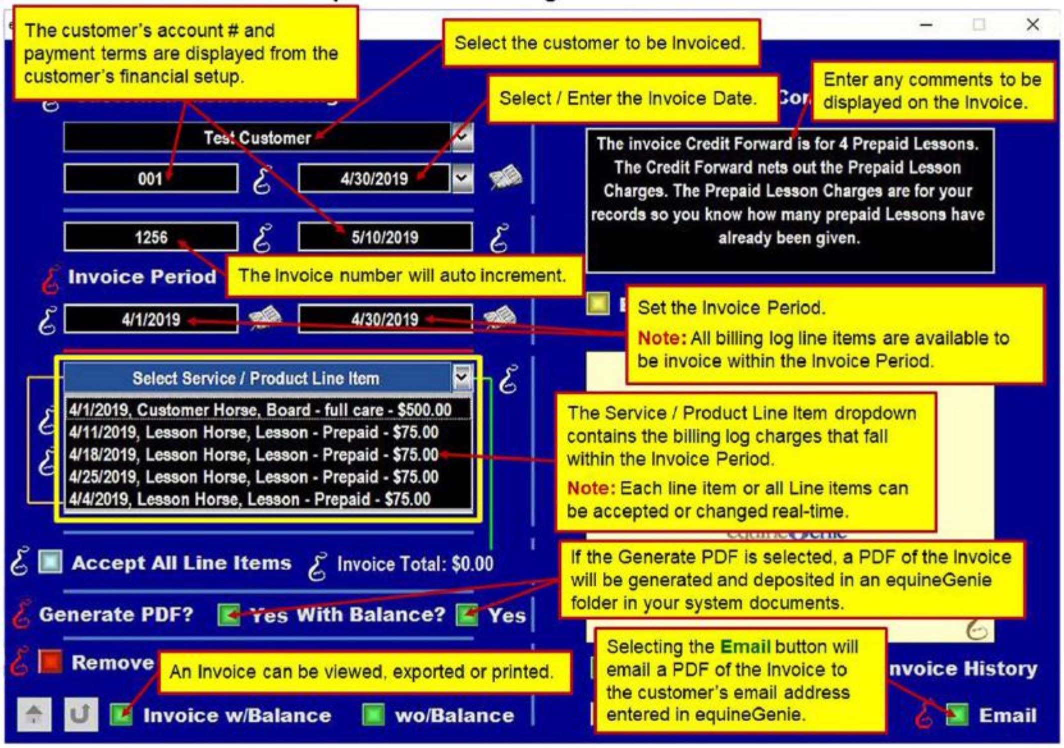
Invoicing Prepayments

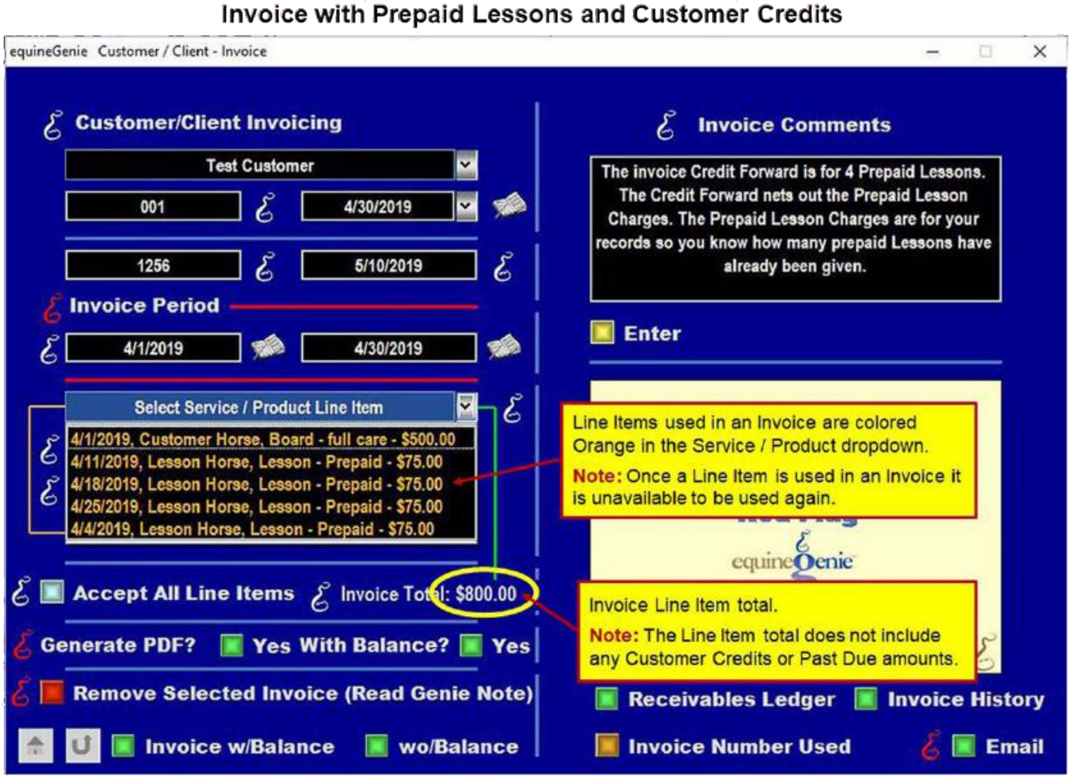
Invoicing Prepaid Lesson

Prepaid lessons are invoice just like any other horse or customer billing log line item.

Invoice Prepaid Lesson Charges with Customer Credits

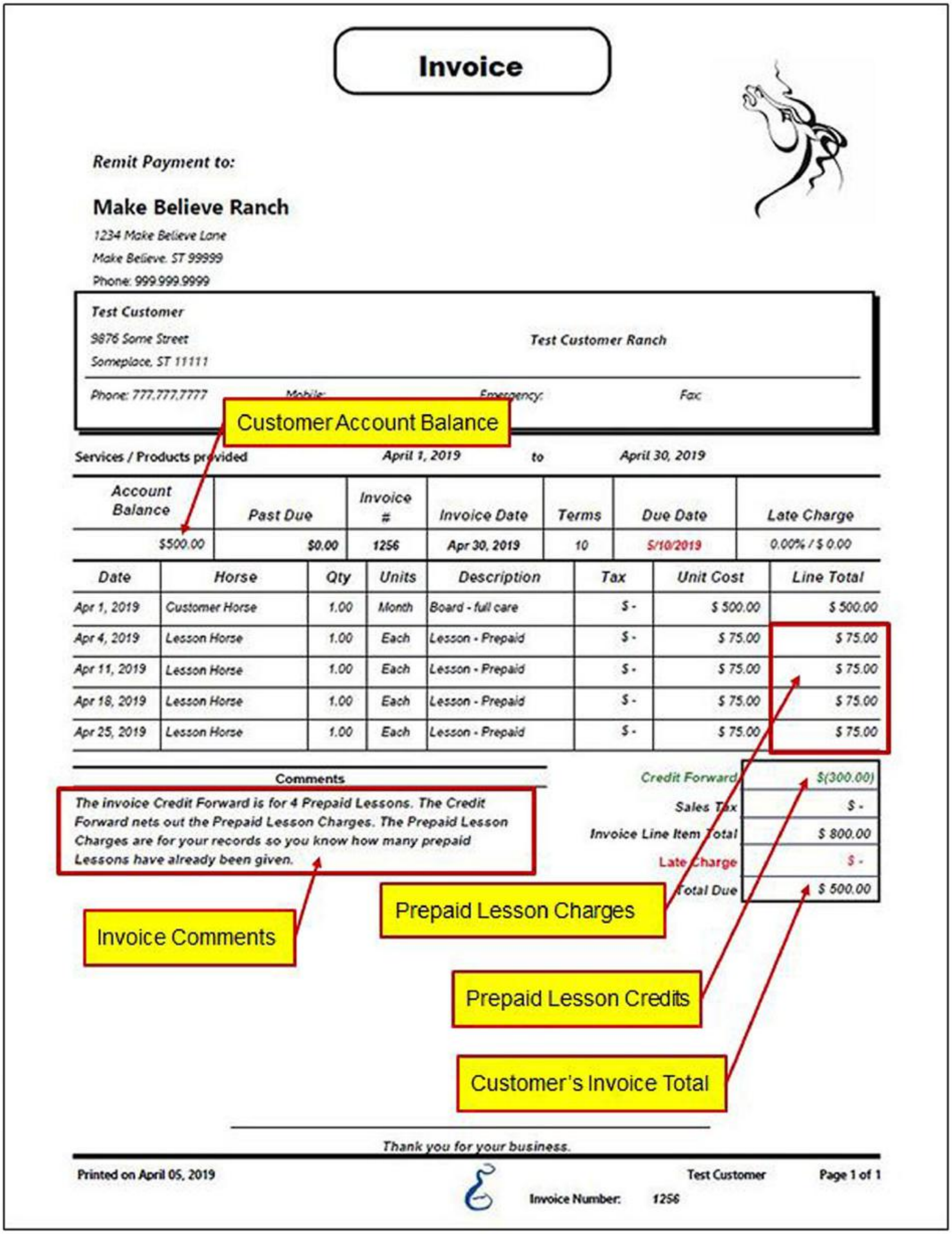


Invoice with Prepaid Lessons and Customer Credits



The Invoice Total includes the total all line Items, but does not include any customer credits or past due amounts. They are included on the Invoice as illustrated below.

The Invoice



Invoice

Remit Payment to:

Make Believe Ranch

1234 Make Believe Lane
Make Believe, ST 99999
Phone: 999.999.9999

Test Customer
9876 Some Street
Someplace, ST 11111

Test Customer Ranch

Phone: 777.777.7777 Mobile: Emergency: Fax:

Services / Products provided April 1, 2019 to April 30, 2019

Account Balance	Past Due	Invoice #	Invoice Date	Terms	Due Date	Late Charge
$500.00	$0.00	1256	Apr 30, 2019	10	5/10/2019	0.00% / $ 0.00

Date	Horse	Qty	Units	Description	Tax	Unit Cost	Line Total
Apr 1, 2019	Customer Horse	1.00	Month	Board - full care	$ -	$ 500.00	$ 500.00
Apr 4, 2019	Lesson Horse	1.00	Each	Lesson - Prepaid	$ -	$ 75.00	$ 75.00
Apr 11, 2019	Lesson Horse	1.00	Each	Lesson - Prepaid	$ -	$ 75.00	$ 75.00
Apr 18, 2019	Lesson Horse	1.00	Each	Lesson - Prepaid	$ -	$ 75.00	$ 75.00
Apr 25, 2019	Lesson Horse	1.00	Each	Lesson - Prepaid	$ -	$ 75.00	$ 75.00

Comments

The invoice Credit Forward is for 4 Prepaid Lessons. The Credit Forward nets out the Prepaid Lesson Charges. The Prepaid Lesson Charges are for your records so you know how many prepaid Lessons have already been given.

Credit Forward	$(300.00)
Sales Tax	$ -
Invoice Line Item Total	$ 800.00
Late Charge	$ -
Total Due	$ 500.00

Thank you for your business.

Printed on April 05, 2019 Test Customer Page 1 of 1

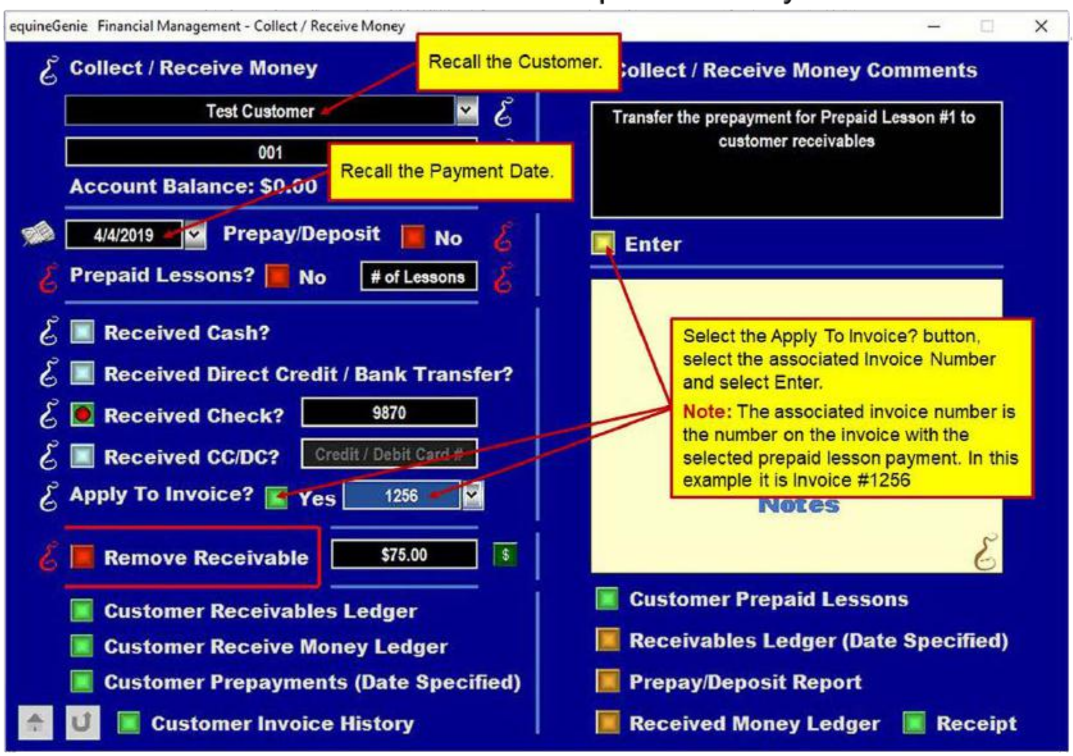
Invoice Number: 1256

Invoice Numbers on Prepaid Lesson Payments

There is one last housekeeping task that needs to be done. Now that the customer invoice has been generated, the invoice's number needs to be applied to each prepaid lesson payment. By applying the invoice number to each prepaid lesson payment the correct invoice payments will be reflected in the invoice's history.

This is easily accomplished by recalling each prepaid lesson payment on the Receive Money screen and selecting the Apply To Invoice button and selecting the associated invoice number. When the Enter button is selected on the Receive Money screen the invoice's payment history will be updated. The invoice will not be delinquent when all its payments have been made.

Add The Invoice Number To A Prepaid Lesson Payment



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