



QuickBooks® for Contractors Newsletter

Do You Barter? “Trading Services” between Customer and/or Vendors

If you buy services or product from your customer – or if your vendors buy services or products from you, you might want to “trade” services instead of paying each other. Exchanging “credits” with each other is a good way to offset your cash flow without actually exchanging money. You will, however, need to add a few new records to QuickBooks and do a few “special” transactions to make sure that all of your reports come out accurately.

Example:

If you sell the customer/vendor taxable items, or if you buy inventory items in the “trade”, you will want to ensure that your books are accurate even though no cash will ever change hands.

You can use the following method to account for a barter agreement if either of the following situations occurs:

1. You owe money to a customer and they also owe you money. You will “pay” them by issuing a credit to their account with you. In turn, they will issue a credit to your account with them for an equal amount in order to “pay” you.
2. You owe money to a vendor and they also owe you money. You will “pay” them by issuing a credit to their account with you. In turn, they will issue a credit to your account with them for an equal amount in order to “pay you”.

The first think that you will need to do is have both a Customer and a Vendor record for the same company. QuickBooks will not let you use the “exact same name” in both lists – and if it did you would have a difficult time telling which record you should be working with; so you will want to append the name with a **C** for Customer and a **V** for Vendor. See the example below:

Step 1: Create both a Customer and a Vendor Record for the same company.

Vendor Record:

Vendor Name: Sam Subcontractor(V)
Current Balance: 0.00
Address Info: Company Name: Sam Subcontractor, Contact: Sam, Phone: 800-for-help, Address: PO Box 111, West Charleston, VT 0587

Customer Record:

Customer Name: Sam Subcontractor(C)
Address Info: Company Name: Sam Subcontractor, Contact: Sam, Phone: 800-for-help, Address: PO Box 111, West Charleston, VT 05872

Step 2: Create an Other Current Asset Account in your Chart of Accounts called “Bartering”.

The screenshot shows the 'New Account' dialog box. The 'Type' is 'Other Asset'. The 'Name' is 'Bartering'. The 'Description' is '"Barter" Clearing Account'. The 'Tax Line' is 'B/S-Assets: Other assets'. The 'Opening Balance' is empty, and the 'as of' date is '05/26/2006'. There are 'OK', 'Cancel', and 'Next' buttons on the right side.

Step 3: Create an Other Charge Item in your Item List called “Cust/Vend Credit” that points to the Barter Account created above.

The screenshot shows the 'New Item' dialog box. The 'Type' is 'Other Charge'. The 'Item Name/Number' is 'Cust/Vend Credit'. The 'Description' is 'Customer/Vendor Credit'. The 'Amount or %' is '0.00' and the 'Tax Code' is 'Tax'. The 'Account' is 'Bartering'. There are 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling' buttons on the right side.

Putting it all together and making it work.....

When you purchase goods or services from this Vendor (Sam Subcontractor), enter a Bill normally using his Vendor record name - Sam Subcontractor (V) using whatever accounts or items that apply.

Step 1: Record a Bill for 5 hours of demolition work at \$125.00 per hour for the job Change Orders.

Enter Bills Type a help question **Ask** How Do I? [] [] [] []

Previous Next Find History Journal

Bill Credit Bill Received

Bill

Vendor Sam Subcontractor(V) Date 03/01/2006

Address Sam Subcontractor
PO Box 111
West Charleston, VT 05872 Ref. No. 5526

Amount Due 625.00

Bill Due 04/30/2006

Terms Net 60 Discount Date

Memo

Expenses \$0.00 **Items \$625.00**

Item	Description	Qty	Cost	Amount	Customer:Job	Class
02 Site Work:02.10 Demo	Demo	5	125.00	625.00	Customer Four:Change Orders	Subcontract

Select PO Receive All Show PO Time

Clear Splits Recalculate Save & Close Save & New Clear

When you sell goods or services to this Vendor (as you customer) create an Invoice (NOT a Sales Receipt) using his Customer Record name, Sam Subcontractor (C) just like you would invoice any other Customer.

Step 2: Create an Invoice for 4 hours of Landscape & Paving Services at \$100.00 per hour.

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

Previous Next Spelling History Journal Time/Costs...

Customer:Job Class Template Customize

Sam Subcontractor(C) Intuit Service Invoice

Invoice Date 03/15/2006 Invoice # 38

Bill To
Sam Subcontractor
PO Box 111
West Charleston, VT 05872

P.O. No. 750 Terms Net 60

Item	Quantity	Description	Rate	Class	Amount	Tax
26 La...	4	Landscape & Paving	100.00	Subcontract	400.00	Non

Customer Message Tax Exempt (0.0%) 0.00

Total 400.00

To be printed To be e-mailed Customer Tax Code Tax Apply Credits Payments Applied 0.00

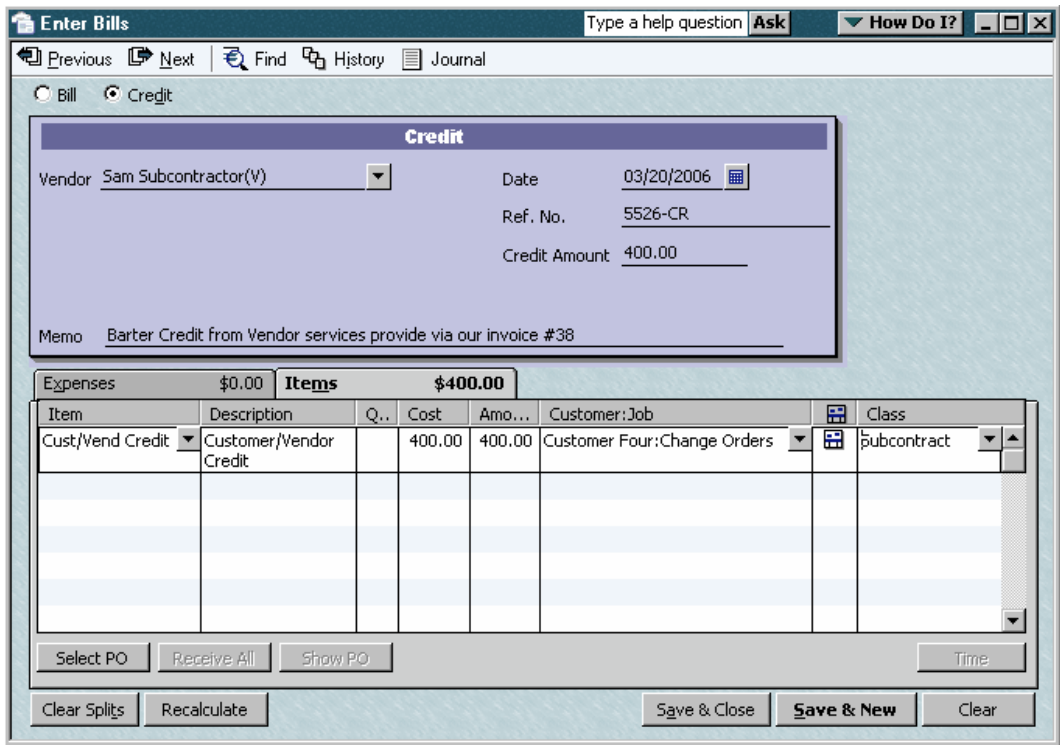
Balance Due 400.00

Memo

Let QuickBooks help you get your Invoice paid online by credit card. Save & Close Save & New Clear

You owe Sam Subcontractor \$625.00 and he owes you \$400.00. You send him your invoice for \$400.00 and he calls you up when he receives it and say's "I'm a little tight on cash right now, how about I give you a \$400.00 credit on your account balance of \$625.00 now and you pay me the remaining \$225.00 in 30 days? As it turns out Cash Flow is a little tight for you too, so you agree.

Step 3: Record a Bill Credit for Sam Subcontractor (V) for \$400.00 using the Cust/Vend Credit Item.



What does QuickBooks do behind the scenes?

Because the “Cust/Vend Credit” Item is linked to the Barter Account this transaction credits (decreases) the balance in the Barter account and debits (decreases) Accounts Payable; which takes care of the money that he owes you.

Transaction Journal
All Transactions

Trans #	Type	Date	Num	Name	Account	Debit	Credit
93	Credit	03/20/2006	5526-CR	Sam Subcontractor(V)	2010 - Accounts Payable	400.00	
				Customer Four:Change Orders	Bartering		400.00
						400.00	400.00
TOTAL						400.00	400.00

Step 4: Create a Credit Memo for Sam Subcontractor (C) for \$400.00 using the Cust/Vend Credit Item.

What does QuickBooks do behind the scenes?

Because the Cust/Vend Credit Item is linked to the Barter Account, the Credit Memo debits (increases) the balance in the Barter Account – making it zero and credits (decreases) the balance in Accounts Receivable.

Transaction Journal All Transactions

Trans #	Type	Date	Item	Name	Account	Debit	Credit
94	Credit Memo	03/20/2006	39	Sam Subcontractor(C)	1210 · Accounts Receivable		400.00
				Sam Subcontractor(C)	Bartering	400.00	
				Sales Tax	2201 · Sales Tax Payable	0.00	
						400.00	400.00
TOTAL						400.00	400.00

Step 5: Paying the \$225.00 balance to Sam Subcontractor.

Using the *Pay Bills* function, select the bill from Sam Subcontractor, notice that you owe Sam \$225.00 since the original bill from Sam was for \$600.00; the \$400.00 credit was automatically applied, leaving a balance due of \$225.00.

Select Bills to be Paid

Show bills Due on or before 04/30/2006 Show all bills

Sort Bills By: Vendor

<input checked="" type="checkbox"/>	Date Due	Vendor	Ref. No.	Disc. Date	Amt. Due	Disc. Used	Credits Used	Amt. To Pay
<input type="checkbox"/>	06/10/2004	0210			360.00	0.00	0.00	0.00
<input checked="" type="checkbox"/>	04/30/2006	Sam Subcont...	5526		625.00	0.00	400.00	225.00
Totals					985.00	0.00	400.00	225.00

Discount & Credit Information for Highlighted Bill

Vendor: **Sam Subcontractor(V)** Terms: **Net 60** Number of Credits: **0**

Bill Ref. No. **5526** Sugg. Discount: **0.00** Total Credits Available: **0.00**

Payment Account: 1110 · Company Checking Acc... Ending Balance: **4,595.00**

Payment Method: Check To be printed Assign check no.

Payment Date: 03/20/2006

Buttons:

Step 6: Click Pay & Close to create a Bill Payment Check for the \$225.00 balance due.

