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## **QuickBooks® for Contractors Newsletter**

### *Recording Job Deposits in QuickBooks*

A job deposit is money that belongs to the customer, but the customer has given it to you to hold or to use to purchase materials and labor for their job. In other words, it's money in the bank, but you still need to earn it.

You should not record it as income when you get it.

The deposit is a liability on your books even though you deposit the funds into your checking account.

When you have incurred costs on the project in excess of the deposit, an invoice should be created to bill the customer for work performed to date and the amount of the deposit should get applied to the customer's invoice. That means that the deposit will be subtracted from the amount the customer owes you for that invoice. At that point revenue is recorded and the deposit is moved out of the liability account.

#### **To create a job deposit item**

You can use the Job Deposit item if you accept deposits from customers. It will be used when money is accepted from a customer and when a deposit is applied to a customer's invoice.

- From the Lists menu, choose Item List.
- From the Item menu at the bottom of the Item List window, choose New.
- In Type, select Service.
- In Item Name/Number, enter Job Deposit.
- In Account, select Customer Deposits (2200 if you use account numbers), you may need to create this on your chart of accounts – it is an Other Liability account type
- Click OK.

There are two ways to record a deposit as a liability

#### **Method 1:**

1. From the Customers menu, choose Enter Sales Receipts.
2. From the Customer: Job list in the Enter Sales Receipts window, select the customer.
3. In the Class field, select Revenue – Job Related.
4. In the Date field, enter the date you deposited the funds.
5. In the Sale No. field, enter Deposit.
6. Select a Payment Method from the drop-down list.

7. In the Item field, select Job Deposit from the drop-down list. Enter 1 in Quantity and enter the deposit amount in Amount. Rate will be calculated for you.

To include a message on the customer receipt, select a message from the Customer Message drop-down list or click Add New to create a new message.

Click Print to create a receipt for your customer.

Click Deposit To at the bottom of the window. Select the Checking or Savings account you want to put the funds in. Make sure you deposit this check by itself, not as a group deposit. Then when you reconcile the Checking or Savings account, this deposit will be listed alone.

Click Save & Close to record the deposit.

### **To apply the deposit to an invoice**

Follow the usual steps to create an invoice.

At the end of the invoice items, enter the Job Deposit item using a Quantity of -1 and a Rate equal to the original deposit amount.

Click Save & Close to create the invoice.

### **Method 2:**

Create the Job Deposit Item as above

Add the Job Deposit Item to the bottom of your Estimate with the dollar amount you require from the customer

Create a Progress Invoice using the 3<sup>rd</sup> option

In the Progress Invoice window mark the Job Deposit at 100% complete

Print the progress Invoice if you so choose

Receive the payment as usual

When you are ready to create the next progress invoice that exceeds the initial payment received go back to your Estimate, choose to create the progress invoice billing for total completed to date, mark the Job Deposit at -100% complete and your Progress Invoice will automatically calculate the balance due showing that the deposit was applied to this invoice.



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