

How to Balance Your Accounts Receivables



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Every business, large or small, should balance their aged trial balance on a monthly basis. In order to begin balancing, you must run the following reports for the month being closed:

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|--------------------|--------------------|
| 1. SALES | 5. DISCOUNT |
| 2. CREDIT MEMOS | 6. WRITE OFFS |
| 3. CASH RECEIPTS | 7. DEBIT INVOICES |
| 4. RETURNED CHECKS | 8. CREDIT INVOICES |

Each of these reports should be run separately so that you will have an accurate total on the report. Let's say that we are closing the month. Your balancing format will be as follows:

<i>BEGINNING BALANCE</i>	SUBTRACT: CREDIT MEMOS
(Ending Total From Prior Month)	SUBTRACT: CASH RECEIPTS
ADD: SALES	SUBTRACT: DISCOUNTS
ADD: RETURNED CHECKS	SUBTRACT: WRITE OFFS
ADD: DEBIT INVOICES	SUBTRACT: CREDIT INVOICES
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	<i>END OF THE MONTH BALANCE</i>

The ending balance on your GENERAL LEDGER should equal the balance of your AGED TRIAL BALANCE. You should keep a copy of the monthly trial balance for your permanent records. Your accountant needs to see this information. You should also keep as a part of your permanent records your reports that give you the information to arrive at the new end of the month total. THIS IS VERY IMPORTANT.

IF YOU DO NOT BALANCE...

DID YOU VOID ANY TRANSACTIONS FROM PRIOR MONTHS?

If you have voided any invoices, payments, discounts etc. that had been posted prior to the first day of your current month, you will not balance.

DID YOU USE A WRONG DATE?

When posting, you cannot use a date outside of the month you are working in. If you do, your reports will not pick up this date and you will be out of balance.

DID YOU ADD CORRECTLY?

Check to make sure that each transaction was added or subtracted carefully. Did you add or subtract your debit invoices? This is a commonly made error. Also check to make sure that none of your numbers are transposed. Rule of thumb: If the difference is evenly divisible by nine, you most likely transposed a number. If it is divisible by two, you may have added instead of subtracted or vice versa.

IF YOU BALANCE MULTIPLE AGINGS:

When you balance multiple aging, if you move a credit memo from one model to another (i.e. one aging to another) you must account for this in your transactions. Using the "Debit /Credit Invoice" transactions if you move an invoice from one aging to another may do this. If a factor is involved, you would do an internal credit memo (manual CM issued, not posted to the MOD2 system but posted to the general ledger). The offsetting entry will be through the invoice schedule to the factor. It is important to remember to change the model.