Prepayments and Accruals.

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Prepayments.

What are prepayments?

- A prepayment is a payment, or an expense, in advance of the period to which the expense relates.

- Journal entry adjustments posted to match the expense to the period(s) to which it relates.

Examples

- Rent invoiced quarterly at the start of each period.

- Insurance paid annually.

Prepayments.

Example

- Rent is £1000 / month

- Paid quarterly at the start of each period

- Enter a purchase invoice for £3000

Effect on reports

Month	P&L
1	£3000
2	£0
3	£0

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Month	P&L
1	£1000
2	£1000
3	£1000

Prepayments.

Demonstration – Manual

1. Record the actual transaction – Purchase Invoice (PI) to Rent - £3000

2. Post a reversing journal for the expense

N/C	Name	Debit	Credit
7100	Rent		£3000
1103	Prepayments	£3000	

3. Monthly - post an expense journal

N/C	Name	Debit	Credit
1103	Prepayments		£1000
7100	Rent	£1000	

Prepayments.

Demonstration – Automatic

- Sage 50 Accounts Professional only

Nominal codes > Prepayments

- Process via Month end option

- What transactions are posted?

Tips

- Months - between 2 and 12

- Value - total net value

Prepayments.

Options & Tips

- Journals are date sensitive

- Manually post journals in advance (memorise and recall – Professional only)

- Data Import > prepare all journals on spreadsheet then import

- Bank accounts > Recurring items – set up journals

Help Centre

Automatic prepayments and accruals

Manual prepayments and accruals

One month prepayments and accruals

Accruals.

What are accruals?

- An accrual is opposite to a prepayment in that you incur the expense at the end of a period.

- Journal entry adjustments posted to match the expense to the period(s) to which it relates.

Examples

- Telephone paid quarterly at the end of each period

- Often usage-based expenses

Accruals.

Example

- Telephone bill £100 / month – What if final expense is unknown?

- Paid quarterly at the end of period

- Enter a purchase invoice for £300

Effect on reports

Month	P&L
1	£0
2	£0
3	£330

Month	P&L
1	£100
2	£100
3	£120

Accruals.

Demonstration – Manual

1. Each month post an expense journal - this may be an estimate

N/C	Name	Debit	Credit
2109	Accruals		£100
7502	Telephone	£100	

2. Post a reversing journal for the full /estimated value at the end of the period

N/C	Name	Debit	Credit
7502	Telephone		£300
2109	Accruals	£300	

3. Record the actual transaction – Purchase Invoice (PI) to Telephone - £300

Prepayments.

Options & Tips

- If expense is different to the estimate, you can edit manually entered journals.
  - Have you ran month end reports? Values will change

Month	P&L
1	£0
2	£0
3	£330

Month	P&L
1	£100
2	£100
3	£130

Month	P&L
1	£110
2	£110
3	£110

Accruals.

Demonstration – Automatic

- Sage 50 Accounts Professional only

Nominal codes > Accruals

- Process via Month end option

- What transactions are posted?

Tips

- Months - between 2 and 12

- Value - total net value

Upcoming Webinars.

Upcoming	Key Topics
Credit Control – Aged Reports – Customer Statements – Bad Debt Fuel Scale Charges Brexit Tax Codes Report Design Year End	**Fixed assets ledger / Depreciation** **Friday 9 December 11am** You'll learn how to add records, including the option to import, the depreciation methods and how to process depreciation as part of the month end process. We'll also look at how to post depreciation manually. Note: Fixed assets ledger is available in Sage 50 Accounts Professional only
	Any requests? Please add them to the exit survey as you leave.

Thank you!

Please take a minute to complete the short exit survey as you leave.

You'll receive a follow-up email with links to register for future webinars and watch recordings later today.

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