Wollo University
College of Business and Economics
Department of Accounting and Finance

Distance module for Degree Program

Accounting Software Application (AcFn 3182)
(With Peachtree Quantum 2010 Software)

Prepared By: Naod Mekonnen

Editor: Haimanot Walle (PhD Candidate)

2020

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PREFACE

Dear Students!

In this information era, using computers in day to day activities considered to be mandatory for various types of reason. Among them are, it enables to record, process and generate financial reports effectively, efficiently and economically; it has the ability to process huge data at a time; it enables to retrieve data promptly; it can enhance the audit trails and so on. In general, using computerized accounting system for the accounting information system can make the organization competent in this ever changing and challenging business environment. Thus, whether the organization is for profit or not, it uses computers to handle its business activities. One of the business activities of the organization is the finance function. In this function, various types of data gathered and information, using various reports, communicated to the concerned body.

Various types of application software used by the finance unit of the organization. Among them, Microsoft Office (Excel), Peachtree Accounting, Quick Book, IBEX, SUN, etc. pointed as the major application software used by the finance function of the organization. However, Peachtree Accounting is the major application software that has various advantages over the other application software. Knowledge on Peachtree Accounting also has the advantage to handle the other types of application software. Thus for this course the Peachtree software is adopted.

*Why This Course? This course introduces computerized accounting system using Peachtree Accounting Software. In this course students will learn how to install the software, setting up company, journalizing transactions, produce financial statements and analyses the business performance using Peachtree Software. **Thus to study this course you must have to get a computer to practice each steps covered in this course. A simple reading of the module will not help in its entirety to understand about Peachtree software, which means it requires repetitive practicing of the steps.***

Why This Module? Use this module interactively. It has been developed to teach you the basics of using Peachtree software by introducing you to new material in a section, and then reinforcing that material with activities that you perform using Peachtree. Each activity in this module centers around a sample exemplary company. The activities are based on everyday accounting

transactions and can be applied to other company regardless of the type of business. Thus, a sample company you will create to learn the subject matter of the course.

Structures of the Module: *In this module about six chapters included. However, the course has its own steps, sometimes the first step must have to be completed before continuing the next step. Sometimes even before finishing one step it is possible to continue to the other step.*

ABOUT THE COURSE

Course Code	AcFn 3182
Course Title	Accounting Software Application
Degree Program	BA Degree in Accounting and Finance
ETCTS Credits	3
Credit Hour	2
Course Objectives & Competences to be Acquired	*The objective of this course is to provide an appropriate level of knowledge to students with an emphasis on the technical and practical applications of the basic accounting principles using computerized accounting system (mainly Peachtree Accounting). The course will focus on the following main objectives:* 1. *Understanding Peachtree software, installing the software, and use the software.* 2. *Learn how to perform basic tasks in Peachtree.* 3. *Be able to record transactions and generating reports.* 4. *Be able to securing the company's accounting system, generating and analyzing financial statements.*
Course Description	This course introduces computerized accounting system using Peachtree accounting. In this course, students will learn how to install the software, setting up company, journalizing transactions, produce financial statements and analyses the business performance using Peachtree Software. Thus, the course totally delivered through computer practice. Activities for each step provided in the materials.
Evaluation Type Assignment Tutorial Attendance Final exam **Total**	<u>Weight</u> 35% 5% <u>60%</u> 100%

CHAPTER ONE: COMPUTERIZED ACCOUNTING SYSTEM

1.1. Introduction

Dear Students! As you know accounting is the process of identifying, measuring, recording, and communicating economic information about an organization or other entity, in order to permit informed judgments by users of the information.

LEARNING OBJECTIVES

After studying this chapter, you will be able to:
- ☆ define a computerized accounting system;
- ☆ distinguish between a manual and computerized;
- ☆ accounting system; and
- ☆ highlight the advantages and limitations of computerized accounting system

Accounting systems collect and process data from transactions and events, organize them in useful reports and communicate results to decision makers. Three main steps are involved in processing business transaction. **First**, the financial information collected from source documents (source document: an original document containing information about a transaction), verified, and analyzed to determine how it will be recorded. **Next**, the transactions are recorded (manually recorded in the journal or electronically in the computer). **Finally**, reports are produced, analyzed and summarized the financial information.

In doing so, accounting systems consists of people, records, methods, and equipment. The systems are designed to capture information about a company's transactions and to provide output including financial, managerial and tax reports. All accounting information systems have these same goals, and thus share some basic components. These components apply whether or not a system is heavily computerized, yet the components of computerized systems usually provide more accuracy, speed, efficiency, and convenience than those of manual systems.

Computer technology provides accuracy, speed, efficiency, and convenience in performing accounting tasks. Therefore, accounting systems could be and should be supported with technology, which can be ranged from simple calculators to advanced computerized systems.

In computerized accounting system, the computer able to classify and summarize the data. It can post transactions to the main record, called the general ledger and within a second, the computer produces financial statements of the business.

There are five basic components of the accounting systems. They are: **source documents, input devices, information processors, information storages, and output devices**.

1. **Source Documents**: provides the basic information processed by an accounting system. Accurate source documents are crucial to accounting information systems. Input of faulty or incomplete information seriously impairs the reliability and relevance of the information system. Commonly referred to this as ''garbage in garbage out'' information systems are set up with attention on control procedures to limit the possibility of entering faulty data in the system. **Invoice** and **receipt** are some of the source documents. Invoices are documents that are prepared for on account/credit transaction. On the other hand, receipts are prepared for cash transaction.

2. **Input Device**: input device capture information from source documents and enable its transfer to the system's information processing component. Key board, scanner, and mouse are some of the most common input devices. Controls are used to ensure that only authorized individuals enter data to the system. Controls increase the system's reliability and allow information to be traced bake to its source.

3. **Information Processors**: are systems that interpret, transform, and summarize information for use in analysis and reporting.

4. **Information Storage**: is the accounting system component that keeps data in a form accessible to information processors. After being information entered and processed, data are stored for use in the future analysis and reports.

5. **Output Devices**: are means to make information out of an accounting system and make it available to users.

A computerized accounting system is an accounting information system that processes the financial transactions and events to produce reports as per user requirements. In a computerized accounting system, the framework of storage and processing of data is called operating environment that consists of hardware as well as software in which the accounting system, works.

The type of the accounting system used determines the operating environment. Both hardware and software are interdependent. The type of software determines the structure of the hardware. Further, the selection of hardware is dependent upon various factors such as the number of users, level of secrecy and the nature of various activities of functional departments in an organization.

Modern computerized accounting systems are based on the concept of database. A database is implemented using a database management system, which is define by a set of computer programmers (or software) that manage and organize data effectively and provide access to the stored data by the application programs. The accounting database is well-organized with active interface that uses accounting application programs and reporting system. Every computerized accounting system has two basic requirements:

- **Accounting Framework**: It consists a set of principles, coding and grouping structure of accounting.
- **Operating Procedure**: It is a well-defined operating procedure blended suitably with the operating environment of the organization. The use of computers in any database oriented application has four basic requirements as mentioned below;
  a. **Front-end Interface**: It is an interactive link or a dialog between the user and database-oriented software through which the user communicates to the back-end database. For example, a transaction relating to purchase of goods may be dealt with the accounting system through a purchase voucher, which appears on the computer's monitor of data entry operator and when entered into the system is stored in the database. The same data may be queried through reporting system say purchase analysis software program.
  b. **Back-end Database**: It is the data storage system that is hidden from the user and responds to the requirement of the user to the extent the user is authorized to access.
  c. **Data Processing**: It is a sequence of actions that are taken to transform the data into decision useful information.
  d. **Reporting System**: It is an integrated set of objects that constitute the report.

The computerized accounting is also one of the database-oriented applications wherein the transaction data is stored in well-organized database. The user operates on such database using the

required and desired interface and also takes the desired reports by suitable transformations of stored data into information. Therefore, the fundamentals of computerized accounting embrace all the basic requirements of any database-oriented application in computers. Accordingly, the computerized accounting system has the above four additional requirements.

1.2. Comparison between Manual and Computerized Accounting

Accounting, by definition, is the process of identifying, recording, classifying and summarizing financial transactions to produce the financial reports for their ultimate analysis. Let us understand these activities in the context of manual and computerized accounting system.

- **Identifying**: The identification of transactions, based on application of accounting principles is, common to both manual and computerized accounting system.

- **Recording**: The recording of financial transactions, in manual accounting system is through books of original entries while the data content of such transactions is stored in a well-designed accounting database in computerized accounting system.

- **Classification**: In a manual accounting system, transactions recorded in the books of original entry are further classified by posting into ledger accounts. This results in transaction data duplicity. In computerized accounting, no such data duplication is made to cause classification of transactions. In order to produce ledger accounts, the stored transaction data is processed to appear as classified so that the same is presented in the form of a report. Different forms of the same transaction data are made available for being presented in various reports.

- **Summarizing**: The transactions are summarized to produce trial balance in manual accounting system by ascertaining the balances of various accounts. As a result, preparation of ledger accounts becomes a prerequisite for preparing the trial balance. However, in computerized accounting, the originally stored transactions data are processed to mix out the list of balances of various accounts to be finally shown in the trial balance report. The generation of ledger accounts is not a necessary condition for producing trial balance in a computerized accounting system.

- **Adjusting Entries**: In a manual accounting system, these entries are made to adhere to the principle of cost matching revenue. These entries are recorded to match the expenses of the accounting period with the revenues generated by them. Some other adjusting entries may

be made as part of errors and rectification. However, in computerized accounting, Journal vouchers are prepared and stored to follow the principle of cost matching revenue, but there is nothing like passing adjusting entries for errors and rectification, except for rectifying an error of principle by having recorded a wrong voucher such as using payment voucher for a receipt transaction.

- **Financial Statements**: In a manual system of accounting, the preparation of financial statements pre-supposes the availability of trial balance. However, in computerized accounting, there is no such requirement. The generation of financial statements is independent of producing the trial balance because such statements can be prepared by direct processing of originally stored transaction data.

- **Closing**: After the preparation of financial reports, the accountants make preparations for the next accounting period. This is achieved by posting of closing and reversing journal entries. In computerized accounting, there is year-end processing to create and store opening balances of accounts in database. It may be observed that conceptually, the accounting process is identical regardless of the technology used.

1.3. Advantages of Computerized Accounting System

Computerized accounting offers several advantages vis-a-vis manual accounting, these are summarized as follows:

- **Speed**: Accounting data is processed faster by using a computerized accounting system than it is achieved through manual efforts. This is because computers require far less time than human beings in performing a task.

- **Accuracy**: The possibility of error is eliminated in a computerized accounting system because the primary accounting data is entered once for all the subsequent usage and processes in preparing the accounting reports. Normally, accounting errors in a manual accounting system occur because of repeated posting of same set of original data by several times while preparing different types of accounting reports.

- **Reliability**: The computer system is well-adapted to performing repetitive operations. They are immune to tiredness, boredom or fatigue. As a result, computers are highly reliable compared to human beings. Since computerized accounting system relies heavily on computers, they are relatively more reliable than manual accounting systems.

- **Up-to-Date Information**: The accounting records, in a computerized accounting system are updated automatically as and when accounting data is entered and stored. Therefore, latest information pertaining to accounts get reflected when accounting reports are produced and printed. For example, when accounting data pertaining to a transaction regarding cash purchase of goods is entered and stored, the cash account, purchase account and also the financial statements (trading and profit and loss account) reflect the impact immediately.

- **Real Time User Interface**: Most of the automated accounting systems are inter-linked through a network of computers. This facilitates the availability of information to various users at the same time on a real time basis (that is spontaneously).

- **Automated Document Production**: Most of the computerized accounting systems have standardized, user defined format of accounting reports that are generated automatically. The accounting reports such as Cash book, Trial balance, Statement of accounts are obtained just by click of a mouse in a computerized accounting environment.

- **Scalability**: In a computerized accounting system, the requirement of additional manpower is confined to data entry operators for storing additional vouchers. The additional cost of processing additional transactions is almost negligible. As a result, the computerized accounting systems are highly scalable.

- **Legibility**: The data displayed on computer monitor is legible. This is because the characters (alphabets, numerals, etc.) are type written using standard fonts. This helps in avoiding errors caused by untidy written figures in a manual accounting system.

- **Efficiency**: The computer based accounting systems ensure better use of resources and time. This brings about efficiency in generating decisions, useful information and reports.

- **Quality Reports**: The inbuilt checks and untouchable features of data handling facilitate hygienic and true accounting reports that are highly objective and can be relied upon.

- **Management Information System Reports**: The computerized accounting system facilitates the real time production of management information reports, which will help management to monitor and control the business effectively. Debtors' analysis would indicate the possibilities of defaults (or bad debts) and also concentration of debt and its impact on the balance sheet. For example, if the company has a policy of restricting the

credit sales by a fixed amount to a given party, the information is available on the computer system immediately when every voucher is entered through the data entry form. However, it takes time when it comes to a manual accounting system. Besides, the results may not be accurate.

- **Storage and Retrieval**: The computerized accounting system allows the users to store data in a manner that does not require a large amount of physical space. This is because the accounting data is stored in hard-disks, CD-ROMs, floppies that occupy a fraction of physical space compared to books of accounts in the form of ledger, journal and other accounting registers. Besides, the system permits fast and accurate retrieval of data and information.

- **Motivation and Employees Interest**: The computer system requires a specialized training of staff, which makes them feel more valued. This motivates them to develop interest in the job. However, it may also cause resistance when we switch over from a manual system

Self-Test Activity

i. The framework of storage and processing of data is called as ....

ii. Database is implemented using ....

iii. A sequence of actions taken to transform the data into decision useful information is called.......

iv. An appropriate accounting software for a small business organization having only one user and single office location would be ....

to a computer system.

1.4. Limitations of Computerized Accounting System

The main limitations emerge out of the environment in which the computerized accounting system is made to operate. These limitations are as given below;

- **Cost of Training**: The sophisticated computerized accounting packages generally require specialized staff personnel. As a result, a huge training costs are incurred to understand the use of hardware and software on a continuous basis because newer types of hardware and software are acquired to ensure efficient and effective use of computerized accounting systems.

- **Staff Opposition**: Whenever the accounting system is computerized, there is a significant degree of resistance from the existing accounting staff, partly because of the fear that they shall be made redundant and largely because of the perception that they shall be less important to the organization.

- **Disruption**: The accounting processes suffer a significant loss of work time when an organization switches over to the computerized accounting system. This is due to changes in the working environment that requires accounting staff to adapt to new systems and procedures.

- **System Failure**: The danger of the system crashing due to hardware failures and the subsequent loss of work is a serious limitation of computerized accounting system. However, providing for back-up arrangements can obviate this limitation. Software damage and failure may occur due to attacks by viruses. This is of particular relevance to accounting systems that extensively use Internet facility for their online operations. No full proof solutions are available as of now to tackle the menace of attacks on software by viruses.

- **Inability to Check Unanticipated Errors**: Since the computers lack capability to judge, they cannot detect unanticipated errors as human beings commit. This is because the software to detect and check errors is a set of programs for known and anticipated errors.

- **Breaches of Security**: Computer related crimes are difficult to detect as any alteration of data may go unnoticed. The alteration of records in a manual accounting system is easily detected by first sight. Fraud and embezzlement are usually committed on a computerized accounting system by alteration of data or programs. Hacking of passwords or user rights may change the accounting records. This is achieved by tapping telecommunications lines, wire-tapping or decoding of programs. Also, the people responsible for tampering of data cannot be located which in a manual system is relatively easier to detect.

- **Ill-effects on Health**: The extensive use of computers systems may lead to development of various health problems: bad backs, eyestrain, muscular pains, etc. This affects adversely the working efficiency of accounting staff on one hand and increased medical expenditure on such staff on the other.

1.5. Summary

Computerized Accounting System: A computerized accounting system is an accounting information system that processes the financial transactions and events to produce reports as per user requirements. It is based on the concept of database and has two basic requirements: (a) Accounting framework and (b) Operating Procedure.

Advantages of Computerized Accounting System includes: Speed, Accuracy, Reliability, Up-to-date, Scalability, Legibility, Efficiency, Quality Report, Management Information System Reports, Real time user interface, Storage and Retrieval, Motivation and Employees interest and Automated document production.

Limitations of Computerized Accounting System includes: Cost of training, Staff Opposition, Disruption, System failure, Breaches of security, Ill-effects on health and Inability to check unanticipated errors.

1.6. Self-Test Questions

1. State the four basic requirements of a database applications.
2. What are five basic components of the accounting systems?
3. Name the various categories of accounting package.
4. Give examples of two types of operating systems.
5. List the various advantages of computerized accounting systems.
6. Define a computerized accounting system.
7. Distinguish between a manual and computerized accounting system.
8. _____ documents prepared for on account transaction.
   a) Invoice
   b) Receipt
   c) Source document
   d) None

9. _____ documents prepared for in cash transaction.

   a) Invoice

   b) Receipt

   c) Source document

   d) None

10. _____ device capture information from source documents and enable its transfer to the system's information processing component.

   a) Input device

   b) Output device

   c) Printer

   d) None

11. Which one of the following is limitation of computer based system?

   a) Speed

   b) Accuracy

   c) Cost

   d) None

Hint Answers for choose questions: 8: a, 9: b, 10: a, 11: c

CHAPTER TWO: INSTALLING PEACHTREE SOFTWARE

2.1. Introduction

Multipurpose off-the-shelf (readymade) software applications exist for a variety of business operations. These include familiar accounting programs such as Peachtree and QuickBooks. Off-the-shelf programs are designed to be user friendly and menu driven, and many operate more efficiently as integrated systems. In an integrated system, actions taken in one part of the system automatically affect related parts. For instance, when a credit sale is recorded in an integrated system several parts of the system are automatically updated, such as posting to the ledger.

LEARNING OBJECTIVES

After studying this chapter, you will be able to:
☆ Installing the software;
☆ Registering the Peachtree software; and
☆ Start using the software.

Peachtree accounting software for windows use accounting principles and work for all types of businesses. It performs all steps in the accounting cycle, from recording business transactions to generating reports; in addition, the software can analyze financial data and can provide time management. Hence, the software requires a minimum hardware configuration. Besides, Peachtree software has many versions depending on the advancements of Peachtree software engineers and anybody can purchase the software and use.
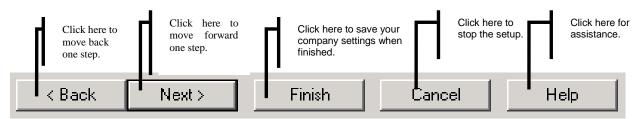
2.2. Installing Peachtree Software

Dear Students! This section deals about installing Peachtree software on only one computer. However, the software can also be installed in a networked server. Installing Peachtree software on only one computer, the Peachtree program files and company data files will be put on that computer. The followings are the steps required to install Peachtree programs. **To install on a single computer**:

1. Exit all programs and disable virus-protection and screen saver programs on your computer. This frees up memory and avoids interference with the Peachtree setup process.

It's important to consider the importance of the following buttons, because almost each window will have **back, next, finish, cancel and help buttons**. Thus, the buttons at the bottom of each window let you go back, move forward, or cancel the setup process. The H**elp** button gives you immediate assistance for the current setup window.

Click here to move back one step.

Click here to move forward one step.

Click here to save your company settings when finished.

Click here to stop the setup.

Click here for assistance.

< Back   Next >   Finish   Cancel   Help

2. Insert the Peachtree disc in your CD-ROM drive. The Peachtree Autorun window automatically appears; it has a menu of options, including the installation of Peachtree and its components. **NB**: If the Autorun window does not automatically appear, do the following: From the Windows **Start** menu, select **Run**. Type "D:SETUP" and click **OK**. (Substitute the appropriate drive letter for your CD-ROM drive.)

Peachtree Accounting 2010 Setup

Peachtree

Welcome to the Peachtree Accounting setup program.

We strongly recommend that you exit all Windows programs.

View Install Instructions

Warning: This Program is protected by copyright law and international treaties. Unauthorized reproduction or distribution of this program or any portion of it may result in severe civil penalties and will be prosecuted to the maximum extent possible under the law.

InstallShield

Help   Cancel   < Back   Next >

The Peachtree Accounting Setup - Welcome window appears. It tells you what to expect when you run the Setup program. Read the information and instructions on the window, and then select **Next**. **NB**: To stop and exit setup at any time, select the **Cancel** button. For help on any window in the Peachtree Setup program, select the **Help** button.

3. Read the Licensing Agreement, and if you accept the terms, select the **Agree** option. Select **Next**. (If you select **Disagree**, you will exit the setup program when you click **Next**.)

4. Then, Peachtree will notify you to disable antiviruses by providing the following dialog box. So, you have to temporally turn off any antiviruses and click ok.

5. After clicking the 'ok' button the installation progress shows like as the following picture.

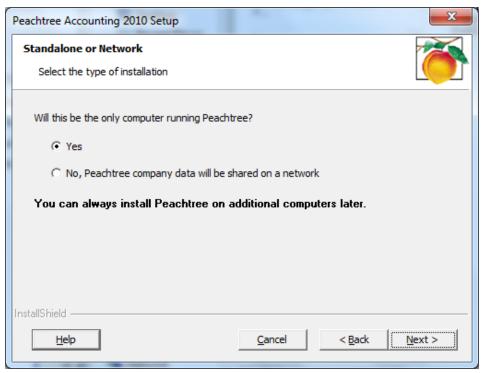6. The Serial number window opens. Enter the serial number on your CD cover here and click **Next**.
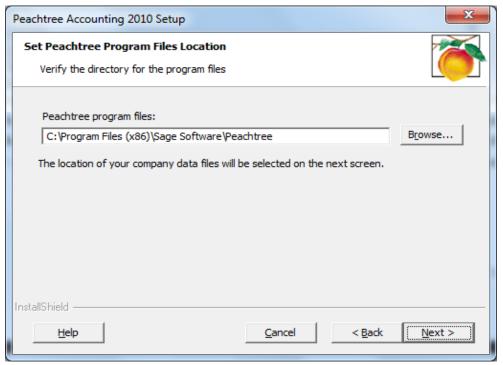

7. After the serial number entered and clicked the 'next' button, Standalone or Network window will appear. On this window, you select whether or not you will be installing Peachtree solely on the current computer or if you will be installing it on more than one computer and networking your computers.

- Select **Yes** if this is the only computer that Peachtree will be installed on and click 'Next'. That is, your Peachtree company data will not be shared with other computers on a network. If you will be installing Peachtree on another machine, for example, at home, you should still select **Yes** as long as your Peachtree company data will not be shared on a network or by multiple users at the same time.
- Select **No** if you will be installing Peachtree on more than one computer and you will be sharing your Peachtree company data with the other computers on a network and click 'Next'.
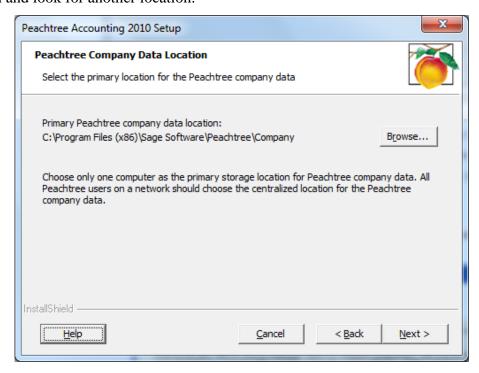
8. **The Set Peachtree Program Files Location window appears,** asking you to specify where you want to put the Peachtree program files. You can choose the folder where the Peachtree Accounting program files will be installed. You must select a drive on this computer at this point. You cannot install Peachtree on another computer here.
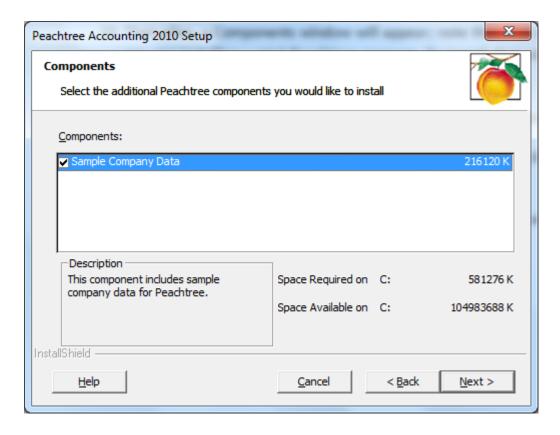
   In the **Peachtree program files** box, enter the complete pathname of the location on the hard drive where you want Peachtree installed—for example, *C:\Program Files\Sage Software\Peachtree.* OR you can select the **Browse** button to search for the appropriate drive and folder name(s), and then click 'Next'.

9. After creating the path of Peachtree program file locations, a window, i.e., Peachtree Company Data Location will appear. If you specified that your Peachtree company data files will be located on this computer, you will see this window. Ensure that the location listed is correct and click 'Next'. If the location is not correct, you can click the Browse button and look for another location.

10. Then after, a Components window will appear; note that, this window will not appear if you are installing a trial Peachtree program. To install desired Peachtree components, follow these steps:

    i.   In the **Components** list box, select the check box if you want to install the sample company data.

    ii.   Click the **Next** button to continue. To stop and exit setup, click the **Cancel** button.

11. The summary window will appear after clicking next on the component window. This window simply tells you where you have installed your Peachtree program and Peachtree company data files. This window also **allows** you to choose to Add the Peachtree desktop shortcuts to the desktop, which include the Peachtree program icon, Checks and Forms, and Peachtree Knowledge Base; and/or you can choose to Add an icon to the quick launch toolbar. If you need to change anything, click Back. Otherwise, click Install to install Peachtree.

12. After clicking the 'Install' button a picture shown at the step '5' also appear at this stage and you have to be patient until it finished the installation. Note that, if you are prompted by antiviruses that unknown program changed your computer setups, you must allow certain programs to run on your machine. These include peachw.exe, w3dbsmgr.exe, w3lgo103.exe, peachpim16.exe, peachupdx16.exe, ais2.server.console.exe, PeachtreePrefetcher.exe, SmartPostingService2010.exe, and possibly others. If these programs are blocked by firewall software, Peachtree will not operate correctly.

13. After the installation completed the following window will appear. This window may ask you to remove the Setup CD from the drive and restart Windows. Select an option regarding restarting Windows and then select the Finish button.

Be sure to turn on your antivirus and anti-spyware applications when Peachtree installation is complete!

You may also see three options (all will be checked automatically):
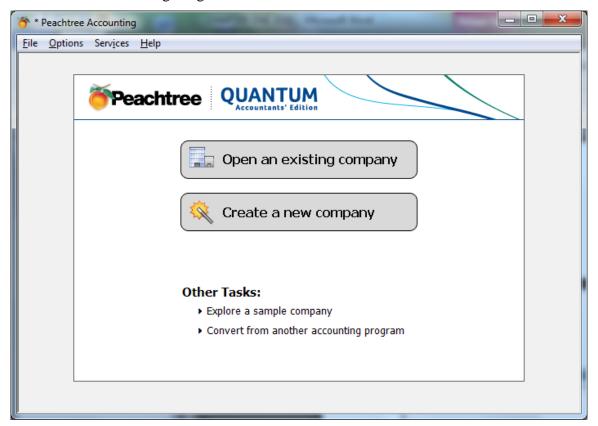
- Start Peachtree Accounting—check this box if you want the Peachtree program to start running as soon as the setup program exits.
- View Network Setup Tips--we highly recommend that you view and print these tips, because they tell you where your Peachtree company data files are stored But this is

not the case, because we have already installed the Peachtree program not to be shared or accessed by other computers.

- View the Release Notes—check this box if you want to see notes about the new features in this release of Peachtree Accounting. The notes will appear as soon as the setup program exits the Finish window.

Click the **Finish** button to close the window and complete the setup process.

14. If you checked the box of 'Start Peachtree Accounting', will see the following window of Peachtree Accounting Program.

Self-Test Activity
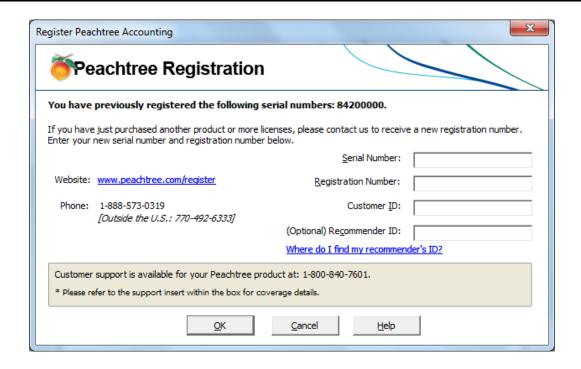
i.   List down the steps used to install the software.

ii.   Why antivirus software deactivated during Peachtree software installation?

2.3. Registering Peachtree

Please register your copy of Peachtree as soon as possible after installing the program. Registration is very important because it ensures you of timely program updates and upgrade offers

1. Do one of the following:

- After your initial sessions working with Peachtree, when you start the program, the Register Peachtree Accounting window will appear,

- OR, if Peachtree is already running, select **Peachtree Registration** from the **Help** menu.

2. Enter your Serial Number if not entered, Registration Number and Customer ID.

3. When finished entering your registration information, click **OK** to start using Peachtree. If you select the **Register Later** button, you can use Peachtree a limited number of times before you need to register. A message will display the remaining number of uses. If you have no remaining uses left and choose not to register, Peachtree will shut down. If you start Peachtree again, you will be prompted to register again.

Now you can set up a new Peachtree company, open an existing company, explore sample company data, or convert from another accounting program to Peachtree program.

2.4. Summary

To install Peachtree on a stand-alone computer, first all programs opened shall be closed that are running on your computer. Peachtree is one of the more finicky programs to install so the advice to close all applications should not be brushed aside. Then, each steps must be completed and finally registration number must be entered to activate the software. **Otherwise, if the software is not active, only ten counted number of use will be granted and stopped after all.**

2.5. Self-Test Questions

1. When the installation process completed which bottom is clicked?
2. How is the Peachtree software registered?
3. Which button is clicked to processed for the coming level?
   a) Back
   b) Next
   c) Finish
   d) Cancel
4. Which button is clicked to review previous step?
   a) Back
   b) Next
   c) Finish
   d) Cancel
5. Which button is clicked to terminate the operation?
   a) Back
   b) Next
   c) Finish
   d) Cancel
6. If the Peachtree software is not activated, how many number of use will be provided by the software?
   a) 100 uses
   b) 11 uses
   c) 10 uses
   d) 111 uses

Hint Answers for choose questions: 3: b, 4: a, 5: d, 6: c

CHAPTER THREE: BASIC PEACHTREE OVERVIEW

3.1. Introduction

Dear Students! Now we have installed the Peachtree software, we are ready to get started running the company's business activities with Peachtree. Basically, the remaining tasks in general will be:

LEARNING OBJECTIVES

After studying this chapter, you will be able to:
- ☆ Starting and closing the software;
- ☆ Creating a new company and opening existing Peachtree company; and
- ☆ Exploring the window of Peachtree software.

1. Create the Company: Business Types, Chart of Accounts, Posting Method, Accounting Method, etc.

2. Set Up the Company: Enter Beginning Balances (general ledger), Default and Record information for Customers, Vendors, Employees

3. Run the Company: Record transactions and print reports (checks, invoices, financial statements, etc.)

4. **Analyze the Business:** Print reports and financial statements

Here are some important terms that must be familiarized with them:

- ☞ **Default**: computer preset option (an option that will be automatically be selected by a computer)
- ☞ **Customer:** a person or company who buys goods or services of the company
- ☞ **Vendors:** a person or company who sells goods or services for the company

3.2. Starting the Program
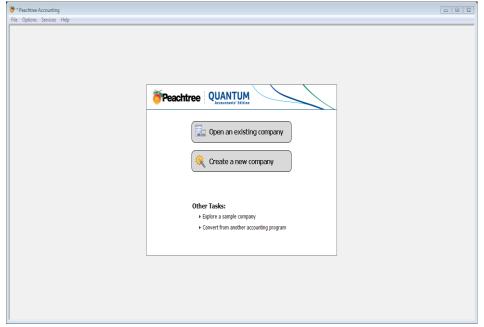
There are several ways to open Peachtree:

1. **From the Taskbar:** Select **Start** on the taskbar and then **Programs**. Locate and select the Peachtree group folder. Then select the Peachtree icon.
2. **From My Computer**
    - i. Locate and double-click the **My Computer** icon on the Windows desktop. My Computer window appears. Then select the hard drive where you installed Peachtree. (Drive C is the default.)

ii. By default, Peachtree is installed in C:\Program Files\Sage Software\Peachtree. Locate and double-click the **Peachtree** folder.

iii. Next, locate and double-click the '**peachw.exe**' file.

3. **From the Desktop:** From the desktop, double-click the Peachtree icon.

Once you start Peachtree, the **Start Screen** appears, giving you options for proceeding. And it is depicted on the following page. Peachtree displays the Start screen when you first open Peachtree. Choose one of the following startup options:

1. **Open an existing (Peachtree) company:** provides access to previously created companies.

2. **Create a new company:** to construct company for the first time.

3. **Explore a sample company:** Peachtree provides sample company data that you can open and explore. The sample company data allows you to examine company setup options and to practice entering records and transactions. This is a great way to introduce you to the features of Peachtree without using your own company data.

4. **Convert from another accounting program** (not discussed on this course)

Self-Test Activity

i. List down the three optioned used to startup Peachtree software.

ii. What are the four option available at the startup window of Peachtree?

3.3. Create a New Company

Our concern is now to create new company and open it latter. Peachtree walks through the process of creating a new company. This makes it easier to get up starting new company. Thus, the process needs to enter a minimum of information to initially set up company. This information includes the chart of accounts, accounting method, posting method, and accounting period structure. After completing Create a New Company, Peachtree offers a Setup Guide, and we can set up default information, data records, and beginning balances for Chart of Accounts, Employees, Vendors, Inventory, Customers, Job, Users, etc.

Note that, before starting set up a new company in Peachtree, it is important to make some initial decisions based on how you work and the legal regulations that apply to the business, those are:

1. **Accounting Method**

In setting up a new company in Peachtree, one of our first choices is between cash-basis and accrual basis of accounting. The accounting method displayed in the Maintain Company Information window determines how Peachtree handles general ledger, accounts receivable, accounts payable, and payroll transactions.

Accrual Accounting: revenues are recorded as the company invoice its customers, and expenses are recorded when the company receive bills from its vendors, regardless of when cash is actually exchanged. This confirms the matching principle of revenues and expenses and most companies use this method.

Cash-Basis Accounting: revenues are recorded when cash (checks, money orders, or currency) are received, and expenses are recorded when paid. However, unpaid credit sales and purchases do not show on ledgers, which can present a misleading picture of revenues and expenses. **NB**: **Once you choose the accounting method and complete the New Company Setup wizard, you cannot change it for this company.**

2. **Posting Methods**

Posting is the process of updating the General Ledger's chart of accounts to reflect all journal entries that have been entered into the system. Posting also updates all general ledger and other

Self-Test Activity

v.   What are the two types of basis of accounting method?

vi.   What are the three types of posting system available in Peachtree system?

accounting reports (financial statements). Therefore, the posting method determines how Peachtree processes transactions to journals and the general ledger. There are two options: **batch posting** and **real-time posting, hence there is one additional option in latest Peachtree program, i.e. SmartPosting.** This option available only on Peachtree 2010 and latest versions.

Real-Time Posting: Transactions are posted to the journals and the general ledger as they are entered and saved.

Batch Posting: Transactions are saved by the program and then posted in a group. When you use batch posting, you can print registers and check the batch of transactions before posting them to the journals.

SmartPosting: Transactions are saved by the program and then automatically posted by the SmartPosting service. This posting method helps improve performance by allowing you to save transactions without waiting for them to post. Unlike batch posting where you have to manually post transactions, the posting happens automatically when you use SmartPosting. In a network environment, you can use a separate computer to post the transactions and get even better performance. **This method is the recommended one to use.** You can switch posting methods at any time.

3. Dates and Accounting Periods

One of the most important decisions to make is the **Starting Date**. Accounting periods are the unit of time for which your company reports its transactions. Usually this is a month. Peachtree keeps two years open at the same time to allow you to view or make changes to the previous year or to apply transactions to next year.

Example: Creating a New Company

Dear Students! Now you are going to a new company that will be used till the end of this module. So you are kindly requested to enter and setup all required data given to you in this example, as such the example is continues in which one step will be completed after you finish the previous step. Do not forget!

ABC Inc (hypothetical example) is a merchandising company that trades electronic equipment throughout the country. Even if **ABC Inc** has enormous reputation in trading electronic equipment in the country, previously the company used a manual accounting systems which was outdated. Recently, the company decided to change its accounting systems with computerized system. In doing so, **ABC Inc** adopted Peachtree Accounting Software. The required information to create a new company provided as follow **(Here this exemplary company will be used continuously throughout the module, so you must have to finish one step before you start another step)**:

Company Name: **ABC Inc**
Address Line 1:   **St. No. 1**
Address Line 2:   **P.O.Box. 132**
City – State - Zip: **Dessie – AM - 251**
Country: **Ethiopia**
Telephone: **+2513311600**
Fax: **+2513311600**
Business Type: **Corporation**
Web Site**:**   **www.abcinc.com**
E-mail: **info@abcinc.com**
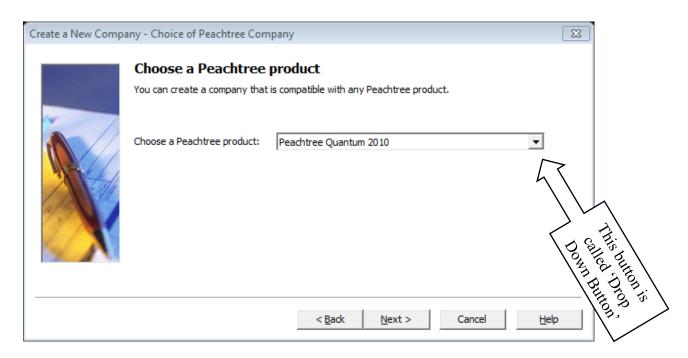
In addition to the above information, **ABC Inc** accountants intended to construct chart of account themselves. The accounting method is **accrual accounting** and the posting method that will be used is **Smartposting**. The accounting period is **12 month per period** and the fiscal year start on **January 2021**. You use the Create a New Company wizard to establish basic information of ABC Company and specific information about the company to work.

Dear Students! When you are getting and using this module and if you found a year indicated in the module just change the year for the current year in which that we are in.

Moving Around in Create a New Company option

1. Start Peachtree if it is not already running.

2. Click Create a new company. You can run Create a New Company in two different situations: When you set up your first company in Peachtree and When you set up an additional new company in Peachtree after working in another company on the system.

When we click Create a new company the introduction window appears. It lists the areas you will fill up. When you are done working in any window, click **Next** to go on. Then, the following window appears to select the type of Peachtree product to use in the new company. Thus from this window select **Peachtree Quantum 2010**.
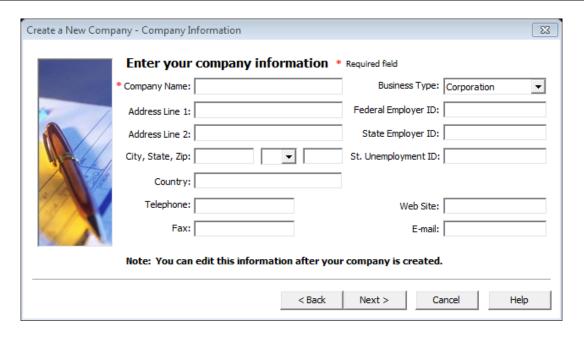
Click the Drop Down button, then you will get lists of option and select the last one that says Peachtree Quantum 2010. When you've selected which product to use for the new company, select the **Next** button. The followings are steps to create a new company:

1. **Entering company information:**

For our example, fill up the information provided for ABC Inc on the above page.

   i.   Enter the company name, address, phone, fax information and other appropriate information.

  ii.   From the list in the **Business Type** field, select your business type.

Business Types and Equity Accounts

This defines the type of business you run. When creating a new company in Peachtree, you are prompted for the form of business you operate (Business Type). Based on the choice you make, Peachtree creates certain equity accounts needed by each business type. The followings are the type of businesses in Peachtree program:

- Exempt Organization
- Corporation
- S Corporation
- Partnership
- Sole Proprietorship
- Limited Liability Company (LLC)

Note: You can change the type of business at any time. Also, if you select Build Your Own Company, no equity accounts are created. You would have to enter them manually. However, once your company is set up, changing a business type will not change the equity accounts in your chart of accounts. You must add the appropriate accounts manually. The above business type discussed hereunder.

Exempt Organization: Select this option if you are setting up a non-profit organization of any kind. When you select this option, the following equity accounts are automatically set up:

- Board Designated Net Assets
- Board Designated Quasi-Endow
- Use Restricted net Assets
- Time Restricted Net Assets
- Endowment Net Assets

All of these are Equity-Doesn't Close type accounts.

Corporation: This is a business that is owned by a few persons or thousands of persons and is incorporated under the laws of the country. It is a body formed and authorized to act as a single entity and is legally endowed with various rights and duties including the capacity of succession. When you select the Corporation business type during New Company Setup, the following equity accounts are automatically set up:

- Common Stock (Equity - doesn't close)
- Paid In Capital (Equity - doesn't close)
- Retained Earnings (Equity - Retained Earnings)
- Dividends Paid (Equity - gets closed)

In a corporation, you cannot touch equity except to pay dividends or sell stock. You may need to set up a Preferred Stock account if you differentiate between Common and Preferred. In addition, you may require a Paid-in Capital account for stocks sold at temporarily higher prices.

S Corporation: This is a type of corporation that, for federal tax purposes (in most states of USA), may be taxed as a partnership provided certain requirements are met. There are certain limitations that restrict this election typically to small businesses. These are limits on the number of shareholders, the types of shareholders, the classes of stock issued, and other restrictions. When you select the S Corporation business type during New Company Setup, the following equity accounts are automatically set up:

- Common Stock (Equity - doesn't close)
- Paid In Capital (Equity - doesn't close)
- Retained Earnings (Equity - Retained Earnings)
- Dividends Paid (Equity - gets closed)

Note that there is no account that gets set up for contributions. You usually do not contribute to an S Corporation.

Partnership: This is a business owned by two or more persons associated as partners. The partners have joint control over operations and the right to share in profits. When you select the Partnership business type during New Company Setup, the following equity accounts are automatically set up:

- Retained Earnings (Equity - Retained Earnings)
- Partner's Contribution (Equity - gets closed)
- Partner's Draw (Equity - gets closed)

Note that all equity gets rolled into Retained Earnings at year-end. Everything you add increases Partner's Contribution; withdrawals decrease Partner's Draw.

Sole Proprietorship: This is a business owned by a single individual and often managed by that same individual. A person who does business for himself or herself is engaged in the operation of a sole proprietorship. Many small service businesses such as doctors, lawyers, barbers, electricians, and small retail establishments are sole proprietorships. This is the simplest form of business. The owner is the business operator. When you select the Sole Proprietorship business type during New Company Setup, the following equity accounts are automatically set up:

- Retained Earnings (Equity - Retained Earnings)
- Owner's Contribution (Equity - gets closed)
- Owner's Draw (Equity - gets closed)
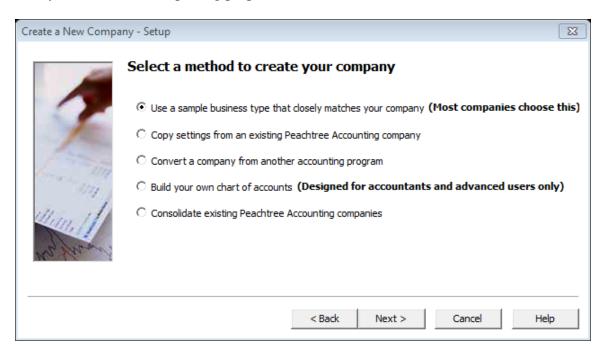
Note that all equity gets rolled into Retained Earnings at year-end. Everything you add increases Owners Contribution; withdrawals decrease Owners Draw.

Limited Liability Company (LLC): This is an unincorporated association of two or more persons (partners, corporations, and other business entities) whose members have limited personal liability for obligations or debts of the company. Similar to corporations, a limited liability company shields the assets of owners and investors from liability claims. It is classified as a partnership for federal tax purposes. If the company has more corporate characteristics, it may be taxed as a corporation. And, state taxation varies state by state. When you select the Limited Liability Company business type during New Company Setup, the following equity accounts are automatically set up:
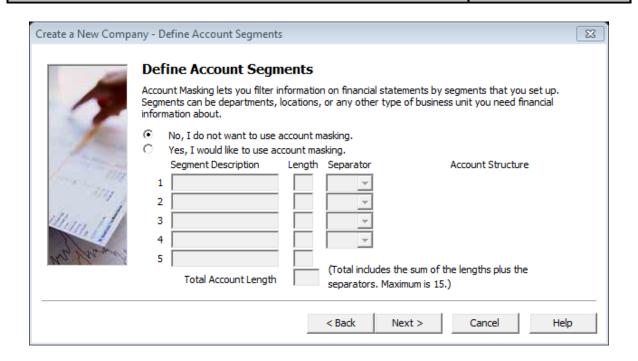
- Retained Earnings (Equity - Retained Earnings)
- Member's Contribution (Equity - gets closed)
- Member's Draw (Equity - gets closed)

iii.   Enter your company's Web site and e-mail address, if applicable and click next.

2. Select a Method to Create your Company
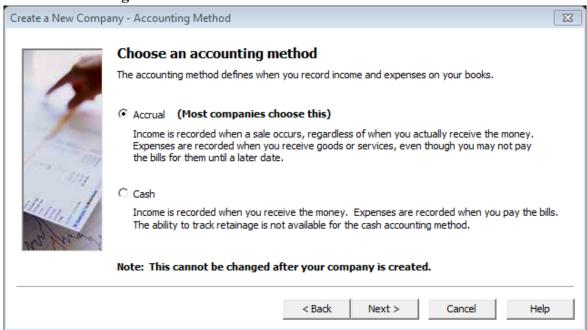
Chart of Accounts: is a complete list of all account names used in the General Ledger. Each account is associated with an account ID to help locate it when recording data. Accounts are used to classify transactions for reporting purposes.
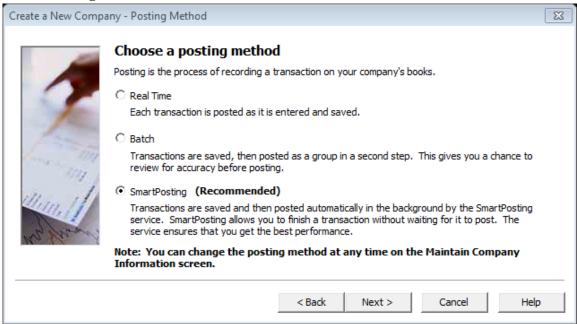
Select a method for creating the company. This includes selecting a sample business type, copying information from another Peachtree company, converting from another application, building your own company from scratch (particularly your chart of accounts), and creating a consolidated company. For our example case, select '**build your own chart of accounts**' and click next. The following window will appear and click next.

Create a New Company - Define Account Segments   ⊠

Define Account Segments

Account Masking lets you filter information on financial statements by segments that you set up. Segments can be departments, locations, or any other type of business unit you need financial information about.

◉ No, I do not want to use account masking.
○ Yes, I would like to use account masking.

	Segment Description	Length	Separator		Account Structure
1			▼		
2			▼		
3			▼		
4			▼		
5					

Total Account Length ⬚   (Total includes the sum of the lengths plus the separators. Maximum is 15.)

[< Back]   [Next >]   [Cancel]   [Help]

3. Select Accounting Method

Create a New Company - Accounting Method   ⊠

Choose an accounting method

The accounting method defines when you record income and expenses on your books.

◉ Accrual   **(Most companies choose this)**

Income is recorded when a sale occurs, regardless of when you actually receive the money. Expenses are recorded when you receive goods or services, even though you may not pay the bills for them until a later date.

○ Cash

Income is recorded when you receive the money. Expenses are recorded when you pay the bills. The ability to track retainage is not available for the cash accounting method.

Note: This cannot be changed after your company is created.

[< Back]   [Next >]   [Cancel]   [Help]

4. Select Posting Method

5. Accounting Periods Windows

Choose the accounting period structure among the two types:

a) **12 monthly accounting periods:** Each accounting period's starting and ending dates match those of the 12 calendar months. You can choose to start your fiscal year in January or any other month of the year. Most companies follow this fiscal year structure.

b) **Accounting periods that do not match the calendar months:** Choose this option if you want to set up a custom fiscal year structure. For example, you may want four accounting periods per year or possibly 13 four-week accounting periods per year.
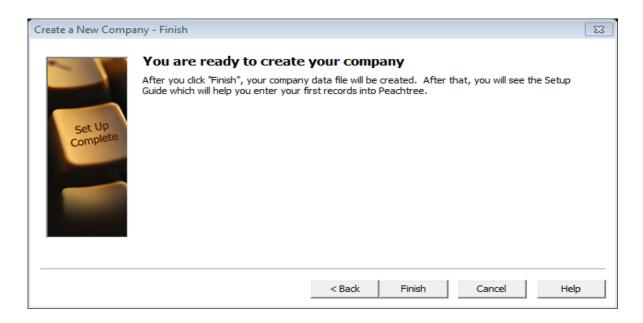
To continue setting up your company, select the **Next** button. Peachtree displays the next Create a New Company window corresponding to your setup option.

Starting dates need to be established for setting up your company and entering data. Once you establish a starting date, Peachtree will automatically set up monthly accounting periods for your first two fiscal years.
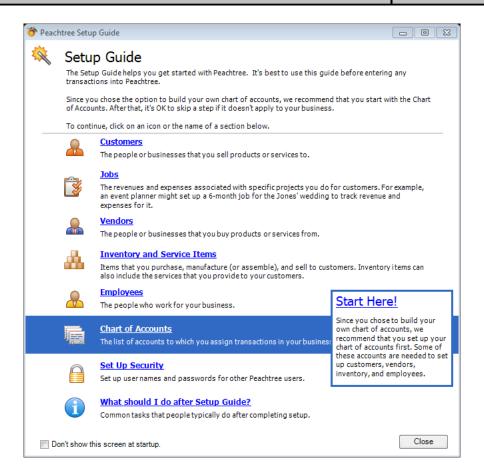
6. Finish Window

Congratulations! When you see this window, you're done. Just click the **Finish** button, and Peachtree will create your new company. Of course, if you want to make any changes beforehand, you can always click the **Back** button to return to the appropriate Create a New Company wizard window.

Completing the Setup Process
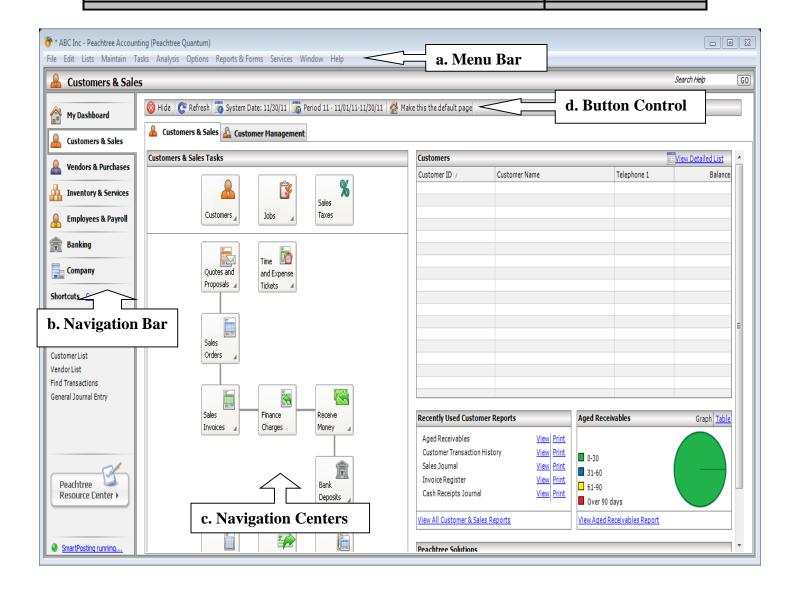
Once you've gone through the Create a New Company Wizard, you're ready to set up the remainder of your company and start using Peachtree. The Setup Guide opens when you finish Create a New Company. Setup Guide window depicted as follow:

This guide is designed to walk you through the process of completing new company setup. Because the Setup Guide assists you in entering all the information you need to set up your company, and in an orderly fashion. However, it will not be discussed here because different tasks of it will be covered through other options.

3.4. System Basics

System basic is a term that means the method of moving around and completing activities in Peachtree. Before you enter transactions, you will need to open the company files. You will need to back up your files, etc. all of these activities are categorized as system basic. If we close the Setup Guide we will get this window:
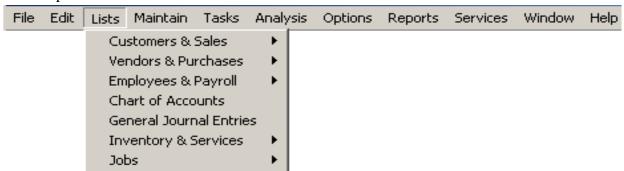
From this window, you can move around in Peachtree and perform your daily work. There are four methods of navigating available from the desktop:

a. **Menu Bar:** The menu bar provides drop-down lists of options.

b. **Navigation Bar:** The Navigation Bar provides entry to the Navigation Centers. It also features a group of **Shortcuts**, links to Peachtree functions that you use on a regular basis.

c. **Navigation Centers:** These provide useful, at-a-glance information about areas of Peachtree such as Customers & Sales. They also let you access functions related to each of those areas—for example, Sales/Invoicing.

d. **Button Control Bar**

a. The Menu Bar

At the top of the window is the menu bar.

The table below gives a brief description of each menu.

File	Allows you to perform several critical tasks such as opening or creating a company, backing up or restoring a company, updating Payroll tax tables.
Edit	Allows you to perform a variety of actions depending on the windows currently open. These include cut, copy, and paste objects from one place to another, spell check, and edit or delete records.
List	Allows you to open lists of records and tasks, such as customers and sales invoices. You can print these lists and customize them as necessary.
Maintain	Allows you to work with your record and list information. Here is where you go to add or edit customers, vendors, employees, users, and so forth.
Tasks	Allows you to perform all of your daily tasks in Peachtree, as well as carry out system tasks like changing accounting periods.
Analysis	Allows you to view customized graphical overviews of the entire company to analyze cash flow, collections of amounts due from customers, payments due to vendors, and financial status.
Options	Allows you to set global preferences for a company and to change the system date. You can turn on (or off) the status bar, Navigation Aid, and Start Screen.
Reports	Allows you to queue a list of reports for printing or viewing. You can also create and edit the format for reports, forms, and financial statements.
Services	Allows you to access and synchronize with various Peachtree Web resources online. You can also view Peachtree Today, or check for Peachtree updates.
Window	Let's you decide how you want your desktop to look.
Help	Allows you to access Help, contact Peachtree support, register Peachtree, and a variety of other tasks.

b. Navigation Bar

The Navigation Bar appears at the left side of the Peachtree main window and offers access to seven "pages" called *Navigation Centers*. It has a series of icons that represent individual Navigation Centers They provide information about and access to the Peachtree program:

- Business Status
- Customers & Sales
- Vendors & Purchases
- Inventory & Services
- Employees & Payroll
- Banking
- Company

c. Navigation Centers

There are several Navigation Centers; they resemble pages of information about the following areas of Peachtree and also provide access to functions that pertain to those areas:

- Customers & Sales
- Vendors & Purchases
- Inventory & Services
- Employees & Payroll
- Banking
- Company

As an example, the Customers & Sales Navigation Center displays the following information about your company's customers: **Customer List**, **Recently User Customer Reports**, and **Aged Receivables**. Each Navigation Center also provides a graphic representation of the flow of tasks related to that area of Peachtree. The Customer & Sales Navigation Center, for example, has a "flow chart" of customer-related tasks and offers access to those tasks.

d. Button Control Bar

Beside the **Customize This Page** button, other buttons in a bar at the top of the Peachtree Desktop help you work with the Navigation Centers and perform other tasks related to Peachtree operation:

- **Hide/Show:** This button acts like a toggle. When the button reads **Hide**, click it if you want to hide the Navigation Center that appears to the right of the Navigation Bar. When it reads **Show**, click it to make the Navigation Center reappear.

- **Refresh:** Click this to update the company data that currently appears in the main Peachtree window.

- **System Date:** Click this to change the Peachtree system date. **Note That**: Most often, if you leave Peachtree open all night, the system date does not change. This can sometimes play tricks with your data. Therefore, all employees should be instructed to close Peachtree at the end of the day or any time they leave their desk for an extended period.

- **Accounting Period:** Click this to change the current accounting period in Peachtree.

- **Make this the default page/This is the default page:** Again, this button is like a toggle. When it reads **Make this the default page**, click it to make the Navigation Center that you are currently working with appear each time you open a Peachtree company. When it reads **This is the default page**, the Navigation Center you're working with is the current default and will appear each time you open a company.
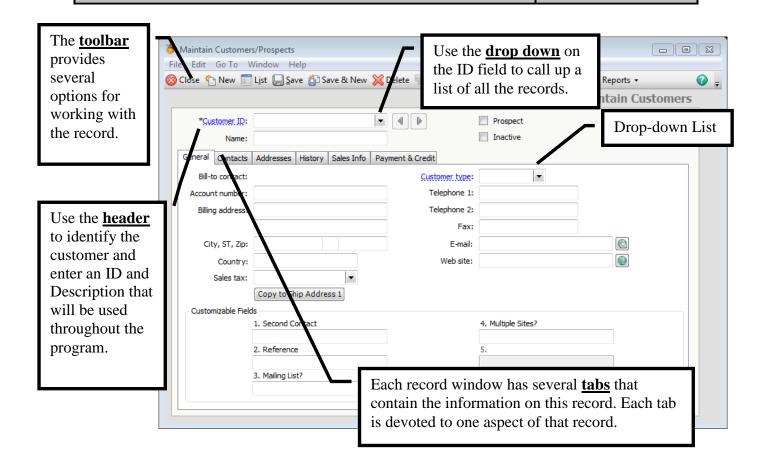
Thus, Peachtree allows us to enter or access information by using the menus, navigation bar, navigation center and Button Control Bar.

3.5. Working in Peachtree

Running the company's business in Peachtree basically consists of entering records (customers, vendors, employees, inventory items, jobs) and then using those records in tasks or transactions. After creating a new company, the remaining activities will be grouped in to three ranges: **filling default information, record lists (customers, vendors, inventory and so on) of information and record transactions/tasks**.

a. **Default information** makes entering records easier by **pre-filling** certain fields. For example, you can set your standard terms in Customer Defaults, and those terms are automatically applied to all customers you enter. You can adjust the terms either at the customer level or at the transaction level. Reports (like Aged Receivables) and forms (like statements) will reflect these default parameters.

b. **Records** are lists of information, such as your customer list, vendor list, item list, employee list, and so on. You access Records through the Maintain menu. These are easy to set up and will make entering transactions easier for you. The more information that you put in the record, the more that will be transferred automatically to the transaction whenever you select the record on the transaction.

Let's look at a typical Record window, first start Peachtree, open ABC Inc Company, then from Menu Bar go to Maintain Menu and click 'Customers/Prospects'. Below, the most important features of Maintain Customers/Prospects window discussed.

The **toolbar** provides several options for working with the record.

Use the **drop down** on the ID field to call up a list of all the records.

Drop-down List

Use the **header** to identify the customer and enter an ID and Description that will be used throughout the program.

Each record window has several **tabs** that contain the information on this record. Each tab is devoted to one aspect of that record.

- **Lookup Boxes:** Peachtree provides two methods for accounting information stored in the system. A magnifier glass shown on the above window indicates a lookup box. When that icon is selected, we can choose from a list of records, such as customers or vendors, or we can enter new records by using the keyboard.

- **Drop-down Lists:** many screens have fields with lists of information from which we can make a selection. Drop-down lists are indicated by an arrow to the right of the field. We can select information from the list, or we can enter new information.

c. **Record transactions/tasks** are recording transactions, such as invoices, receipts, purchase orders, payments. There are other business-related tasks: account reconciliation, changing the accounting period, closing the year.

3.6. Open a Company

The **Open Company** and **Open Previous Company** menu commands provides access to previously created companies. (Use the **New Company** command to set up a new company.)

Open a company from the Start screen
1. After starting the Peachtree program, Peachtree displays the start screen.
2. Select **Open an existing company** (the first option). Peachtree displays the Open an Existing Company window, where recently opened companies are listed.
3. Select the name of the company you want to open from the **Company Name** list, and select **OK**.

If a company name is not listed, click the Browse button to locate and select the company you want to open.

Open a company within Peachtree
The earlier version of Peachtree software allows only one company to be opened at a time. Therefore, when you are working in one company and decide to open another, Peachtree will display a dialogue box (message) telling you that the first company will be closed. However, the lates versions of Peachtree software like Peachtree 2010, allow you to open multiple company at a time in order to switch between multiple open companies (available only in Peachtree Pro Accounting and higher).

1. From the **File** menu, select **Open Company**. Peachtree displays the Open Company window.

   If you already have a company open when you open another company, Peachtree will close the current company. (This only closes the company window in Peachtree; it does not close the accounting period or year.)
2. Select the name of the company you want to open from the **Company Name** list box, and then select **OK**.

Open a recently opened company
1. From the **File** menu, select **Open Previous Company.**
2. Select the company name from the submenu that appears.

Display the Start Screen when Peachtree Opens
Peachtree displays the Start screen when you first open Peachtree. It allows you to choose whether you want to open a Peachtree company, set up a new company, convert a QuickBooks or One-Write Plus company to the Peachtree format, work with a sample company, or run the online tutorial.

To display the Start screen when Peachtree opens

1. Start Peachtree, if it is not already running.

2. From the **Options** menu, select **Show Start Screen at Startup**.

   When there is a check mark next to the **Show Start Screen at Startup** menu option, Peachtree displays the Start screen each time you start Peachtree. If you choose not to display the Start screen, Peachtree automatically opens the last company that you were working in.

3. Exit Peachtree; then start Peachtree again to display the Start screen.

To open the last company that you were working in when Peachtree starts

1. Start Peachtree, if it is not already running.

2. From the **Options** menu, select **Show Start Screen at Startup**.

   When the check mark is not next to the **Show Start Screen at Startup** menu option, the Start screen will not open each time you start Peachtree.

3. You must exit Peachtree for the change to take effect.
   If you choose not to display the Start screen, Peachtree automatically opens the last company that you were working in.

Note: Peachtree displays the Start screen each time (regardless of startup option selected) if the last company opened was Bellwether Garden Supply, Peachtree's sample company.

3.7. Close Peachtree

From the Peachtree **File** menu, select **Exit**. Or for a keyboard shortcut, select **ALT+F4** to exit Peachtree. This closes the current company and exits Peachtree.

Warning: Do not turn off the computer while a company is open in Peachtree. If you exit Windows without closing Peachtree first, Peachtree asks if you are sure you want to close the current company.

3.8. Summary

Once the software is install on the computer, it is ready to use. Hence when the software start, the startup window will appear and it has four option on it. These are open an existing (Peachtree) company, create a new company, explore a sample company, and convert from another accounting program.

If we want to create a company for the first time we must have to choose or click 'create a new company, option and enter and select all required information pertain to the company. On the other hand, after we create the company and if we want to use or do some activities on that company we must have to choose or click 'open an existing company' option.

As you have studied this chapter, there are typical steps that must have to be followed to create a new company. This is also applying to open an existing company option.

3.9. Self-Test Questions

1. Which one of the following/s is/are not appeared on the start window of Peachtree?
   a) Explore a sample company
   b) Create chart of account
   c) Create a new company
   d) Open an existing company

2. Which method of posting causes account balances to be updated immediately after each transaction is entered and saved?
   a) Batch
   b) Real-time
   c) Both Real-time and Batch
   d) Direct posting

3. Immediately below the title bar, what types of bar exist.
   a) Menu bar
   b) Tool bar
   c) Task bar
   d) Navigation bar

4. While opening a new company, from the following one is recommended for experienced users who are comfortable with setting up accounting information
   a) Copy setting from an existing sample company
   b) Build your own chart
   c) Using a sample business type that closely matches with your company business type
   d) All of the above

5. Assume while you are setting up a new company you are interested to set up for accounting period, per year, from the following which one is to be selected
   a) Accounting period that do not match the calendar month
   b) 12 month accounting period
   c) It is impossible to set four accounting periods
   d) None

6. _____ is a complete list of all account
   a) Chart of Accounts
   b) Journal
   c) Account
   d) Posting

Hint Answers for choose questions: 1: b, 2: b, 3: a, 4: b, 5: b, 6: a

CHAPTER FOUR: FILE SETUP

4.1. Introduction

Dear Students! In computer terminology, the information we enter, compute, and track is called data. In Peachtree, the data takes two basic forms:

1. Maintenance data—information about the company's customers, vendors, employees, inventory items**,** and jobs

2. Task data—the daily transactions of company's business (invoices, receipts, purchases, payments, paychecks, and so on.)

When we convert from a manual system to Peachtree, much of the initial work is gathering and entering Maintenance data. We need to also enter some Task data: all outstanding invoices and purchases**,** and payroll data if we want to track it**.**

4.2. Setting up Chart of Accounts

LEARNING OBJECTIVES

After studying this chapter, you will be able to:
☆ Understanding the type of accounts;
☆ Maintaining chart of account;
☆ Maintaining default information;
☆ Setting detail information;
☆ Using sales tax and payroll; and
☆ Understanding the accounting period.

An account may be defined as a record of the increases, decreases, and balances in an individual item of asset, liability, capital, income (revenue), or expense. It is desirable to establish a systematic method of identifying and locating each account in the ledger. The chart of accounts is a listing of the accounts by title and numerical description.

In Peachtree, the company's chart of accounts is a complete list of all account names that will be used in the General Ledger. Each account is associated with an account ID to help locate it when recording data. Accounts are used to classify transaction information for reporting purposes. Chart of accounts can vary depending on the business type.

It is better to categorize accounts according to the type of balance sheet or income statement account. This categorization breaks the accounts into six types of accounts, with each type starting with 1 through 6. For a set of accounts with four digits, the breakdown is as follows:

> 1000 – 1999 - Asset Accounts (Cash, Accounts Receivable, Fixed Assets, etc)
> 2000 – 2999 - Liability Accounts (Accounts Payable, Taxes Due, etc)
> 3000 – 3999 - Equity Accounts (Retained Earnings, Owners Withdrawal, etc)
> 4000 – 9999 - Revenue Accounts (Sales, Service Income, Interest Income, etc)
> 5000 – 5999 - Cost of Sales Accounts (Direct Material, Cost of Purchase, etc)
> 6000 – 6999 - Expense Accounts (Salaries, Entertainment, Office Expenses, etc)

Organizing chart of accounts is equivalent to organizing the business, because what we will see on financial statements depends on what we set up in chart of accounts. When we set up a company, we can select to either copy one of the Peachtree charts of accounts, to copy from another company, or to create ourselves. In our illustration case, we have selected the field ''Build your own chart of accounts'' when we setup **ABC Inc**. However, it is recommended that to copy one of the many Peachtree charts of accounts. Because account names are often standardized in accounting, we will surely be able to save time by tweaking the Peachtree chart of accounts versus entering one from scratch.

The Chart of Accounts is nothing more than a list of places to enter transactions. It contains a code (often called as account number), a description for each account, and a type code. Peachtree allows us a great deal of flexibility in designing chart of accounts.

4.2.1. Steps to set up chart of accounts for the first time

If the company currently using a manual system for accounting, there are several things we need to know when we set up a chart of accounts:

- Determine a conversion date (**Conversion Date is the date that we will use as a starting point. This must be a date on which we know all accounting balances, for customers, vendors, and employees as well as General Ledger accounts**) , and gather balances as of that date. We will use this information to enter beginning balances.

- If we are setting up a new chart of accounts (instead of copying from one of Peachtree's sample businesses), we need to have all account numbers and names of accounts written down.

- Have all transactions that have occurred after the conversion date ready to enter to bring accounts up to date.

Step 1: Select the **Chart of Accounts** option from the **Maintain** menu. Peachtree displays the following Maintain Chart of Accounts window.
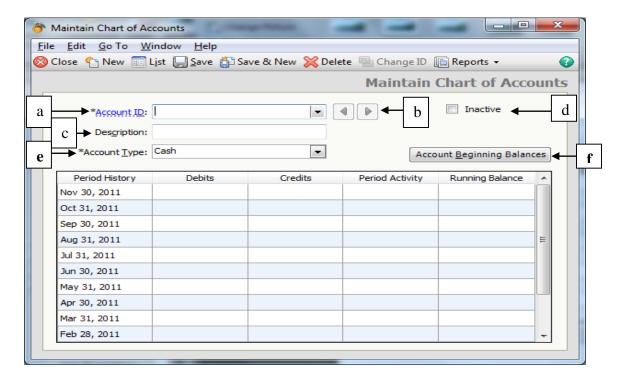
Chart of Accounts Fields

Chart of account fields are located as a, b, c, d, e, and f on the Maintain Chart of Accounts window. This is where we enter lookup information about the account such as the account ID, account description, status, account type, and the beginning balances.

a. Account ID

This identifies the account in the chart of accounts, lookup lists, transactions, and reports. Enter up to 15 alphanumeric characters to name the account. This field is a unique identifier for all accounts.

N.B: we cannot use asterisks (*), question marks (?), or plus signs (+). we cannot use leading or trailing spaces. Spaces in between characters are allowed. Account numbers are sorted

alphabetically with numbers coming before letters. For example, an account starting with a "6" would list before an account starting with an "A." we need to use leading zeroes to make the numbers sort properly. For example, these numbers are ordered this way: 1, 100, 1000, 27. To properly sort, enter the numbers as 0001, 0027, 0100, and 1000.

b. Back and Next (buttons)

Use these buttons to navigate through the list of existing account records by ID. Select the **Back** (left arrow) button to see the previous record in the list; select the **Next** (right arrow) button to see the next record in the list.

c. Description

We can describe the account, for example, "Petty Cash," "Cash in Checking," "Cash in Savings," ''cash'' and so on. The naming convention for accounts is important; we want to be able to establish a system that is easily understood by everybody who uses the system.

d. Inactive

If we no longer plan to use an account, we might want to make the account inactive. If we try to use an inactive account, a warning tells us that the account is inactive and asks if we want to continue. Important: When we choose to Purge (clean or remove) after closing the fiscal year, all accounts that have no outstanding transactions are eligible for purging.

e. Account Types

Account types define how the account will be grouped in reports and financial statements. They also control what happens during the fiscal year-end. Choose one of the following account types from the drop-down list when maintaining the chart of accounts:

1. **Accounts Payable:** This represents balances owed to vendors for goods, supplies, and services purchased on account when cash is not paid at the time of purchase. Accounts payable balances are used in accrual-based accounting.
2. **Accounts Receivable:** This represents amounts owed by customers for items or services sold to them when cash is not received at the time of sale. Accounts receivable are used in accrual-based accounting.
3. **Accumulated Depreciation:** This is a contra asset account to depreciable (fixed) assets such as buildings, machinery, and equipment. Depreciable basis (expense) is the difference between an asset's cost and its estimated salvage value. Recording depreciation is a way to

indicate that assets have declined in service potential. Accumulated depreciation represents total depreciation taken to date on the assets. Select this account type to set up depreciation accounts for fixed assets.

4. **Cash:** This represents deposits in banks available for current operations, plus cash on hand consisting of currency, outstanding checks, drafts, and money orders. Select this account type to set up bank checking accounts, petty cash accounts, money market accounts, and certificates of deposit (CDs).

5. **Cost of Sales:** This represents the cost incurred by the business for items or services sold to customers. Cost of sales (also known as cost of goods sold) for inventory items is computed based on inventory costing method (FIFO**,** LIFO, or Weighted Average). Select this account type to set up cost-of-goods-sold accounts to be used when selling inventory items.

6. **Equity - doesn't close (Corporation):** This represents equity that is carried forward from year to year (like common stock). Equity is the owner's claim against the assets or the owner's interest in the entity. These accounts are typically found in corporation-type businesses. Select this account type if the business entity is a corporation type and want to record common stock or other equity intended as owner investment.

7. **Equity - gets closed:** This represents equity that is zeroed out at the end of the fiscal year, with their amounts moved to the retained earnings account. Equity, also known as capital or net worth, are owners' (partners' or stockholders') claims against assets they contributed to the business. Select this account type to record withdrawals made by partners or if the business entity pay dividends to stockholders.

8. **Equity - Retained Earnings:** This represents the earned capital of the enterprise. Its balance is the cumulative, lifetime earnings of the company that have not been distributed to owners. We can have only one retained earnings account in Peachtree.

9. **Expenses:** The assets surrendered or consumed when serving customers indicate company expenses. If income exceeds expenses, *net income* results. If expenses exceed income, the business is said to be operating at a *net loss*. Select this account type to set up accounts such as operation expense, supplies expense, salary and wage expense, payroll tax expense, travel expense, or charity expense.

10. **Fixed Assets:** These represent property, plant, or equipment assets that are acquired for use in a business rather than for resale. They are called *fixed* assets because they are to be

used for long periods of time. Select this account type to set up any of the following fixed assets: land, buildings, machinery, etc.

11. **Income:** Income (also known as revenue) represents the inflow of assets resulting from the sale of products and services to customers. If income exceeds expenses, *net income* results. If expenses exceed income, the business is said to be operating at a *net loss*. Select this account type to set up sales revenue accounts. It is common practice to create different income accounts for each category of revenue that you want to track (for example, retail income, service income, interest income, and so on).

12. **Inventory:** This represents the quantity (value) of goods on hand and available for sale at any given time. Inventory is considered to be an asset that is purchased, manufactured (or assembled), and sold to customers for revenue. Select this account type to set up assets that are intended for resale. It is common practice to create different accounts for each category of inventory that we want to track (for example, inventory, raw materials inventory, work in progress inventory, finished goods inventory, and so on).

13. **Long term liabilities:** This represents those debts that are not due for a relatively long period of time, usually more than one year. Select this account type to set up long-term liabilities (for example, long-term loans and noncurrent notes payable).

14. **Other assets:** This represents those assets that are considered nonworking capital and are not due for a relatively long period of time, usually more than one year. Notes receivable with maturity dates at least one year or more beyond the current balance sheet date are considered to be "noncurrent" assets. Select this account type to set up assets such as deposits, organization costs, noncurrent notes receivable, and so on.

15. **Other current assets:** This represents those assets that are considered nonworking capital and are due within a short period of time, usually less than a year. Prepaid expenses, employee advances, and notes receivable with maturity dates of less than one year of the current balance sheet date are considered to be "current" assets. Thus, select this account type to set up those types of assets.

16. **Other current liabilities:** This represents those debts that are due within a short period of time, usually less than a year. The payment of these debts usually requires the use of current

assets. Select this account type to set up accrued expenses from a vendor, short-term loans, sales tax payables, payroll tax payables, and so on.

17. **Payables Retainage:** Payables Retainage (security against completion of contract) is used to specify a liability account that is dedicated to retainage payables. Any account that has an Account Type of Payables Retainage may be used on the Purchases and Vendor Credit Memo Withhold Retainage tab.

18. **Receivables Retainage:** Receivables Retainage (security against completion of contract) is used for an asset account that is dedicated to Receivables Retainage. Peachtree will use the amounts applied to those accounts for tracking retainage on the Retainage Report and for releasing retainage during the Progress Billing routine.

f. Beginning Balances Field

Select the **Beginning Balances** button on the **General** tab of the Maintain Chart of Accounts window to enter beginning balances for general ledger accounts. We can use this to enter the beginning balance for the account or to adjust the balance for an account in a previous period.

The columns where we enter amounts for accounts on this window are set up to give us a better feel for how the different accounts in our chart of accounts affect the balance of company's finances. When we finish entering balances for all of accounts, the total of the amounts in the **Assets, Expenses** column must equal the total of the amounts in the **Liabilities**, **Equity**, and **Income** column. Notice that the **Trial Balance** keeps a running total, or trial balance, of entries. In addition, totals for income and expenses are calculated.

Step 2: Enter an account ID and click ok or press enter; and enter description for the account.
The account ID determines how the account is identified and sorted in the chart of accounts list. Most charts of accounts are set up with specific account types grouped together.

Step 3: Select an account type from the drop-down list.

Step 4: Select **Save**.

Step 5: Select the **Beginning Balances** button on the **General** tab. Peachtree displays the Select Period window. Select the period in which we want to enter beginning balances. We can select from previous, current, or future periods.

Step 6: Select **OK**. Peachtree displays the Chart of Accounts Beginning Balances window. Click or tab to any of the white cells in the grid to add an amount. (The gray cells are for viewing

purposes only.) Enter all the beginning balances for the accounts. Scroll the list box to make sure the account amounts are correct. Note that for each period, a running beginning balance is kept. Thus, if you change an amount in Period 1, the amounts for subsequent periods are also changed. However, if you change an amount in Period 2, the same account balance in Period 1 is unchanged.

If we are just starting out with new company and have not posted any transactions, Peachtree assumes that we are entering beginning balances for accounts when we select the **Beginning Balances** button. If we have posted transactions, Peachtree assumes that we are entering adjustments to accounts for a period in a prior year. If we enter a new account, Peachtree assumes that this account has a zero balance. It is easier to add all necessary accounts and then create one cumulative beginning-balance entry.

When entering beginning balances in the general ledger, make sure that customer, vendor, item (inventory), and employee beginning balances total the amount shown in general ledger. In other words, if we are using the accrual accounting method, the accounts receivable total in the general ledger must match the total of outstanding invoices in customer beginning balances; likewise, the accounts payable total in general ledger must equal all outstanding bills. The beginning balances for customers and vendors are not connected to the general ledger beginning balances, so we must check to make sure they

Self-Test Activity

i.   Which menu is used to get the maintain chart of account window?

ii.   What is the purpose of selecting account type in maintain chart of account window?

iii.   List down tall types of account type available in maintain chart of account window.

match.

Step 7: Select the **OK** button when finished.
Step 8: Select **Close**.

Example (Continued): Maintain Chart of Accounts and Beginning Balances

The following data is for **ABC Inc** that will be maintained on the Chart of accounts, which were the ending balance as of December 31, 2020.

Account ID	Description	Type	Beginning Balance Debit	Credit
1001	Cash on Hand	Cash	$285,000	
1002	Accounts Receivable	Accounts Receivable	$500,000	
1003	Allowance for Doubtful Account	Accounts Receivable		
1004	Inventory	Inventory	$200,000	
1005	Supplies	Other Current Assets	$50,000	
1006	Furniture	Fixed Assets	$100,000	
1007	Equipment	Fixed Assets	$38,738	
1008	Vehicles	Fixed Assets	$500,000	
1009	Buildings	Fixed Assets	$185,500	
1010	Land	Fixed Assets	$26,500	
1011	Accum. Depn-Furniture	Accumulated Depreciation		$20,000
1012	Accum. Depn-Equipment	Accumulated Depreciation		$5,000
1013	Accum. Depn-Vehicles	Accumulated Depreciation		$51,585
1014	Accum. Depn-Buildings	Accumulated Depreciation		$30,788
2001	Accounts Payable	Accounts Payable		$695,000
2002	Sales Tax Payable	Other Current Liabilities		
2003	Notes Payable-Noncurrent	Long Term Liabilities		$20,000
2004	Income tax payable	Other Current Liabilities		
3001	Common Stock	Equity-does not close		$1,000,000
3002	Retained Earnings	Equity-Retained Earnings		$63,365
3003	Dividend	Equity-gets closed		
4001	Sales	Income		
4002	Other Income	Income		
4003	Sales Returns and Allowances	Income		
4004	Sales Discounts	Income		
5001	Cost of Goods Sold	Cost of Sales		
5002	Purchase Discounts	Cost of Sales		
5003	Purchase Returns and Allowance	Cost of Sales		
6001	Advertising Expense	Expenses		
6002	Supplies Expenses	Expenses		
6003	Bad Debt Expense	Expenses		
6004	Depreciation Expense	Expenses		
6005	Freight Expense	Expenses		

6006	Income Tax Expense	Expenses		
6007	Insurance Expense	Expenses		
6008	Maintenance Expense	Expenses		
6009	Payroll Tax Expense	Expenses		
6010	Rent Expense	Expenses		
6011	Salaries Expense	Expenses		
6012	Wages Expense	Expenses		
6013	Utilities Expense	Expenses		
Balance			$1,885,738	$1,885,738

Dear Students! If you get Dividend/Withdrawal/Drawing account that has beginning balance for instance Birr 10,000 and if you are required to enter this balance, you must have to use another technique. Because for Dividend/Withdrawal/Drawing the account type is equity gets close and Peachtree will give you a Credit space to enter its balance. As you know Dividend/Withdrawal/Drawing normal balance is Debit, so you must have to simply write negative (-10,000) balance on the Credit space, which means the negative will put from credit to Debit.

4.2.2. Changing an Account Name or Description

To change the description of an account, follow these steps:

1. Select the correct account from the drop-down list in the Account ID field.
2. Highlight the current name in the Description field, or click at the end of the name and use the Backspace key to delete the name.
3. Enter the new name or description.
4. Click the Save button.

4.2.3. Adding an Account

To finish setting up your chart of account, you will probably need to add some accounts:
1. If an account is currently showing in the screen, click the New button.
2. A blank screen appears.
3. Determine the account ID by looking at existing accounts and inserting the ID in the correct position.
4. Enter the new ID into the Account ID field.
5. Tab to the next field or click on the next field with the mouse.
6. Type the account name in the Description field.
7. In the Account Type field, select the correct category.
8. Click the Save button.

9. The new account now appears in the chart of account list.

4.2.4. Delete an Account from the Chart of Accounts

To delete an account from the chart of accounts, there must be no transactions posted to the general ledger that references the account ID. If an account has a nonzero balance, we can delete or remove transactions associated with it. These can include beginning-balance entries.

If an account has a nonzero balance, we can enter an adjusting G/L transaction in the General Journal to bring the account's balance to zero. Then, after two year-end closings, we can purge (remove) or delete the account.

4.2.5. To delete an account immediately

1. From the **Maintain** menu, select **Chart of Accounts**. Peachtree displays the Maintain Chart of Accounts window.
2. Enter or select the account ID you want to remove. To display a list of existing accounts, type ''**?**'' in the **G/L Account ID** field, or select the Lookup button.
3. Select the Delete toolbar button to remove the account.

If the account has a nonzero balance in any accounting period within the two currently open fiscal periods, Peachtree displays a message stating that you cannot delete the account. If you still want to remove an account that has had a nonzero balance at one time, examine the history of the account in the Maintain Chart of Accounts window. Then, display the General Ledger report including a date range of the two open fiscal years. Locate the account transactions; then double-click to display the corresponding task window where the transactions originated. Finally, delete these transactions, and return to the general ledger. To remove an account beginning-balance entry, select the **Beginning Balances** button in the Maintain Chart of Accounts window and clear the balance.

Self-Test Activity
i. List down the steps used to maintain chart of account.
ii. What are the three types of accounts selected to maintain owners' equity accounts.
iii. Write the steps used to add, edit, change account number and delete account.
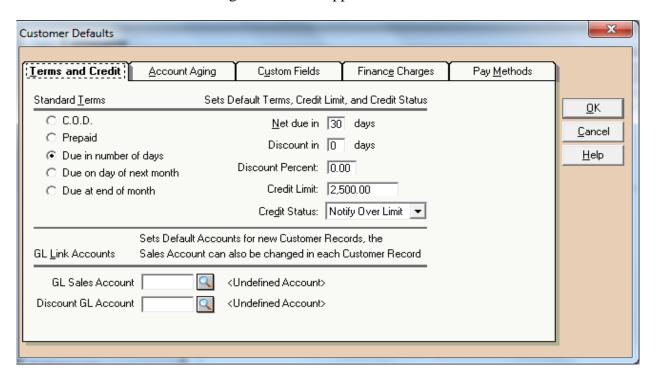
4.3. Setting up Customer, Vendor, and Inventory Defaults

Defaults are information or commands that the software or operating system automatically uses. Default information is good for all customers, vendors, and inventory the company deals with, but each customer, vendor, and inventory will need special treatment too.

4.3.1. Setting Up Customer Defaults

Customers are the people whom the company sell products and services to. We can set up both default and specific customer information. Peachtree lets us to set up default information for customers. Use this feature like a template or model upon which to build all company's customer records. We have to enter the most common information. Then, when we set up new customers and enter transactions, the default information is automatically filled. In most cases, you won't have to enter anything. A name and address is all that's required; then we are ready to invoice.

To set up or review customer defaults, select **Default Information** from the **Maintain** menu, and choose **Customers**. The following window will appear:

a. **Terms and Credit Tab**

Standard Terms Field

If the **Use Standard Terms** check box is selected for a customer record in the Maintain Customers/Prospects window, that customer uses this default set of payment terms. Below are the fields that define standard terms:

- **C.O.D (cash on delivery), Prepaid, Due in number of days, Due on day of month, Due at end of month**: Select one of these to tell you the type of payment your customers make.
- **Net Due in ... Days**: Enter the number of days past the invoice date before the invoice becomes due.
- **Discount in ... Days**: Enter the number of days past the invoice date beyond which you will not allow customers to get discounts.
- **Discount %**: If payment is made within the Discount Days range, enter the percent of the total invoice amount that you will allow to customers as a discount. Enter fractions as decimals; for example, two-and-one-half percent should be entered as 2.5.
- **Credit Limit**: Enter the total amount of credit you allow your customers.
- **Credit Status:** Use the drop-down list to select from five options:
  - **No Credit Limit:** All customer transactions can be saved regardless of credit limit.
  - **Notify Over Limit:** When you save a transaction that will put the customer over the specified credit limit, Peachtree will issue a warning message. You can close the message and continue saving the transaction.
  - **Always Notify:** Regardless of customer credit limit, you will **always** receive a warning message whenever you save a customer transaction with a positive balance. You can close the message and continue saving the transaction.
  - **Hold Over Limit:** When you try to save a transaction that will put the customer over the specified credit limit, Peachtree will issue an error message. You **will not** be able to save the transaction.
  - **Always Hold:** Regardless of customer credit limit, you will **always** receive an error message when you try to save a customer transaction with a positive balance. You will not be able to save transactions for the customer unless you change the credit status for the customer.

G/L Link Accounts Field

The defaults are used to link sales income and sales discount G/L accounts to most of your customers. You change individual customer setup, if necessary.

- **G/L Sales Account:** Enter or select the account ID you want to use as the default sales (income) account when entering customers. You must enter an account number here.
- **Discount G/L Account:** Enter the number of the account you want to use for discounts. You must enter an account number here.

To display a list of existing accounts, type ''**?**'' in the **G/L Account ID** field, or select the Lookup button. To add a new account, type + or double-click the field, which displays the Maintain Chart of Accounts window.

b. Account Aging Tab

To set up how sales invoices are aged and what aging brackets will be used for accounts receivable, select the **Account Aging** tab in the Customer Defaults window.

Age Invoices By Field

Peachtree can age vendor and customer invoices by due date or invoice date. If we age by invoice date, the aging reports show how old each invoice and each balance is. If we age by due date, the aging reports show how overdue each invoice is. For this reason, many businesses choose to age accounts payable by due date and accounts receivable by invoice date. Choose either Invoice Date or Due Date.

c. Custom Fields Tab

Custom fields offer a way to keep track of specific information for business needs. Each business is unique. While Peachtree already provides fields to record most common business data, we probably require other information from time to time. Custom fields let us to setup and store that unique data. We use the custom fields to set up fields that aren't available in the Maintain Customers/Prospects window. For example, we can label customers by location (in-state, out-of-state, international). We would enter the label as Location. When we are entering a customer, we would enter his location under the **Custom Fields** tab.

d. Pay Methods Tab

To set up payment methods for your customers or deposit ticket ID properties, select the **Payment Methods** tab in the Customer Defaults window.

Example (continued): Setting up Customers Default
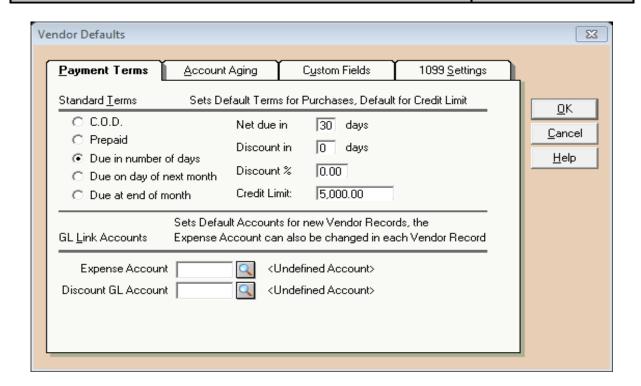
ABC Inc accountants determined the Customers default information as follow:

- **Type of payment customers make:** Due in number of days
- **Net Due Days:** 30
- **Discount in Days:** 10
- **Discount Percent:** 2%
- **Credit Limit:** 1,000,000
- **Credit Status:** Notify Over Limit
- **G/L Sales Account:** 4001 - Sales - Income
- **Discount G/L Account:** 4004 - Sales Discounts – Income
- **Age Invoices By:** Invoice Date
- **Custom Fields:** Un tick all fields

4.3.2. Setting up Vendor Defaults

Vendors are the suppliers, who sell their product to the company that we do business. Thus we have to enter data relating to the vendors as default information and data for each vendor. Peachtree allows setting up default (common) information for vendors. Using this feature as a template or model and build all vendor records on it. Entering basic setup information that applies to most of vendors and purchase transactions in the Vendor Defaults window are helpful. Thus, when we set up new vendors and enter transactions, the default information is automatically included. This can save a great deal of time during data entry. To set up or review vendor defaults, select **Default Information** from the **Maintain** menu, and choose **Vendors**. The following window will appear:

Default information for vendors includes:
- Standard vendor payment terms
- General Ledger accounts for purchases and discounts
- Aging information for invoices due
- Custom field labels
- 1099 settings, which establish how 1099 calculations (income tax in USA) will be made for each of the General Ledger accounts in a company's chart of accounts

a. Payment Terms Tab

Standard Terms Field: If the Use Standard Terms check box is selected for a vendor record in the Maintain Vendors window, that vendor uses this default set of terms. Each field's definitions are similar to the definition made on the customers default**.**

G/L Link Accounts: The defaults are used to link purchase and discount G/L accounts to most of your vendors. You can change individual vendor setup, if necessary.

- **G/L Expense Account:** Enter the ID of the liability or expense account you **usually** use for purchases. You can change the account entered at the vendor level (Maintain Vendors) or when entering purchases (Purchases/Receive Inventory or Purchase Orders).
- **Discount G/L Account:** Enter the ID of the account you want to use for early-payment discounts you can take.

Example (continued): Setting up Vendors Default

ABC Inc accountants determined the Vendors default information as follow:

- **Type of payment customers make:** Due in number of days
- **Net Due Days:** 30
- **Discount in Days:** 10
- **Discount Percent**: 2%
- **Credit Limit:** 1,000,000
- **G/L Expense Account:** 1004 - Inventory
- **Discount G/L Account:** 5002 - Purchase Discounts
- **Age Invoices By:** Due Date
- **Custom Field:** Un tick all fields
- **1099 Settings:** Make all accounts 'None'

4.3.3. Setting up Inventory Item Defaults

Inventory represents the quantity (value) of goods on hand and available for sale at any given time. Inventory is considered to be an asset that is purchased, manufactured (or assembled), and sold to customers for revenue.

To set up or review inventory item defaults, select Default Information from the Maintain menu, and choose Inventory Items. Use this feature like a template or model upon which to build all your item records. You can enter the most common information. Then, when you set up new inventory items and enter transactions, the default information is automatically included. Default information for inventory includes:

- How Peachtree handles general issues such as out-of-stock warnings

- General Ledger Accounts and Costing Methods for each item class
- Item Tax and Shipping Information
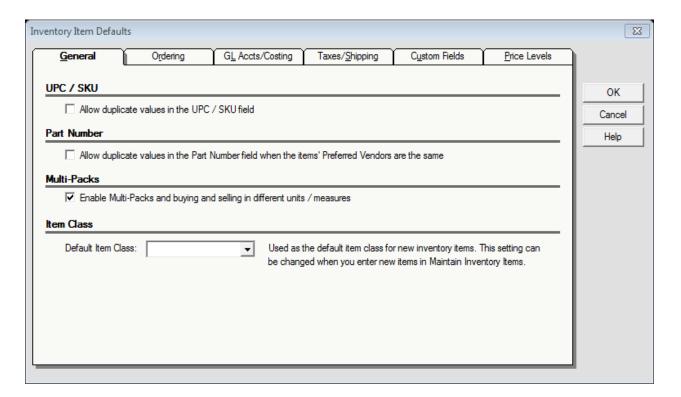- Item Custom Fields
- Item Sales Price Levels

To open Inventory Defaults, Select **Maintain**, **Default Information**, **Inventory Items**. And the following window shown on the next page will appear:

General Tab

These options allow you to specify if you want to allow for duplicate values in certain fields. You can also select a default item class.

Ordering Tab

On this tab are a number of important options that affect how Peachtree calculates the quantity available for sale on orders and invoices. You have the option of selecting whether or not you want Peachtree to count items on outstanding purchase orders when it calculates the quantity available for an item. Once this is done, you can set how Peachtree to notify you that quantities are low when you try to sell the items. Finally, you can specify whether or not you want Peachtree to automatically create purchase orders for items that are ordered on sales orders and invoices. Peachtree will calculate the amounts that you are currently deficient and create a purchase order for them, using the vendor listed in the Preferred Vendor field for the items.

GL Accts/Costing Tab

Since Peachtree stores several different types of "inventory" items, including stock, service, assembly, activity items, and so forth, there are several default values that should be set prior to adding your inventory items. These defaults will carry over automatically to the different types of items you create, saving you a great deal of time when you add your items. Depending on which Peachtree product you own, your list of item types will vary. The GL accounts selected will be used when these item types are bought, sold, or used during different tasks in Peachtree. You also

can choose your default costing method. Peachtree supports three costing types for stock and assembly items, and a dedicated costing type called Specific for Serialized items. Activity and Charge items are used with Peachtree's time and billing features. You can select from Average, FIFO, and LIFO costing methods. Average provides a weighted average costing, while FIFO and LIFO track cost levels as items are purchased and sold. Finally, you should select the account to which freight costs will be credited when you sell items.

Taxes/Shipping Tab

Use this tab to create up to ten ship methods that can be specified on customer and vendor records, as well as on most customer and vendor transactions. Also, you can create up to 25 different tax categories for items. Use these tax types for classifying items for sales taxes.

Custom Fields Tab

As with customers and vendors, you can create up to five labels for custom fields, additional information on your items that is specific to your business. Create the field labels here, and then enter specific information for each item on the **Custom Fields** tab of the Maintain Inventory Items window.

Price Levels Tab

Here, you define the different selling price levels that your items will have. You can have up to ten different price levels, and these levels can be fixed amounts or calculated. Level 1 is the default level and should always be used.

Example (continued): Setting up inventory Item Defaults

Use the following data to set up inventory default information.

        General Tab: make the **Default Item Class** field to: **Stock items**
        Ordering Tab: leave the fields as it is
        GL Accts/Costing Tab: Select the followings:

Item Class	GL Sales/Inc	GL Invtry/Wage	GL Cost Sales	Costing
Stock item	4001	1004	5001	FIFO
GL Freight Account: 6005				

        Taxes/ Shipping Tab: tick only the first field
        Custom Fields Tab: don't tick all fields
        Price Levels Tab: tick only the first field

4.4. Customer, Vendor, and Inventory Maintenance

4.4.1. Customer Maintenance Window

Once we have set up customer defaults, some of that information will help to streamline the process of adding customers to the database. We can view or enter basic information about clients in the Maintain Customers/Prospects window. Customer information is contained on six tabbed folders, only one of which is visible at a time, though you can view another tab by clicking the tab label.

To open Customer/Prospects window,
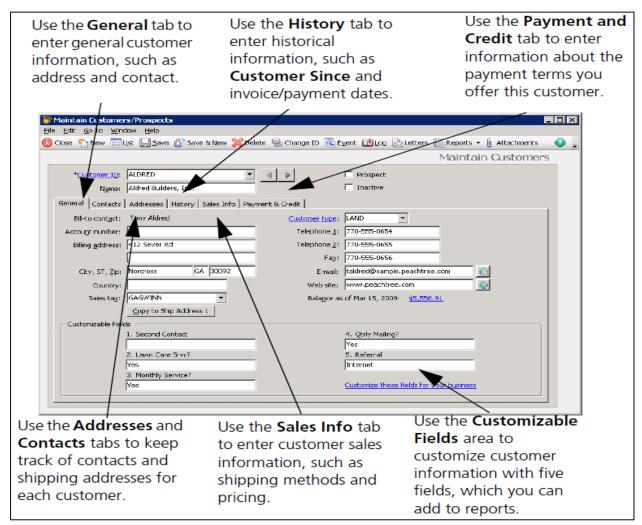
⊖ Select **Maintain**, then **Customers/Prospects**. And the following window shown on the next page will appear. This window helps to enter, change, and store information about companies and people to whom the company sell goods and services. We can also enter information about companies and people with whom we would like to do business (prospects).

Header Fields

In the header you define the customer ID, customer name, and the status of the customer. Note that the customer ID is not case sensitive and must be unique for each customer.

Self-Test Activity

   i.   What is default information?

  ii.   What is the purpose of using default information?

 iii.   For what items can we use default information?

 iv.   From which menu bar we can get the default information windows?

Use the **General** tab to enter general customer information, such as address and contact.

Use the **History** tab to enter historical information, such as **Customer Since** and invoice/payment dates.

Use the **Payment and Credit** tab to enter information about the payment terms you offer this customer.

Use the **Addresses** and **Contacts** tabs to keep track of contacts and shipping addresses for each customer.

Use the **Sales Info** tab to enter customer sales information, such as shipping methods and pricing.

Use the **Customizable Fields** area to customize customer information with five fields, which you can add to reports.

General Tab

On the **General** tab, you enter basic information on the customer, including billing address, phone numbers, and account number. In addition, you can use the dynamic **Customer Type** field to classify your customers. When you print Accounts Receivable reports, you will be able to filter your reports using this field.

Contacts Tab

Use this tab to enter contacts for this customer. You can specify such information as the contact's name, title, address, phone number and E-mail address.

Addresses Tab

Use this tab to enter and store shipping addresses for this customer. Peachtree automatically copies the Billing Address to this tab.

History Tab

The **History** tab will show you sales and receipt history for the customer on a period by period basis. It will also give you such information as the last invoice and last payment date. This tab provides a handy reference for accessing information on the customer.

Sales Info Tab

Here, you enter a variety of sales information, such as Sales Rep, Sales Account, shipping method, and the price level this customer will receive. Selecting a price level will ensure that your customers always receive the correct price when you invoice them. In addition, you can specify Form Delivery Options, which determine what type of format your quotes, invoices, and such, will take. Note that even if you select e-mail, you can still print paper copies of invoices and such.

Payment and Credit Tab

On this tab, you can enter credit card information and either accept the default payment terms set up in customer defaults or you can modify this particular customer's payment terms. To modify the customer terms, simply select Customize terms for this customer from the drop-down list and change the remaining fields.

Steps to Set Up a Customer

Use this procedure to set up a new customer record.

1. Do one of the following:
   - From the Maintain menu, select Customers/Prospects.
   - Click the Customers icon on the Sales Navigation Aid.
   - Type + or double-click inside the Customer ID field of any task (transaction) window.
   - In all instances, Peachtree displays the Maintain Customers/Prospects window.
2. Enter a new customer ID, and complete the necessary information.
3. When we are finished filling in the window, select the Save button.

Note that, if you are responsible for collecting sales tax when selling items or services to your customers, then you must set up sales tax IDs. These sales tax IDs can be applied to customer invoices and customer records to calculate proper sales tax for your customers. To set up sales tax, refer its **section later.**

Entering Customer Beginning Balances

Once you save a customer record, you can enter beginning balances for the customer. Note that, when you are entering your customer's beginning balances, do not enter an invoice that you have already entered in the Sales/Invoicing window, or the amount in the Customer Ledger report will double.

1. From the Maintain menu, select Customers/Prospects. Peachtree displays the Maintain Customers/Prospects window.

2. Enter or select the customer ID. To display a list of existing customers, select the drop-down arrow button.

3. Then select the History tab and select the Customer Beginning Balances button. Peachtree displays the Customer Beginning Balances window.

4. On the Invoices for tab, enter the invoice number, invoice date, purchase order number (if applicable), amount, and the appropriate A/R account (if necessary) for each unpaid invoice for this customer that needs to be recorded when starting Peachtree. Here to enter the date of the invoice, just move the mouth pointer on the date column till it is changed into letter I and question mark, then right click on that field and you will get a calendar.

5. To enter beginning balances for additional customers, select the Customer Balances tab. Double-click the customer name, or highlight the name and select the Invoices for tab. Note that, when you are setting up your company, it is important to remember that the total of the beginning balances entered here needs to equal the total amount you entered in your G/L for all accounts receivable account types.

6. Select the Save button to return to the Maintain Customers/Prospects window.

Example (continued): Maintaining Customers/Prospects
Enter the following data in the Customers/Prospects window. Generally, ABC Inc. has five customers and it has beginning balances with them.

Customer ID	Name	Contact	Type	Invoice Number	Date	Beginning Balance	A/R Account
ALDER	Alder Comp	Alex	Customer	3333	Jan/2/2020	50,000	1002
ARCHER	Archer Limited	Naom	Customer	3334	Feb/4/2020	150,000	1002
CAN	Cannon Trading	Zing	Customer	3335	Dec/2/2020	200,000	1002
CHAP	Chaplet Enterp	Chang	Customer	3336	Apr/9/2020	40,000	1002
KURT	Kurtu PLC	Has	Customer	3337	Mar/3/2020	60,000	1002

4.4.2. Vendor Maintenance

The Maintain Vendors window stores information about the businesses purchase goods and services from vendors. It's also set up government agencies that we pay taxes to. Once we have set up vendor defaults, we can use some of the information there to help streamline the process of adding vendor records. Use the Maintain Vendors window to enter, change, and store information about the companies and people from whom we purchase goods and services. We can use this window to add a vendor, change existing vendor information, or delete a vendor if no transactions have been entered for the vendor.

Setting up a vendors record could be started on the following choices, do one of the following:
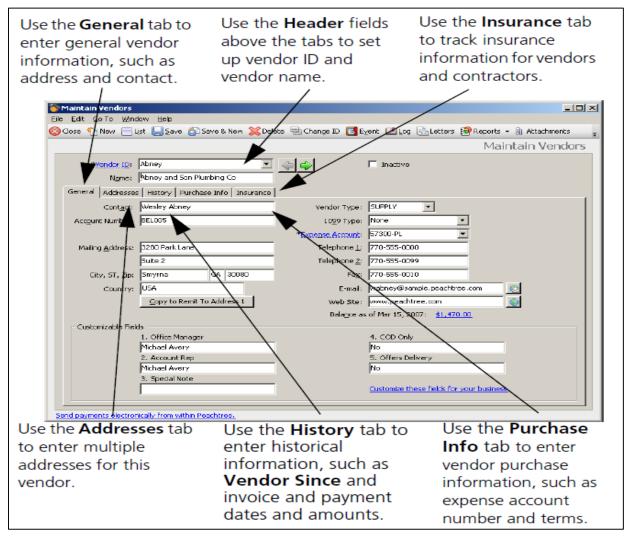
o From the **Maintain** menu, select **Vendors**. Or click the **Vendors** icon on the Purchases Navigation Aid. The following window shown on the next page will appear.

Vendor Header Fields

Vendor header fields are located above the folder tabs of the Maintain Vendors window. This is where you enter lookup information about the vendor such as the vendor ID, name, and status.

Vendor ID: This code can be up to 20 alphanumeric characters. Lists and reports sort on vendor IDs, so the coding convention you use is important. Numeric characters sort before alpha characters. Also, the code is not case sensitive, so that codes A1 and a1 would be seen as the same vendor IDs. You cannot use *****, **?**, or + in the code.

Name: Enter the name of the new vendor (up to 39 alphanumeric characters) here. This name prints on checks and reports. This can be a company name or an individual's name.

Use the **General** tab to enter general vendor information, such as address and contact.

Use the **Header** fields above the tabs to set up vendor ID and vendor name.

Use the **Insurance** tab to track insurance information for vendors and contractors.

Use the **Addresses** tab to enter multiple addresses for this vendor.

Use the **History** tab to enter historical information, such as **Vendor Since** and invoice and payment dates and amounts.

Use the **Purchase Info** tab to enter vendor purchase information, such as expense account number and terms.

General Tab

General information includes the name of the contact person, your account number with the vendor, mailing and remit-to addresses, and so forth. You enter this information on the **General** tab. Besides name and addresses, on the **General** tab you can also specify a custom vendor type, 1099 information, telephone and fax numbers, e-mail address, and Web site address.

- **Vendor Type** lets you classify your vendors however you want. For example, you might use SUPPLY or SERVICE as your different vendor types. The field is case sensitive; that is, Supply and SUPPLY are treated as two different words.

- **1099 Type** lets you select whether the vendor type is **Interest** (you pay at least $10 in interest to the vendor), **Independent Contractor** (you pay then vendor more than $600 in one year), or **None** (the vendor fits neither category).

- **E-mail** and **Web site** fields identify the vendor's chief e-mail address and Web site address. Click the buttons to the right of the fields to quickly create an e-mail message or go to their Web site.

Purchase Defaults Tab

Default purchase information includes the following:

- **Purchase rep:** the person in the company who acts as purchasing agent with this vendor.
- **Expense account:** Enter a General Ledger account for the default expense account for this vendor. This is normally an expense account. The default for this is set in Vendor Defaults. When purchasing an inventory item, the General Ledger default accounts entered in Maintain Inventory Items override this default account.
- **Tax ID #:** Enter the vendor's tax ID number. This is only necessary if we send this vendor a 1099 form.
- **Ship Via:** Select the primary shipping carrier that this vendor uses for items. The shipping carriers are set up in Inventory Item Defaults.
- **Terms:** We can choose to use the standard vendor payment terms set up in Vendor Defaults or set up a unique set of terms for this vendor. Select the Terms button to change the payment terms for this vendor.
- **Form Delivery Options:** This group box includes options that determine how purchase order forms are delivered to your vendors, either from the Select a Report window or using the E-mail button on the Purchase Orders window.

Entering Vendor Beginning Balances

Once you save a vendor, you can enter beginning balances for the vendor. When you are entering your vendor's beginning balances, do not enter an invoice that you have already entered in the Purchases window, or the amount in the Vendor Ledger report will double.

1. From the Maintain menu, select Vendors.
2. On the History tab, select the Beginning Balances button. Peachtree displays the Vendor Beginning Balances window.
3. On the Purchases from tab, enter the invoice number, invoice date, purchase order number (if applicable), amount, and the appropriate A/P account (if necessary) for each unpaid

invoice for this vendor that needs to be recorded when starting Peachtree. If you are using accrual-based accounting, you must select an A/P account. If you are set up as cash basis, the A/P Account field will be disabled. If you need to enter more than one line on this tab, press ENTER and continue adding invoices.

4. To enter beginning balances for additional vendors, select the Vendor Balances tab. Double-click the vendor name or highlight the name and select the Purchases from tab.

   Note: When you are setting up your company, it is important to remember that the total of the beginning balances entered here needs to equal the total amount you entered in your G/L beginning balances for all accounts payable account types.

5. Select the Save button when you are done.

Example (continued): Maintaining Vendors

Enter the following table data in the Maintain Vendors window. Generally, the ABC Inc. has five vendors and it owe balances with them.

| Vendor ID	Name	Contact	Type	Invoice Number	Date	Beginning Balance	A/P Account
BRT	Brtu Enterp.	Daniel	Vendor	2123	Jun/5/2020	200,000	2001
GASH	Gashy PLC	Mohes	Vendor	2124	Jan/ 3/2020	200,000	2001
LULE	Lules Trading	Aster	Vendor	2125	Dec/3/2019	50,000	2001
NAE	Nae Company	Solomon	Vendor	2126	Feb/2/2020	150,000	2001
TURU	Turu Exporter	Eskindr	Vendor	2127	Aug/4/2020	95,000	2001
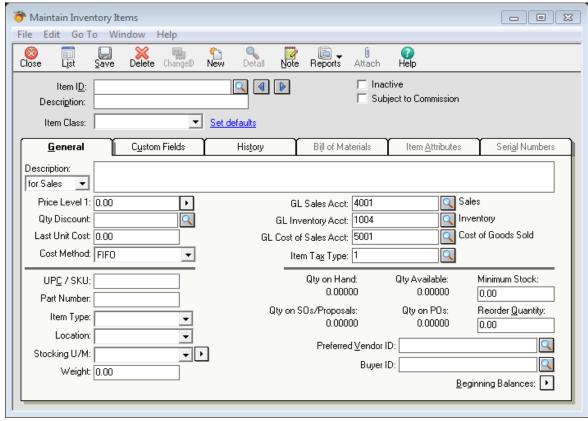
4.4.3. Inventory Items Maintenance

Peachtree tracks the inventory items that the company buys and sells and automatically updates the quantities after each posting transactions. It also allows store items that do not stock but that entered on invoices. This makes entering invoices faster. Tracking inventory in Peachtree is basically a three-step process:

- Enter item information, including Sales account, Inventory account, and Cost of Sales account.

- Use item IDs when entering purchases and sales. Peachtree computes and tracks costs and quantities on a daily basis, based on transaction date and item class.

- Enter adjustments, if necessary, through the Inventory Adjustments Task.

Peachtree does the rest, adjusting inventory levels each time when posting a purchase or sale of an inventory item. In addition, the program will track the cost of each item on a daily basis, based on the transaction date and item class. In addition to tracking costs and quantities, using inventory items makes entering transactions easier. Through Maintain Inventory Items, we can set up the goods and/or services we sell. We can set a unit price and the account to be adjusted by the sale of commodity**.** Then, when we enter the sale, we need only select an inventory item and enter a quantity ordered; Peachtree computes the total. Use this procedure to set up a new inventory item record.

1. Do one of the following:
    o   From the Maintain menu, select Inventory Items. Or Click the Inventory Items icon on the Inventory Items Navigation Aid. Peachtree displays the following Maintain Inventory Items window.

1. Enter a new item ID, and complete the necessary item information. For example, choosing the correct Item Class. For the most part, you set them up using the fields on the General tab of the Maintain Inventory Items window. But the additional tabs in the window—Bill of Materials, Item Attributes, and Serial Numbers—let you set up special item types such

as assembly, master stock, substock, and serialized items. For more information, click a link below.

3. When you're finished filling in the window, select the Save button.

Inventory Item **header fields** are located above the folder tabs of the Maintain Inventory Items window. This is where we enter lookup information about the item such as item ID, name, short description for lists, item class (type of inventory item), and item status.

Item Class Field: This identifies the type of **i**nventory item. Item classes define what type of inventory item we are setting up. Item classes determine how an item's costing information is recorded. Once an item class is established (saved) for an inventory item, it cannot be changed. Peachtree allows the following some classes of inventory items:

*   **Stock Item:** Use this item class for traditional inventory items that are tracked for quantities, average costs, vendors, low stock points, and so on.
*   **Master Stock Item:** Use this item class when we want to set up a master stock item, a special item that does not represent inventory we stock but rather contains information (item attributes) shared with a number of substock items generated from it.

General Tab: Select this tab to set up item descriptions, item types, sale price levels, default G/L accounts, and costing methods.

*   **G/L Sales Account:** Enter or select the income type account that will be credited when selling the item. All item classes except for Description require a sales account.
*   **G/L Inventory Account:** For stock items only, enter the account (typically an inventory type account) that the inventory for this item is charged to. This account is used as the default account for entering purchases. Generally, the account gets debited when purchasing of the item and credited when selling the item.
*   **G/L Cost of Sales Account:** For stock items and assembly items, enter or select the account that gets debited for the item when sold. Peachtree allows to use Average Cost, LIFO (last in, first out), FIFO (first in, first out), and Specific Unit. Costing occurs as of the transaction date for the sale.

⚘ **Item Tax Type:** These are the inventory item tax types that have been set up in the Inventory Item Defaults. They define whether or not the stock item is taxable.

⚘ **Sales/Purchase Description:** This identifies the text that will appear for this item in the Description field in transaction windows and on forms. Select either type of description from the drop-down list. Each description can be up to 160 alphanumeric characters long. Select for Sales to enter a description that will be used in quotes, sales orders, sales/invoicing, and receipts. Select for Purchases to enter a description that will be used in purchase orders, purchases/receive inventory, and payments. It could reference the vendor's catalog number for the item.

Entering Beginning Balances for Inventory

The beginning balance for inventory items includes the quantity, unit cost, and total cost of the inventory. We use this when we first enter beginning balances. However, if we enter an incorrect unit cost for a beginning balance, this is the only place where we can change it. We have to enter a single quantity and unit cost for each inventory item. Do not use the Inventory Beginning Balances window to make adjustments to inventory for spoilage or theft; instead, use the **Inventory Adjustments** option from the **Tasks** menu. The total amount of inventory beginning balances entered here needs to be the same amount entered in the chart of accounts beginning balance for inventory accounts. If we don't do this, the general ledger and financial reports will not match with inventory reports. Use this procedure to enter inventory beginning balances for stock items and assemblies. This establishes the quantity on hand of items.

1. From the Maintain menu select Inventory Items, Maintain Inventory Items window appears, then on the **General** tab, select the **Beginning Balances** button at the right lower bottom of the window. Peachtree displays the Inventory Beginning Balances window.

2. From the item list, enter or select an item ID that has beginning balance.

4. For each item, enter two of the three fields: quantity (on hand), unit cost, and total cost. Peachtree will calculate the third or remaining field.

5. When finished entering beginning balances for all your inventory items, select **OK**.

Example (continued): Maintain Inventory Items

Use the following data to maintain inventories with their beginning balances.

G/L Sales Account: 4001

G/L Inventory Account: 1004

G/L Cost of Sales Account: 5001

Item Tax Type: 1

Item ID	Description	Item Class	Cost Method	Beginning Balance		
				Quantity	Unit Cost	Total Cost
AC	Air Conditioner	Stock item	FIFO	2	10,000	$20,000
DC	Digital Camera	Stock item	FIFO	50	1,000	$50,000
DTC	Desktop Computer	Stock item	FIFO	10	4,000	$40,000
LAP	Laptop	Stock item	FIFO	4	10,000	$40,000
TV	Television	Stock item	FIFO	20	2,500	$50,000

4.5. Setting-Up Sales Taxes

Sales taxes are amounts charged by a state, country, locality or other agency on items that you sell to your customers. Thus, before billing customers, you will want to set up your sales taxes. Once these are set up, you can make a particular sales tax part of each customer's record and automatically call up the correct sales tax when you create orders, bills, and so forth, for that customer.
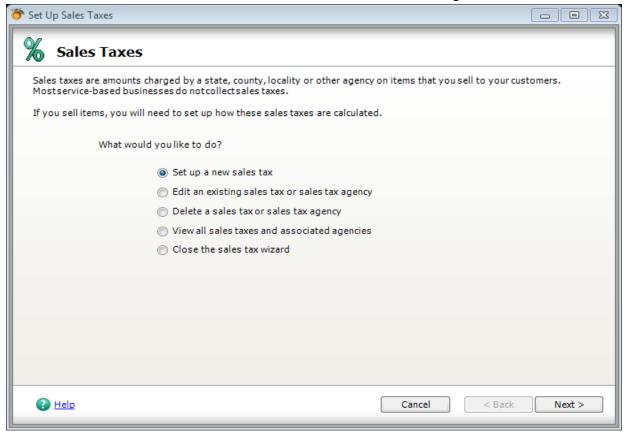
> **Self-Test Activity**
>
> i.   What is mean by Customer in Peachtree?
> ii. What is mean by Vendors in Peachtree?
> iii. What is mean by Inventory Items in Peachtree

You will set up your sales taxes by following the Sales Tax Wizard. Here, you will set up your Sales Tax Agencies and your Sales Taxes. Sales Tax Agencies are the individual taxing bodies, such as the state you do business in, a particular county or city, or a special tax (school tax, building tax). Sales Taxes consist of a number of Sales Tax Agencies that make them up. For instance, the county where you do business might impose a state tax, county tax, and special school tax; all of

these could be covered by a single Sales Tax. Or you could have a sales tax for sales made in the city limits, in a county, or in an out-of-state location. You'll assign a Sales Tax to each customer.

4.5.1. To create your Sales Taxes,

i.   Select **Maintain**, **Sales Taxes**. This will open the following Sales Tax Wizard. This wizard can also use to edit, view, and delete sales taxes and sales tax agencies.

ii.   Select **Set up a new sales tax** and click **Next**.

iii.   After clicking NEXT, **Set up New Sales Tax** wizard appear. Use this window to set up a new sales tax. Here, you will specify the total rate that you will charge and how many individual rates make up the total rate.

- **What is the total rate that you will charge?:** The number you put here should be the total of all individual taxing agencies. For instance, if you have a state agency that charges 4% and a county agency that charges 2%, you would enter 6 in this field. If one or more of the taxing agencies charges sales tax based on a formula of some sort, leave this field blank.

- **How many individual rates make up this total rate:** Here, specify the number of agencies that make up this sales tax. For instance, in the example above, where there is a state tax and a county tax, you would enter 2 here.

iv.   Add Sales Tax Agency Wizard

Use this window to create sales tax agencies. These agencies are the specific governmental units who will receive the sales taxes you collect. The agencies created here will be applied to the sales tax ID that you are currently creating. In addition, they will be available, once they are created, to be applied to other sales tax IDs.

- **Agency ID:** Enter a brief ID here, something that clearly identifies the agency to you, such as FED for the federal or other ID like 123.
- **Agency name:** Enter the name of the agency here.
- **Which vendor do you send the taxes you've collected to?:** Enter or select the vendor to whom you will send the collected sales taxes. If you have not created a vendor to receive sales tax, you can enter a new vendor ID here and Peachtree will allow you to set up the vendor during this wizard.
- **How are sales taxes calculated for this agency?** If the agency collects a flat rate tax (such as 4%), select **By single rate**. Otherwise, if the agency collects based on a formula of some sort, select **By formula**.

Select an account to track all sales taxes: Select a general ledger account to which collected sales taxes will be applied. This account will be reported on your Balance Sheet as part of your liabilities (money you owe) until you return the amount.

v.   Sales Tax Entered Wizard

On this window you will complete the creation of a new sales tax ID. You will create an ID and a sales tax name, as well as specify if this sales tax should be applied to freight charges on sales.

- **Sales tax ID:** Enter an ID for this sales tax ID, such as VAT or TOT.
- **Sales tax name:** enter a name to the sales tax ID. It should be something descriptive so you can easily identify it, such as Federal Inland Revenue or Custom Duty.

- **Do you charge sales taxes on freight?:** Select Yes if you are required to add sales tax to any freight charges that your customers pay for shipping services. This requirement varies from state to state.

vi. After entering the required information, click Finish.

Example (continued): Setting-Up Sales Taxes

ABC Inc. has been registered to collect **Value Added Tax (VAT)** by Inland Revenue of Ethiopia. In addition, the company has the responsibility to collect **Turn Over Tax (TOT)** on those products which are VAT exempted. Data in the following table used to set up sales tax:

Fields to be Filled in the Wizard	Tax Type 1 (VAT)	Turn Type 2 (TOT)
Total Rate……………………………....	15	2
Number of Total Rate………………….	1	1
Sales Tax Agency ID.............................	FED	RSA
Sales Tax Agency Name………………	Federal Revenue Authority	Regional State of Amhara
Vender **…….……………................	FEDREVENUE	REGREVENUE
Sales Tax Calculation………...............	By Single Rate	By Single Rate
Rate…………………………………….	15	2
Sales Tax Account …………………….	2005 - VAT Payable	2002, Sales Tax Payable
Sales Tax ID……………....................	VAT20	TOT20
Sales Tax Name……………..................	Value Added Tax	Turn Over Tax

**Here you must have to maintain new vendor to receive VAT and TOT collected from customers. Thus, set up a new vendor using the following data:

For Tax Type 1 (VAT):   **Vendor ID:** FEDREVENUE
                                            Name: Federal Revenue Authority
                                            Vendor Type: Tax
                                            Expense Account: 2005, VAT Payable, Other Current Liabilities

For Tax Type 2 (TOT):   **Vendor ID:** REGREVENUE
                                            Name: Regional State of Amhara
                                            Vendor Type: Tax
                                            Expense Account: 2002, Sales Tax Payable

4.6.   Setting up Payroll

Peachtree automates payroll process. Once employee defaults, employee records, and tax formulas are set up, Peachtree automatically computes the paycheck. Then, it is possible to print a batch of checks for all employees or print a single paycheck.
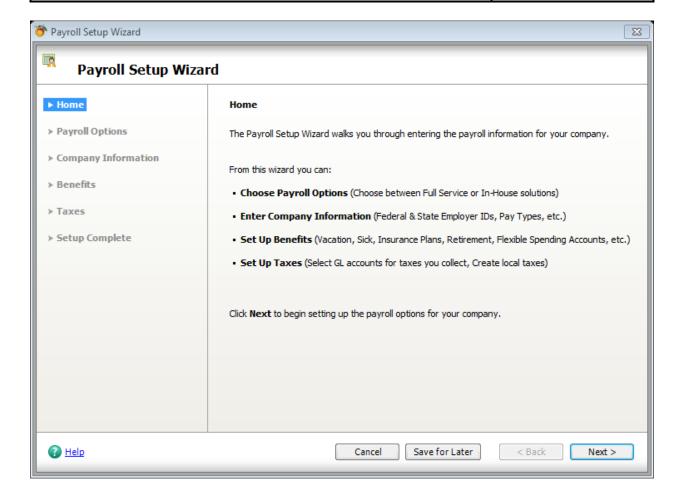
4.6.1.   Setting up Payroll Default: Payroll Setup Wizard

The Payroll Setup wizard walks you through setting up most payroll defaults and standard payroll fields. As you answer the prompts in the wizard, Peachtree will create for you most of the common payroll fields used in calculating deductions and taxes. The Peachtree Payroll Setup wizard establishes the following:

- State and locality defaults
- Common federal and state payroll fields for employee-paid and company-paid taxes
- General ledger account defaults for payroll fields
- Optional payroll fields for employee tips and meals
- Optional payroll fields for employee and employer contributions to retirement plans
- Optional payroll fields for employee vacation and sick time

To begin the Payroll Setup wizard, from the Maintain menu, select Payroll and choose Payroll Setup Wizard, then the figure depicted on the next page will appear.

Peachtree displays the Payroll Setup Wizard. (Once you complete the wizard, its name changes to **Payroll Settings**.) The initial screens tell you about your options for processing payroll with Peachtree: full-service and in-house payroll.

- **Choose Payroll Options: select do it yourself In–House, because the other (Full Service Payroll) only used in USA.**

  – Full Service Payroll: Peachtree Managed Payroll by online service.

  – Do It Yourself In-House: You can maintain and update your payroll formulas and calculations yourself.

- **Enter Company Information:**

  Here you can enter basic payroll information for your company, such as:

  – Enter your federal and state employer ID.

  – Enter or select from the drop-down list the state abbreviation for the primary state in which your employees work.

  – Enter your state unemployment ID and rate for unemployment insurance (not apply to Ethiopia).

  – If there is a tax associated with your state, a field will display where you can enter the rate for that tax. (Not all state taxes may be supported.)

– Select **Yes** to create payroll amounts for Meals and Tips that the company provides to the employees. By default, the Tips and Meals are logged for reporting and tax calculations, but no entry is posted to the general ledger.

- **Pay Types: enter the pay type**
  - **Hourly Pay Types:** The default hourly pay levels are Regular and Overtime. You can rename hourly pay types to meet your company's needs. For example, include pay types for specific functions: dishwasher, cook, server, and so on. You can enter as many as 20 hourly pay types.
  - **Salary Pay Types:** Each salary pay type is initially named Salary. You could rename the second and third **salary** pay types Bonus and Commission. Or, you could rename them to be different departments. For example, include salary pay types for employees who work for more than one department. You can enter as many as 20 salary pay types.
  - **G/L Account:** Enter the general ledger account to which you want gross payment to be distributed. If a pay type is to be used, you must enter a corresponding G/L account. To display a list of **existing** accounts, type ? in the G/L Account ID field or select the Lookup button. To add a new account, type + or double-click the field, which displays the Maintain Chart of Accounts window.
  - **Setup Complete:** While you've completed the Payroll Setup Wizard, you can also edit or adjust a couple more steps**.**

Example (continued): Setting-Up Payroll Default

The following data are used to set up payroll default for ABC Inc. thus, enter the followings in the appropriate fields.

Payroll Option: select **Do It Yourself In-House**

Payroll Option-Do it yourself In-House: select **Do It Yourself**
State: write **AM**
Pay Type:
- **Hourly-Regular:** select **6012 Wages Expense**
        Overtime: select **6012 Wages Expense**
- **Salary-Salary**: Select **6011 Salaries Expense**
Taxes: **Tax liability acct no**: Select **2004-Income Tax Payable**
        Tax expense acct no: Select **6009 – Payroll Tax Expense**
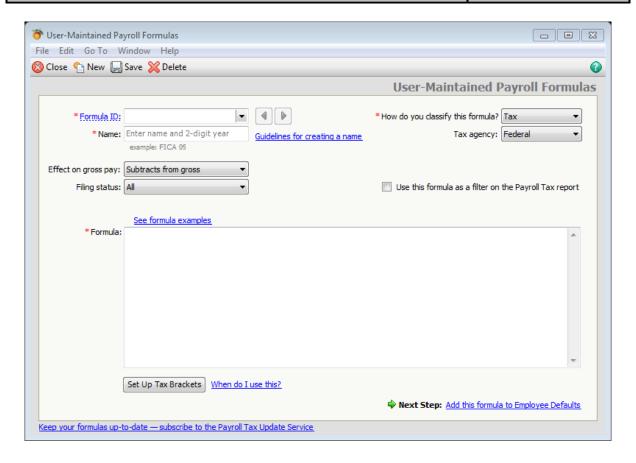
Dear Students! Peachtree requires that you first complete the Payroll Setup Wizard before you access Employee Defaults. That's because the setup wizard will create most of the default information for you. And, after setting up payroll defaults we must have to maintain payroll formulas. Thus, the next section deals about setting up payroll formulas and then setting up employees default information.

4.6.2. User-Maintained Payroll Formulas

There are two sets of payroll formulas in Peachtree: Peachtree-maintained and user-maintained.

1. **Peachtree-Maintained Payroll Formulas** apply to all the companies you have set up in Peachtree. They include predefined formulas containing federal-, state-, and (some) local-regulated tax calculations maintained by one of the payroll tax solutions for Peachtree. When you subscribe to the tax service, you will receive tax updates periodically as dictated by changes in tax laws. Installing these updates overwrites any changes you may have made in Peachtree-Maintained Payroll Formulas.

2. **User-Maintained Payroll Formulas** are only used by the specific company for which they are set up. They do not get overwritten by tax updates, so this is where you would enter customized calculations for employees' income tax. If you do not subscribe to any of the payroll tax solutions, you would set up your federal, state, and local tax calculations in User-Maintained Formulas. We also use the User-Maintained Payroll Formulas, because the first one only applies to USA.

To open User-Maintained Payroll Formulas window, from the **File menu**, select **Payroll Formulas**, then User-Maintained. Peachtree displays the following User-Maintained Payroll Formulas window.

Formula ID: If you plan to enter a new formula, enter an ID that is not already in the Formula list box. You should follow the naming conventions of Peachtree and start the ID with the two-letter postal abbreviation for your state.

Name: The name you choose for your formula is important, because it allows Peachtree to identify which payroll formula to use for a particular field. The name has two (and sometimes three) parts separated by a single space:

- **calculation name:** this is the name of the tax or plan--for example, income tax
- **payee (for certain formula types):** EE (employee pays) or ER (employer pays)
- **payroll tax year:** this is the last two digits of the calendar year to which this tax formula applies. For example, if we are in the year 2020, we must have to enter the last two digits of 20. Or if we are in the year 2012, we must have to enter the last two digits of 21.

Effect on gross pay: A formula can either add to or subtract from gross pay. Most taxes or benefits will subtract from gross pay. In some cases, the formula may either add or subtract from the gross in payroll calculations. Use "Either subtracts or adds" for a vacation or sick time field to allow the calculation of a deduction to be positive, or the calculation of an addition to be negative.

Filing Status: If this calculation is to be used for all employees, regardless of Filing Status, select All Filing Statuses from the drop-down list. If you choose an alternate status, create multiple formulas with unique IDs for each possible filing status; make sure each formula ID and filing status variation uses the same tax name.

How do you classify this formula?: You can select either a **Tax** (income tax), a **Deduction** (Pension), a **Benefit** (Insurance), or **Reimbursement** (positive adjustment).

Tax Agency: You select the type of government this tax applies to by selecting one of the available options. If you select State or Local government, you must specify the state or locality to which the tax applies. For State, enter the two-character postal abbreviation; for locality, you can type in the name of the locality. You can indicate that this tax applies to all states or all localities.

Note: The state or locality specified for the government entered here must also be entered in State/Locality field of the Withholding Information table in the Maintain Employees/Sales Reps window.

Use this formula as a filter on the Payroll Tax report: Select this check box to have this calculation appear on the Payroll Tax Report menu or to have the payroll field that uses this calculation appear on the Exception Report. The Taxable_Gross variable must be included in the formula when selecting this check box.

Formula: The Formula box contains the equations you use to actually calculate taxes. If you subscribe to the Peachtree tax service, Peachtree supplies the equations for most types of taxes. If you are setting up your own tax calculations, enter the correct formula.

The new Ethiopian income tax proclamation required to calculate employees' income tax obligation based on the following schedule. For example, if one employee gets a monthly salary of Birr 1,450, his/her monthly income tax will be $((1{,}450 \times 10\%) - 60) = 85$.

Employment Income		Tax Rate	Deduction
0	600	**exempted**	0
601	1650	10%	60
1651	3200	15%	142.50
3201	5250	20%	302.50
5251	7800	25%	565
7801	10900	30%	955
Over 10900		35%	1500

In Ethiopia also, government employees contribute 7 percent of their gross pay salary to the pension fund. Thus, we must have to enter a formula for the employees' contribution of pension in the formula box.

In addition to employees' contribution to the pension fund, government employers or organizations contribute 11% of employees' basic salary. Thus, we must have to enter formula for company's pension contribution.

Furthermore, most organizations give allowances for employees. The allowance can be predetermined house rent, transport cost allowance and so on. However, these allowance most of the time taxable by adding them with the basic salary amount. So, we have to enter the allowances formula to be calculated when preparing payroll.

Example (continued): User-Maintained Payroll Formulas

ABC Inc. calculate its employees income tax liability based on the above schedule, calculate pension contributions of employees based on 7% of their basic salary, calculate its pension contributions to employees based on 11% of employees basic salary, and ABC also give house allowance of Birr 500 for each employees. Note that, the house allowance is taxable. Use the following data to set up five payroll formulas for ABC Inc.

- **Formula 1: Formula ID**: INCOMTAX

  Name: Income Tax 21

  How do you classify this formula?: Tax

  Tax agency: Federal

  Effect on gross pay: Subtracts from gross

  Filling status: All

  Formula: ANSWER= **-** (IF(TAXABLE_GROSS<600,0,

  IF(TAXABLE_GROSS<1650,TAXABLE_GROSS*0.1-

  60,IF(TAXABLE_GROSS<3200,TAXABLE_GROSS*0.15-

  142.5,IF(TAXABLE_GROSS<5250,TAXABLE_GROSS*0.2-

  302.5,IF(TAXABLE_GROSS<7800,TAXABLE_GROSS*0.25-

  565,IF(TAXABLE_GROSS<10900,TAXABLE_GROSS*0.3-

  955,TAXABLE_GROSS*0.35-1500)))))))

- **Formula 2: Formula ID**: EMPENSIO

  Name: Employee Pension Contribu 21

  How do you classify this formula?: Deduction

  Effect on gross pay: Subtracts from gross

  Filling status: All

  Formula: answer = -(TAXABLE_GROSS*0.07)

- **Formula 3: Formula ID**: CMPENSIO

  Name: Company Pension Contribut 21

  How do you classify this formula?: Benefit

  Effect on gross pay: Subtracts from gross

  Filling status: All

  Formula: answer = -(TAXABLE_GROSS*0.11)

- **Formula 4: Formula ID**: CPC

  Name: CPC 21

  How do you classify this formula?: Benefit

  Effect on gross pay: Adds to gross

  Filling status: All

  Formula: answer = -(TAXABLE_GROSS*0.11)

Note that, Formula 4 is pseudo (false) formula used to make a workable formula of Formula 3

- **Formula 5: Formula ID**: ALLOWANC
  - **Name:** House Allowance 21
  - **How do you classify this formula?:** Benefit
  - **Effect on gross pay:** Adds to gross
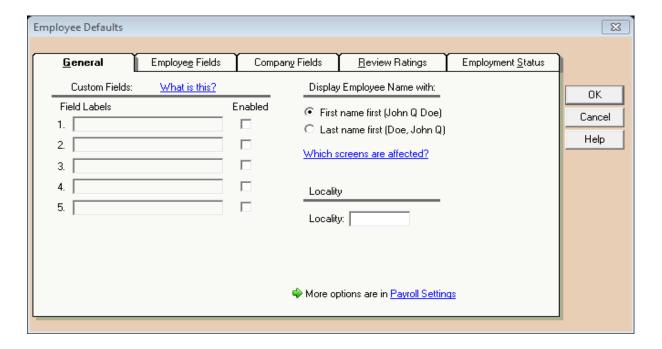 - **Filling status:** All
  - **Formula:** answer = 500

After entering the above formulas, the next step is to enter employee defaults and make a link between employee defaults with the above five formulas.

4.6.3. Employee Defaults

Here (and in the Payroll Setup Wizard or Payroll Settings), you enter basic setup information that applies to most of your employees and payroll transactions. Then, when you set up new employees and enter paychecks, the default information is automatically included. This can save a great deal of time during data entry. To set up or review employee defaults, select Default Information from the Maintain menu, and choose Employees, then the following figure will appear.

General tab

This tab helps to set up basic default information for your employees, including custom field names and how employee names display in lists.

Employee Field tab

Here (and in the Payroll Setup Wizard or Payroll Settings), you enter basic setup information that applies to most of your employees and payroll transactions. Then, when you set up new employees and enter paychecks, the default information is automatically included. Thus, to set up defaults for how Peachtree handles employee gross pay including any applicable calculations, select the Employee Fields tab in the Employee Defaults window. This can include various employee deductions and additions.

Field Name: Enter the name of the payroll field, or use the defaults.

G/L Account: Account number in general ledger where information entered into this field for this employee is posted. Not applicable if the Memo check box is selected.

Calculate (Calc): Selecting this check box allows you to select a formula name to use when calculating tax amounts. Formula names use formulas and (sometimes) tables to calculate tax amounts. You can select formula names here but you must set them up in User-Maintained Payroll Formulas before they will calculate. If you uncheck this box, then you would have to manually calculate taxes and enter them on each paycheck.

Formula: If you chose to Calculate this field, enter the name of the formula to use (not the Formula ID) without the payroll year. Type ? to display a list of the currently set-up formulas. (If you choose to set up your own payroll formulas, make sure each formula entered here corresponds to a formula in User-Maintained Payroll Formulas.)

Amount: If you aren't using a calculation, enter a flat rate here. Positive numbers are earnings and negative numbers are deductions.

Memo: Select this check box if the information in this field does not affect your company general ledger or financial statements. An example of this would be tips.

Run: Select this check box to indicate that you don't want the balance to be set to zero when you close the year.

Adjust: If this field can be calculated, select this button to display the Calculate Adjusted Gross window where you can choose which payroll fields are accumulated to determine the adjusted gross for this calculation.

Company Fields tab

To set up defaults for how Peachtree handles employer-paid taxes and contributions, select the Company Fields tab in the Employee Defaults window. These payroll fields do not impact the net amount of the employee paycheck.

Description: Enter the name of the payroll field, or use the defaults.

Liability Account: This is the number of the general ledger liability account you want to use. Typically this is employer-paid payroll tax liability.

Expense Account: This is the number of the expense account you want to use. Typically this is employer-paid payroll tax expense.

Calculate (Calc): Select this check box if you want Peachtree to automatically calculate the payroll field amount when computing paychecks. If you select this check box, you must also select a formula name to use when calculating the amount.

Formula: If this field can be calculated, enter the name of the payroll formula to use (not the Formula ID) without the payroll year.

Adjust: If this field can be calculated, select this button to display the Calculate Adjusted Gross window where you can choose which payroll fields are accumulated to determine the adjusted gross for this calculation.

Example (continued): Employee Defaults

To set up employee defaults for ABC Inc., first clear all information available on the Employee Fields tab and Company Fields tab. Then enter the following data on the Employee Fields tab and Company Fields tab.

Employee Fields tab:

Field Name	G/L Account	Calc	Formula
INCOMETAX	2004, Income Tax Payable	✓	Income Tax
EMPENSION	2006, Employee Pension Con Payable, Other Current Liabilities	✓	Employee Pension Contrib
ALLOWANCE	6014, Allowance Expense, Expense	✓	House Allowance

Company Fields tab:

Field Name	Liability	Expense	Calc	Formula
COMPENSION	2007, Company Pension Con Payable, Other Current Liabilities	6015, Company Pension Cont Expense, Expense	✓	Company Pension Contribut
CP	2007	6015	✓	CPC

- **In addition, from the Employee Field tab, select INCOMETAX row and click the Adjust column, then from the Calculate Adjusted Gross window, tick the field of Use on ALLOWANCE raw to include allowance amounts in the taxable income amount.**

4.6.4. Maintaining Employees

Setting up your company's employees involves three tasks: setting employee defaults (already sated up above), setting up data records for your employees, and entering beginning balances from any outstanding payroll amounts for employees. So before you begin the process, you should assemble the names, addresses, phone numbers, e-mail addresses, Social Security numbers, and hire/termination dates for all your company's employees.

Use the Maintain Employees/Sales Reps window to enter, change, and store information about your company employees and sales representatives (reps). Thus, from the Maintain menu, select Employees/Sales Reps. Setting up an employee record involves the following:

a. Entering employee ID and name

In the header area of the window (the area just below the toolbar), enter a new Employee ID. This must be an ID unique to this employee. It is NOT case-sensitive. If you leave the ID field blank, Peachtree will create an ID based on the **Name** you enter.

b. Entering general employee information

General information includes the address of the employee, the social security number, and type.

c. Entering employee customizable fields

Employee customizable fields allow you a way to keep track of specific information about your employees. You use custom fields to set up fields that aren't available on the Maintain Employees window. For example, you can add a custom field for the employee's education level.

Setting up custom fields is a two-step process:

i. Enter the field label (Education) on the General tab of Employee Defaults.

ii. When you set up an employee (Maintain Employees), on the bottom of the General tab, enter the actual education level of the employee (such as College degree).

d. Entering additional employee information

Additional information includes details such as hire date and gender.

e. Entering pay information

Pay information includes the employee's hourly or salary rates (based on default settings), the frequency with which the employee is paid, and the general ledger accounts that their earnings should be applied to. Information entered here will automatically be entered whenever you pay the employee.

f. Entering withholding information

Withholding information includes the employee's federal, state, and local (if any) filing statuses, as well as any special withholdings or pension contributions.

g. Entering vacation and sick-time information

Most employees should use the default or standard information set up in Payroll Settings. You only need to adjust this information for employees with special circumstances for vacation or sick time. Just uncheck the ***This employee uses the company default settings*** box and enter the unique information.

h. Entering employee deduction information

Use this tab to make special modifications to the employee's deductions. For instance, if an employee has a flat percentage withheld for federal income tax rather than an amount based on the

formula. Also, any individual amounts that the employee might pay for insurance coverage are entered here. Deductions found here are created on the Employee tab of Employee Defaults. You must first create a deduction there before you will see it here.

i. Entering employer deduction information

The Employer tab displays deductions and amounts that the employer is required to pay for this employee. These deductions include the employer portion pension contribution.

Example (continued): Maintaining Employees

Assume that, ABC Inc. has five employees. The following data represents for each five employees that have to be entered in the Maintain Employees & Sales Reps window.

Employee	1	2	3	4	5
Heading Fields					
Employee ID	TILA11	SOLO12	ALM13	SEID14	DAN15
Employee First Name	Tilahun	Solomon	Almaz	Seid	Daniel
Employee Last Name	Abebe	Teka	Tesfa	Jemal	Mekonnen
Type: Employee or Sales Rep	Employee	Employee	Employee	Employee	Employee
General Tab					
Address	Dessie	Dessie	Haik	Kombolcha	Kombolcha
Pay Info Tab					
Pay Method	Salary	Salary	Salary	Salary	Salary
Pay Frequency	Monthly	Monthly	Monthly	Monthly	Monthly
Salary Pay Rate	500	1050	2500	1450	2100

Dear Students! after you entered these data, i.e., customers, vendors, inventories and employees default, sales tax, tax formula, maintaining customers, vendors, inventories and employees, you must have to change the accounting period to the current period.

4.7. Changing the Accounting Period

Accounting periods define segments of the fiscal year. Peachtree permits to operate within two open fiscal years. The Change Accounting Period window serves two purposes. First, it informs you of your company's current fiscal year and payroll tax year setup. Second, this window permits

you to move to an alternate account period. Typically, you'll do this at the beginning of each new accounting period. To open the Change Account Period window, do one of the following:

- From the Tasks menu, select System, then Change Accounting Period.
- Click the Accounting Period button on the on the Button Control Bar at the top of the main Peachtree window.

- Click the Accounting Period button on the Peachtree main application toolbar.

Open Accounting Periods: A list of accounting period numbers and dates for your company's two open fiscal years. Accounting period dates are defined during the New Company Setup process and cannot be changed once they are set up. Most companies operate with twelve accounting periods per fiscal year. To move to a new accounting period, select the period from the drop-down list box. You can change this to any other period in the one or two fiscal years for which you have set accounting periods. You can create or edit transactions in a prior period without changing the Accounting Period. However, the transaction date cannot be prior to the first period of the first open fiscal year.
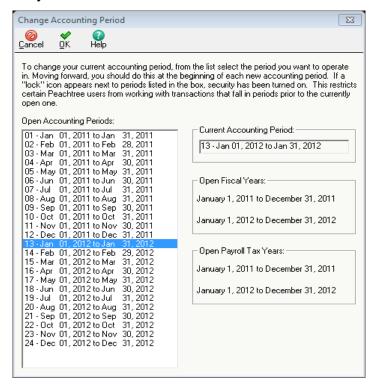
Note: If you have security rights activated in Peachtree, a lock icon appears next to prior accounting periods. You can restrict users from editing transactions in prior accounting periods by giving them View Only access to Transactions in Prior Periods. This setting is made in the Selected Access window, under the Company/Tasks program area; choose Company in the menu at left, and then find the Tasks subarea.

Current Accounting Period: Identifies the accounting period number and dates Peachtree is currently operating in. If the current system date is within the current accounting period date range, Peachtree dates new transactions automatically based on your system date. It also displays the current dates for the first and second fiscal years as well as the first and second open payroll tax (calendar) years.

Open Fiscal Years: Identifies the two open fiscal years in which you can enter new or edit old transactions. The first fiscal year is typically referred to as the current year, the second is referred

to as the next fiscal year. To change the dates, you must close a fiscal year using the Year-End wizard.

Open Payroll Tax Years: Identifies the two open payroll (calendar) tax years used in payroll transactions and reports. To change the dates, you must close a fiscal year using the Year-End wizard. The toolbar at the top of the window contains the following buttons: OK, Cancel, and Help. Note that, if you are using the batch posting method, you must post all your transactions before Peachtree will let you continue.

Self-Test Activity

i.   Why we are not selecting Peachtree maintained option when we are going to setup Payroll Formula?

ii. What is 'Add to Gross' in payroll formula?

iii. What is 'Subtract from Gross' in payroll formula?

iv. What is 'Taxable_Gross' in payroll formula?

v.   What is 'Answer' in payroll formula?

4.8. Summary

In this chapter we have seen how to setup different types of settings. The purpose of marinating different types of setting is to make ready the software for future use. However, if we want to change or add something that have been previously entered or not, it is possible to change or add.

Default information is used in Peachtree to reduce the time required to enter different types of information or transaction. Because default information is common types of information that shared by customers, vendors, inventory items, payroll and employees.

The other thing is when we are entering default information or detailed information we must have to follow each and every steps to avoid the entrance of errors in the system.

4.9. Self-Test Questions

1. In maintaining chart of account, the **UNIQUE IDENTIFIER** is entered in:
    a) In the description field
    b) In the account type field
    c) In account ID field
    d) In the maintain account field
2. To enter the customers or vendors beginning balance, which tab must be clicked
    a) General
    b) Contact
    c) History
    d) Account Balances
3. In order to maintain payroll formula by ourselves which menu bar and option is selected?
    a) File menu, payroll Formulas, Peachtree maintained
    b) File menu, payroll Formulas, User maintained
    c) Maintain menu, payroll Formulas, User maintained
    d) Maintain menu, payroll Formulas, Peachtree maintained

4. In Peachtree, the government body that will receive the collected sales taxes from the company is known as -----
   a) Government tax agency
   b) Sales tax agency
   c) Federal and state sales tax
   d) All of the above

5. In Peachtree software, the government agency that will receive the collected sales taxes from the company considered as---
   a) Customer
   b) Tax agency
   c) Vendors
   d) None

Hint Answers for choose questions: 1: c, 2: c, 3: b, 4: b, 5: c

CHAPTER FIVE: TRANSACTIONS

5.1. Introduction

Dear Students! As you know, transactions are financial exchanges between a business and its customers, vendors and other people associated with a business. As we have seen Peachtree window, it has Menu Bar on the top which includes the following menus within its main window: **File, Edit, Lists, Maintain, Tasks, Analysis, Options, Reports & Forms, Services, Window, and Help.** Basically, we have used **Maintain Menu** when we set up chart of accounts, default records, maintained customers or vendors, and so on.

LEARNING OBJECTIVES

After studying this chapter, you will be able to:
☆ Distinguish between the different types of windows used to record transactions;
☆ Record transaction in Peachtree software; and
☆ Identify the special journal and general journal.

In this chapter, we will use **Tasks Menu** to enter transactions and other task-related information, for instance, to enter invoices, pay vendors, receive payments from customers, enter bank deposits, pay employees, and make adjustments to general journal. In addition, we can make entries to the account register, reconcile bank account, void checks, to change the accounting period, manage action items, and launch the Peachtree Year-End wizard.

5.2. Types of Journals

There are two types of Journals: **Special Journal** and **General Journal.** Special Journals are used to record **frequently occurring and similar types of transactions. On the other hand, g**eneral Journal is used to record **infrequent and dissimilar types of transactions.** In general, there are more than four types of special journals: **Purchase special journal**, **Payment/disbursement special Journal**, **Sales special Journal** and **Receipt Special Journal.**

Purchase Special Journal: is used to record on account purchases of merchandises. As well this special journal it is used to record purchases that are made by paying partial amount of cash at the time of the purchase.

Payment/disbursement Special Journal: is used to record in cash purchases of merchandises. As well this special journal it is used to record payment of account payable that arise from purchase special journal. In addition, it is also used to record partial payment of account payable.

Sales Special Journal: is used to record on account sales of merchandises. As well this special journal it is used to record sales that are made by receiving partial amount of cash at the time of the sale.

Receipt Special Journal: is used to record in cash sales of merchandises. As well this special journal it is used to record receipt of account receivable that arise from sales special journal. In addition, it is also used to record partial receipt of cash of account receivable.

5.3. Sales and Accounts Receivable (Customers Transactions)

If we want to enter a cash sale from customer, we would use the **Receipts** window on the Tasks menu, not the Sales/Invoicing window. The **Sales/Invoicing** window is for credit customers only. Here is a way to remember the difference between **Receipt** and **Sales/Invoicing**: if the transaction involves a credit sale, enter it in the **Sales/Invoicing** window; if the transaction is in cash, enter it in **Receipts** window. Thus, **Sales/Invoicing** task is the **Sales Journal**. Whereas, the **Receipts** task is the **Cash Receipt Journal**. Peachtree organizes and monitors the money that comes into business from customers. The money that received from customers is tracked in accounts receivable (also known as sales). In Peachtree, we can create quotes, sales orders, proposals sales invoices, receipts (customer payments), or create deposit tickets for customer receipts.

- **Quotes:** is entering an estimate of costs that can be printed or sent electronically to customer; no accounting happens (not a transaction).
- **Sales Orders:** is creating an order that will be filled at a later time. Sales orders reserve inventory items.
- **Proposals:** is a draft estimate for services that will be performed by the company.
- **Sales Invoices:** is a billing of customer for goods shipped and services performed.
- **Receipts:** is entering payments from customers and it can be applied to an open invoice.
- **Select for Deposit:** is creating a deposit slip for customer payments.

Depending on the business, we may or may not use all of these options. For instance, if the company do not take orders and ship the order later, most likely the company would not use sales orders, but it would invoice the customers directly. Similarly, if the company do not grant credit for customers, but work on a cash basis only, the company would not need to create sales invoices. Instead, we could enter items shipped and monies received using the **Receipts** task.
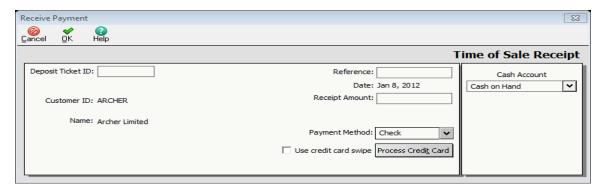
5.3.1. Entering Sales Invoices

Invoices are document that lists the goods shipped or services performed with their price, and the terms of sale. Thus, **sales invoices** are documents that list goods and services that customers receive from the business. Customer invoices are entered or maintained in the Sales/Invoicing window. All entries made here are posted to General Ledger, customer records, and possibly job and inventory records. We can use this window for a variety of customer billing functions, including filling sales orders and proposals, invoicing customers, and billing and receiving payments. The following steps are used to enter sales invoice.

1. From the Tasks menu, select Sales/Invoicing. The following window will appear:

Select the Layout toolbar button, and choose the Predefined Product template, Predefined Service or Professional template from the pull-down menu.

2. Enter or select the customer ID. When the customer is selected, Peachtree supplies the customer default information, including billing and shipping addresses, sales account, shipping method, payment terms, and sales tax ID.

3. If this customer has open sales orders, the Apply to Sales Order tab appears in front. To enter new items on the invoice, select the Apply to Sales tab.

4. Leave the Invoice # field blank if you want Peachtree to print an invoice. Peachtree will increase the invoice number by one when it is printed. Otherwise, enter an invoice number or other reference number. (If you print the invoice with an invoice number assigned or print it again later, the invoice will have the word DUPLICATE on it.)

5. Enter the date of the transaction if it is different from the displayed date.

6. Peachtree will automatically enter the Contact and Ship To information for the address marked as Ship To Address 1 on the customer record. You can select another contact and shipping address from the choices available in the Ship To drop-down list, or manually enter another address in the Ship To fields.

7. If you have entered a default P.O.# in the customer's record, it will appear on the invoice. If not, you can enter the customer's purchase order number now or change the default to any other piece of information that will identify this invoice to the customer.

8. If you have entered a default shipping method in the customer's record, it will appear. You can select the Ship Via button if you want to select a different shipping method. You can also enter a ship date.

9. Peachtree uses the default terms you have entered for the customer, but you may want to select the Terms button to change the default discount dates or amounts for this invoice. When a receipt that qualifies for an early-payment discount is applied against the invoice, Peachtree will calculate the discount.

10. If you entered a default Sales Rep in the customer's record, it will appear. Otherwise, select the rate of the sales representative, if applicable.

11. Enter the information for each item included on the invoice on a separate line, including the item's quantity, item ID, description, unit price, sales tax status, and job information.

12. Select the sales tax ID for this sale.

13. If you intend to charge freight for shipping this order, include an amount in the Freight field.

14. If you have received a partial or full payment for this invoice at the time of the sale, select the Amount Paid at Sale button. Peachtree displays the following Receive Payment window, where you can enter receipt information.

In the Receive Payment window fill the following fields

- **Deposit Ticket ID:** Cash deposit number can be entered if it is deposited when cash is received

- **Reference:** Enter the check number, credit card number, or the word cash in this field. This is a required field.

- **Customer ID:** This appears based on the customer selected on the invoice and cannot be changed here.

- **Date:** The date is the invoice date and cannot be changed here.

- **Name:** The customer's name and billing address are displayed and cannot be changed here. This information can be changed on the invoice, and any changes made will be reflected.

- **Receipt Amount:** Enter the amount the customer is paying at this time.

- **Payment Method:** From the list, select the method of payment this customer is using. The payment methods are entered on the Pay Methods tab of the Customer Defaults window.

- **Cash Account:** The account that appears here when you open the Receive Payment window is the last Cash Account that was used on the Receipts window. You can select a different account or add a new one here. Note: If you want to apply an alternate G/L account (an account that uses an account type other than Cash) for this payment receipt, you must select the Journal button.

After entering the above information, the Net Amount Due field displays what the customer currently owes for the sale.

15. At the bottom left corner of the window, the selected customer's balance, credit limit, and credit status is displayed. You can click the arrow button to the right of the customer balance to display the current Customer Ledgers report for this customer.

16. Select the Print button if you want to print and save the invoice. Otherwise, click the Save button.

5.3.2. Receipts

When customers' pays for goods and services sold to them, we have to record the receipt. Most receipts are applied to sales invoices. However, we can also enter cash sales (transactions in which no invoice is entered or required), prepayments, and customer refunds. This allows us to enter all checks, cash, and credit card slips we receive and deposit them in checking account. The process of entering a receipt is different depending on whether the receipt is against an invoice or a cash sale. If the sale is to a customer who is not in company's database, we can enter the customer's name without keeping a record on that customer. There are two ways you can account for receipts in Peachtree:
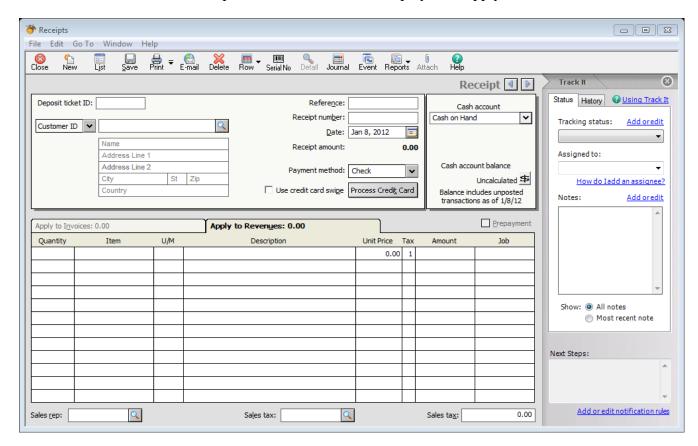
- If you sent an invoice to a customer, you apply the receipt to the invoice. Invoices entered in the Sales/Invoicing window appear as distribution lines when you enter the customer ID. You can check the Pay column beside each invoice being paid in full by this receipt.

- If you made a direct sale that didn't require an invoice, you use Receipts and enter it on the Apply to Revenues tab. This requires you to specify a check number and sales account.

5.3.2.1.   Apply a Customer Payment to an Invoice

When a customer pays an invoice, enter the amount in the Receipts window. To enter customer payment on an invoice, use the following steps:

1. From the Tasks menu, select Receipts. Peachtree displays the following Receipts window.

2. Enter a deposit ticket ID that can easily represent the type and source of payment. This will make account reconciliation easier to manage.

   Peachtree automatically enters the deposit ticket ID as a numeric representation of the current date. All receipts that use the same deposit ticket ID will appear as one lump sum in Account Reconciliation. If you want this transaction to be reconciled as a separate item, enter a unique deposit ticket ID.

3. Enter or select the customer ID. To display a list of existing customers, type ? in this field, or select the Lookup button.

   If there are unpaid invoices for this customer, Peachtree lists them on the Apply to Invoices tab. If there are no unpaid invoices, Peachtree displays the Apply to Revenue tab.

4. Enter a reference number that will help identify the receipt (for example, the customer's check number).

5. If you are recording deposit tickets within the Receipts window, enter or accept the

suggested Deposit Ticket ID. Otherwise, leave this field blank. You can record deposit ticket IDs in the Select for Deposit window.

6. Select a payment method (for example, Cash or Check). Payment methods are set up in Customer Defaults; these are quite useful in reports when managing receipts.

7. In the Cash Account list, enter or select the bank account in which the receipt is deposited.

8. On the Apply to Invoices tab, select the Pay check box next to each invoice that the customer is paying.

   o If the customer has paid the invoice in full, place the cursor in the Amount column for the invoice, and select the Pay check box. Peachtree will fill in the Amount Paid field.

   o If the customer has only paid a partial amount on the invoice, enter that amount. Peachtree will automatically select the Pay check box.

   Note: If your customer overpays the amount, a credit is made to the customer's ledger; for underpayments, the payment amount is applied to the invoice balance. You will need a reference number in order to post or save the record.

9. Select the Print button if you want to print and save the receipt. Otherwise, click the Save button.

5.3.2.2. Enter a Cash Sale

When a customer pays for an item and there is no invoice, enter a cash sale. Follow these steps to enter a cash sale:

1. From the Tasks menu, select Receipts. Peachtree displays the Receipts window (see the above figure).

2. Enter a reference number for this transaction. This must be a unique number and is generally the customer's check number. Avoid entering "CASH" as the reference for more than one transaction.

3. In the Cash Account list, enter or select the bank account in which the receipt is deposited.

4. If you are recording deposit tickets within the Receipts window, enter or accept the suggested Deposit Ticket ID. Otherwise, leave this field blank. You can record deposit

ticket IDs in the Select for Deposit window.

5. Select the Apply to Revenues tab. Then, enter the line items on the receipt the same way as you do in Sales/Invoicing.

7. Select the Print button if you want to print and save the receipt. Otherwise, click the Save button.

5.3.3. Deleting, Editing, or Voiding an Invoice

If you would like to edit or delete an invoice for a customer and you have already entered a receipt, you may need to first delete the receipt before you can edit or delete the invoice. You need to delete the receipt if you want to change the invoice number or the customer on an invoice or if you want to delete the invoice. Follow these steps:

1. From the Tasks menu, select Receipts. Then, select the **List** button so you can delete the receipt you entered for the invoice.

2. From the list, select the receipt and then OK.

3. Once the receipt is displayed, select the **Delete** toolbar button to remove it.

4. From the Tasks menu, select **Sales/Invoicing**. Then, select the **List** button so you can edit the original invoice.

5. From the list, select the invoice you want to edit, and click OK.

Once Peachtree displays the original invoice, make any necessary changes. If this invoice is for items ordered on a sales order, you cannot change the customer ID. If you want to remove the transaction, select the Delete toolbar button. If you were editing the invoice, select the Save button. You will have to enter the receipt for the payment again.

Void an Existing Sales Invoice

1. From the Tasks menu, select Sales/Invoicing.

2. To find and select the invoice you want to void, click the List button, and select the desired invoice.

3. Now, click the Delete toolbar button; and from the drop-down menu, select Void.

   The Void Existing Invoice window appears.

4. At The following invoice will be voided as of, Peachtree offers the system date as default void date. Accept the default, or enter a new date.

5. Click OK.

Peachtree automatically does the following:
- voids the invoice and issues a zero-dollar receipt to cover both the original and voided

entries
- makes an entry for this transaction in the Cash Receipts Journal

Note: When you view the voided invoice in the Sales/Invoicing window, you'll notice that it has the same number as your original invoice but with a "V" appended to it. Also, a large "Void" notice appears in red letters.

All totals and subtotals for the invoice appear as negative values:
- If the original invoice covers an existing sales order, negative values appear for the quantities shipped.

- If the original invoice did not originate with a sales order, negative values appear for the quantities sold.

5.4. Purchases and Accounts Payable (Venders Transactions)

Peachtree organizes and monitors accounts payable, the orders we make and the money we pay to suppliers. When we enter and post inventory items, three things happen:

- The amount of the item in stock is updated.

- The inventory value is updated.

- For stock items, the inventory account is debited to offset the credit to Accounts Payable.

Overview of Vendor Tasks
- **Purchase Orders:** Enter purchase orders one at a time, or let Peachtree generate a series of POs based on inventory-stocking needs.

- **Purchases/Receive Inventory:** Receive items into inventory as they arrive from the vendor, or just create a purchase invoice.

- **Payments:** Use *Write Checks* to create individual payments on the fly; use *Payments* to pay a single vendor when we need to track inventory or jobs; use *Select for Payment, Paper Checks* to pay more than one vendor at a time.

- **Electronic Payments:** If we're signed up for the Peachtree Bill Pay service. Use *Select for Payment, Electronic Payments* to choose vendors and invoices to pay; then use *Transmit Electronic Payments* to send the transactions to be processed.

- **Vendor Credit Memos:** Enter information for returns to and credits from vendors.
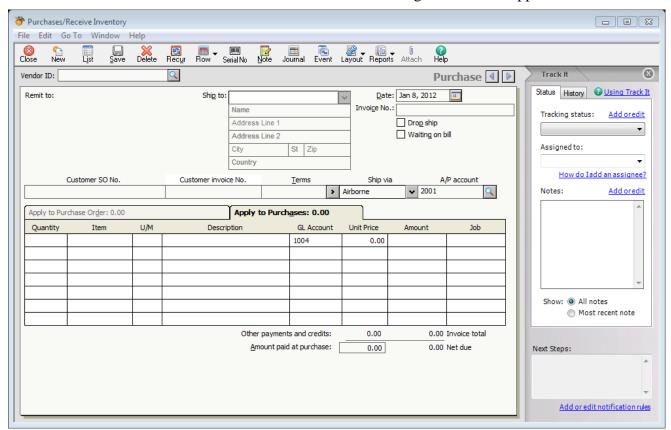
5.4.1. Purchases/Receive Inventory

This window allows either to enter vendor purchase invoices or receiving inventory from purchase orders:

- **Apply to Purchase Order tab:** When we select a vendor who has open purchase orders, Peachtree displays this tab, allowing us to select which purchase order to receive items against (not discussed in this course).

- **Apply to Purchases tab:** If we select a vendor with no open purchase orders, by default Peachtree displays this tab, where we enter a purchase that did not originate on a purchase order. In addition, if items were included on the purchase invoices that are not included on the purchase order, we can add them here.

We can enter the purchase of an item on account and that did not originate from a purchase order using the following procedure:

1. From the Tasks menu, do one of the following:
   - Select Purchases/Receive Inventory or
   - Select Bills and then Enter Bills. The following window will appear:

2. Enter or select the vendor ID. To display a list of existing vendors, type ? in this field, or select the Lookup button. To add a new vendor, type + or double-click the field, which displays the Maintain Vendors window. When the vendor is selected, Peachtree supplies the vendor default information, including name, remit address, shipping method, and payment terms.

3. Enter the vendor's invoice number in the Invoice # field. This is a required field.

   If you have not yet received a vendor invoice (bill) for this shipment, select the Waiting on Bill from Vendor check box. Once your vendor sends you the bill, edit this invoice; clear the Waiting on Bill from Vendor check box; and enter the invoice number. Then, when you post the invoice with the invoice number, you will be able to select the invoice for payment.

   Note: If you have received inventory from a vendor by entering a purchase using the Waiting on Bill from Vendor option, Peachtree will warn you when you select this vendor so you don't enter the invoice for this vendor's order twice by mistake.

4. Enter the date of the transaction if it is different from the displayed date.

5. Change the shipping address if necessary and the method of shipment. Click the Ship To drop-down arrow to display ship-to information. To change the shipment method, select the method from the Ship Via drop-down list.

6. Enter discount, terms, and A/P account. The Displayed Terms field automatically fills in with the default terms. If the vendor used special terms, enter the new term information here.

7. Enter the information for each item on a separate line, including the item's quantity, item ID, U/M (displays if multi-packs enabled in Inventory Item Defaults), description, unit price. The default unit price is the last posted price for this item.

8. At the bottom left corner of the window, the selected vendor's balance is displayed. You can click the arrow button to the right of the vendor balance to display the current Vendor Ledgers report for this vendor. Continue entering items until you have completed the purchase invoice.

9. If you have paid a partial or full payment at the same time you received this invoice, enter

the amount in the Amount Paid at Purchase field. The Reference field and Cash Account field will appear allowing you to enter payment information. The Net Amount Due displays what you currently owe for the purchase.

10. When finished, select the Save button to record the purchase.

5.4.2. Payments (Cash Purchase or cash payment)

This allows us to write checks for vendor invoices, for payments that don't have a vendor invoice, and for prepayments or discounts. The fields of the distribution box differ depending on whether we are applying the payment to invoices or new purchase. If a vendor has open invoices, the **Apply to Invoices** tab will be in front. However, if we are entering a payment to a one-time vendor not in the system, the **Apply to Expenses** tab is default. There are two basic methods of paying vendors:
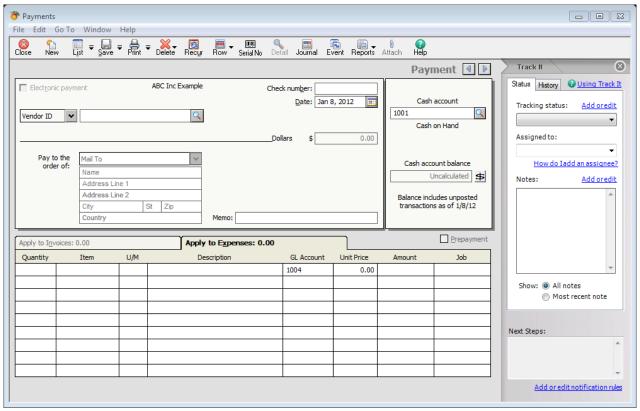
- Apply vendor invoices: pay invoices that were previously entered in the Purchases window.

- Apply to New Purchase (cash purchase): pay a vendor without using a vendor invoice. See Enter a Cash Purchase for further information.

Use the following procedure to apply payments to vendor invoices:

1. From the Tasks menu, do one of the following:
- Select Payments or
- Select Bills and then Pay Bills. The following window will appear:

2. Enter or select the vendor ID that you want to pay. To display a list of existing vendors, type? in this field, or select the Lookup button. If there are unpaid invoices for this vendor, Peachtree lists them on the Apply to Invoices tab. If there are no unpaid invoices, Peachtree displays the Apply to Expenses tab.

3. Enter check # and cash account
- If you are entering a handwritten check, enter the check number in the Check Number field. If you want Peachtree to print the check, leave this field blank.

- Enter or select the cash account from which you will be writing the check.

4. Select invoices to pay: Once you've entered vendor and check information, on the Apply to

Invoices tab, select the Pay check box next each the invoice that you want to pay.

- If you want to pay an invoice in full, place the cursor in the Amount column for the invoice, and select the Pay check box. Peachtree will fill in the Amount Paid field.

- If you want pay a partial amount on the invoice, enter that amount. Peachtree will automatically select the Pay check box.

5. If you want to print the check, select the Print button; for step-by-step instructions on printing from the Payments window. Otherwise, select the Save button to record the payment.

The program debits Accounts Payable for the total amount and credits the cash account for the net check amount and also credits the discount-taken account (if applicable).

Enter a Cash Purchase and Print Checks

A cash purchase can either be a check that you write to a vendor or other payee that you have not entered a purchase for, or it can be a purchase for which you have actually paid cash. A cash purchase needs to be applied to expenses.

1. From the Tasks menu, do one of the following:

- Select Payments.

- Select Bills and then Pay Bills.

2. Enter or select the vendor ID that you want to pay. To display a list of existing vendors, type ? in this field, or select the Lookup button. Or, press ENTER to skip the Vendor ID field, and type in the name in the Pay to the Order of field.

3. If you want to print a check, leave the Check # field blank. If you paid cash for the purchase, enter CASH01, CASH02, and so on.

4. If you chose a vendor with existing invoices, select the Apply to Expenses tab.

5. Enter the line items on the payment the same way as you do in Purchases/Receive Inventory.

If the line item contains serialized inventory, you will need to either add or select serial numbers for the item(s). Select the line item with the serialized inventory item, then select the Serial No button to enter or select serial numbers. Either the Serial Number Entry or the Serial Number Selection window appears, depending upon whether you entered a positive or negative quantity. To find out which window will appear. Enter or select the serial numbers you need and select OK when you're finished to return to the Payments window. However, if the transaction has more than one line item that contains serialized inventory, you can select the OK/Next button to save the current entry and move to the next serialized item.

6. If you need to enter retainage that you are withholding from this vendor, select the Apply to Expenses tab and enter a new line item, specifying Retainage as the description, selecting an appropriate Payable Retainage account, and entering the amount of retainage in the Amount field as a negative number. This will ensure that the amount is subtracted from the total and that the retained amount is tracked properly.

7. If you want to print the check, select the Print button. Otherwise, select the Save button to record the payment.

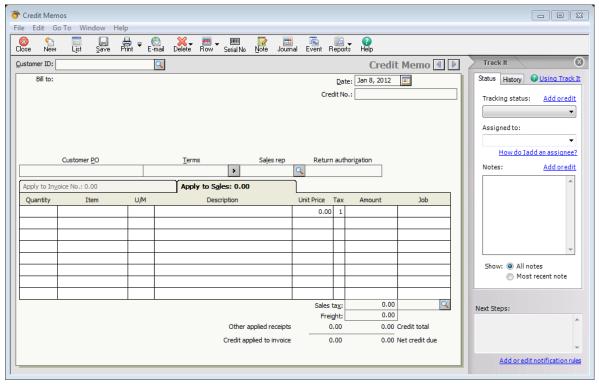## 5.5. Entering Customer Credit Memos (Sales Return and Allowance)

On occasion, you will have to grant a customer credit—an item arrived damaged, they received a discount that was not applied, or they returned items to you. For this type of transaction, you will enter a credit memo. You can apply this credit to an existing unpaid invoice immediately, or you can save it and apply it later. All entries made on this window are posted to General Ledger, customer records, and possibly inventory and job records.

To enter a credit memo and apply it immediately to an invoice, follow these steps:

1. From the Tasks menu, select Credit Memos. The following window will appear:

2. Enter or select the customer ID.

3. In the Credit # field, enter the ID that you want to apply to the credit memo.

   Note: You may want to connect the application amount to the credit memo. For example, if this credit memo is based on an existing invoice no. 106, you may want to type 106-C to indicate that the credit memo is applied to the invoice.

4. If the transaction date is different from the one displayed, enter or select a new date.

Self-Test Activity

   i.   Which menu bar option is selected to record transactions?

  ii.   What option is selected for purchase transaction that took place on account?

 iii.   What option is selected for purchase transaction that took place in cash?

 iv.   What option is selected for sale transaction that took place on account?

  v.   What option is selected for purchase transaction that took place in cash?

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5. Do one of the following:

    - If the credit memo is to be applied to an existing invoice for the customer, on the Apply to Invoice # tab, use the drop-down list to select the appropriate invoice. When line-item information for the invoice appears, find the item or items to be returned, and in the Returned column enter the quantity. Peachtree will automatically restore this quantity to inventory.

    - If the credit memo is to be applied to a sale for which there is no existing invoice, on the Apply to Sales tab, enter line-item information for the item or items to be returned or credited, including quantity. Peachtree will automatically restore this quantity to inventory.

7. If you want to print the credit memo, it is recommended printing it at this time and not from the Select a Report or Form window. To print the credit memo, select the **Print** button.

8. When finished, select Save.

Note that, in some cases (for example, when payment is not received at the time the invoice is entered or when the sale is not invoiced), you will need to issue a refund check to your customer. Thus, cash or check refund required and the tasks described as follow:

To print a refund check, do the following:

1. From the Tasks menu, select Payments.

2. Select **Customer** for the type of ID you want.

3. Enter or select the customer ID that you want to pay.

4. Go to the line-item grid, and in the Description field, enter a reason or reference for the refund.

5. In the Amount field, enter the amount of the refund.

6. Select the **Print** button.

7. From the dialog box, select the check disbursement form that you want to use.

9. Select the Print button.

Apply a Customer Refund to a Credit Memo

When you issue a customer refund, you must apply that refund to the original credit memo in order to clear both transactions from the ledger. Do the following:

1. From the Tasks menu select Receipts.

2. Enter or select the customer ID.

3. Both the credit memo and refund check appear in the line-item list of the Apply to Invoices tab.

4. Select the Pay check box for both transactions.

5. Enter a receipt reference number, and select Save. This will clear both the credit memo and refund check from the Customer Ledger.
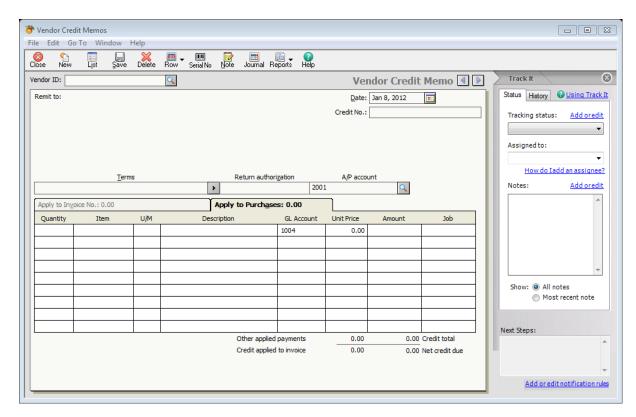
5.6. Entering Vendor Credit Memos (Sales Return and Allowances)

Use the Vendor Credit Memos window to enter credit memos for returns to and credits from a vendor; you can apply credit memos to any existing vendor invoices that have not been paid. All entries made on this window are posted to General Ledger, vendor records, and when applicable, inventory and job records. You have the choice of applying memos to jobs through the distribution list box. When you enter an item ID, the quantity on hand is reduced by the quantity entered. A vendor may issue you credit:

- If the credit is issued on a purchase without an invoice, you enter it on the Apply to Purchases tab of the Vendor Credit Memos window.

- If the credit is issued on an existing invoice, you enter the credit on the Apply to Invoice tab of the Vendor Credit Memos window.

Entering a Vendor Credit on an Existing Invoice

1. From the Tasks menu, select Vendor Credit Memos. The following window will appear:

2. Enter or select the ID of the vendor who is issuing the credit.

3. In the Credit # field, enter the ID that you want to apply to the credit memo. Note: You may want to connect the application amount to the credit memo. For example, if the existing invoice number is 106, you may want to type 106-C to indicate that the credit memo is applied to the invoice.

4. If the transaction date is different from the one displayed, enter or select a new date.

5. Select the Apply to Invoice tab.

6. Use the drop-down list that appears at the top of the tab to select the original invoice to apply the credit memo to. The grid displays all line items that appear on the original invoice.

7. In the Return column, enter the quantity of any item that you want to credit or return. The quantity that you enter here will appear on the completed credit memo; Peachtree will automatically remove this quantity from your inventory item records.

When finished entering transaction information, select the Save button.

Entering a Vendor Credit on a Purchase without Invoice

1. From the Tasks menu, select Vendor Credit Memos. Peachtree displays the Vendor Credit Memos window.

2. Enter or select the ID of the vendor who is issuing the credit.

3. In the Credit # field, enter the ID that you want to apply to the credit memo.

4. If the transaction date is different from the one displayed, enter or select a new date.

5. In the Quantity column, enter the quantity of an item that you want to credit or return. The quantity that you enter here will appear on the completed credit memo; Peachtree will automatically remove this quantity from your inventory item records.

6. Next, enter all information for the returned or credited item, including the item's quantity, item ID, description, unit price, and job information (if applicable). The default unit price is the last posted price for this item.

7. When finished entering transaction information, select the Save button.
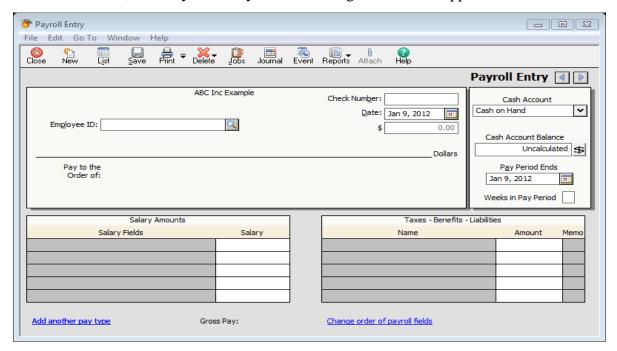
5.7. Payroll Transactions

Once you've set up your payroll defaults and records, all you need to do is select an employee using payroll tasks, and Peachtree automatically computes the paycheck. In Peachtree, you can print individual paychecks (Payroll Entry), or print a batch of paychecks (Select for Payroll Entry). Thus, there are two ways to print payroll checks: individually and in a batch.

5.7.1. To pay a single employee and print a check

The followings are steps involved in this first option.

1. Select Tasks, then *Payroll Entry*. The following window will appear:
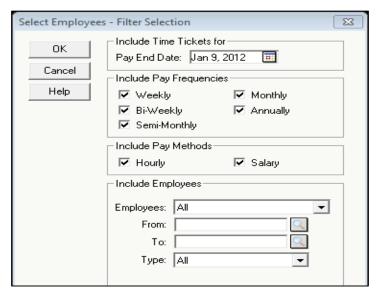
2. Select the employee you want to pay using the lookup. Once you select an employee, Peachtree will enter that employee's address information, as well as enter their default pay (based on settings on the Pay Info tab of Maintain Employees). Deductions will be calculated and displayed immediately.

3. Enter or select the paycheck date for this payroll period.

4. Select a cash account from which to write the paycheck (for example, Payroll Checking).

5. Enter the Pay Period ending date.

6. Modify earnings information

   - If necessary, change the employee's hour or salary amounts for the pay period. This would include adding overtime hours or bonus pay.
   - The default G/L payroll accounts that Peachtree uses for each payroll field are based on the employee's defaults. To change the account ID, click in the field to display the lookup; then click the lookup and select another account.
   - If necessary, enter or change payroll field amounts. This would include entering vacation or sick hours taken by the employee during the pay period.

7. When you're finished filling out the check information, select the Print button to print the check. Otherwise, click Save.
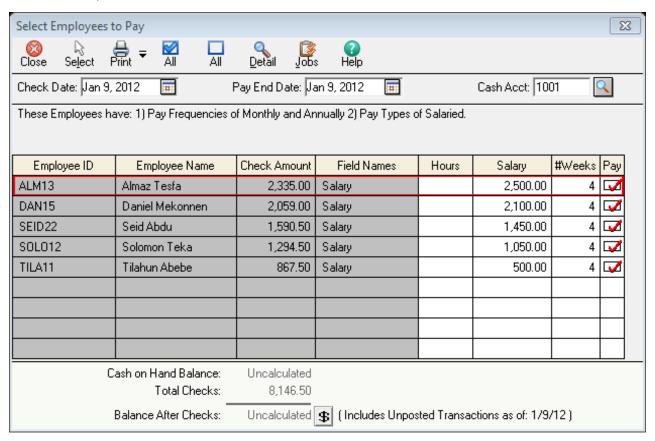
5.7.2. To pay a group of employees and print checks

The followings are steps involved in processing payroll for a group of employees at a time.

1. From the Tasks menu, choose **Select for Payroll Entry**. Peachtree displays the following Select Employees--Filter Section window.

2. Select the pay frequencies, pay types, and the range of employees for whom you want to print checks.

3. Click OK. Peachtree displays the following *Select Employees to Pay* window, where you can edit individual paychecks for hours, amounts, and pay frequencies (number of weeks).

Employee ID	Employee Name	Check Amount	Field Names	Hours	Salary	#Weeks	Pay
ALM13	Almaz Tesfa	2,335.00	Salary		2,500.00	4	☑
DAN15	Daniel Mekonnen	2,059.00	Salary		2,100.00	4	☑
SEID22	Seid Abdu	1,590.50	Salary		1,450.00	4	☑
SOLO12	Solomon Teka	1,294.50	Salary		1,050.00	4	☑
TILA11	Tilahun Abebe	867.50	Salary		500.00	4	☑

Select Employees to Pay

Check Date: Jan 9, 2012   Pay End Date: Jan 9, 2012   Cash Acct: 1001

These Employees have: 1) Pay Frequencies of Monthly and Annually 2) Pay Types of Salaried.

Cash on Hand Balance: Uncalculated
Total Checks: 8,146.50
Balance After Checks: Uncalculated $ (Includes Unposted Transactions as of: 1/9/12)

3. You can enter the date you want on the checks, the pay period ending date, and the cash account number from which you want the checks to be paid.

4. Select the Pay check box next to the employees you want paid.

- To select all Pay check boxes, click the All (Select) button.

- To clear all Pay check boxes, click the All (None) button.

- Select the Detail button to edit the account and the amount for salaried employees, as well as the amount and the hours worked for hourly employees.

5. After making your selections, select the Print button. Otherwise, click Save.

Example (continued): Customers, Vendors, and Payroll Transactions

ABC Inc. has made the following transactions with its customers and vendors for the month of January 2021. In addition, the company has processed payroll to pay its employees. Thus, enter the following transactions in the Peachtree program of ABC Inc.

1. On January 1, 2021 ABC Inc. sold **five Televisions** to **Cannon Trading** with a credit terms of **2/10, n/30.** The unit price of the Television was Birr **3,500** and they were subject to Value Added Tax (VAT). In addition, the sales man sent Invoice Number **3338**.

2. On January 2, 2021 ABC Inc. sold **two Laptops** to **Chaplet Enterp** at a price of Birr **12,500** and they are subject to Turn Over Tax (TOT) without a credit terms (no sales discount). **Chaplet Enterp** made partial payment of Birr **6,000** at the time of the sale. ABC's sales man issued Invoice Number **3339** with Reference Number of **2/1/2021.**

3. On January 3, 2021, ABC Inc. made purchase of **three Laptops** at a unit price of Birr **11,000** with credit terms of 2% 10, Net 30 Days from **Dahlia Suppliers** and received Invoice Number 2136. **In addition, ABC Inc. accountant maintained this new vendor using the following data: Vendor ID: DAHL, Name: Dahlia Suppliers, Contact: Abdul, Vendor Type: Vendor, and Telephone 1: +2519110456**

4. On January 4, 2021, ABC Inc. received cash in full payment of Invoice Number **3334** from **Archer Limited**. During the receipt, ABC Inc. issued Receipt Document with Reference: **4/1/2021** and Receipt Number: **001.**

5. On January 5, 2021 ABC Inc. paid the full amount owed to Nae Company of the Invoice Number 2126.

6. On January 6, 2021, ABC Inc. sold **twenty Digital Cameras** to **Kurtu PLC** at a price of **1,250** each and received the total amount in cash including the **VAT**. While the sale person issued Receipt Document with Reference: **6/1/2021** and Receipt Number: **002**

7. On January 7, 2021, ABC Inc made purchases of five AC, ten Digital Camera and eleven Televisions at a unit price of Birr 12,250, 1,050, and 2,600, respectively; with credit terms of 2/10, n/30 from **Turu Exporter** and received Invoice Number 2199.

8. On January 8, 2021, ABC Inc. made purchase of **two Desktop Computers** at a unit price of Birr **4,900** from **Gashy PLC.** in cash.

9. On January 9, 2021, ABC Inc. received cash in full amount of Invoice Number **3335** and **3338** from **Cannon Trading** and issued Receipt Document with Reference: **9/1/2021** and Receipt Number: **003**

10. On January 10, 2021, ABC Inc. paid cash in full the amount owed to **Brtu Enterp** of the Invoice Number **2123.**

11. On January 11, 2021, ABC Inc. made purchase of **two Laptops** at a unit price of Birr **11,000** with credit terms of 2/10, n/30 from **Brtu Enterp** and received Invoice Number **2277.**

12. On January 12, 2021, ABC Inc. received cash from **Chaplet Enterp** for the Invoice

Number **3336** and **3339** and issued Receipt Document with Reference: **12/1/2021** and Receipt Number: **004.** Whereas, the amount owed to Invoice Number **3339** is received only Birr **6,500.**

13. On January 13, 2021, ABC Inc. sold **three AC** to **Ayat Real-estate** at a price of Birr **15,000** each and received the total amount in cash including the **Turn Over Tax (TOT)**. While the sale person issued Receipt Document with Reference: **13/1/2021** and Receipt Number: **005**

14. On January 14, 2021, ABC Inc. paid the full amount owed to **Turu Exporter** of the Invoice Number **2199 and 2127.**

15. On January 15, 2021, ABC Inc. paid salary for its five employees for the pay month ended January 9, 2021.

5.8. General Journal Entry

Journal Entry is an event that has a dollar impact on the company's accounting records. Journal entries show the effects of business transactions as expressed in terms of debits and credits. Each journal entry will usually have a transaction date, amount, account number, reference and description.

The General Journal is unique—it's the only journal in which we provide all the accounting distributions. In all the other journals, Peachtree automatically distributes certain amounts based on defaults we establish. But here, in the General Journal, we have to enter both debits and credits balance of the transaction.
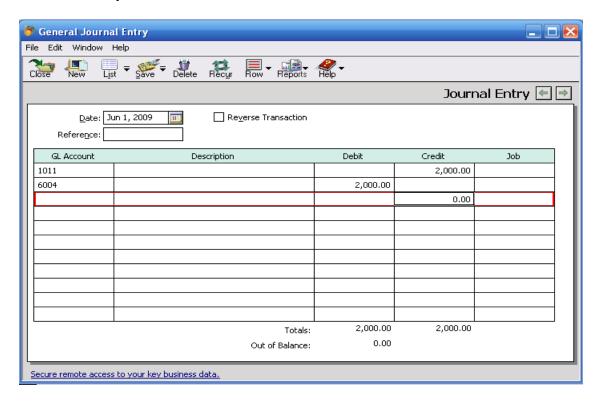
Thus, in the General Journal, we can enter transactions that don't fit into other journals—for example, depreciation or transferring funds from one account to another. Just remember that here, we are responsible for balancing this journal entry—making sure debits equal credits. We can check the progress in the **Out of Balance field**. It reads **''0.00''** when the transaction has been entered **properly**.

We have to use the General Journal to enter those types of transactions that are not readily categorized in the **Tasks** menu. Typical General Journal entries include chart of account beginning balances, depreciation, withdrawal, and account transfers.

5.8.1. Recording General Journal entries

Unlike other screens in Peachtree, we provide all the accounting distributions in the General Journal. While, Peachtree automatically post the General Journal to the General Ledger when we select the **Save** button, if we're using the real-time posting method.

1. From the *Tasks* menu, select General Journal Entry. Peachtree displays the General Journal Entry window.

2. Enter or select the date of the transactions. Peachtree defaults this date to the Peachtree system date. If we are in an accounting period that is different from the system date, then Peachtree displays the first day of that period.

3. Enter a reference for the transaction up to 20 characters. If we enter a number reference, Peachtree will increase future General Journal entries by one while this window is open.

4. For each line enter or select an account ID.

5. For each line enter an amount in either the *Debit* or *Credit* columns. When we enter transactions in Peachtree, journal entries are automatically created based on generally

accepted accounting principles. Peachtree is a true accounting system that creates both debits and credits. Much of the accounting is behind the scenes, leaving us to concentrate on the transaction information itself. The journal entries Peachtree creates are based on various defaults we have set up for the company. However, we can examine or edit these journal entries through **Accounting Behind the Screens**.

6. For each line enter a description for the transaction. The description will appear in General Ledger and various reports.

7. Once the Out of Balance field is zero (0.00): the total debit amount must equal the total credit amount, select ''**Save''** to record the transaction in the General Journal.

Peachtree has two methods for handling General Journal entries that we make on a consistent basis. Memorized transactions are like a template that we can quickly flesh out for specific transactions. They are not posted to the general ledger. Recurring transactions are complete transactions we set up to happen on a set timetable: monthly, quarterly, yearly, etc. An example would be if we have a contract with someone to provide a monthly service.

5.8.2. Edit a Journal Entry Using Accounting Behind the Screens

There are several ways to edit transactions. One method is to examine and modify journal entries using Accounting Behind the Screens.

1. Open the task window, and enter a new transaction or select an existing transaction using the List button.

2. With the transaction displayed in the task window, select the Journal button. This opens the **Accounting Behind the Screens** window and displays the transaction's corresponding journal entries.

3. If Peachtree displays more than one journal tab, select the journal we want to examine or edit. Depending on what type of task is open, **t**he **Accounting Behind the Screens** window displays the journal tab(s) that correspond to the particular transaction.

4. To modify a journal entry distribution, select the line item and Account ID field we want

to edit. Then, enter or select an alternate account ID. When we have finished editing the journal entry, select **OK** to return to the task window.

5. If we modified any journal entries, select **Save**

Example (Continued): General Journal Entry

ABC Inc has made the following transaction for the month of March, 2021:

1. On March 2, 2021 ABC Inc. bought a building for Birr 45,000, Reference # 2000.
2. On March 3, 2021 ABC Inc calculated depreciation expense for Furniture, Equipment, Vehicle, and Building Birr 1,000, 500, 1,000 and 1,000 respectively, Reference # 2001.
3. On March 31, 2021 ABC Inc remitted the entire sales tax to the government, Reference # 2002.
4. On March 31, 2021 ABC Inc paid Birr 5,000 of dividend to the common stock holders, Reference # 2003.
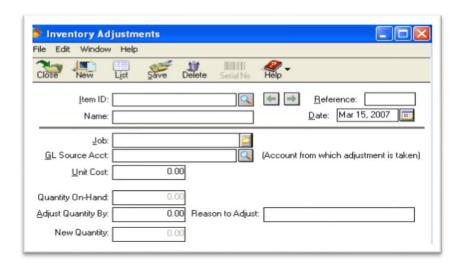5. The inventory of supplies on March 31 is determined that Birr 48,000 is on hand, Reference # 2004.

5.9. Inventory Adjustments

Occasionally, we may need to record adjustments to on-hand quantities of inventory items. Thus, we can use the Inventory Adjustments task to make changes to on-hand quantities of inventory items, and also track those changes. The adjustment could be due to loss or theft, adjustments after items are counted, or for costing items to jobs. There are two types of inventory adjustments: increases in quantity and decreases in quantity.

- **For An Adjustment Up:** we will enter a **positive quantity** and can also enter a **unit cost**. This will increase the quantity on hand and total inventory value **much as a purchase would**. If we previously miscounted the inventory and now have more units on hand than we thought the Company had, we could adjust up.

- **For An Adjustment Down:** we will enter a **negative quantity**, but we can't enter a unit cost. Peachtree will figure out the cost value that these units are being removed at, much like a sale. An inventory adjustment down will decrease the quantity on hand as well as the total value. If something was stolen or broken or if inventory was previously miscounted, we could adjust down.

To Record an Inventory Adjustment

1. From the **Tasks** menu, select **Inventory Adjustments**. Peachtree displays the Inventory Adjustment window.

2. Enter or select the item ID that we want to adjust
3. Enter reference in the **Reference** field up to 20 alphanumeric characters.
4. Enter or select the date the change in inventory occurred or the date of the physical inventory count.
5. Enter or select a G/L Source account to take this adjustment out of, and enter a unit cost for the inventory item (**for positive adjustments only**).
    The default G/L source account is the Cost of Goods Sold Account. The other account affected by adjustments is the inventory account. The **Unit Cost** default is the current cost of the item and must be positive.
    G/L Source Account: This identifies the G/L cost of sales account that will be adjusted as a result of this entry. If we decrease the item quantity, the G/L source account is debited, and the item's inventory account will be credited. If we increase the item quantity, the G/L source account is credited, and the item's inventory account will be debited.
6. Enter the amount to adjust the quantity by.
    The **Quantity on Hand** is already filled in, and Peachtree calculates the **New Quantity** after entering the adjustment.
8. If we know the reason for the adjustment, enter it. For example, **Found in warehouse** or **Theft**.
9. Save the adjustment. The Cost of Goods Sold, Inventory Total Value, and Inventory G/L accounts are all updated.

Delete an Inventory Item

We cannot delete an inventory item if it is used in a transaction nor has an established beginning balance. If this is the case, the only way is, we can remove the item is to display it on the General tab, select the inactive check box, and use the purging function from the Tasks, System option.

1. From the Maintain menu, select **Inventory** Items. Peachtree displays the Maintain Inventory Items window.
2. Enter or select the ID of the item that we want to delete.
3. Select the Delete toolbar button. The system displays a warning message, asking if we're sure to remove this record.
4. Select Yes.

Enter an Inventory Return

If an item is returned at a cost that is different from the current cost of the item, then Peachtree will create a purchase return adjustment for it. For example, the average cost of Television is 2,500. A Television is returned for Birr 2,250. Peachtree makes an adjustment for the difference of Birr 250 between the average cost and the return cost.

To enter a return, we have to: Enter inventory adjustments

Example (Continued): Inventory Adjustment

1. On March 31, 2021, the **Stock Custodian** reported that one television has got **Damage due to Handling.** Consequently, ABC's accountant has made inventory adjustment on this day with reference number 2000.

5.10.   Summary

There are two types of journals: special journal and general journal. Special journal is used to record transactions that are repetitive and similar in nature. On the other hand, general journal is used to record non repetitive and dissimilar types of transaction. Thus based on this calcification, Peachtree is use these journals. Purchase Special Journal in Peachtree is Purchase/receive inventory; Payment/disbursement Special Journal in Peachtree is Payment; Sales Special Journal in Peachtree is Sales/invoicing; Receipt Special Journal in Peachtree is Receipt. Payroll entry is also special journal in Peachtree.

5.11. Self -Test Questions

1. To enter the employees' salary amount which tab of Maintain Employees & Sales Reps window used?
   a) general
   b) pay info
   c) employee field
   d) company field
2. The Payments window is also known as the:
   a) Cash Disbursements Journal
   b) Cash Receipts Journal
   c) Purchases Journal
   d) Sales Journal
3. Which of the following option from the Tasks menu would you used to record collection on an invoice?
   a) Sales/Invoicing
   b) Receipts
   c) Purchases/Receive Inventory
   d) Invoicing
4. Which Peachtree function is used to maintain an employee record?
   a) Default Information
   b) Employees/Sales Reps
   c) Payroll Setup Wizard
   d) Payroll Entry
5. All of these payroll deductions are subtracted from an employee's gross pay EXCEPT:
   a) Company Pension Contribution
   b) Income tax
   c) Employee Pension Contribution
   d) All of the above
6. Which one option will be used from the Menu bar to create and update customer accounts, vendor accounts, inventory items, and the chart of accounts.
   a) Maintain
   b) Edit
   c) File
   d) Tasks

Hint Answers for choose questions: 1: b, 2: a, 3: b, 4: b, 5: a, 6: a

CHAPTER SIX: OTHER TASKS

6.1. Introduction

This chapter includes topics that are not easily categorized within any one specific area in Peachtree. Some topics are necessary to use Peachtree properly, while others can greatly improve your efficiency when performing daily tasks. However, still there are plenty of other options available in Peachtree software that have not been covered in this module. Thus, to enhance your knowledge about Peachtree you are advised to practice and explore the software.

Several other tasks are essential to operating Peachtree efficiently, such as the **Maintain Global Options** feature, which lets you set a number of defaults that affect the operation of all your Peachtree companies. These defaults include what appears on Peachtree windows and reports, how transactions are sorted, whether cash balances are recalculated automatically, and even the basic color scheme for Peachtree windows. In addition, Peachtree has some higher-level tasks that can help you use it to best effect. These tasks include the following:

LEARNING OBJECTIVES

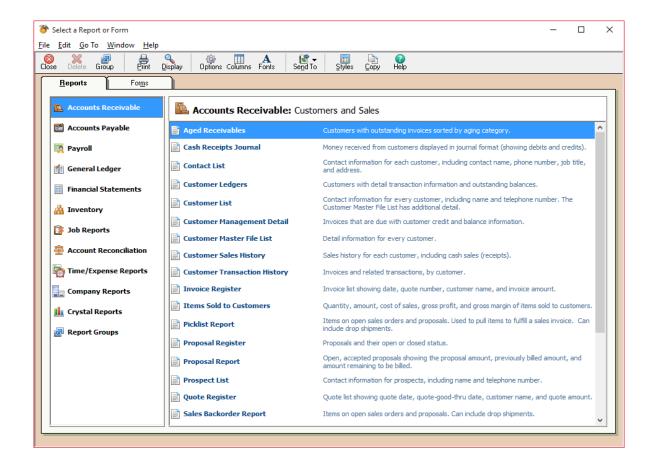After studying this chapter, you will be able to:
- ✩ Using the report and forms of Peachtree;
- ✩ Implementing security for the company's Peachtree software;
- ✩ Taking backup and restoring; and
- ✩ Closing the business accounting year.

- **Reports and Forms**: this allows to generate different types of reports like financial statements and other forms that will be sent to vendors or suppliers.

- **User Security:** This allows you to limit access to sensitive areas of the Peachtree program.

- **Backing up and restoring company data**: Making backups is essential when using accounting software and Peachtree has an easy to use system. You can make backups to a disk or your hard drive. Peachtree has a wizard that you can use for restoring backups made through Peachtree's backup routine.

- **Closing out your fiscal and/or payroll tax years:** At some point in your fiscal year, you will need to close previous years so that you can get ready for the upcoming fiscal year. This routine walks you through the closing process.

6.2. Reports & Forms

Peachtree can generate different types of reports and forms whenever we want to have the specified report or forms. In addition, we can customize the format of reports and can have grouping of different reports in one group. The Select a Report or Form window lists all the reports and forms currently set up in Peachtree. Reports include financial statements, aging reports, and so on. Forms are usually tied to a transaction, such as an invoice or check. Letters are also listed on the Forms tab. The options you see are a little different depending on whether you're on the Reports or Forms tab.

6.2.1. Report Tab

On the left of the Select a Report or Form window is the report area (Accounts Receivable, Accounts Payable, Financial Statements, and so on), where you select what type of reports you want to see. When you select a report area, Peachtree displays a list of reports and forms associated with that area on the right. Each report has a brief description next to it.

Lists items available on both tabs are Accounts Receivable, Accounts Payable, Payroll , General Ledger, Financial Statements, Inventory, Jobs, Time/Expense, Account Reconciliation, Company, Write Letters, Crystal Reports, Report Groups and many more are available.

Form Tab

Select the type of form that you want to use from the forms type list. Peachtree displays a list of forms or letters of the selected type in the forms list. Once a form or letter is selected in the list, Peachtree displays its description and a sample image on the right side of the tab.

When a form is selected in the forms list, buttons appear below the sample image that allow you to print, preview, and customize the selected form. A link displays beneath the description which allows you to order Peachtree Checks and Forms.

6.2.3. Financial statements

A financial statements give a picture of how your business is doing. In one sense, the whole point of an accounting system is to produce accurate financial statements. The financial statement option is found under report tab. List of financial statements are the following: Balance Sheet, Balance Sheet/Budgets, Cash Flow, GL Account Summary Report, Income/Budget, Income Statement, Income Statement - 12 Period, Income Statement 2 Yrs, Statement of Changes, Statement of Retained Earnings and many more statements are available. To display a Financial Statement on the Screen

1. From the Reports & Forms menu, select Financial Statements.

   Peachtree displays the Select a Report or Form window with the Financial Statements report area selected.

2. From the report list, scroll down to select a financial statement you want to appear on the screen.

3. There are two methods to displaying a financial statement on the screen:

o Double-click the specific financial statement in the report list. The report Options window displays. Accept the default options by clicking OK.

o Select the specific report or financial statement. Then, select the Display button in the top of the Select a Report or Form window.

4. To print a financial statement displayed on the screen, select the Print button.

5. To design a financial statement displayed on the screen, select the Design button.

6. To display alternate financial statement filter information, select the Options button. If you change the financial statement options, you will be prompted to save the new report when closing the report window.

7. When finished viewing the financial statement, select Close to return to the Select a Report or Form window.

When you display or print a financial statement, Peachtree displays the following options:

- Dates: You have the choice of a range of periods, current period, or current three periods. If you select a range, use the From and To list boxes.

- Budget: (Peachtree Premium Accounting and higher only) Select the budget to use for many financial statements.

- Account Segments: (Peachtree Premium Accounting and higher only) You can use the Account Segments fields to limit the totals that appear on your financial statement to particular departments, divisions, or whatever other segments you have set up. Each segment of your chart of accounts will appear and you can select a particular segment by using the drop-down lists. If you do not want to limit the totals on the report, simply leave the selections set to All. With this setting, your report will show totals for all accounts, even those that do not match the account segment structure. This field can also be used as a sub-filter for a financial statement that is already filtered. For instance, you may have a

statement that filters for a single division yet includes several departments. You can use this field to further filter for a single department. Should you inadvertently set up filtering that eliminates all data, Peachtree Premium (and higher) will display a message warning you of this situation. For more information on Account Segments, click   .

- Print Page Numbers: Checking this will print page numbers on the top right corner of the page. Both the page number and the number of pages are indicated. For example, if you are looking at page 2 of a 13-page document, it will display on the report as "Page: 2 of 13."

- Show Zero Amounts: Select this check box to show accounts with zero amounts.

- Print All Words Capitalized: Select this check box if you want the report to print in all capital letters.

Self-Test Activity

i.   Which menu bar is used to get a financial statement?

ii.   What are the two tabs that are found on Reports & Forms window?

- Right Margin/Left Margin: Enter the size of the margins you want, in inches.

- Center on Page: Select this check box if you want the printed statement to be centered rather than left justified on the form.

- Number of Copies: Enter the number of copies you want to print. You can enter any number from 1 to 99.

6.3. User Security

The User Security feature is handled by a number of windows that let you create a company administrator, who has the right to set up other company users, and then enter and grant rights to those users.

Your first step is to add users in the User Security window. When you add a user here for the first time, Peachtree automatically sets that user up as company administrator with access to all parts of the Peachtree program. As with all users, the administrator assigns himself or herself a user name and password and then saves the information.

6.3.1. Setting up the first user (administrator)

In order to use user/password security in a Peachtree company, you must first set up a single user record. After that, all other users will need a user name and password to access the company.

The first user you set up must be an administrative user with full rights to each area of Peachtree and the ability to set up and maintain user records and passwords. Once the administrator is set up, he/she can then add other users to the system.

1. Select the New User button.
   The User Rights window appears.
2. Enter a user name (for example, Admin) and its corresponding password.
   Note: Passwords must be at least seven characters. They must contain both numbers and letters. It's a good practice to include both upper- and lower-case letters, although this is not required. An example of a strong password: **MLsmith707.**
3. To give the user full access to the program plus the ability to create individual users, select the Administrator option.
4. When finished, select OK.

The User Security window returns. Note that the user name and access level information have been added to the grid at the center of the window. Note, too, that the Licensed checkbox is automatically checked. You're now ready to set up additional users.

6.3.2. Setting up a new user and a new role

Once you've set up the administrator of the company, you can enter your first regular user and user role. Follow these steps:

1. Select the New User button.

The User Roles window appears.

2. Enter a user name and its corresponding password.

3. Because a role has not been set up yet for the user, click the New Role button.

   The Role Setup window appears.

4. Enter a role name and its corresponding role description.

5. From the menu bar on the left side of the window, select the area of the Peachtree program that you want to set access levels for? Customers & Sales, for example.

   - If you want to grant either full or no access to this whole area of the Peachtree, use the drop-down list at the right-hand top of the window.

   - If you want to grant access to some subareas but not others? for example, Sales Invoices? you can use the drop-down list opposite the appropriate area. You can choose from a range of security access levels. For more information, click   .

6. When you're finished setting up the new role, click Save to save the role and return to the Peachtree User Roles window.

7. Now, to assign the user to the newly set up role, check the appropriate checkbox in the Roles column.

8. Click Save to save the user and role combination.

9. To set up an additional user and role combinations, repeat steps 3 through 6.

6.4. Backup and Restore
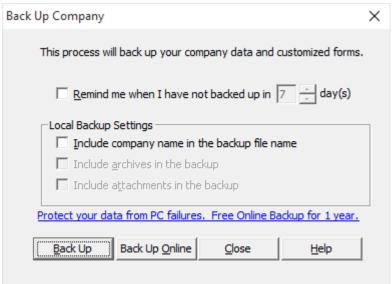
6.4.1. Backing Up Your Data

Backing up your company frequently is an important part of maintaining your Peachtree system. Peachtree provides a simple backup utility for accomplishing this. Backing up your company files can save you hours of time. Having frequent backups ensures you against the necessity of reentering your data. Backups are the only way to ensure the security of the accounting records you store in Peachtree. Without backups, you run the risk of losing weeks or months of work. How often you back up and which method you choose depends on how you use Peachtree. If you enter transactions every two weeks, you can get by with backing up every two weeks.
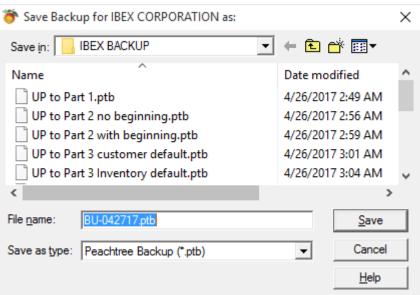
However, if you enter transactions daily, you may need to establish a daily backup routine. You can choose to back up your data using a utility other than Peachtree's, but you should ensure that

ALL Peachtree data files are backed up. If you use Peachtree's internal system, all other users must exit Peachtree before you can do so. To make a backup using Peachtree's internal utility

➡ Select **File**, **Back** Up. This will open the Back Up Company window.

On the next window, specify the name of the backup file and the location of the file. What you name your file depends on you, but if you work with multiple companies, you should include the name of the company in the file name. Otherwise, you run the risk of overwriting one company with data from another company data should you ever restore that backup. Also, it is recommended that the file name include the date the backup was made so that you can quickly determine if it is the one you want.
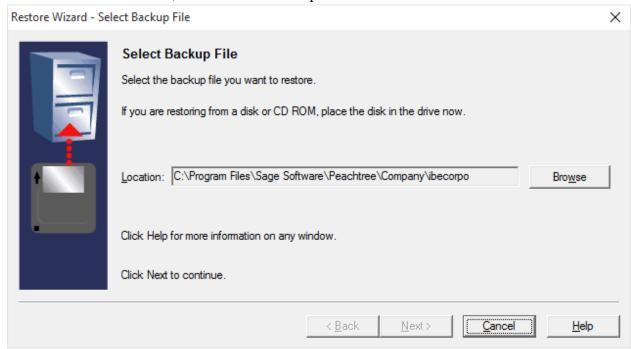
Next, Peachtree will notify you of the amount of data space the backup will take or the number of disks it will need. Click **OK** to complete the process. The amount of time it takes to complete the

backup depends on the size of the backup and the medium to which you are backing it up. If the company data file is large, we recommend backing up at the end of the day so that other users will not need to access the company data.

6.4.2. Restoring Your Data

When there is occasion to restore a backup, Peachtree provides a utility for restoring backups that were made with its internal utility. When you do restore a backup, bear in mind that Peachtree restores all files, overwriting all existing data. You cannot restore individual files since the files are all interrelated. We recommend that you back up existing data before overwriting it with a backup from a previous point in time. To restore a backup

1. Select **File**, **Restore**. This will open the Restore Wizard.

2. Click the **Browse** button and locate your Peachtree backup. These files are identified with the extension: .ptb. and once you have selected the file, click **Next** to continue.
3. On the next window, you can verify that the correct backup has been selected.
4. On the Restore Wizard - Restore Options window, select the types of data you want to restore and click **Next**.
5. Finally, click **Finish** on the Confirmation window. The length of time it takes to restore depends on the size of the backup and the type of medium on which it was stored.

6.5. Year-End Wizard

The Year-End wizard walks you through the process of closing out your first open fiscal year, payroll tax year, or both. At every point in the process, the wizard makes your options clear and tells you the consequences of every action you might take.

Before you launch the wizard, there are a number of tasks you should perform. These include

- Printing out any unprinted items such as invoices and payroll checks

- Clearing the Waiting on Bill from Vendor check box in the Purchases/Receive Inventory window for any outstanding vendor purchases. If you start the wizard before performing this task, the wizard will not be able to proceed. You will have to exit the wizard and clear the check box before you can complete year-end close.

You may also want to purge inactive records before you start the wizard, though this can be done at any time, including after year-end close. Purging records is accomplished with the Peachtree Purge wizard.

Also, while the wizard requires that you back up your company data during the close process, you can do so before launching the wizard if you prefer. In either case, back up of company data is highly recommended.

6.5.1. Using the Year-End Wizard

The Year-End wizard comprises a series of windows with instructions and options. The first window, the Welcome to the Peachtree Year-End Wizard window, tells you the date range of your two open fiscal and payroll tax years. Once you've finished reading the text in this window, you can click the Next button to go to the next window in the series. The windows that make up the wizard are:

Close Options: The Close Options window lets you choose whether to close the first open fiscal year, the first open payroll tax year, or both.

Print Fiscal Year-End Reports: This window displays a list of the year-end reports that you should print before completing the year-end process. For each listed report there is a check box; each check box is preselected. You can click in the check box of any reports you don't want to print.

Internal Accounting Review (Peachtree Premium Accounting and higher only): This window gives you the opportunity to run an Internal Accounting Review on your company before you close the year. If you would like to run the review now, you can click one button to do so.

Back Up Company Data: It's very important that before you close the year, you make a backup of company data and customized forms; otherwise, this information will be lost. The Back Up Company Data window creates a backup for you.

Archive Company Data: When you archive your company data, you are saving your data and financial statements so you can have access to that information when you need to refer to it for future use, such as providing your financial information for a tax audit.

New Open Fiscal Years: Since Peachtree automatically adjusts the start and end dates of fiscal year accounting periods, it is usually not necessary for you to do this for your next open fiscal year. However, if you do want to change accounting period dates for any reason, The New Open Fiscal Years window gives you the opportunity.

Note: You will see this window only if you are closing a fiscal year or years.

Confirm Close: This window tells you the starting and ending dates of the open fiscal and payroll tax years you are about to close. It also tells you what your two open fiscal and payroll tax years will be after closing. Confirm that the information is right; then click the Next button to proceed.

Begin Close-Year Process: At this point, you are ready to begin the close process. To do so, click the Begin Close button.

Congratulations! The open fiscal and payroll tax years you selected have been successfully closed.

6.5.2. Starting the Year-End Wizard

1. From the Tasks menu, select System and then Year-End Wizard. Or, from the Company Administration Navigation Aid, select the Year-End Wizard option.
   The Welcome to the Peachtree Year-End Wizard window appears.
2. Read the introductory information, and note your company's two open fiscal and payroll tax years.

3. To proceed with year-end close process, select the Next button. Peachtree displays the Close Options window.

6.6. Summary

To generate different types of financial statement, we must have to click on the menu bar the option of Reports and Forms. Then from Reports tab we must have to click financial statements and select the type of statement that we want.

Strengthening the internal control system is mandatory for all company whether they use manual system or computer system. In a such way, Peachtree also has this future that can be implemented by using user authority table and password. The other method used to strength the internal control is using the backup and restore future.

The last accounting cycle is closing all temporary account and making ready the other permanent accounts for the upcoming year as a beginning balance. Thus, using Year-End Wizard we can close the company's opened year.

6.7. Self -Test Questions

1. What are the four types of financial statements?
2. What is user name?
3. What is password?
4. From which menu bar can we get the option of Year-End Wizard?
5. Which menu bar is used to setup security?
6. What is the first step this that must have to be made to setup security?
7. The financial statement that shows the accounting equation whether the account form or report form is
   a) balance sheet.
   b) income statement.
   c) trial balance.
   d) Worksheet
8. To generate financial statements on Peachtree which menu bar option is used?
   a) Reports and forms
   b) Tasks
   c) Maintain
   d) File

9. To close the business activity which option of the task bar is used?
   a) Year-end wizard
   b) Restore
   c) Backup
   d) System setting

Hint Answers for choose questions: 7: a, 8: a, 9: a

REFERENCE

- Jane E. Kelly, Sage 50 Accounts For Dummies, 3rd Edition, 2015
- Peachtree Quantum Accounting Help Topics
- User's Guide *Peachtree® by Sage 2010*

ASSIGNMENT WORKSHEET

Wollo University
College of Business and Economics
Department of Accounting and Finance

.

Accounting Software Application

AcFn 3182

Assignment of 35%

Name: ....

ID No. ....

Section ....

Instructions

- The worksheet has three parts: Part one: true or false, Part two: choose the best answer, and Part three: project.

- Try to attempt all questions.

- Provide your answers on the answer sheet and return your assignment answers directly to your tutorial teacher.

Part 1: True or False(5 Marks)

1. The Maintain Vendors window is used to enter information about vendors from whom you purchase merchandise.
2. Company pension contribution made to employees affect the net pay amount of employees.
3. To setup the payroll formula about Position Allowance, the **Effect on gross pay** is **Subtract from gross**
4. To setup the payroll formula about Employee Pension Contribution, the classification of this formula is Benefit.
5. The Sales/Invoicing window allows you to enter a sales made on account to customer.

Part II: Choose the Best Answers (10 Marks)

1. The steps of the accounting process are
   a) listing, summarizing, analyzing, and interpreting.
   b) recording, interpreting, analyzing, and summarizing.
   c) recording, summarizing, analyzing, and interpreting.
   d) entering, analyzing, summarizing, and interpreting.
2. Which method of posting causes account balances to be updated immediately after each transaction is entered and saved?
   a) batch processing
   b) real-time processing
   c) access processing
   d) instant access processing
3. To create an account in Peachtree, which of the following are required?
   a) organizational type, account type, account classification
   b) account classification, account type, company type
   c) account name, account method, organizational type
   d) account ID, account description, and account type
4. Which Peachtree account type is used for the drawing account of a sole proprietorship?
   a) Owner's Equity
   b) Equity—Doesn't Close
   c) Equity—Gets Closed
   d) Income
5. When a business makes a sale on account, what function of Peachtree is used to record the transaction?
   a) Receipts
   b) Payments
   c) Purchases/Receive Inventory
   d) Sales/Invoicing
6. To create a new account and enter its beginning balance, you would choose which option from the Maintain menu?
   a) Create
   b) Chart of Accounts
   c) Accounts Receivable
   d) Accounts Payable
7. When a business makes a purchase on account, what function of Peachtree is used to record the transaction?
   a) Action Items
   b) Purchases/Receive Inventory
   c) Receipts
   d) Sales/Invoicing

8. To print the *Customer Ledgers* report, which option would you choose from the Reports & Forms menu?
   a) Accounts Payable
   b) Accounts Receivable
   c) Financial Statements
   d) General Ledger

9. Which of the following options from the Maintain menu would you choose to set up an account for companies from whom you purchase supplies?
   a) Invoices
   b) Sales
   c) Vendors
   d) Customers

10. To pay a previously recorded bill, which of the following items from the Tasks menu do you choose?
   a) Receipts
   b) Payments
   c) Sales/Invoices
   d) Purchase Orders

Part III: Comprehensive Project (20 Marks)

This project has 10 parts and using the steps you have are learned in this module try to accomplish this project. Thus, you are required to have a computer whether yours or your friend and answer each requirement.

Part 1: Creating a new company (Use the following information to create a new company)

Company Name:	**Ethiopia Company**
City – State – Zip:	**Dessie – AM – 251**
Business Type:	**Corporation**
Method to create your company**:**	select **"Build your own chart of accounts"**
Accounting Method:	select **"Accrual"**
Posting Method:	select **"SmartPosting"**
Choose an accounting period structure**:**	select **"12 monthly accounting periods per year"**
Choose the first period of your fiscal year:	select **"January 2021"**

Part 2: Maintaining the following Chart of Accounts for the Created Company in Part 1. (Use the following data to maintain chart of account) beginning balance as of December 31, 2020.

Account ID	Description	Beginning Balance	
		Debit	Credit
1001	Cash	15,000	
1002	Accounts Receivable	15,500	
1003	Supplies	36,400	
1004	Inventory	85,000	
1005	Equipment	105,000	
1006	Accum. Depreciation-Equipment		5,000
1007	Building	160,000	
1008	Accum. Depreciation-Building		25,000
1009	Copy Right	40,000	
2001	Accounts Payable		45,400
2002	Bond Payable		50,000
3001	Common Stock		160,000
3002	Retained Earnings		122,000
3003	Dividend		
4001	Sales		90,000
5001	Cost of Goods Sold	24,000	
6001	Supplies Expenses	7,000	
6002	Depreciation Expense	4,500	
6003	Salaries Expense	5,000	
		497,400	**497,400**

Part 3: Setting up default information for customers, vendors and inventories.

Section 1: Set up customers' default using the following data.

- Standard Terms: Due in number of days
- Net Due Days: 30
- Discount in Days: 10
- Discount Percent: 3%
- Credit Limit: 1,000,000
- Credit Status: Notify Over Limit
- G/L Sales Account: 4001 – Sales Revenue
- Discount G/L Account: 4002 - Sales Discount, Income

Section 2: Set up vendors' default using the following data.

- Standard Terms:............................Due in number of days
- Net Due Days:............................30
- Discount in Days:............................10
- Discount Percent:............................3%
- Credit Limit:............................1,000,000
- G/L Expense Account:............1004 - Inventories
- Discount G/L Account:............5002 - Purchase Discounts, Cost of Sales

Section 3: Set up inventory items default using the following data.

- Item Class: Default Item Class:............Stock items
- G<u>L</u> Accts/Costing Tab:............................Use the following table data:

Item Class	GL Sales/Inc	GL Invtry/Wage	GL Cost Sales	Costing
Stock item	4001, Sales Revenue	1004, Inventories	5001, Cost of Goods Sold	FIFO
GL Freight Account: 5003, Freight In, Cost of Sales				

- Taxes/ Shipping Tab:............................tick only the first field
- C<u>u</u>stom Fields Tab:............................Disable all fields
- Price Levels Tab:............................tick only the first field

Part 4: Maintaining customers, vendors and inventories

Section 1: Maintain customers using the following data.

Customer ID	Name	Invoice Number	Date	Beginning Balance	A/R Account
AKA	AKA Company	2222	Jan/2/2020	3,000	1002
ELH	Elh PLC	2225	Mar/3/2020	2,500	1002
KEDIR	Kedir Limited	2223	Feb/4/2020	4,000	1002
SIRA	Sira Trading	2224	Dec/2/2019	6,000	1002

Section 2: Maintain vendors using the following data.

Vendor ID	Name	Invoice Number	Date	Beginning Balance	A/P Account
ALEM	Alem PLC	3232	Jan/ 3/2020	11,400	2001
BABA	Baba Importer	3235	Aug/4/2019	10,000	2001
GECH	Gech Enterp.	3231	Jun/5/2019	9,000	2001
LEON	Leon Company	3234	Feb/2/2020	15,000	2001

Section 3: Maintain inventory items using the following data.

Item ID	Description	Beginning Balance		
		Quantity	Unit Cost	Total Cost
DP	DVD Player	20	500	$15,000
GEN	Generator	4	5,000	$20,000
RFR	Refrigerator	2	9,000	$20,000
VC	Vacuum Cleaner	8	4,000	$32,000

Part 5: Setting up Sales Tax

Your company collects two types of sales taxes, thus setup the sales taxes using the following table data.

Fields in the Wizard	Tax Type 1 (VAT)	Tax Type 2 (TOT)
Total Rate…………………	16	4
Number of Total Rate……	1	1
Sales Tax Agency ID...........	EG	AG
Sales Tax Agency Name……	Ethiopian Government	Amhara Region
Vender…...….…………	**Vendor ID:** ETHGOV **Name:** Ethiopian Government **Vendor Type:** Tax	**Vendor ID: AMREG** **Name:** Amhara Region **Vendor Type:** Tax **Expense Account:** 2004, TOT Payable, Other Current Liabilities

	Expense Account: 2003, VAT Payable, Other Current Liabilities	
Sales Tax Calculation……….	By Single Rate	By Single Rate
Rate…………………………	15	2
Sales Tax Account …………	2003 - VAT Payable	2004 - TOT Payable
Sales Tax ID………………..	VAT	TOT
Sales Tax Name…………….	Value Added Tax	Turn Over Tax

Part 6: Setting-Up Payroll Default

Use the following data to set up payroll default for your company.

Pay Type:

- **Hourly-Regular:** 6004 - Wage Expenses
  Overtime: 6004 - Wage Expenses

- **Salary-Salary**: 6003 - Salaries Expense

Taxes: **Tax liability acct no**: 2005 - Income Tax Payable

Tax expense acct no: 6005 - Company Pension Contribut Expe

Part 7: Setting up Payroll Formulas

The Ethiopian income tax proclamation required to calculate employees' income tax obligation based on the income schedule. Your company uses five types of formula to prepare employees' net pay salary, i.e., income tax, employees' pension contribution, company's pension contribution to employees, and transport allowances to employees.

Set up the following five formulas to compute employees' salary.

- **Formula 1: Formula ID**: IT
  Name: Income Tax 21

  How do you classify this formula?: Tax

  Tax agency: Federal

  Effect on gross pay: Subtracts from gross

   Formula: ANSWER= **-** (IF(TAXABLE_GROSS<600,0,

     IF(TAXABLE_GROSS<1650,TAXABLE_GROSS*0.1-

     60,IF(TAXABLE_GROSS<3200,TAXABLE_GROSS*0.15-

     142.5,IF(TAXABLE_GROSS<5250,TAXABLE_GROSS*0.2-

     302.5,IF(TAXABLE_GROSS<7800,TAXABLE_GROSS*0.25-

     565,IF(TAXABLE_GROSS<10900,TAXABLE_GROSS*0.3-

     955,TAXABLE_GROSS*0.35-1500)))))))

- **Formula 2: Formula ID**: EEPENSION

   Name: EE Pension Contribution 21

   How do you classify this formula?: Deduction

   Effect on gross pay: Subtracts from gross

   Formula: ANSWER = **-** (TAXABLE_GROSS*0.05)

- **Formula 3: Formula ID**: CCPENSION

   Name: CC Pension Contribution 21

   How do you classify this formula?: Benefit

   Effect on gross pay: Subtracts from gross

   Formula: ANSWER = **-** (TAXABLE_GROSS*0.09)

- **Formula 4: Formula ID**: FALSE

   Name: False Pension Contribution 21
   How do you classify this formula?: Benefit
   Effect on gross pay: Adds to gross
   Formula: ANSWER = - (TAXABLE_GROSS*0.09)

- **Formula 5: Formula ID**: TRAALL

   Name: Transport Allow 21

   How do you classify this formula?: Benefit

   Effect on gross pay: Adds to gross

   Formula: ANSWER = (TAXABLE_GROSS*0.3)

Part 8: Setting Up Employee Defaults

Enter the following data on the Employee Fields tab and Company Fields tab.

Employee Fields tab:

Field Name	G/L Account	Calc	Formula
ITAX	2005, Income Tax Payable		Income Tax
EEPENSION	2006, Employee Pension Cont Payable		EE Pension Contribution
TRAALL	6006, Transport Allow. Expense, Expense		Transport Allow

Company Fields tab:

Field Name	Liability	Expense	Calc	Formula
CCPENSION	2007, Company Pension Cont Payable	6005, Company Pension Contribut Expe		CC Pension Contribution
FALSE	2007	6005		False Pension Contribution

Part 9: Maintaining Employees

Your company has three employees and the company used *pay method of salary* with a *monthly frequency* for all employees. Using the following table, maintain your company's employees.

Employees……………….	1	2	3
Employee ID	111	112	113
Employee First Name	Abebe	Jemal	Zufan
Employee Last Name	Tadesse	Kedir	Terefe
Pay Method	Salary	Salary	Salary
Pay Frequency	Monthly	Monthly	Monthly
Salary Pay Rate	1000	1500	2000

Part 10: Recording Transactions

Your company has made the following transactions with its customers and vendors for the month of June 2021. In addition, the company has processed payroll to pay its employees and recorded general journal entries. Thus, enter the following transactions in the Peachtree program of Your Company.

Section 1: Special Journal Transactions:

- On June 2, 2021, Your Company has made payment to **Gech Enterprise** for the amount owed to Invoice Number 3231.

- On June 2, 2021, Your Company sold 15 **DVD Players** at a unit price of Birr 1,000 to **Kedir Limited** without a credit terms. The **DVD Players** were subject to Value Added Tax. In addition, **Kedir Limited** has made partial payment of Birr 10,000 cash and the sales man issued Invoice Number 2226 with Reference Number 2/3/2021.

- On June 4, 2021, Your Company received the amount owned from **SIra Trading** for the Invoice Number 2224. While the cash receipt personnel issued receipt document with Reference: 4/3/2021 and Receipt Number: 001

- On June 4, 2021, Your Company purchased **4 Generator** at a unit price of Birr 5,500 from **Baba Importer** on account with a credit term of 3/10, n/30. The Invoice Number was 6531.

- On June 4, 2021, You Company sold 2 **Vacuum Cleaner** at a unit price of Birr 6,500 to **Elh PLC** with a credit term of 3/10, n/30. The items were subject to Turn Over Tax and Invoice Number 3339 issued to the customer.

- On June 6, 2021, Your Company sold 2 **Vacuum Cleaner** to **Walk-In Customer** in cash at a unit price of Birr 8,500 and the items were subject to Value Added Tax. The sales man issued receipt document with Reference Number of 6/3/2021 and Receipt Number 002.

- On June 6, 2021, your Company sold 2 **Refrigerator** at a unit price of 12,000 to **Kedir Limited** with a credit term of 3/10, n/30. The items were subject to Turn Over Tax. The Invoice Number is 2227.

- On June 9, 2021, Your Company received the amount owned from **Kedir Limited** of the Invoice Number **2223, 2226 and 2227**. The cash receipt personnel issued a receipt document with Reference Number 9/3/2021 and Receipt Number 003.

- On June 9, 2021, Your Company sold 10 **DVD Players** on account to new customer called **Ethio Company** at a unit price of 1,500 and the items were subject to Turn Over Tax. Hence Your Company has granted a credit term of 3/10, n/30. While the sales man maintained this new customer using the following data: Customer ID: ETHIO, Name: Ethio Company,

Contact: Zenegnaw, Customer Type: Customer, and Telephone 1: +2519119956. The Invoice Number is **2228**.

- On June 10, 2021, Your Company paid the amount owed to **Baba Importer** of the Invoice Number **6531** in full amount and Invoice Number **3235** a partial amount of Birr 5,000.

- On June 14, 2021, Your Company sold **2 DVD Players, 1 Generator,** and **2 Vacuum Cleaners** at a unit price of Birr **1,200, 7,000** and **5,600**, respectively, to **Aka Company** in cash. The items were subject to Value Added Tax. Hence, the sales man issued a receipt document with Reference Number of 14/3/2021 and Receipt Number 004.

- On June 14, 2021, Your Company received the amount owned from **Ethio Company** of the Invoice Number **2228**. The cash receipt personnel issued a receipt document with Reference Number 14/3/2021 and Receipt Number 005.

- On June 15, 2021, Your Company purchased 2 **Refrigerators** from **Leon Company** at a unit price of Birr 10,000.

- On June 17, 2021, Your Company purchased 10 **Digital Cameras** at a unit price of Birr 1,000 from **Alem PLC** by paying cash. The accountant maintained these new inventories using the following data: Item ID: DC, Description Digital Camera, Item Class: Stock item.

- On June 18, 2021, Your Company paid the amount owed to **Baba Importer** of the Invoice Number **3235** of Birr 5,000.

Section 2: Payroll Transaction

- On June 18, 2021, for the pay month that ended on June 17, 2021, Your Company paid salaries for Abebe Tadesse, Jemal Kedir and Zufan Terefe.

Section 3: General Journal Entry Transaction

- On June 18, 2021, Your Company recorded Birr 6,000 for Depreciation Expenses of **Equipment** and Birr 3,500 for Depreciation Expenses of **Building**. The Reference Number was 18/3/2021.

- On June 31, 2021, **supplies** on hand estimated to be Birr 35,000. The expired amount should be recorded as **supplies expense**. (*Hint: refer back to the supplies account running balance on the chart of account from the List Menu bar*). The Reference Number was 31/3/2013

- On June 31, 2021, Your Company remitted the two sales tax amount collected from customer to the tax agencies. (*Hint: refer back to the VAT Payable and TOT Payable account running balance on the chart of account from the List Menu bar*). The Reference Number was 31/3/2021

- On June 31, 2021, Your Company has paid Birr 10,000 as **dividend** to its common stock holders. The Reference Number was 31/3/2015.

Required:

1. What is the cash balance as of June 31, 2012?

2. What is the total amount of current assets balance of June 31, 2012?

3. What is the total amount of accumulated depreciation for all fixed assets balance of June 31, 2012?

4. What is the total amount of total assets balance as of June 31, 2012?

5. What is the total amount of current liability balance as of June 31, 2012?

6. What is the total amount of total liabilities balance as of June 31, 2012?

7. What is the total amount of owner's equity balance as of June 31, 2012?

8. What is the total amount of sales revenue for the year 2021?

9. What is the total amount of cost of goods sold for the year 2021?

10. What is the total amount of expenses for the year 2021?

11. What is the total amount of salaries paid during 2021?

12. What is the balance of net income or net loss?