

# Reversing Unpresented Cheques in QuickBooks

## Aim

The aim of this paper is to give the reader an understanding of how to reverse unpresented cheques in QuickBooks.

## Versions

This paper was written using QuickBooks 2008-09. Principles apply to earlier versions.

## Background

Occasionally, you will write out a cheque for a supplier and for whatever reason:

- the cheque isn't banked and becomes stale (legally, a bank cannot cash a cheque dated more than 15 months from the date of the cheque, and it becomes "stale");
- The client loses the cheque and requests another one be written out.

A stale or lost cheque will show as an unpresented cheque month after month.

For most, the immediate inclination is to void or delete the transaction in QuickBooks, however, this should not be done for a number of reasons:

- The cheque may be from a previous financial year, and deleting it will affect the figures from this period (and your Accountant will be mildly displeased!);
- The cheque may be from a previous BAS period, and you may have already claimed the input tax credit.

The correct procedure is to reverse the transaction via a Journal Entry dated today, or in the current BAS period. This applies to a Stale Cheque or a Replacement Cheque issued.

## Procedure

The procedure for reversing a cheque is as follows:

- Look up the details of the cheque being reversed, noting in particular the Cheque number, date, amount, allocation account and GST coding;
- Prepare a Journal entry reversing the initial transaction;
- Tick the original cheque and the reversal as a part of the next bank reconciliation.

## Example

Whilst doing a bank reconciliation up to 4<sup>th</sup> July 2008, you notice that Cheque # 139 (Wal's Window Cleaning dated 30/3/07) has not been presented for 15 months. The cheque can no longer be cashed and is "stale" and can be reversed.

The cheque appears as follows in the Bank Reconciliation:

Cheques and Payments				Deposits and Other Credits					
✓	Date	Chq #	Payee	Amount	✓	Date	Chq #	Memo	Amount
	30/03/2007	139	Wal's Window ...	55.00		02/07/2008			2,200.00
✓	03/07/2008	175	Homeware Hou...	1,905.25	✓	03/07/2008			660.00
✓	03/07/2008	176	Remarkable Hotel	198.00					
	04/07/2008	177	Georgian Plyw...	4,000.00					
	04/07/2008	178	Remarkable Hotel	605.00					

  

Beginning Balance	9,290.58	Ending Balance	10,047.33
Items you have marked cleared		Cleared Balance	10,047.33
2 Deposits and Other Credits	2,860.00	Difference	0.00
2 Cheques and Payments	2,103.25		

Double-clicking shows the original cheque:

Bank Account: ABC Bank      Ending Balance: \$5,387.33

No. 139  
Date: 30/03/2007  
\$ 55.00

Pay to the Order of: Wal's Window Cleaning  
Fifty-five dollars and 0 cents\*\*\*\*\*

Address: Wal's Window Cleaning

Expenses	\$55.00	Items	\$0.00
Account	Tax	Net Amt	Tax Amt
Cleaning	NCG	55.00	5.00

Supplier Tax Code:       Amounts include tax      Total Tax: 5.00

Take note of the cheque details, the allocation account (Cleaning) and the GST coding (NCG). These are important as the reversal must use the same account and GST coding.

## Procedure

To reverse the cheque, we need to prepare a Journal Entry via Accountant > Make General Journal Entries. The entry is as follows:

Account	Debit	Credit	Tax Item	Tax Amount	Memo
ABC Bank	55.00				Reverse Stale Chq #139, 30/3/07, Wal's Window Cleaning
Cleaning		50.00	NCG	5.00	Reverse Stale Chq #139, 30/3/07, Wal's Window Cleaning
<b>Totals</b>	<b>55.00</b>	<b>55.00</b>			

A few notes:

- Transaction is dated in the current BAS period;
- Entry Number isn't important. You could use the Cheque Number of the word "Reverse" if you like;
- The first line of the journal shows the Bank Account. **NO GST DETAILS ARE ENTERED ON THIS LINE;**
- The 2<sup>nd</sup> line contains the reversal of the expense. Note that the allocation account and coding are the same as the original cheque;
- The transaction appears on the Bank Reconciliation as a deposit (see below).

You can now finish off your reconciliation by ticking the stale cheque and the deposit. The net effect of this will be zero.

Cheques and Payments				Deposits and Other Credits					
✓	Date	Chq #	Payee	Amount	✓	Date	Chq #	Memo	Amount
✓	30/03/2007	139	Wal's Window ...	55.00	✓	02/07/2008			2,200.00
✓	03/07/2008	175	Homeware Hou...	1,905.25	✓	03/07/2008			660.00
✓	03/07/2008	176	Remarkable Hotel	198.00	✓	04/07/2008	5	Reverse Stale Chq #139,...	55.00
	04/07/2008	177	Georgian Plyw...	4,000.00					
	04/07/2008	178	Remarkable Hotel	605.00					

Beginning Balance: 9,290.58

Items you have marked cleared:

3	Deposits and Other Credits	2,915.00
3	Cheques and Payments	2,158.25

Ending Balance: 10,047.33  
Cleared Balance: 10,047.33  
Difference: 0.00

You can now complete your reconciliation.

-- End --