Recording Cashback Promotions in QuickBooks

Aim

The aim of this paper is demonstrate how Cashback promotions accompanying purchases can be recorded in QuickBooks.

Versions

This paper was written using QuickBooks 2007/08. The principles are applicable to most versions of QuickBooks.

Background

As an inducement to buy their product, companies often offer "cashback" promotions on goods purchased. In general:

- the good is purchased at the ticketed price;
- a claim is made on the manufacturer or distributor of the goods;
- the manufacturer sends a cheque or deposits money into your bank account.

This paper shows how to correctly record the transaction and GST in QuickBooks.

Example

HP Australia recently offered a $200 cashback on a HP Color Laser Printer. The printer was purchased through Officeworks on 1/2/07 for $359 with a cheque.

PROCEDURE

Step 1 – Record the Purchase as per Normal.

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Once the manufacturer accepts the claim and processes the payment, a deposit will appear in your bank account. Here I have assumed that the $200 is deposited a month after purchase, on 1st March 2007 There are now a number of steps.

Step 2 – Record the CashBack as a Bill-Credit.
Go into "Enter Bill" and select the "Credit" radio button.   Fill the form as per below. Note that the allocation account is the same as we used on the purchase in Step 1 and that the supplier is the manufacturer (usually, but not always, a different legal entity from the supplier from whom you purchased.

Step 3 – Record the Deposit.
Two important things to note here:
- the "received from" needs to be the same supplier name used in step 2; and
- the allocation account **must** be Accounts Payable.

By using Accounts Payable, the deposit will show on the Unpaid Bills report.

HP Australia			
Credit	01/03/2007		-200.00
Deposit	01/03/2008		200.00
Total HP Australia			0.00

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Step 4 – Finalise the Transaction

Use the Pay Bills function to offset the Bill-Credit against the Deposit

Steps are:

- select the Deposit for HP Australia (showing as a Bill w/out a due date);

- select the "Set Credits" button. The screen on right will appear with the credit selected ….

- select "Done" – you will return to the Pay Bills screen.

- select "Pay & Close"

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After "Pay & Close" is selected, the following message may appear – select OK:

Bills Paid By Credits

ℹ One or more bills were paid by credits, and were not associated with a bill payment cheque. You can use a Transaction History report for those bills to inform your suppliers of your action and to avoid possible late payment charges from your suppliers.

☐ Do not display this message in the future

[OK]
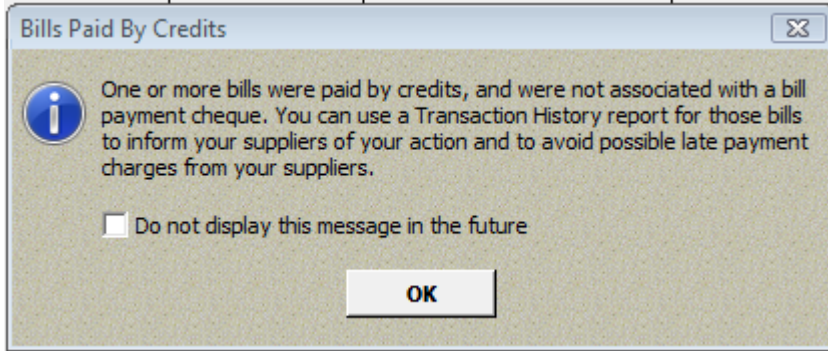
Step 5 – Check the Results

5/12/09

Transaction Detail by Account
February 1 through March 1, 2007

Type	Date	Num	Name	Memo	Split	Amount
ABC Bank						
Cheque	01/02/2007	138	Officeworks		-SPLIT-	-359.00
Deposit	01/03/2007			Deposit	Accounts Payable	200.00
Total ABC Bank						-159.00
Plant & Equipment at Cost						
Cheque	01/02/2007	138	Officeworks		ABC Bank	326.36
Credit	01/03/2007		HP Australia	HP Cash Back Promotion	Accounts Payable	-181.82
Total Plant & Equipment at Cost						144.54
Accounts Payable						
Credit	01/03/2007		HP Australia	HP Cash Back Promotion	-SPLIT-	200.00
Deposit	01/03/2007		HP Australia	HP CashBack Promotion	ABC Bank	-200.00
Total Accounts Payable						0.00
Tax Payable						
Cheque	01/02/2007	138	Officeworks	Total Tax	ABC Bank	32.64
Credit	01/03/2007		HP Australia	Total Tax	Accounts Payable	-18.18
Total Tax Payable						14.46

Note:
- Money in and out of Cheque Account
- Plant & Equipment showing Amount of Purchase net of GST ($359-200)/11*1
- Money in and out of Accounts Payable
- Tax Payable showing GST on purchase ($359/11= $32.64)
- Tax Payable showing GST on Cashback ($200/11= $18.18).

-- End --

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