Reclassify a Transaction Using Bills & Credit Memos

WebSmart offers an alternative method to reclassify an account code in a transaction rather than creating a journal entry. This alternative method utilizes bills and credit memos, which records the appropriate expense account, and also appears in the general ledger detail and vendor transactions reports. **Note: You will have to do a journal entry to reclassify accounts payable (2110) and cash (1110) if the reclassification involves multiple net asset (Fund) codes.**

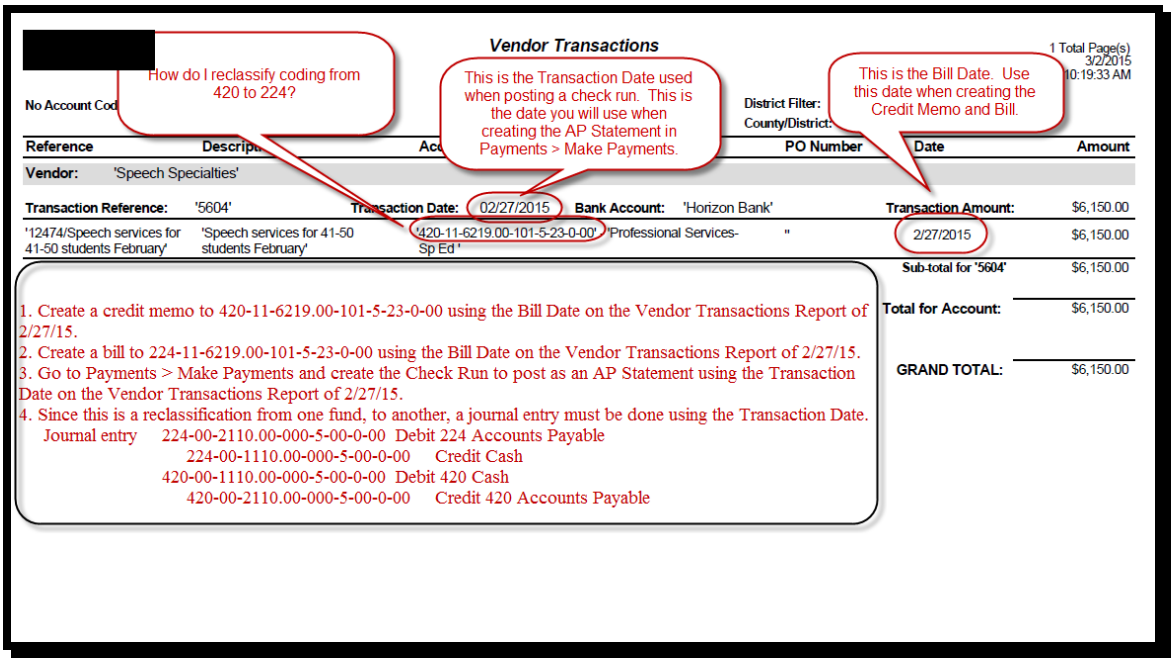
With this method, you will follow a few easy steps:

Create a credit memo to credit the incorrect account code

- Create a bill to reflect the correct account code
- Process both the bill and credit memo through an AP Check Run
- Create a journal entry to move accounts payable & cash to the proper fund, *only if multiple funds are involved.*

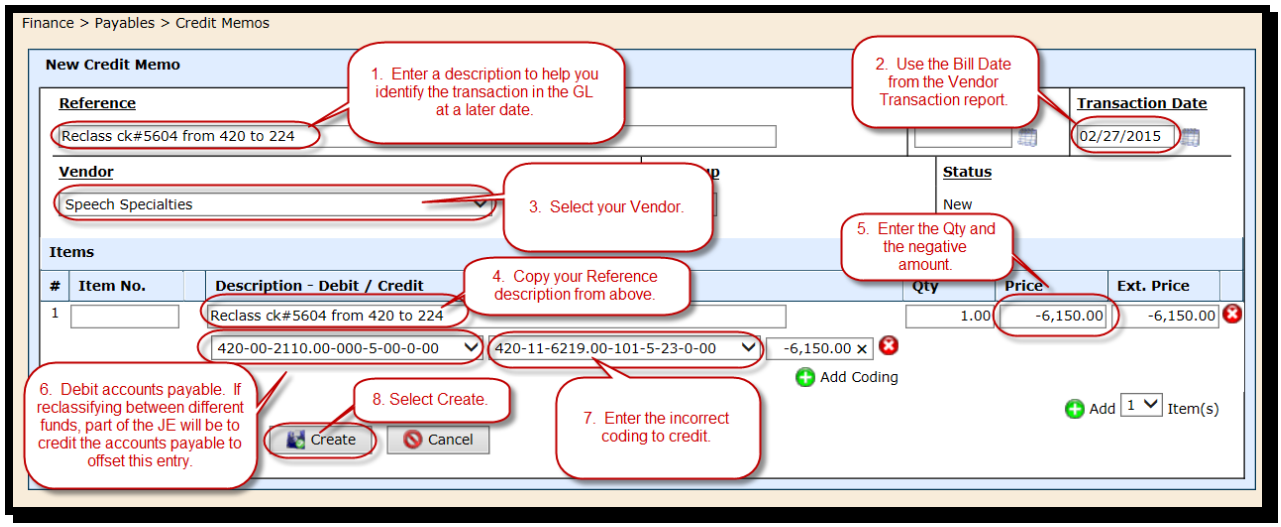
As an example, if you have written a check for office supplies to a local vendor and it was coded to contracted services, but it should have been coded to office supplies, follow these steps to make the reclassification to the account code.

Example 1: Let's say check #5604 payable to Speech Specialties in the amount of $6,150.00 was originally coded to state special education, account code 420-11-6219.00-101-5-23-0-00; however, it should have been coded to IDEA B, fund 224. Let's take a look at how to correct the coding from 420-11-6219.00-101-5-23-0-00 to 224-11-6219.00-5-23-0-00.



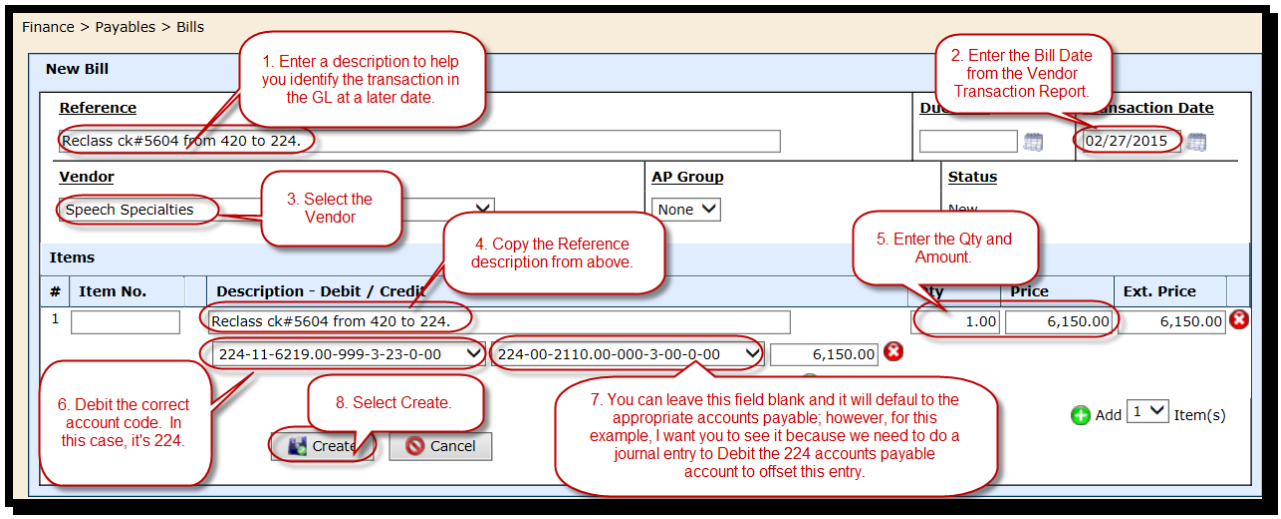
Finance > Purchasing & AP >Payables> Credit Memos>Create Credit Memo

- First, create and save a credit memo to credit the incorrect account code. This step will credit the incorrect account code **Use the date the original transaction was posted.** See example below:

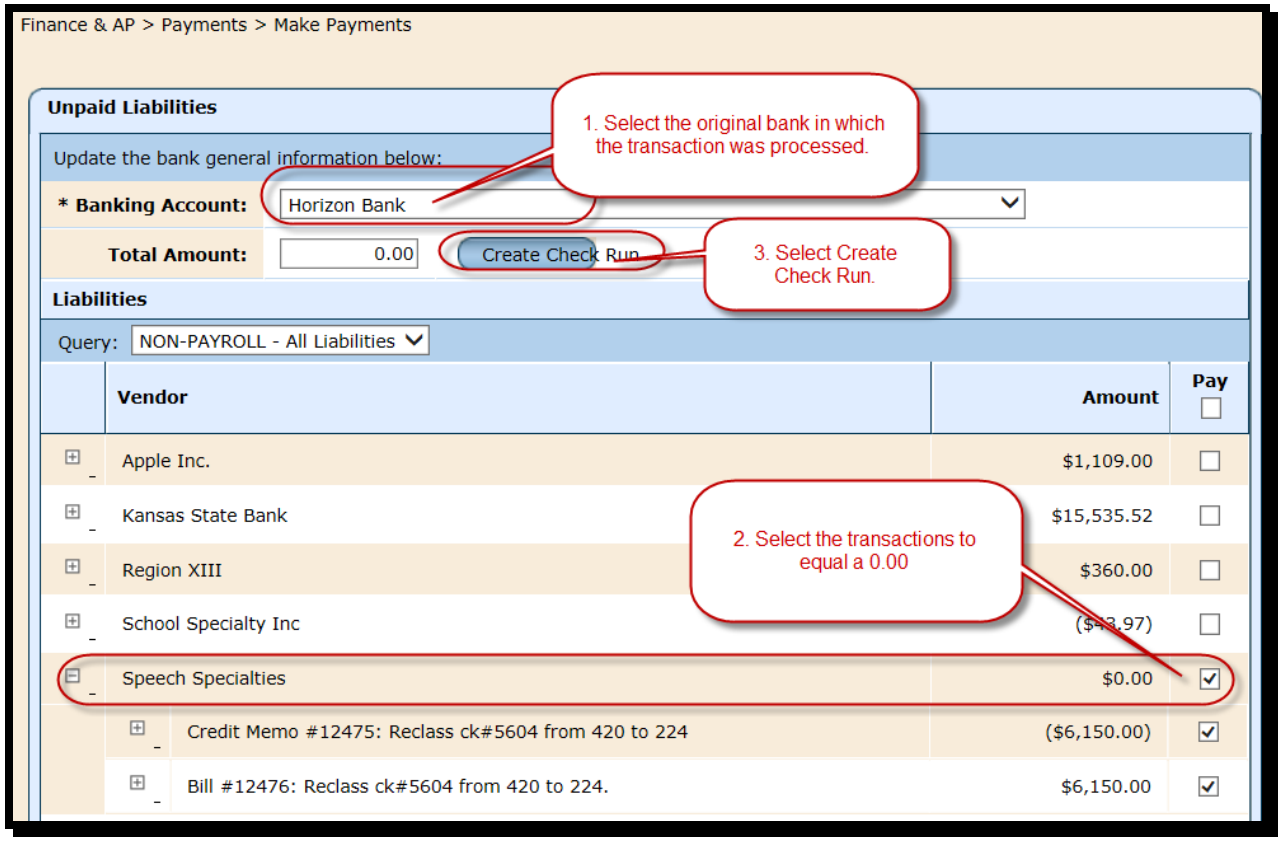


Finance > Purchasing & AP > Payables>Bills>Create Bill

- Second, create and save a bill to the vendor, in this example the vendor is Speech Specialties, and enter the correct account code. This step will expense the appropriate account code. **Use the date the original transaction was posted.** See example below:

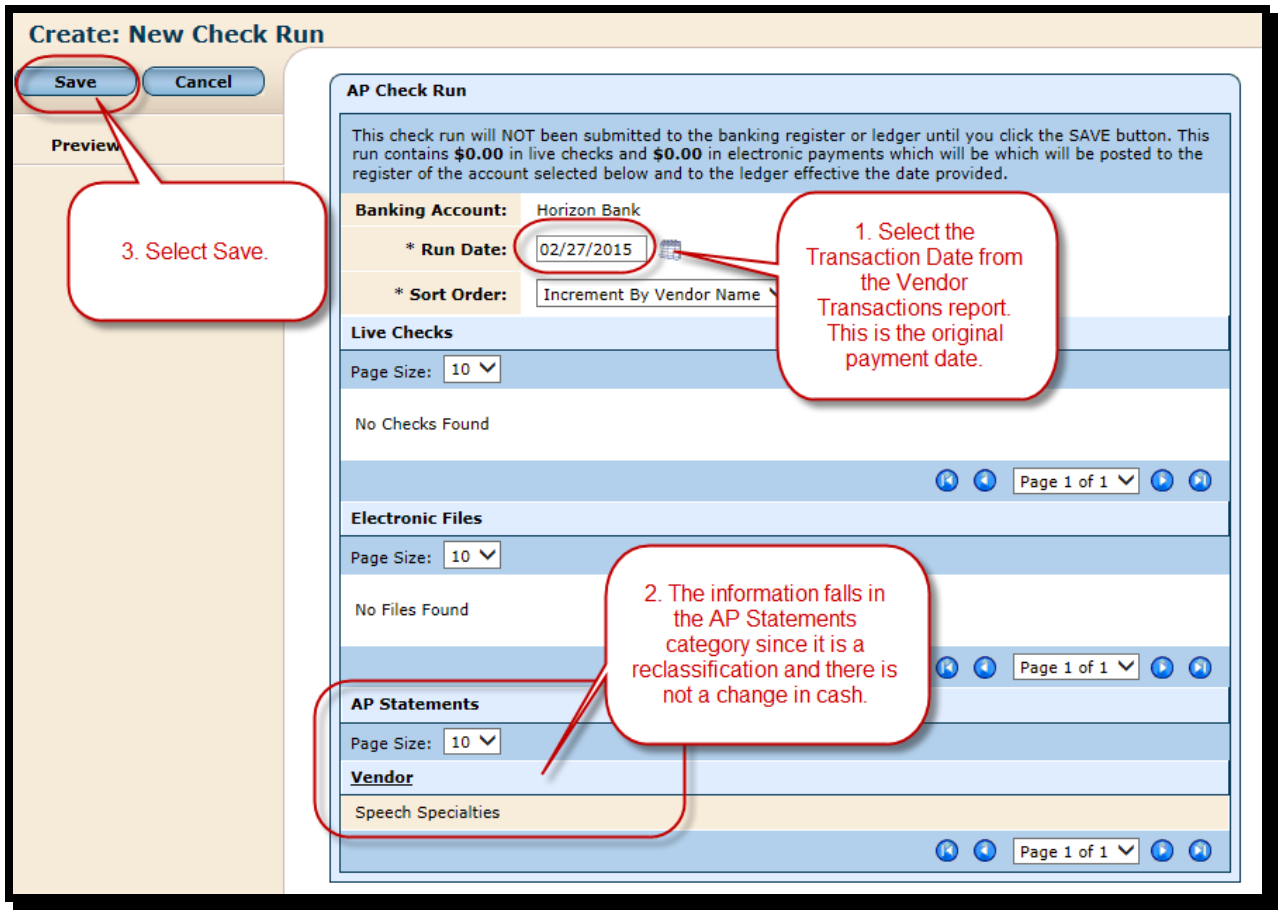


- Third, process the **credit me**mo and the **bill** in the same AP check run. This step will credit the incorrect account and expense the appropriate account in the new bill. The AP Check Run balance will be **zero**, thus there will not be any net change in cash.
    - Go to **Finance > Purchasing & AP > Payments > Make Payments**
    - Select the appropriate **Banking Account.**
    - Select the vendor, again, in this example , we are using Speech Specialties.
    - Verify the net payment amount is **0.00**
    - If there are several transactions listed on the AP Payments screen, select the ⊞ to see all available transactions and only select the bill and credit memo pertaining to this reclassification.
    - Select **Create Check Run**. This process will create the AP Check Run posting the correct transactions accordingly.



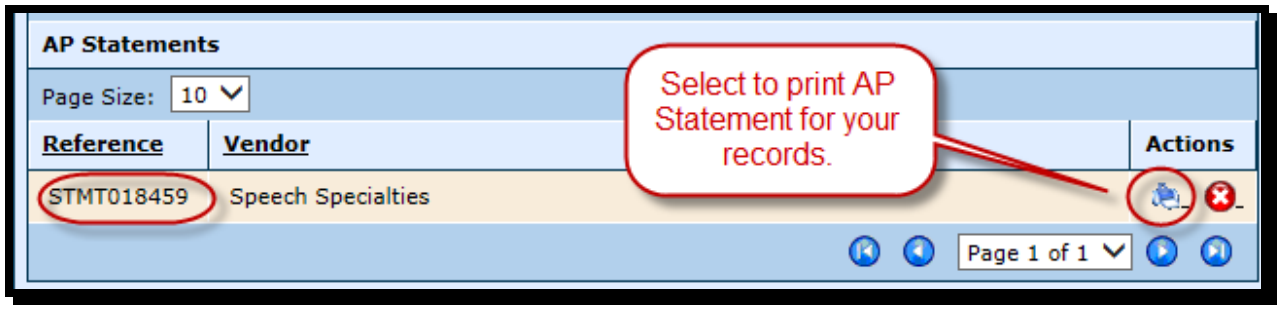
That will bring you to a screen where you have the option to **Cancel** or **Save.**

- **Select Save**



- Since the net effect is **0.00**, an **AP Statement** is created instead of a **live check** or **electronic file**.

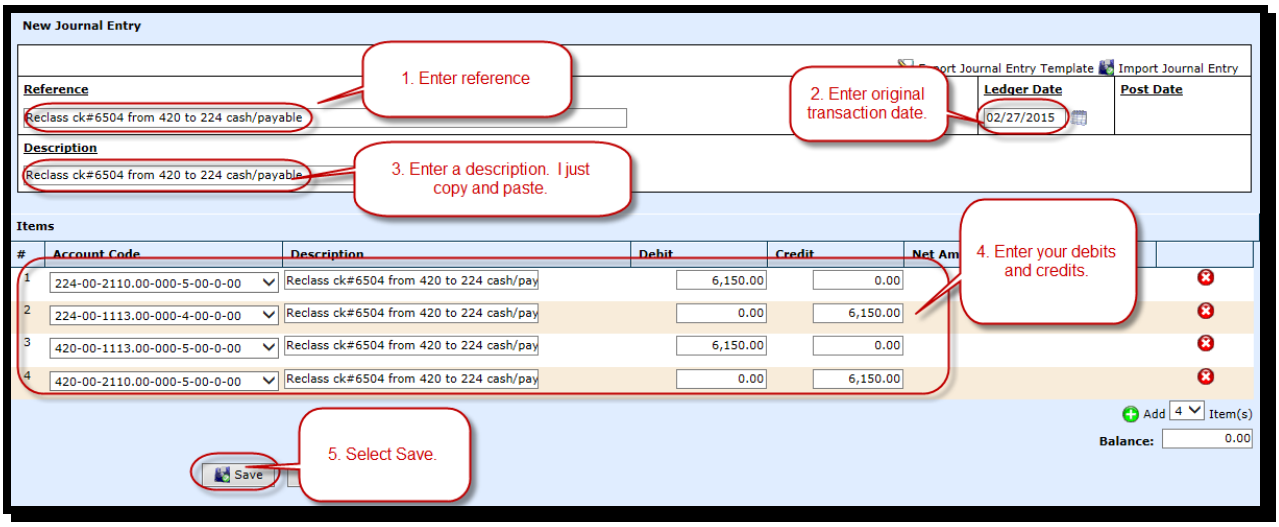
- To print the **AP Statement**, select the printer icon . See example below:



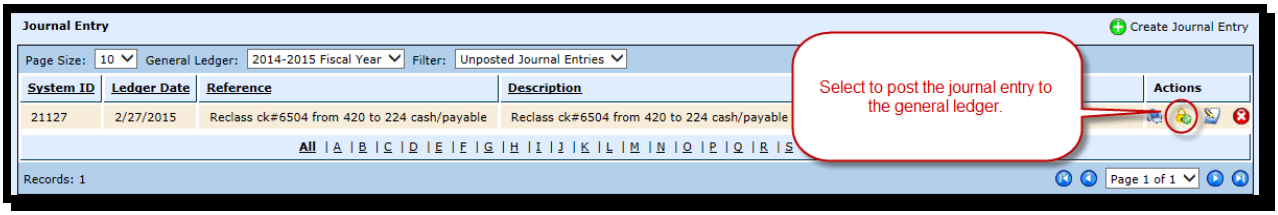
Finance > General Ledger > Journal Entries

Now that the AP Statement has been posted to the ledger, a journal entry to the cash and payable accounts must be created to offset the bill and credit memo that was processed. Again, this is only done if the reclassification is between different funds, and in this case, we reclassified expenses from 420 to 224; therefore, the following journal entry must be created.

- Select **Create Journal Entry**



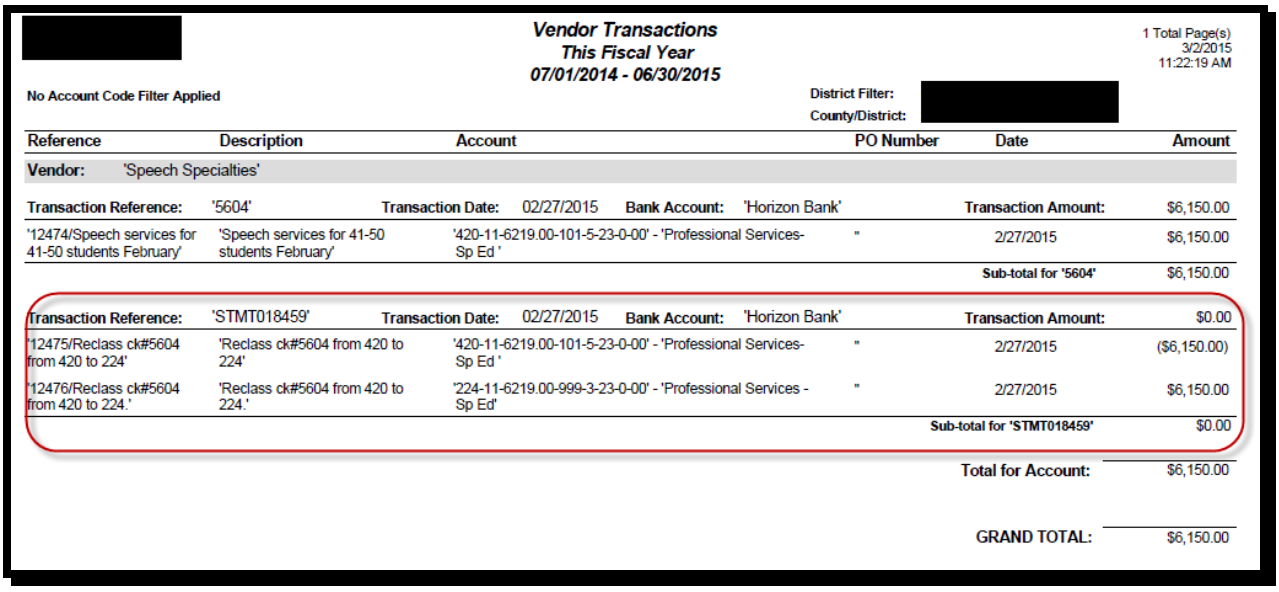
- Select Return To List
- The journal entry till be in Unposted Journal Entries. Be sure to select the following icon to post it to the general ledger.



Finance > Reports>Vendor Transactions

- Finally, you can see the reclassification in the following Reports.
- **Finance>Reports>Vendor Transactions**
- **Format:** Select **Detail** from the drop down.
- **Sort:** Select **Vendor** from the drop down.
- **Date Range:** Select the appropriate date range. We are selecting **This Fiscal Year to Date** for this example.
- **Vendor:** Select the vendor that you were reclassifying. In this example we will use Speech Specialties.
- Select **Run Report.**

Vendor Transactions Report



[redacted]

Vendor Transactions
This Fiscal Year
07/01/2014 - 06/30/2015

1 Total Page(s)
3/2/2015
11:22:19 AM

No Account Code Filter Applied

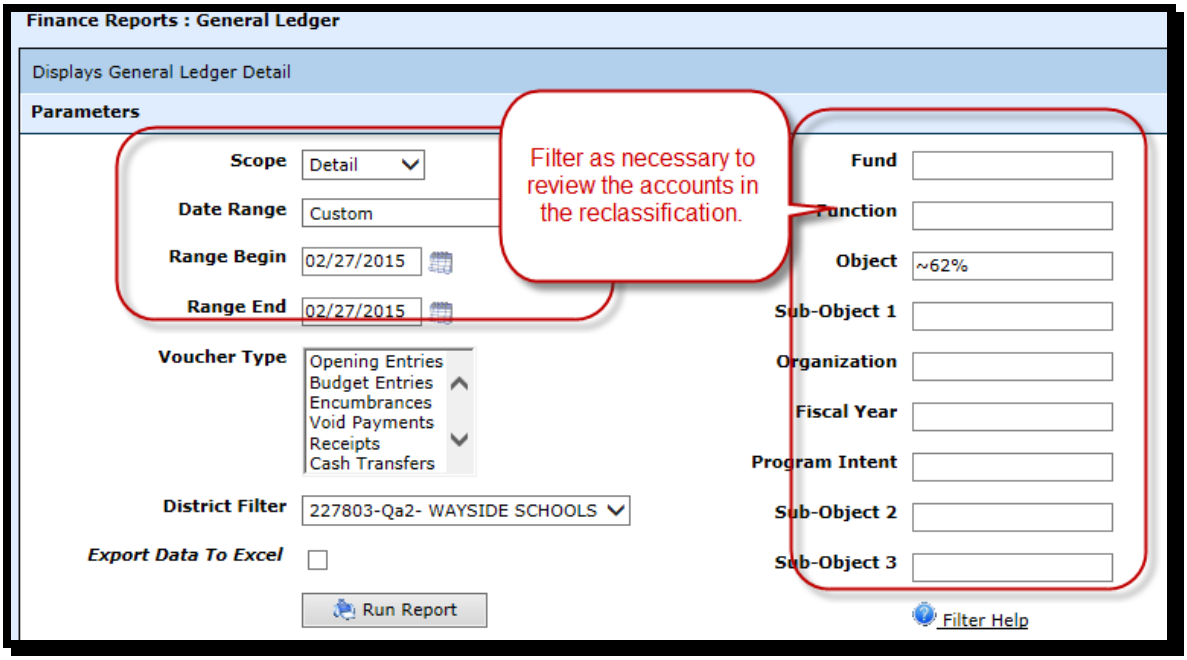
District Filter:
County/District: [redacted]

Reference	Description	Account	PO Number	Date	Amount
Vendor: 'Speech Specialties'					
Transaction Reference: '5604'	**Transaction Date:** 02/27/2015	**Bank Account:** 'Horizon Bank'		**Transaction Amount:**	$6,150.00
'12474/Speech services for 41-50 students February'	'Speech services for 41-50 students February'	'420-11-6219.00-101-5-23-0-00' - 'Professional Services-Sp Ed '	"	2/27/2015	$6,150.00
				Sub-total for '5604'	$6,150.00
Transaction Reference: 'STMT018459'	**Transaction Date:** 02/27/2015	**Bank Account:** 'Horizon Bank'		**Transaction Amount:**	$0.00
'12475/Reclass ck#5604 from 420 to 224'	'Reclass ck#5604 from 420 to 224'	'420-11-6219.00-101-5-23-0-00' - 'Professional Services-Sp Ed '	"	2/27/2015	($6,150.00)
'12476/Reclass ck#5604 from 420 to 224.'	'Reclass ck#5604 from 420 to 224.'	'224-11-6219.00-999-3-23-0-00' - 'Professional Services - Sp Ed'	"	2/27/2015	$6,150.00
				Sub-total for 'STMT018459'	$0.00
				Total for Account:	$6,150.00
				GRAND TOTAL:	$6,150.00

Finance > Reports>General Ledger

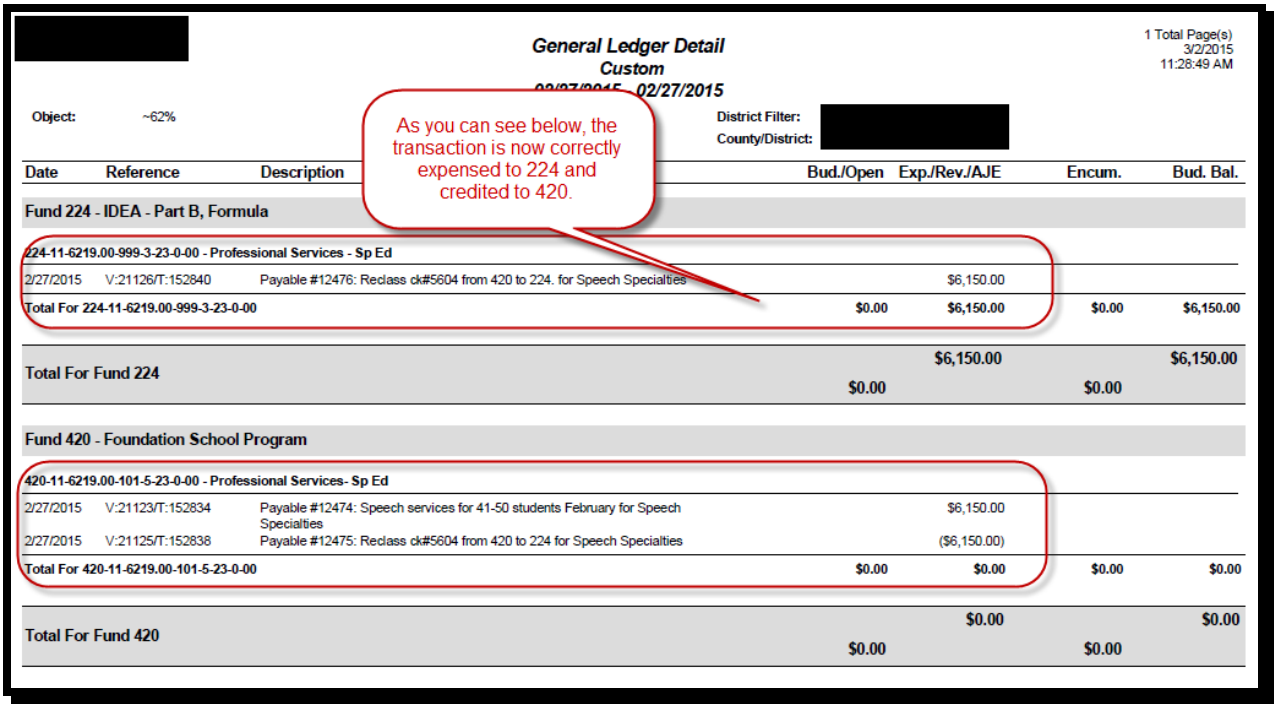
You now need to run the **General Ledger Report** to verify it posted correctly**.**

- **Scope:** Select **Detail.**
- **Date Range:** Select the appropriate date range. We are selecting **This Fiscal Year to Date** for this example.
- **Voucher Type:** Do not select anything from this drop down.
- On the right side of this screen there are several fields that you can refine your selection. We are going to use **Fund, Function** and **Object.** See example below:



- We selected the **Object** of the incorrect code and used the Transaction Date.
- **Select Run Report**

General Ledger Detail Report



[redacted]

General Ledger Detail
Custom
02/27/2015 - 02/27/2015

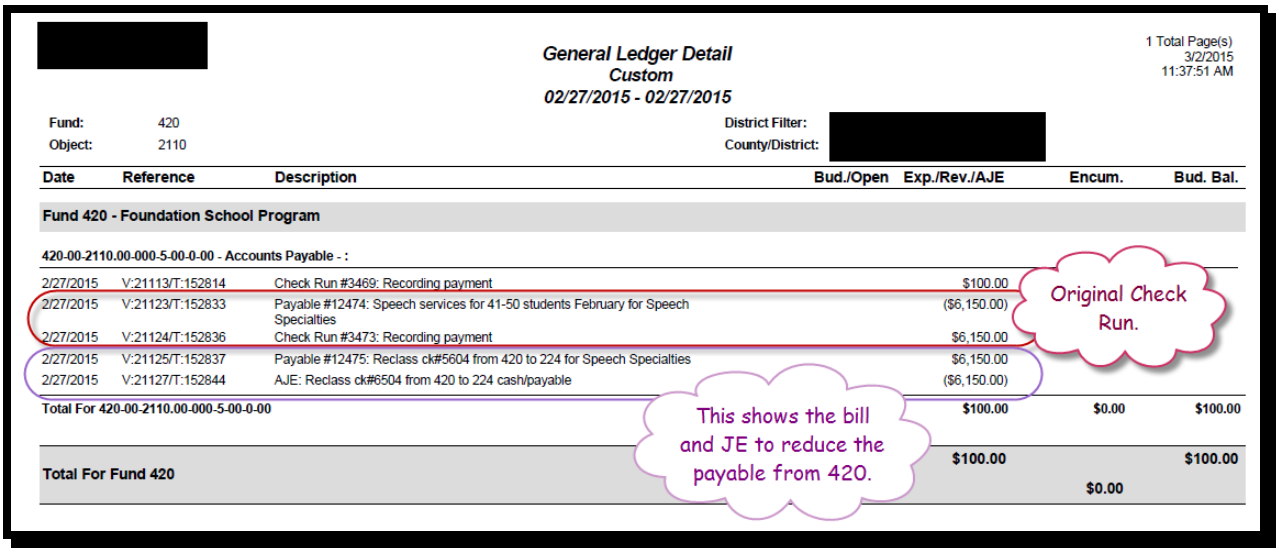
1 Total Page(s)
3/2/2015
11:26:49 AM

Object: ~62%

District Filter: [redacted]
County/District:

As you can see below, the transaction is now correctly expensed to 224 and credited to 420.

Date	Reference	Description	Bud./Open	Exp./Rev./AJE	Encum.	Bud. Bal.
Fund 224 - IDEA - Part B, Formula						
224-11-6219.00-999-3-23-0-00 - Professional Services - Sp Ed						
2/27/2015	V:21126/T:152840	Payable #12476: Reclass ck#5604 from 420 to 224. for Speech Specialties		$6,150.00		
Total For 224-11-6219.00-999-3-23-0-00			**$0.00**	**$6,150.00**	**$0.00**	**$6,150.00**
Total For Fund 224			**$0.00**	**$6,150.00**	**$0.00**	**$6,150.00**
Fund 420 - Foundation School Program						
420-11-6219.00-101-5-23-0-00 - Professional Services- Sp Ed						
2/27/2015	V:21123/T:152834	Payable #12474: Speech services for 41-50 students February for Speech Specialties		$6,150.00		
2/27/2015	V:21125/T:152838	Payable #12475: Reclass ck#5604 from 420 to 224 for Speech Specialties		($6,150.00)		
Total For 420-11-6219.00-101-5-23-0-00			**$0.00**	**$0.00**	**$0.00**	**$0.00**
Total For Fund 420			**$0.00**	**$0.00**	**$0.00**	**$0.00**



[redacted]

General Ledger Detail
Custom
02/27/2015 - 02/27/2015

1 Total Page(s)
3/2/2015
11:37:51 AM

Fund: 420
Object: 2110

District Filter: [redacted]
County/District:

Date	Reference	Description	Bud./Open	Exp./Rev./AJE	Encum.	Bud. Bal.
Fund 420 - Foundation School Program						
420-00-2110.00-000-5-00-0-00 - Accounts Payable - :						
2/27/2015	V:21113/T:152814	Check Run #3469: Recording payment		$100.00		
2/27/2015	V:21123/T:152833	Payable #12474: Speech services for 41-50 students February for Speech Specialties		($6,150.00)		
2/27/2015	V:21124/T:152836	Check Run #3473: Recording payment		$6,150.00		
2/27/2015	V:21125/T:152837	Payable #12475: Reclass ck#5604 from 420 to 224 for Speech Specialties		$6,150.00		
2/27/2015	V:21127/T:152844	AJE: Reclass ck#6504 from 420 to 224 cash/payable		($6,150.00)		
Total For 420-00-2110.00-000-5-00-0-00				**$100.00**	**$0.00**	**$100.00**
Total For Fund 420				**$100.00**	**$0.00**	**$100.00**

Original Check Run.

This shows the bill and JE to reduce the payable from 420.

- ***JE's Must be entered when Reclassifying from Fund to Fund only***

If the process involves reclassifiying expense between two funds a **journal entry** will have to be made to correct your liabillities. For example, if you were reclassifing expenditure from fund 420 to 211, after doing the above process, you will have to do a **journal entry** to move the liability and cash.

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420-00-1110.00	Debit cash
420-00-2110.00	Credit payable
211-00-2110.00	Debit payable
211-00-1110.00	Credit cash