



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.

Reference	Description	Account	PO Number	Date	Amount
Vendor: 'Speech Specialties'					
Transaction Reference:	'5604'	Transaction Date:	02/27/2015	Bank Account:	'Horizon Bank'
'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'		\$6,150.00
				2/27/2015	\$6,150.00
					Sub-total for '5604'
					\$6,150.00
					Total for Account:
					\$6,150.00
					GRAND TOTAL:
					\$6,150.00

1. Create a credit memo to 420-11-6219.00-101-5-23-0-00 using the Bill Date on the Vendor Transactions Report of 2/27/15.

2. Create a bill to 224-11-6219.00-101-5-23-0-00 using the Bill Date on the Vendor Transactions Report of 2/27/15.

3. Go to Payments > Make Payments and create the Check Run to post as an AP Statement using the Transaction Date on the Vendor Transactions Report of 2/27/15.

4. Since this is a reclassification from one fund, to another, a journal entry must be done using the Transaction Date.

Journal entry

224-00-2110.00-000-5-00-0-00	Debit 224 Accounts Payable
224-00-1110.00-000-5-00-0-00	Credit Cash
420-00-1110.00-000-5-00-0-00	Debit 420 Cash
420-00-2110.00-000-5-00-0-00	Credit 420 Accounts Payable

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 > Payables > Credit Memos

New Credit Memo

Reference
Reclass ck#5604 from 420 to 224

Transaction Date
02/27/2015

Vendor
Speech Specialties

Status
New

Items

#	Item No.	Description - Debit / Credit	Qty	Price	Ext. Price
1		Reclass ck#5604 from 420 to 224	1.00	-6,150.00	-6,150.00
		420-00-2110.00-000-5-00-0-00			
		420-11-6219.00-101-5-23-0-00			

6. Debit accounts payable. If reclassifying between different funds, part of the JE will be to credit the accounts payable to offset this entry.

7. Enter the incorrect coding to credit.

8. Select Create.

1. Enter a description to help you identify the transaction in the GL at a later date.

2. Use the Bill Date from the Vendor Transaction report.

3. Select your Vendor.

4. Copy your Reference description from above.

5. Enter the Qty and the negative amount.

Buttons: Create, Cancel, Add Coding, Add 1 Item(s)

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:

Finance > Payables > Bills

New Bill

Reference
Reclass ck#5604 from 420 to 224.

Transaction Date
02/27/2015

Vendor
Speech Specialties

AP Group
None

Status
New

Items

#	Item No.	Description - Debit / Credit	Qty	Price	Ext. Price
1		Reclass ck#5604 from 420 to 224.	1.00	6,150.00	6,150.00
		224-11-6219.00-999-3-23-0-00			
		224-00-2110.00-000-3-00-0-00			

6. Debit the correct account code. In this case, it's 224.

7. You can leave this field blank and it will default to the appropriate accounts payable; however, for this example, I want you to see it because we need to do a journal entry to Debit the 224 accounts payable account to offset this entry.

8. Select Create.

1. Enter a description to help you identify the transaction in the GL at a later date.

2. Enter the Bill Date from the Vendor Transaction Report.

3. Select the Vendor.

4. Copy the Reference description from above.

5. Enter the Qty and Amount.

Buttons: Create, Cancel, Add Coding, Add 1 Item(s)

Finance > Purchasing & AP > Payments > Make Payments

- Third, process the **credit memo** 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.

Finance & AP > Payments > Make Payments

Unpaid Liabilities

Update the bank general information below:

* **Banking Account:** Horizon Bank

Total Amount: 0.00

Liabilities

Query: NON-PAYROLL - All Liabilities

Vendor	Amount	Pay
<input type="checkbox"/> Apple Inc.	\$1,109.00	<input type="checkbox"/>
<input type="checkbox"/> Kansas State Bank	\$15,535.52	<input type="checkbox"/>
<input type="checkbox"/> Region XIII	\$360.00	<input type="checkbox"/>
<input type="checkbox"/> School Specialty Inc	(\$43.97)	<input type="checkbox"/>
<input checked="" type="checkbox"/> Speech Specialties	\$0.00	<input checked="" type="checkbox"/>
<input type="checkbox"/> Credit Memo #12475: Reclass ck#5604 from 420 to 224	(\$6,150.00)	<input checked="" type="checkbox"/>
<input type="checkbox"/> Bill #12476: Reclass ck#5604 from 420 to 224.	\$6,150.00	<input checked="" type="checkbox"/>

1. Select the original bank in which the transaction was processed.

2. Select the transactions to equal a 0.00

3. Select Create Check Run.

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

Create: New Check Run

Buttons: **Save** (circled), **Cancel**

Section: **AP Check Run**

This check run will NOT be submitted to the banking register or ledger until you click the SAVE button. This run contains **\$0.00** in live checks and **\$0.00** in electronic payments which will be which will be posted to the register of the account selected below and to the ledger effective the date provided.

Banking Account: Horizon Bank

* **Run Date:** 02/27/2015 (circled)

* **Sort Order:** Increment By Vendor Name

Live Checks

Page Size: 10

No Checks Found

Electronic Files

Page Size: 10

No Files Found

AP Statements

Page Size: 10

Vendor

Speech Specialties

Callouts:

- 1. Select the Transaction Date from the Vendor Transactions report. This is the original payment date.
- 2. The information falls in the AP Statements category since it is a reclassification and there is not a change in cash.
- 3. 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:

AP Statements

Page Size: 10

Reference	Vendor	Actions
STMT018459 (circled)	Speech Specialties	

Callout: Select to print AP Statement for your records.

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**

The screenshot shows the 'New Journal Entry' form with the following fields and callouts:

- 1. Enter reference:** Points to the 'Reference' field containing 'Reclass ck#6504 from 420 to 224 cash/payable'.
- 2. Enter original transaction date:** Points to the 'Ledger Date' field containing '02/27/2015'.
- 3. Enter a description. I just copy and paste:** Points to the 'Description' field containing 'Reclass ck#6504 from 420 to 224 cash/payable'.
- 4. Enter your debits and credits:** Points to the 'Items' table.
- 5. Select Save:** Points to the 'Save' button at the bottom left.

#	Account Code	Description	Debit	Credit	Net Am
1	224-00-2110.00-000-5-00-0-00	Reclass ck#6504 from 420 to 224 cash/pay	6,150.00	0.00	
2	224-00-1113.00-000-4-00-0-00	Reclass ck#6504 from 420 to 224 cash/pay	0.00	6,150.00	
3	420-00-1113.00-000-5-00-0-00	Reclass ck#6504 from 420 to 224 cash/pay	6,150.00	0.00	
4	420-00-2110.00-000-5-00-0-00	Reclass ck#6504 from 420 to 224 cash/pay	0.00	6,150.00	

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

The screenshot shows the 'Journal Entry' list with the following callout:

- Select to post the journal entry to the general ledger:** Points to the 'Post' icon (a green circle with a white arrow) in the 'Actions' column.

System ID	Ledger Date	Reference	Description	Actions
21127	2/27/2015	Reclass ck#6504 from 420 to 224 cash/payable	Reclass ck#6504 from 420 to 224 cash/payable	[Post] [Print] [Delete]

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

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:

Finance Reports : General Ledger

Displays General Ledger Detail

Parameters

Scope:

Date Range:

Range Begin:

Range End:

Voucher Type:

District Filter:

Export Data To Excel

Fund:

Function:

Object:

Sub-Object 1:

Organization:

Fiscal Year:

Program Intent:

Sub-Object 2:

Sub-Object 3:

Filter as necessary to review the accounts in the reclassification.

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

General Ledger Detail Report

General Ledger Detail						1 Total Page(s)	
Custom						3/2/2015	
02/27/2015 - 02/27/2015						11:28:49 AM	
Object:	-62%			District Filter:			
				County/District:			
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	

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

General Ledger Detail						1 Total Page(s)	
Custom						3/2/2015	
02/27/2015 - 02/27/2015						11:37:51 AM	
Fund:	420			District Filter:			
Object:	2110			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	\$0.00	\$100.00	
Total For Fund 420			\$100.00	\$0.00	\$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***

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If the process involves reclassifying expense between two funds a **journal entry** will have to be made to correct your liabilities. For example, if you were reclassifying 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.

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