

# Cash and Accrual Basis Accounting in SiteLink

Applies to SiteLink 2002 ver 1.3.5 and Later  
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This document provides guidance for making and reconciling accrual basis accounting General Journal entries from SiteLink financial reports. Several options for making journal entries are described, and a matrix showing how top-level and detailed financial reports are related is provided for reconciliation.

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## **Related Documents**

1. Detailed instructions for setting up Quickbooks are found in the SiteLink Users Manual (Chapter 5).

## **1. Making General Journal Entries**

SiteLink offers a complete set of reports for making and reconciling General Journal entries. There are many approaches to making journal entries in your accounting program, but some are better than others. Three approaches are described below.

Method #1: The SiteLink General Ledger Journal Entries Report is the preferred source for making journal entries. This report summarizes and groups transactions for easy-to-track transfer into your accounting system. Refer to the SiteLink General Journal help screen for a detailed explanation of this report. While this report shows how chart-of-account items are debited and credited, it doesn't provide guidance on reconciliation. The relationship between this report and supporting SiteLink reports is shown in Table 1.

Method #2: Alternatively, a reduced set of General Journal entries can be made by extracting data from a combination of financial reports; including the Summarized Financial Report, A/R Report, NSF Report and the Refunds Due Report. This method of journalizing from SiteLink reports is shown in Table 2.

Method #3: Still another approach is to make General Journal entries from the SiteLink Daily Deposit Report (e.g., the SiteLink deposit slip) in conjunction with other reports. The Daily Deposit report summarizes payments by categories, like rent, that can be posted to your General Journal in the manner shown in Table 2.

Method #3 potentially has a problem. If the site manager takes a payment after the daily close, receipts for that calendar day will not equal the deposit. The work around for this problem is to make multiple daily closes in the same day to ensure that all receipts for the calendar day show up on deposits for the same day. However, since a mistake is possible this approach it is not recommended.

Whether General Journal entries are made from the General Journal Entries Report or from other SiteLink financial reports, bad debts must be manually posted. When a customer's unpaid charges become uncollectable, you will need to write them off as bad debts. The SiteLink Bad Debts Report is available for this purpose.

**Table 1. SiteLink Reports Supporting the General Journal Entry Report**

<b>General Journal Entry Report</b>	<b>Supporting Report</b>	<b>Supporting Detailed Report</b>
Rental		
Checking	Fin. Summary Report (rent payments)	A/R Report(1)
Trust Account	Fin. Summary Report (security deposit)	
A/R	A/R Report (totals)	A/R Report
Security Deposit	Fin. Summary Report (security deposit)	
Rent Tax Payable	Fin. Summary Report (rent tax charges)	
Rental Income	Fin. Summary Report (rent charges)	
Other		
Checking	Fin. Summary Report (payments)	A/R Report(1)
A/R	A/R Report (totals)	A/R Report
Sales Tax Payable	Fin. Summary Report (tax charges)	
Itemized Fees	Fin. Summary Report (charges)	
POS		
Checking	Fin. Summary Report (payments)	A/R Report(1)
A/R	A/R Report (totals)	
POS Supplies	POS Charges Report (totals)	POS Charges Report
Sales Tax Payable	Fin. Summary Report	
POS Income	Fin. Summary Report (charges)	
POS COGS	Fin. Summary Report; POS Charges Report	POS Charges Report
Equipment Rental	Fin. Summary Report (charges)	
Credits		
Checking	Fin. Summary Report	A/R Report(1,2)
A/R	A/R Report (totals)	A/R Report
Credits Issued	Fin. Summary Report t; A/R Report(2)	A/R Report(2)
Sec Dep Credits Issued	Fin. Summary Rpt (credits applied to sec dep)	
Sales Tax Refunds Due	Refunds Due Roll	Refunds Due Roll
Refund Pmts(5)		
Checking	Refunds Activity Report	Refunds Activity Report
Trust Account	Refunds Activity Report	Refunds Activity Report
A/R	Reduced by amount posted to checking	
Security Deposit	Refunds Activity Report	Refunds Activity Report
NSF		
Checking	NSF Report (totals)	NSF Details Rpt, Receipts
Trust Account	Original Receipts	NSF Details Rpt, Receipts
A/R	A/R Report (totals)	A/R Report; Receipts
Security Deposit	Original Receipts	NSF Details Rpt, Original Receipts
Misc. Entries(3)	Itemized on the General Journal Entry Report	
Bad Debts(4)	Itemized on the Bad Debts Report	

**Footnotes**

- 1) On the A/R report, total payments = tenant payments + Walk-in customer POS receipts.
- 2) Overpayments are broken out on the Financial Summary Report but are included with payments on the A/R report.
- 3) Miscellaneous entries are non-specific adjustments entered at the time of deposit and must be manually posted to your journal ledger (i.e., non-rent, non-POS items)
- 4) When a customer's outstanding charges become uncollectable, you will need to write it off as Bad Debt. Write off bad debts by debiting rent and/or fee income for the outstanding charges and crediting A/R for the total outstanding charges.
- 5) "Refunds Made" journal entries only need to be posted from SiteLink reports if refunds are recorded in SiteLink. Normally this would not be the case since refunds are typically made from the accounting office, not the site. One area to be careful of is security deposits, since in SiteLink the user has the option of applying security deposits to unpaid charges at move-out.

**Table 2. Making Journal Entries from SiteLink Financial Reports**

Chart of Account Item	Category	Debit	Credit	Supporting Report
Checking	Asset	\$		A/R Report(1,2)
A/R	Asset	\$		A/R Report
Credits Issued	Income	\$		A/R Report(2)
Rental Income	Income		\$	A/R Report
Other Charges	Income		\$	A/R Report
Late Fees	Income		\$	A/R Report
Taxes	Liability		\$	A/R Report
POS: Checking	Asset	\$		Financial Summary Report
POS: Supplies	Asset		\$	Financial Summary Report
POS: COGS	COGS	\$		Financial Summary Report
POS: Tax Payable	Liability		\$	Financial Summary Report
Refunds Made: Checking(5)	Asset		\$	Refunds Activity Report
Refunds Made: A/R	Asset	\$		Reduced by amount posted to checking
Refunds Made: Sec Deposit	Liability	\$		Refunds Activity Report
NSF: Checking	Asset		\$	NSF Report; NSF Details Rpt, Receipts
NSF: A/R	Asset	\$		A/R Report; Original Receipts
NSF: Security Deposit	Liability	\$		NSF Details Rpt, Original Receipts
Misc. Entries(3)				Itemized on the General Journal Entry Report
Bad Debts(4)				Itemized on the Bad Debts Report

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## 2. Alternative Posting of Prepayments and Prepayment Concessions

By default, SiteLink normally posts prepayments by debiting Checking and crediting A/R. When there is a prepayment concession, SiteLink posts the credits used to waive rent as Credits Issued in the month the credit is created, then it debits Credits Issued and credits A/R in the same month. Thus, these concessions are recorded in the month they are given not the months they are applied.

An alternative way of posting prepayments is to use a Prepaid Rent Liabilities Account for normal prepayments and then post prepayment concession credits in the months the rent charges are generated. At the end of each month ledger adjustments must be made to reverse the normal SiteLink journal entries for prepayments. Then an alternative set of journal entries must be made. The SiteLink Prepaid Rent Report has all of the information you need to make the adjusting ledger entries.

**To make these end-of-month adjustments, you must run the Prepaid Rent Report twice: once for the current month (Step 1) and once for the previous month (Step 2).**

**Step 1:** First adjust SiteLink's entries for prepayments and concessions by debiting A/R and Crediting Prepaid Rent and Credits Issued, as shown in Table 2.1 below.

Table 2.1 Journal entries needed to move the current month's prepayments from A/R to a Prepaid Rent Liability account and then to reverse the normal SiteLink prepayment concessions entry in the Credits Issued account (use the current month's Prepaid Rent Report).

Chart of Account	Category	Debit	Credit	Report	Report Section	Report Item
Prepaid Rent	Liabilities		\$X	Prepaid Rent	Collections Received During the Reporting...	Cash+check+Charge (1)
Credits Issued	Income		\$Y	Prepaid Rent	Collections Received During the Reporting...	Applied Credits (2)
A/R	Asset	\$ X+Y		Prepaid Rent	Collections Received During the Reporting...	Total (3)

- (1) \$X= Prepayments by Cash, Check, or Charge collected in current month.
- (2) \$Y= Prepayments by Applied Credits in current month.
- (3) \$X+Y=Total Prepayments collected in current month.

**Step 2:** Next, post entries for past months' rent prepayments and concessions applied toward current month's rent, as shown in Table 2.2 below.

Table 2.2 Journal entries to record prepayments applied towards current month's rent charges (use previous month's Prepaid Rent Report).

Chart of Account	Category	Debit	Credit	Report	Report Section	Report Item
Prepaid Rent	Liabilities	\$R		Prepaid Rent	Prepayments Collected Before the Report...	Cash+check+Charge (4)
Credits Issued	Income	\$S		Prepaid Rent	Prepayments Collected Before the Report...	Applied Credits (5)
A/R	Asset		\$R+S	Prepaid Rent	Prepayments Collected Before the Report...	Total (6)

- (4) \$R= Prepayments by Cash, Check or Charge collected **before** current month for only current month's Rent Charges.
- (5) \$S= Prepayments by Applied Credits **before** current month for only current month's Rent Charges.
- (6) \$R+S=Total Prepayments collected **before** current month for only current month's Rent Charges.

### 3. General Journal Entry, Bank and Credit Card Statement Reconciliation

#### Reconciling “A/R” Journal Entries

The General Journal Entry A/R, shown in Tables 1 and 2, is reconciled by the A/R Report as shown in the following example.

General Journal Entry Report			A/R Report		
Chart-of-Account Item	Debit	Credit			
Rental A/R	\$		Ending A/R		\$W
Other A/R	\$		Beginning A/R		\$Z
POS A/R	\$		Net Change in A/R		\$W - \$Z
Total Debit Side	\$X				
Credits A/R		\$Y			
Net Change in A/R	\$X - \$Y				

#### Reconciling “Checking” Journal Entries

The amount posted to the Checking and Trust Account items is the payments collected for a period, where the amount posted to the Trust Account is the total payments made towards security deposit charges. The Checking and Trust accounts items can be reconciled by the A/R Report or the Summarized Financial Activity Report as shown in the following example.

General Journal Entry Report			A/R Report			Sum. Financial Activity Report		
Chart-of-Account Item	Debit	Credit						
Rental Checking	\$		Payments	\$		Payments		\$
Trust Account Checking	\$		Walk-In POS	\$		Overpayments		\$
Other Checking	\$		Total Payments	\$X		Total Payments		\$X
POS Checking	\$		NSF	\$Y		NSF Payments Reversed		\$Y
Credits Checking (overpayments)	\$		Net Payments	\$X - \$Y		Net Payments		\$X - \$Y
Total Debit Side	\$X							
NSF (checking + trust)		\$Y						
Net Payments	\$X - \$Y							
Refunds Made: checking + trust (1)		\$R						

(1) Refunds Made (checking + trust) can be reconciled against the Refunds Activity Report.

#### Reconciling Journal Entries

Generally speaking, the go-to report for reconciling journal entries is the Summarized Financial Activity Report. In this report, payments, charges, taxes, COGS figures are provided for the reporting period. Refer to Tables 1 and 2 for details on this and other SiteLink reports are related.

#### Reconciling Credit Card Statements

If you accept credit card payments, use the Credit Card Payment Report and the Daily Payment Summary Report to double-check your processors' statements and audit your processors' fees for credit card transactions. Ask your credit card companies (VISA, MasterCard and American Express) to charge the processing fees only once a month (usually they will charge it on the following month for the current month's transactions) instead of per transaction. This will make your reconciliation much easier.

#### Reconciling Bank Statements

The SiteLink Deposits Report summarizes the Daily Deposits made during a calendar month. Cash, checks and charge card transactions for individual deposits can be reconciled from Daily Deposits Reports.

#### Reconciling Prepayments

Prepaid Rent Report shows how prepayments (includes prepaid sales tax) made before the report date are applied to rent. The total prepayments can be reconciled against the Prepaid Rent Roll Report.

For Anniversary Date customers, if for instance a rent charge is applied from this month's 15<sup>th</sup> to next month's 14<sup>th</sup>, then payment made during this month will be applied to this month. Charges and payments are not be tracked as partially prepaid in SiteLink.

#### **4. Writing-Off Bad Debts**

After a tenant has moved out, any unpaid charges are listed as bad debts on the SiteLink Bad Debts Report. When you have exhausted all hope of collections, post these bad debts to your accounting software.

After posting your bad debts to your accounting software you will want to remove them in SiteLink so they will no longer appear on the tenant's account, the Bad Debt Report and the A/R Report. Clear bad debts in SiteLink by simply clicking on the "Clear All Charges as Written Off Bad Debt" from the Adjust Moved-Out Accounts screen.

#### **5. Guidelines for Avoiding Problems**

In accrual accounting, backdating charges and payments is a common source of discrepancies in A/R and other chart-of-account items. The problem occurs when a site manager moves-in or moves-out a tenant, or takes a payment, or creates a charge for a period that has already been posted into the General Journal. SiteLink provides some features that can minimize this problem but you will have to put certain standard operating procedures in place to prevent others.

SiteLink setups available for preventing your manager from making backdated charges are found on the SiteLink Checklist "Set Program Defaults" feature. For the SiteLink checklist you can lockout your site managers from backdating both move-outs and move-ins.

Operating procedures for preventing discrepancies are

- 1) Instruct your managers not to backdate charges when making ledger adjustments.
- 2) Lock out your managers from changing the move-in and move-out dates by setting appropriate Program Defaults in the SiteLink Setup Checklist.
- 3) Instruct your site managers to inform your accounting department about any backdated charges they create so journal entries can be made.
- 4) Don't change the computer clock. If your computer's clock appears to behave erratically, replace its battery.
- 5) Make a second daily close if a payment is taken after the first daily close. Making more than one close per day is allowed in SiteLink. This procedure will ensure that your daily deposits equal your daily receipts.
- 6) Don't FAX reports or email your database to your home office the same day as your daily close. It is safer to wait to the next day to ensure that any payments, or other transactions, that occur after the daily close will be included in your Home Office's backed-up database and reports. Experience has shown that this is a common cause of discrepancies with our other customers. We continue to recommend that either the database be emailed the day after the close and that the journal posting be made a day late to avoid this potential problem.
- 7) Turn off your computer at night. This is a good safety precaution to prevent damage from lighting strikes, and it ensures that SiteLink applies automatic charges, like rent and late fees, in the most predictable manner.
- 8) Review your auction process and bad debt procedures to ensure that your journal entries accurately reflect your collection activities. SiteLink cannot know how bad debts should be posted, so it lists them in a Bad Debts Report for manual entry into your accounting system.
- 9) Post journal entries to your accounting system once/month, not once/day. If there are backdated charges or payments, the odds they are overlooked by your accounting department will be reduced.
- 10) Keep a log of which periods you have imported or posted SiteLink data into your accounting system. You don't want to miss a period or import the same period twice.

If you find it difficult to accommodate the above recommendations or if accrual-basis accounting seems problematic, you should consider changing over to cash-basis accounting. The IRS allows cash basis accounting for property rental businesses. This change would eliminate A/R and would simplify your bookkeeping.

#### **6. Answers to Frequent Questions**

##### **6.1 Questions about Accounting and SiteLink**

###### **What is the difference between Cash and Accrual accounting?**

Cash basis accounting is a method of bookkeeping in which you regard income and expenses as occurring at the time you actually receive a payment or pay a bill. A cash-basis report shows income only if you have received it and

expenses only if you have paid them. In cash-basis accounting there is no A/R. Cash basis accounting is simpler and more intuitive than accrual accounting.

Accrual basis accounting is a method of bookkeeping in which you regard income and expenses as occurring at the time you ship a product, render a service or receive a purchase. Under this method, the time when you enter a transaction and the time when you actually pay or receive cash may be two separate events.

**Should I post journal entries on a daily, weekly or monthly basis?**

It depends on how much detail you want. Daily posting is recommended. Daily posting gives you the ability to closely track your cash situation in your accounting software. It also permits close monitoring of adjustments.

Alternatively, monthly posting is fine and it involves much less work than daily posting. Monthly is particularly good for smaller facilities with less activity. Weekly posting is not commonly used since the week start and end dates will not match the calendar month.

**Why doesn't a tenant's ending A/R on the A/R Report equal his balance on the Ledger History Report?**

Quite simply, the Tenant Ledger History Report is the tenant's ledger and shows all charges and payments. In contrast, the A/R Report shows tenants' charges and payments on a strict accrual-basis. In accrual accounting, payments and charges are reported in the month they occur, so future period's charges are not reflected on the A/R Report.

**Why are bad debts dropped from the A/R Report after 360 days?**

Bad debts from moved-out tenants are dropped from Accounts Receivables and Aged Receivables Reports after 12 months. In normal business operations, bad debts are commonly written off within 12 months by posting journal entries into your accounting system. Adjustments can also be made to moved-out accounts in SiteLink to reflect these entries, but doing so would require another level of coordination between your accounting department and your site. By dropping bad debts from the A/R Report, SiteLink provides an automatic process for ensuring that your A/R does not grow over time.

To track the amount of A/R that is dropped, the A/R Report has fields showing the summary amount dropped and it gives instructions on running other reports for the details.

**Why don't my deposits equal my receipts on the Management Summary Report?**

A deposit contains all receipts taken since the previous deposit (i.e., a fiscal period). SiteLink reports receipts and other activities for calendar periods. If these items do not agree then payments were taken after the daily close was made. To make your fiscal periods match the calendar, do your daily close at the end of day, and if necessary make more than one daily close. This procedure is particularly good practice at the end of the month.

**Should I keep track of inventory in my accounting software?**

No. SiteLink tracks inventory sales, inventory levels and reorder points. When point-of-sales items are sold, SiteLink records the transaction as a debit to Checking and COGS, and a credit to POS Supplies and POS Sales when posting into your accounting software.

When supplies are purchased you should debit this payment in the POS Supplies account in the Asset category in your accounting software.

**I don't have separate trust and checking accounts. Can SiteLink report just one account for making journal entries?**

No. The vast majority of our customers maintain a separate trust account for security deposits, as is required in most states. If you want to have just one account, you could make a journal entry to transfer funds from the trust to checking accounts.

**How are prepayments reported?**

Prepayments are treated as payments against A/R towards future charges. The SiteLink Prepaid Roll and Prepayments Report can be used for additional tracking.

**I am planning to sell my facility. How can I prorate A/R between the buyer and seller?**

There is an export feature on the SiteLink report screen that can be used to create a file containing the information you need. This file can be imported into an Excel spreadsheet for calculating the prorated A/R.

## **6.2 Questions about Importing the SiteLink Journal Entry File into Quickbooks**

### **How do I know if the data on the General Journal Entry Report has been imported correctly into Quickbooks and how do I know if data has been imported for a certain date?**

In Quickbooks, you can run the Journal Report found on the path Reports>>Accountant & Taxes>>Journal. On this report, you will see entries that have been imported via a dummy account labeled "Uncategorized". The period covered by the import is also shown on this report.

### **What do I do if I imported the same data into Quickbooks twice?**

In the Quickbooks Journal Report you will see any double entry. One set of entries can be deleted from this report by double clicking on each duplicate and then deleting.

### **Can I write checks and record expenses in Quickbooks without affecting my SiteLink journal entry imports?**

Yes, because these things are independent.