

## Timeslips Hidden Treasure #14

### Handling Money in Timeslips when Linked with QuickBooks

Timeslips is designed for handling all client money deposited into the Operating or the Trust checking account. This document was created to provide a variety of Timeslips Accounts Receivable and Client Fund (ex. Trusts, Retainers and Deposits) transactions and shows the accounting results when interfacing Timeslips to QuickBooks accounting software program.

It is important to remember that Timeslips replaces the Accounts Receivable function in QuickBooks. Deposits are recorded into Timeslips and then transferred to the QuickBooks Undeposited Funds account. In QuickBooks a Bank Deposit is recorded to batch the checks into one deposit ticket.

Checks written from a Client Trust account in QuickBooks must be manually recorded into the Timeslips Client Funds. The purpose of recording QuickBooks checks in Timeslips is to document the Withdrawal transaction from Client Funds and display the results on the bill for the client. The *Funds with Running Balances* report will show Trust balances by client and the total on the report should agree with the *Client Trust Liability and Trust Cash accounts* in QuickBooks. The examples below explain cash entries in Timeslips when linked to QuickBooks. If you have any questions, contact Integrated Visions at 619.520.1295

#### Important Assumption:

The examples below assume that the books are kept on a Cash Basis.

#### Examples:

**Situation #1: Initial Trust Deposit. Client gives a check for \$500 to your firm to deposit into their trust account.**

1. TS - Record a *Payment to Account* (PTA) transaction in TimeSlips client fund transactions. This transaction will post to QuickBooks and increase the *Undeposited Funds* balance.
2. TS - Print G/L Transfer Report, review and post to QuickBooks.

Debit	Undeposited Funds	500.00
Credit	Client Trust Liability	500.00

3. QB - Make a Deposit and select all checks on the deposit ticket batch.
4. QB - Record the deposit to the Trust bank account and save entry.

Debit	Cash-Trust	500.00
Credit	Undeposited Funds	500.00

5. TS - Print Funds with Running Balances report to verify the client fund balances in Timeslips agrees with the QuickBooks Client Trust Liability account
6. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Situation #2:** Paying a vendor out of the Trust Account. Your firm writes a check from the client trust funds for \$100 to pay a vendor.

1. QB - Write the check to the vendor and apply the expense to the Client Trust Liability account

Debit	Client Trust Liability	100.00	
Credit	Cash-Trust Account		100.00

2. TS - Record a Client Funds Withdrawal entry using the check date as the transaction date and note the check number in the description.
3. TS - Print G/L Transfer Register, review and post to QuickBooks. (This entry will be deleted in QuickBooks later, it is a duplicate of step #1)

Debit	Client Trust Liability	100.00	
Credit	Undeposited Funds		100.00

4. QB- Select List/Chart of Accounts then double click on the *Undeposited Funds* account.
5. QB – Locate and highlight the withdrawal (duplicate) entry created by Timeslips, select Edit/Delete Transaction from the menu.

Debit	Undeposited Funds	100.00	
Credit	Client Trust Liability		100.00

6. TS Print Funds with Running Balances to verify the client fund balances in Timeslips agrees with the Client Trust Liability account in QuickBooks.
7. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Note:** In Step #5 above, the entry is deleted because contrary to what the help menu in Timeslips says, there is no way to prevent the withdrawal entry in Timeslips from posting to QuickBooks and QuickBooks will not allow a check to be posted to the Undeposited Funds Accounts. This creates a catch 22 situation. If you are not comfortable deleting the entry an alternative is to open it and reverse the entry debiting and crediting the opposite accounts from the original entry or debit and credit the same account (trust liability) creating a zero net change entry in the liability account

**Situation #3:** Pay reimbursable cost from Operating account. Your firm writes a check for \$50 from the Operating account to Fed-X for client reimbursable expenses.

1. QB – Write check to Fed-X and post to appropriate Cost Reimbursement account.

Debit	Reimbursed Costs	50.00	
Credit	Cash - Operating		50.00

2. TS - Record an expense slip entry for the \$50 item. (To use the *Export QuickBooks Expense* procedure, contact Integrated Visions at 619.520.1295 for information).
3. On a cash basis, no entry will be recorded from Timeslips until the bill is generated, approved and paid.

**Situation #4:** Generate and Approve Bills with Trust money available. Your firm generates and approves bills and in the client information/funds tab, you marked the option for "Automatic payment of new charges on the bill." This option will automatically enter a *Payment from Account (PFA)* entry from client funds and apply Trust money in the amount of the current bill until it runs out of money. Any remaining amount due will show in Accounts Receivable. (Example: New charges on bill are \$150, Fees= \$100 and Costs = \$50)

1. TS - Generate and approve the bill.
2. TS - Timeslips will automatically record a Payment From Account (PFA) transaction.
3. TS - Print the G/L Transfer Register, review and post to QuickBooks. Fee Income and Reimbursed costs will be recorded and Client Trust Liability will be decreased.

Debit	Undeposited Funds	150.00	
Credit	Fee Income		100.00
Credit	Costs Reimbursement		50.00
Debit	Client Trust Liability	150.00	
Credit	Undeposited Funds		150.00

4. QB – verify that the Trust Bank account and Client Trust Liability accounts are the same amount
5. QB – Make a deposit ticket for zero amount to clear out the undeposited funds cash movement

Debit	Cash-Trust Account	0.00	
Credit	Undeposited Funds		0.00

**Situation #5:** Generate and Approve bills without Trust money available. Your firm bills client for hours incurred but funds are not available in the trust account when the bill was generated. (Example Time=\$100.00)

1. TS - Generate and approve bills.
2. On a Cash Basis, no entry will be recorded in QuickBooks until the funds are paid. However, the amount due from the bill will appear on the Timeslips Accounts Receivable Aging report.

**Situation #6:** Pay a previous A/R Balance from Trust. Enter a manual Payment from account (PFA) entry from client funds in Timeslips to pay off a previous Accounts Receivable Balance of \$50 for time charges created prior to setting the automatic payment of funds option.

1. TS - Record a Payment From Account (PFA) transaction and apply to open invoice.
2. TS - Print G/L Transfer Report, review and post to QuickBooks.

Debit	Undeposited Funds	50.00	
Credit	Fee Income		50.00
Debit	Client Trust Liability	50.00	
Credit	Undeposited Funds		50.00

3. QB - Make a Deposit in QuickBooks and select all checks on the deposit ticket. The total deposit will be zero because it is capturing the cash movement in step#2 above
4. QB - Assign the deposit to the Trust bank account and save the entry.

Debit	Cash – Trust Account	0.00	
Credit	Undeposited Funds		0.00

5. QB - Write the check from the Trust Checking account and apply the expense to the Client Trust Transfer account (add this to your chart if it doesn't exist) account.

Debit	Client Trust Transfer	50.00	
Credit	Cash-Trust Account		50.00

6. QB - Record the trust deposit into the Operating Account and apply to the Client Trust Transfer account to offset the check entry above. The balance in the Client Trust Transfer account should always be zero when the transaction is completed properly.

Debit	Cash-Operating Account	50.00	
Credit	Client Trust Transfer		50.00

7. TS - Print "Funds with Running Balances" report to verify the Client Fund balances in Timeslips match the QuickBooks Client Trust Liability account.
8. QB – Make a deposit ticket for zero amount to clear out the undeposited funds cash movement
9. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Situation #7:** Transfer Trust money to Operating account. Write a \$150 trust check in QuickBooks to move trust funds to the general account for your firm's fees earned following approval of bills. This procedure assumes a check is written and it is not a bank transfer entry. Contact Integrated Visions at 619.520.1295, if you want to use the bank transfer entry instead.

1. TS - Print Funds Transaction Listing or Trust Transfers to Checking report for the current bill date range and select only Payment from Account (PFA) and Withdrawal (WD) transaction types. This report will provide a detailed listing by client of the amounts Timeslips automatically applied from Trust to the current bill. This report reflects the amount due to your firm for automatic Trust payments applied to your current bill.
2. QB - Write the check from the Trust Checking account and apply the expense to the Client Trust Transfer account (add this to your chart if it doesn't exist) account.

Debit	Client Trust Transfer	150.00	
Credit	Cash-Trust Account		150.00

3. QB - Record the trust deposit into the Operating Account and apply to the Client Trust Transfer account to offset the check entry above. The balance in the Client Trust Transfer account should always be zero when the transaction is completed properly.

Debit	Cash-Operating Account	150.00	
Credit	Client Trust Transfer		150.00

4. No additional entries are required in Timeslips.
5. TS - Print Trust with Running Balances report to verify that the Client Funds balances in Timeslips match with the QuickBooks Client Trust Liability account.
6. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Situation #8:** Records Settlement fees on a case. \$2,000 check received for a contingency case where \$800 is for your fees and remaining \$1,200 is to be paid by check to the client.

1. QB - Write a check from the Trust account for \$1,200 and apply to the Client Trust Liability account.

Debit	Client Trust Liability	1,200.00	
Credit	Cash – Trust Account		1,200.00

2. TS - Enter check for \$2,000 as Payment to Account (PTA)
3. TS – Enter a Flat Fee of \$800 for your fees
4. TS - Enter a Payment from Account (PFA) for \$800 and apply to your fees on the future bill
5. TS - Enter a Withdrawal in Timeslips for \$1,200 to record the amount refunded to the client and the check number. \*This entry will be deleted in QuickBooks later.
7. TS – Generate and Approve the bill
8. TS - Print G/L Transfer Report, review and post to QuickBooks.

Debit	Undeposited Funds	2,000.00	
Credit	Client Trust Liability		2,000.00

Debit	Client Trust Liability	800.00	
Credit	Undeposited Funds		800.00

Debit	Undeposited Funds	800.00	
Credit	Fee Income		800.00

*Debit	Client Trust Liability	1,200.00	
*Credit	Undeposited Funds		1,200.00

9. QB - Make a Deposit to the Trust account in QuickBooks for the \$2,000 check and save the entry.

Debit	Cash – Trust Account	2,000.00	
Credit	Undeposited Funds		2,000.00

10. QB - View the Timeslips Withdrawal entry in QuickBooks by opening List/Chart of Accounts and double click on the Undeposited Funds account.
11. QB - Highlight the withdrawal entry created by Timeslips and from the menu and select Edit/Delete Transaction. (This is a duplicate of the check entry created in step #1 above)

*Debit	Undeposited Funds	1,200.00	
*Credit	Client Trust Liability		1,200.00

12. QB - Write a \$800 check from the Trust Checking account and apply the expense to the Client Trust Transfer (add this to your chart if it doesn't exist) account

Debit	Client Trust Transfer	800.00	
Credit	Cash – Trust Account		800.00

13. QB - Record the Trust deposit of \$800 into the Operating Checking Account and apply the expense to Client Trust Transfer to offset the check entry in Step #11 above.

Debit	Cash – Trust Account	800.00	
Credit	Client Trust Transfer		800.00

14. No additional entries required in Timeslips.

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15. TS - Print Funds with Running Balances to verify the client fund balances in Timeslips agrees with the QuickBooks Client Trust Liability account.
  16. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Situation #9:** Refunding unused Trust money to the client. Your firm has completed a matter and trust money remains in the account. The client has requested a refund of their balance. Example: Refund the client \$100 of unused Trust funds.

1. QB - Write a Trust check in QuickBooks for \$100 and apply it to the Client Trust Liability account.

Debit	Client Trust Liability	100.00	
Credit	Cash – Trust Account		100.00

2. TS - Record a Client Funds Withdrawal entry using the check date as the transaction date and note the check number in the description.
3. TS - Print G/L Transfer Register report, review and post to QuickBooks.

3.1.1	Debit	Client Trust Liability	100.00	
3.1.2	Credit	Undeposited Funds		100.00

4. QB - View the Withdrawal entry created by Timeslips by opening List/Chart of Accounts and double click on the Undeposited Funds account.
5. QB – Double click to open the withdrawal entry created by Timeslips and from the menu. Change the entry from “Undeposited Funds” to “Client Trust Liability” resulting in a debit and credit (zero entry) to the same account. Alternatively, you could select Edit/Delete Transaction. (This is a duplicate of the check entry created in step #1 above)

5.1	Debit	Client Trust Liability	100.00	
5.2	Credit	Client Trust Liability		100.00

6. TS - Print Funds with Running Balances to verify the client fund balances in Timeslips agrees with the QuickBooks Client Trust Liability account.
7. QB – the Trust Bank account and Client Trust Liability accounts should always be the same amount

**Situation #10:** Client pays for services rendered and money is deposited to the Operating account. Your firm has generated a bill to the client and they send in a payment. The deposit will go directly to the Operating account. Example: The client pays their invoice for \$700 (Fees = \$500 and Costs = \$200).

1. QB – Write a check from the Operating Account for a Reimbursed cost of \$200.00

Debit	Reimbursed Costs	200.00	
Credit	Cash-Operating		200.00

2. TS - Record Accounts Receivable Payment (PAY) Transaction and apply the payment to the specific invoices paid.
3. TS - Print G/L Transfer Register report, review and post to QuickBooks.

Debit	Undeposited Funds	700.00	
Credit	Fee Income		500.00
Credit	Reimbursed Costs		200.00

4. QB - Make a Deposit in QuickBooks and select all checks on the deposit ticket.
5. QB - Assign the deposit to the Operating bank account and save the entry.

Debit	Cash-Operating Account	700.00	
Credit	Undeposited Funds		700.00

**Summary of Accounting transactions recorded by Timeslips =TS and QuickBooks = QB:**

	<u>Checking Trust</u>	<u>Checking Operating</u>	<u>*Undeposited Funds</u>	<u>*Client Trust Transfer</u>	<u>Client Trust Liab.</u>	<u>Fee Income</u>	<u>Cost Reimb</u>
Situation #1 (TS)			500.00		(500.00)		
Situation #1 (QB)	500.00		(500.00)				
Situation #2 (QB)	(100.00)				100.00		
Situation #2 (TS)			(100.00)		100.00		
Situation #2 (QB)			100.00		(100.00)		
Situation #3 (QB)		(50.00)					50.00
Situation #4 (TS)			150.00 (150.00)		150.00	(100.00)	(50.00)
Situation #4 (QB)	0.00		0.00				
Situation #5 (TS) *No entry booked when on a cash basis*							
Situation #6 (TS)			50.00 (50.00)		50.00	(50.00)	
Situation #6 (QB)	0.00		0.00				
Situation #6 (QB)	(50.00)	50.00		50.00 (50.00)			
Situation #7 (QB)	(150.00)			150.00			
Situation #7 (QB)		150.00		(150.00)			
Situation #8 (TS)			2,000.00 (800.00) 800.00 (1,200.00)		(2,000.00) 800.00 1,200.00	(800.00)	
Situation #8 (QB)	(1,200.00) 2,000.00 (800.00)	800.00	(2,000.00) 1,200.00	800.00 (800.00)	1,200.00 (1,200.00)		
Situation #9 (QB)	(100.00)				100.00 (100.00)		
Situation #9 (TS)			100.00 (100.00)		100.00		
Situation #10 (TS)			700.00			(500.00)	(200.00)
Situation #10 (QB)		(200.00) 700.00	(700.00)				200.00
<b>Account Balance</b>	<b>100.00</b>	<b>1,450.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(100.00)</b>	<b>(1,450.00)</b>	<b>0.00</b>

- Rules:

- The Cash-Trust and Trust Liability accounts should always be the same amount once everything is recorded.
- Undeposited Funds and Client Trust Transfer are suspense accounts and should always be zero once transactions are properly booked. The accounts are used because the TAL system posts Timeslips transactions in detail and for bank reconciliation purposes the deposit amount in the checking account has to be posted on a deposit ticket summary to match bank entries on the statement. If you need the detail of the deposit, check the Undeposited Funds account or the TAL transfer register.
- Reimbursed costs paid by your firm are billed to the client, the Cost Reimbursement account will also be zero.