Handling Upfront Payments with FrontAccounting

Logging upfront payments in FrontAcounting is not very intuitive. Here's how it can be done:

This applies to sales with an upfront (aka, prepaid, on demand, paid in advance) payment method. For example, you receive a payment online via PayPal which goes directly into your PayPal account, and then you process the order accordingly with no further invoicing required. I found that there are 2 different ways to handle this in FA which I will refer to as the Traditional Method and the Quick Method. I call the longer method traditional because it was once the only option before FA added 'Direct' invoicing.

TRADITIONAL METHOD:

PRE-REQ: By default, FrontAccounting does not create a prepayment payment option so, if not already done, you must do this manually. Under Setup>Payment Terms, create a new payment option of Payment type 'Prepayment'. For example, create one named PayPal.

[1b] When order is received create an applicable sales order (Sales>Sales Order Entry) and select the desired prepayment option (that you should have created), such as PayPal, for the Payment field.

[2] Once the order has been processed/shipped create the Delivery Note & Sales Invoice by first using **Sales>Delivery Against Sales Orders** and selecting the sales order in step 1, then using Sales>Invoice Against Sales Delivery and again select the same sales order. This step will generate the appropriate Delivery Note and Sales Invoice entries in the journal. The Delivery Note handles inventory transactions while the Sales Invoice debits the Accounts Receivables for the order amount. Optionally, you can combine steps 1b & 2 using Sales>Direct Invoice.

[3] Add payment using Sales>Customer Payments and select the sales order created in step 1 (note that sales order will only show here if it was created with a pre-pay payment type). Also remember to select the appropriate receiving bank account (such as PayPal). If applicable, as is the case with PayPal, include the transaction fee in the Bank Charge field*. This step creates a Customer Payment entry in the journal which essentially transfers Accounts Receivables (as created by the previous step) to an actual bank account.

For cases where some or all of the revenue received from the sale can be reported prior to shipping, the additional steps below can be added to the process. Note, however, that according to accounting rules revenue from retail sales must, in most cases, be reported only once the product has shipped.

Add this step before 1b:
[1a] Make a customer payment (Sales>Customer Payments) for the amount that is to be received as income prior to completing the order.

Add this step after 3, although step 3 may no longer be necessary if revenue received prior to sales order was the complete amount:
[4] Now assign the Sales Invoice to the Customer Payment using Sales>Allocate Customer Payments or Credit Notes. There you should see the Customer Payment you created in step 1 which, after you select the allocate icon, you can assign to the Sales Invoice created in step 2.

*NOTE: Bank charges by default go to the Interest & Bank Charges account. If you'd like to track PayPal fees to a different account you can create one and assign it as the Bank Charges Account under Setup>System and General GL Setup. However, because this option is not bank specific ALL customer/supplier payment charges will now go to this account. If you only use PayPal for payments that involve charges, this is alright; otherwise you'll have to live with all charges being clumped together into the default account.

QUICK METHOD:

The much (much much) quicker method involves just a single FA form but you cannot control the date of journal entries (all entries occur at once), you cannot enter an optional bank charge, and the order amount must be paid in full in one shot.

PRE-REQ: You must create your PayPal account as a Cash Account and you must relate this account to Point of Sale (POS) transactions under Setup>Points of Sale as well as under Setup>User Accounts Setup>User's POS.

[1] Create a Direct Invoice (Sales>Direct Invoice) and select the "Cash Only" Payment type. If you configured POS correctly (see PRE-REQs above) the PayPal cash account should be the Cash Account under the Cash Payment section. Place the invoice and that's it! This will automatically create the Delivery Note, Sales Invoice, and Customer Payment journal entries which ultimately puts money directly into your bank account. For more details on what these journal entries do refer to the Traditional Method.

In custom manufacturing we have a common payment type where a certain percentage of the total amount is prepaid, e.g. half to be paid up front, and half upon reception of the product. The traditional method described above WITH extra steps [1a] and [4] added should do the trick. In this case step [1a] covers the pre-payment (say 50%).