Payments to Non-Vendors (e.g.Payroll)

DOCUMENT SUMMARY SHEET

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1.1   Introduction

This HowTo describes the way in which ADempiere ERP & CRM can be used to process payments of the following type:

- Payroll transactions
- Dividends
- BAS Payments
- Transfers between bank accounts
- Loans from parent companies

Payments which are not inventory purchases will typically be put to a **Charge.**

1.1.1   What is a "Charge"?

A "Charge" in ADempiere is a label which acts as a link to a general ledger account in an Accounting Schema so that the account code itself does not have to be directly selected.

ADempiere supports the use of multiple Accounting Schemas / Charts of Account for the same entity. This "Charge" record allows a purchase to be put to (say) the Charge "Coffee Purchases" and for that to debit a particular general ledger account in the first Chart of Accounts and debit a completely different account in a second chart of accounts (which may be in another currency).

1.2   Payroll

Payroll is a good example of a payment which is not for inventory.

Payroll payments are most easily taken up as a Vendor Invoice/Vendor Payment because there will most likely be two or more distributions associated with it (gross pay and PAYG tax).

Some more simple payments can be taken up by directly allocating the Payment to a Charge (refer to note at the end of this HowTo)

1.2.1   Example

Assume we have a payroll payment with the following attributes:

- Gross Payroll $1000
- PAYG deducted $200
- Net Pay$800

Payroll entries can be taken up gross or net. Let's assume we are taking up the Gross Payroll.

- Create a BP called "Payroll Clearing"

- Create a Charge (called - Salaries) pointing to the Salaries Account

- Create a Charge (called - PAYG Suspense) pointing to the PAYG Suspense Account

(both Charges should have their tax category set as "Not Supply" so that the system will not try by default to apply GST to the transactions)

- Create a Vendor invoice to the BP "Payroll Clearing" with a Doc Number of "June Salaries"

    o Add line 1 as a Charge to Salaries for $1000

    o Add line 2 as a Charge to PAYG Suspense for -$200.

    o The net invoice will be for $800

    o Process and Post

- Create a Payment to the Business Partner "Payroll Clearing"

    o Select the invoice "June Salaries" from the invoice list

    o The amount of $800 will be automatically filled in

    o Complete and Post

1.3   Business Activity Statements

Let's assume that during a given month a series of Sales invoices have generated the following transactions:

- Dr Debtors $11,000

- Cr GST on Sales -$1000

- Cr Revenue -$10,000

Purchase invoices have generated the following transactions:

- Dr Expense/Inventory $5,000

- Dr GST on Purchases $500

- Cr Creditors -$5,500

Payroll has generated the following transactions:

- Dr Salaries $1000

- Cr PAYG Suspense -$200

- Cr Cash -$800

Let's also assume that it is the end of a quarter so a Corporations Tax instalment ($250) and an FBT instalment ($100) are also due.

1.3.1   Create the necessary Charges

Create a Charge called "Corp Tax Liability" pointing to the relevant general ledger liability account and set its tax category as "not supply". Do the same for FBT, GST on Sales and GST on Purchases if they are not already set up.

1.3.2   Taking Up the BAS Payment Liability

- Create BP for the Australian Tax Office (ATO).

- Create Vendor Invoice to ATO and give it a document number of "BAS – June 2005" and add the following lines to the invoice which will have a total value of $1,050 based on the entires below

  - Line 1 GST on Sales $1000
  - Line 2 GST on Purchases -$500
  - Line 3 PAYG Clearing $200
  - Line 4 Corp Tax Liability $250
  - Line 5 FBT Liability $100

1.3.3   Create a Payment to the ATO

- Select the invoice called "BAS – June 2005" from the invoice drop-down list
- The value of $1.0505 will be automatically displayed
- Complete and Post

1.3.4   Reconciliation Process

The Vendor invoice to the ATO will generate a debit to the GST on Sales liability account of $1000. This transaction should bring the GST liability back to zero (if you are operating on an accrual basis). If it does not then there is an error. The same will apply to GST on Purchases and PAYG Clearing.

It can be helpful to process the BAS invoice for June and date it as 30 June. The invoice will then clear the GST on Sales and GST on Purchases general ledger accounts to zero at 30 June… So if the accounts have a balance after you have taken up the BAS invoice then you know there is an error.

1.4   Transferring money between Bank Accounts

Transferring money between bank accounts requires transactions to be created in both bank accounts and is most easily done using the ADempiere Bank Statement process. This is described below.

■Create a Charge called "Bank Transfer Suspense" with a Tax Type of "Not Supply" and point it to a general ledger account of the same or similar name in the current assets (cash section) of the ledger.

■In the ADempiere Bank Statement window for the account from which the money was taken.

- Create a Bank Statement for the bank statement page you are reconciling.

- Enter the opening balance for the statement if it is not already filled in and SAVE.

- Click on the "Create Lines From" and tick all the payments and receipts that appear on the bank statement received from the bank.

- Create additional lines for any bank charges and enter the charge as a negative amount and allocate to the Charge called Bank Fees (or whatever you have called it). Save.

- Create an additional line for the transfer to the other bank account. Enter the charge as a negative amount and allocate to the Charge called "Bank Transfer Suspense".

- Go back the Bank Statement Header record. If all is done correctly the closing Balance shown in the Bank Statement should be the same as on the bank statement.

■   In the ADempiere Bank Statement window for the account into which the money was paid. Perform the same process as described above but enter the bank transfer as a positive amount.

The corresponding debit and credit created by processing the two Charges will clear the Bank Transfer Suspense general ledger account to zero.

1.5   Other Considerations

Recent versions of ADempiere allow a Payment to be directly allocated to a Charge.

Before this enhancement, such items needed to be taken up by creating an (imaginary) Vendor Invoice or by taking the item up in Bank Statement, creating a line for the payment item and allocating to a Charge (i.e. as described above).

From version 2.5.2d it is possible to allocate a payment directly to a single charge as long as no GST is in involved. If GST is involved you must take up an invoice to ensure the GST is visible in the "Invoice Tax" report.

A small error exists in 252d (fixed in 252e) which causes payments put directly to a Charge to not be created automatically as a bank reconciliation line item by the "Create Lines From" process although they can be added manually without difficulty.

2 Adaxa's Offices and Contacts

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