Managing Company Credit Cards

Contents
About Managing Company Credit Cards
Managing Credit Cards as Vendors
Managing Credit Cards as Short Term Liabilities
Paying by General Check Without Posting the Statement
Managing Credit Cards as Bank Accounts

About Managing Company Credit Cards
There are several methods for managing a credit card in PCLaw. The card can be treated as an AP vendor, a general liability, a general check, or a bank account. This document describes the procedures for each method.

About Accounting Methods
Using the A/P module is compatible for all accounting methods. Accrual systems posts the balance of any outstanding statement to the General Liabilities (2000) account. Modified Cash and Cash systems post only matter costs to the general ledger. The payable is only posted when the payment is processed.

Handling the credit card through a liability account is compatible for Accrual systems. Once an the statement is recorded in PCLaw, the balance remains as an outstanding liability until payment is made in full.

Handling the credit card through the General Check feature without previously recording the statement in PCLaw, is compatible with Modified Cash and Cash systems. No liability or negative asset account is kept in PCLaw. The appropriate expense accounts are debited only a full or partial payment is made.

Handling the credit card through a bank account is compatible with Accrual systems. The balance of each statement is maintained as a negative asset from the time each statement is added to PCLaw. The negative asset is removed when payment in full is made to the account.

Managing Credit Cards as Vendors
To handle the credit card as a vendor, the A/P module is required. Managing credit cards through Accounts Payable is a three step process:
• Creating Vendors
• Adding Statements as New Payables
• Processing Payments.
Creating Vendors

**Pull-down menu:** File > Vendor > New Vendor

**Quick Step:** Accounting > New Vendor

To manage credit cards as part of accounts payable, the card must first be added as a vendor.

Exhibit 1. The Vendor tab of the New Vendor window

1. Type a nickname for the credit card account in the **Vendor** box.
2. Type the information for the credit card account in the **Name**, **Address**, and **Phone Number** boxes.
3. Fill out any remaining boxes if required.
4. Click **OK** to save your work this session.

Adding Statements as New Payables

**Pull-down menu:** Data Entry > Accounts Payable > New Payable

**Quick Step:** Accounting > New Payable

Once the credit card account is set up as a vendor, each time a statement is received, it can be added as a new payable.

Exhibit 2. The New Payable window

1. Select the credit card vendor nickname in the **Vendor** box.
2. Type the statement reference number in the **Invoice** box.
3. Select the statement date in the **Invoice Date** box.
4. Select the statement due date in the Due Date box.
5. For firms collecting GST: Select the GST category in the Pay GST box.
6. Type the amount of the statement in the Invoice Amount box. The GST amount fills in automatically.
7. Select Pay Now if the statement is to be paid immediately.
8. Type an extended Explanation or select an explanation code.
9. In the allocation portion of the window, each transaction on the card can be listed individually, grouped by matter, or grouped by G/L account, if no matter is involved.
10. Click OK to save the payable.

Processing payments
Use one of the following two methods to process a payable.

Processing Payables

<table>
<thead>
<tr>
<th>Pull-down menu:</th>
<th>Data Entry &gt; Accounts Payable &gt; Process Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Step:</td>
<td>Accounting &gt; Process Payable</td>
</tr>
</tbody>
</table>

Process the payment through accounts payable.
1. In the Vendor box, type or select the vendor nickname.
2. Click OK to advance to the Process Payables window.
3. Select the statement(s) to process.
4. Click the Print button to print the check.
5. Click the Process button to save the entry.

Creating General Checks

<table>
<thead>
<tr>
<th>Pull-down menu:</th>
<th>Data Entry &gt; General Bank &gt; Check</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Step:</td>
<td>Daily Tasks &gt; Check (General)</td>
</tr>
</tbody>
</table>

Process the payment as a general check, selecting Include in AP. Show Vendors in Paid To Pop Up Help should be enabled on the System Settings > Other tab.
1. Double click in the Paid to box to select the vendor from the Explanation Codes & Vendors Lists Pop Up Help.
2. Check Include in AP.
3. Select the Invoice Number.
4. Complete the remainder of the check as required.

Managing Credit Cards as Short Term Liabilities
Managing the credit card as a short term liability requires adding a general ledger account to maintain the credit card balance. When a statement is received, use a general journal entry or a general check to credit the liability account and debit the appropriate expense accounts. When payment is made, the full check amount is allocated to the liability account.
Creating G/L Accounts

<table>
<thead>
<tr>
<th>Pull-down menu</th>
<th>Options &gt; Lists &gt; G/L Accounts &gt; Add (Item)</th>
</tr>
</thead>
</table>

To administer the credit card as a short term liability, a g/l account needs to be created for the credit card.

Exhibit 3. The New G/L Account window that displays when clicking the Add Item icon in the Pop Up Help - G/L Account window for version 9.20 and higher. For versions 9 to 9.10 click the Add button in the G/L Accounts window.

1. Type a nickname in the **Nickname** box to assign to the credit card account.
2. Type the extended name for the account in the **Account** box.
3. Select Short Liability from the **Type** drop down list.
4. Complete the remainder of the window as required.
5. Click **OK** to save your work and return to the G/L Account window.
6. Click **OK** to return to the PCLaw desktop.

Posting the Statement to the General Ledger

<table>
<thead>
<tr>
<th>Pull-down menu</th>
<th>G/L &gt; General Journal &gt; G/L Adjustment</th>
</tr>
</thead>
</table>

| Quick Step: | End of Month/Year > G/L Adjustment |

Use the General Journal to post a g/l adjustment. Create a G/L Adjustment for unallocated costs. A G/L Adjustment can be used whether or not a firm is collecting GST. If costs are allocated to matters, the allocation must be recorded separately as an expense recovery.

1. Credit the credit card liability account for the full amount of the statement.
2. Debit the respective expense accounts for the transactions that appear on the card.
3. *For firms collecting GST*: Debit **GST Payable (2400)** for the amount of GST.
4. Check **Show Journal Entry on GST Journal**.
5. Click **OK** to post the expenses.

Making Payments

<table>
<thead>
<tr>
<th>Pull-down menu</th>
<th>Data Entry &gt; General Bank &gt; Check</th>
</tr>
</thead>
</table>

| Quick Step: | Daily Tasks > Check (General) |

When paying the statement

1. Create a general check for the amount of the payment.
2. *For firms collecting GST*: Select **N** from the **Pay GST** drop down list.
3. Select the nickname for the credit card liability account in the **G/L Acct** column in the Allocation area of the General check window.
4. Complete the check as required.
Managing Credit Cards without Posting the Statement

Creating a General Check to post the particulars of the credit card statement upon payment only, is compatible with Modified Cash and Cash systems. The statement is not posted to PCLaw when first received. Upon payment, the required g/l accounts are debited. Since there is no credit card liability account, no allocation is made to that account.

Exhibit 4. The General Check window when paying a credit card statement

1. Type the full amount of the statement in the Amount box.

2. For costs allocated to matters: Type the net expense amounts, less GST, individually or group them by matter.
   - Select the Matter nickname in the Matter column.
   - Select an explanation code in the Expl Code column or type an expanded explanation in the Explanation column.
   - Type the Amount.
   - Accept the default allocation of Client Disbursement Clearing (5210) in the G/L Acct column.

3. For firm expenses: Type the net expense amounts, less GST, individually or group them by expense account.
   - Leave the Matter column blank.
   - Select an explanation code in the Expl Code column or type an expanded explanation in the Explanation column.
   - Type the Amount.
   - Select the required general ledger account in the G/L Acct column, type the required general ledger account.

4. Complete the check as required.

Managing Credit Cards as Bank Accounts

Managing the credit card as a bank account requires adding a general bank account in the name of the credit card. When a statement is received, use the General Check feature to credit the bank account and debit the charges to the appropriate g/l accounts. When the statement is paid, use the General-to-General Transfer feature to both create the check, and to address the balance in the credit card bank account.

This method displays a negative balance in the current assets section on the financial statements.
Creating Bank Accounts

| Pull-down menu: | Options > Lists > Bank Accounts > Add |

Create a bank account for each credit card.

![Add Bank Account window](image)

Exhibit 5. The Add Bank Account window on the Options > Lists > Bank Accounts pull-down menu.

1. Select **General Bank** from the **Bank Type** drop down list.
2. Accept or change the bank account number in the **Lexis Back Office Acct** box. The number must be between 2 and 99 and not previously used.
3. Accept or change the General Ledger account nickname.
4. Complete the remaining boxes as required.
5. Click **OK** to return to the Bank Accounts window.
6. Click **OK** to create the new bank account.

Posting the Statement to the Bank Account

| Pull-down menu: | Data Entry > General Bank > Check |

When a statement is received, it can be added as a general check for the account.

| Quick Step: | Daily Tasks > Check (General) |

1. Change the bank account number in the **Acct** box to that of the credit card account.
2. Type the full **Amount** of the statement.
3. **For costs allocated to matters:** Type the net expense amounts, less GST, individually or group them by matter.
   - Select the Matter nickname in the **Matter** column.
   - Select an explanation code in the **Expl Code** column or type an expanded explanation in the **Explanation** column.
   - Type the **Amount**.
   - Accept the default allocation of Client Disbursement Clearing (5210) in the **G/L Acct** column.
4. **For firm expenses:** Type the net expense amounts, less GST, individually or group them by expense account.
   - Leave the **Matter** column blank.
   - Select an explanation code in the **Expl Code** column or type an expanded explanation in the **Explanation** column.
   - Type the **Amount**.
   - Select the required general ledger account in the **G/L Acct** column, type the required general ledger account.
5. Complete the check as required.
Making Payments

<table>
<thead>
<tr>
<th>Pull-down menu</th>
<th>Data Entry &gt; General Bank &gt; Bank-to-Bank Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the General-to-General Transfer feature to create a check to make payment on the credit card balance.</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 6. The Bank-to-Bank Transfer window

1. In the **From Acct** box, type or select the account from where the check is created.
2. In the **To Acct** box, type or select the credit card account.
3. In the **Amount** box, type the amount of the payment.
4. Complete the remainder of the transfer as required.
5. Click the **Print** button to create a hard copy of the check to submit with the statement.
6. Click **OK** to post the transaction.