

## Customer/Vendor Offset

Do you have a vendor who does work for you, but is also a customer of yours? The following steps show how to offset the accounts payable that you may owe the vendor with the accounts receivable that this vendor "customer" owes you.

1. Create a new account within the chart of accounts called 'Clearing Account.' This should be type *Bank*, and if you are using a numbering system with the *Chart of Accounts*, it should fit within the range for bank accounts.
2. On the *Pay Bills* screen, select the *accounts payable bill* that is outstanding with the vendor that you would like to offset against the accounts receivable transaction.
3. Select the *Clearing Account* outlined in Step 1 as the payment account on the *Pay Bills* screen. For better tracking, under *Payment Method* choose *Assign Check No.* and when prompted type 'Offset' as the check number for this transaction.
4. Go to the *Receive Payments* screen for Accounts Receivable and select the appropriate accounts receivable balance that you would like to offset against the vendor payable amount selected above.
5. At the bottom of the *Receive Payments* screen, select *Deposit To* and select the *Clearing Account* as the deposit account. Then select *Save* and *Close*.

You have successfully offset the accounts payable and accounts receivable balances against each other. If you would like a report that shows the transactions in the clearing account, click on *Use Register*, from the Banking drop-down screen and select the *Clearing Account*. You should see the offsetting transactions on this register.

To print the register, go to *File* and select *Print Register* from the drop-down screen, or simply click on the *Print* icon on the register itself.

Note: QuickBooks does not allow for the use of the exact same name for both customer and vendor. When setting up the accounts receivable customer (or accounts payable vendor), one of the names will have to be changed slightly in order to have them both show up in the name lists. One suggestion is to add a letter to the end of one of the names. For example, if John A. Smith is the vendor, then the customer might be John A. Smith (C). Also, always ensure that the clearing account has a zero balance because this account is used only to offset the two entries created above. If there is a balance here, one of the transactions will probably need to be changed to create an equal offset to the other.