

## Employee Purchases

1. First, add the employee as a customer but be sure to make a very slight change in the employee's name. For example, if 'John A. Smith' is the employee, then the customer might be 'John A. Smith (C)', the '(C)' denoting that he is a customer.
2. Create an account within the *Chart of Accounts* with the type *Other Current Asset*. A possible title for the account might be 'Employee Purchase Asset.'
3. Create a *discount item* titled 'Employee Purchase' in the *Items and Service* list. Select the account created in Step 2 for this item to post to. Leave the amount field blank and select *non-taxable* for the taxable status.
4. Create an invoice for the customer created in Step 1. Enter all of the invoice items purchased by the employee as done for any other customer. On the last line of the invoice, select the *discount item* created in Step 3 and put the entire amount of the invoice on this line. This will zero-out the invoice and create a balance in the asset account created in Step 2. Save and close the invoice to create the transaction.
5. After creating the accounts receivable invoice, set up a *Payroll Deduction Item* to deduct the amount from the employee's check. Select the *Payroll Item List* from the *Lists* drop-down at the top of the screen. Create a new payroll item using custom setup (2005 and earlier versions), click *next*, then select *Deduction* for the type of item and click *next*. Title this payroll item 'Employee Purchases' and click *next*. When prompted, select the *Employee Purchase Asset* account created above for the liability account, then click *next* (no agency name needs to be entered). Click *next* until you get to the screen *Gross vs. Net*, and select *Net*. Click *next* to finish creating the item.

To incorporate this payroll item, either add it to the employee's deductions on the *Payroll Information* tab of the employee's file, or if it is only used on occasion, include it while creating the employee's paycheck by selecting it from the Other Payroll Items area.

When creating a paycheck for this employee, deduct the amount of the purchases using this item. This will offset the receivable entry created in Step 4.