Xero Certification

XERO CERTIFICATION COURSE – GLOBAL
Course Topics

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Introduction

Welcome to your Xero Certification notes! Soon you will be well on your way to being a guru of all things Xero. Before we jump in let's talk a little about what you can expect from these notes. This document is intended to be a supplemental document to a webinar, it is not a self paced certification. We recommend that you complete a Xero Essentials Class prior to beginning the Xero Certification. This course will pick up where Essentials left off so if you need a quick refresher, you might want to review Essentials before starting on Certification.

Notes Icons

The following icons will be used throughout these course notes. Please take a moment to familiarise yourself with them before moving on.

This icon illuminates a helpful tip or trick. These range from fun facts within Xero to ideas to help your business run more efficiently.

This represents an important note. You will want to pay attention when this icon makes an appearance.

Log in

It may sound silly but before we can begin you must be connected to the Internet. Once you are online you can login to Xero and the fun can begin.

After logging in you are able to view the last five organisations you accessed by clicking on My Xero at the top left of the screen. This brings up a dropdown menu where you'll see these organisation names as well as the other applications you have access to; for example, My Xero.

Case Studies

Practice makes permanent and when you are working in Xero completing your daily tasks they should feel like second nature. To help you build confidence we've included case studies throughout the entire certification to help you learn how to use Xero. To make your experience more realistic we have created a Global CSV file. To complete Case Study 5, you will use this file to import bank statement lines into Xero. The import provides the data needed to complete the remaining case studies. If you don't have the Global CSV file simply ask for a copy by sending an email to training@xero.com.

The Demo Company

You'll find the demo company at the bottom of your list of organisations. Click on the name of the Demo Company to open it. The data in the demo company is fictional. You can enter as much test data as you like. You will use this demo company to complete the Case Studies. Your demo company will automatically reset every 28 days. To reset your demo company yourself, go to the demo company link and click Reset.

To reset the demo company, click on the organisation name and then select **My Xero**. In the **My Xero** screen, click on **Reset**.

Manage your Xero Account Settings

Change your email address, password, and which page Xero logs you in at in the Account Settings area of My Xero.

To go to this screen, click on your name located at the top right of the screen and then click **Account**.

Change your login email address or password by clicking on the matching **Edit** link.
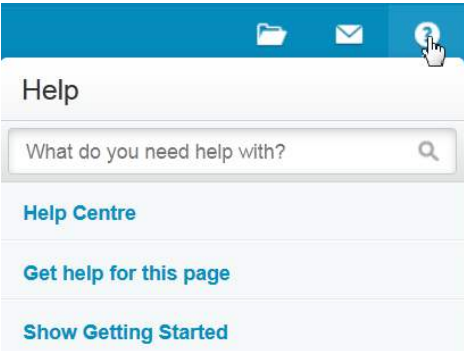
In the **Settings** section, choose what you want Xero to open each time you log in: My Xero or the last Organisation you were in.
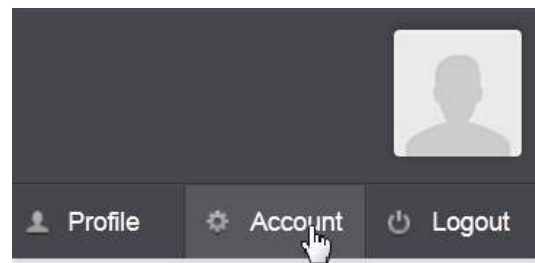
Helpful Tips

You'll find Xero is easy to use, but here are a few tips to get you going and save time.

Hold Ctrl and Left Click (PC) **Hold Command and Click (Mac)** **Left-click > Drag Link** **Right-click > select New Tab/Window**	**Multiple Tabs** There is no limit to the number of tabs or windows you can have open at one time. Multiple Browsers Note: You can only have one Xero organisation per web browser at a time.

	1. Refer to the Xero Help Centre on the Xero Website.
Help ⌂ ✉ ❓ [What do you need help with? 🔍] **Help Centre** **Get help for this page** **Show Getting Started**	2. View a video. To select one of the many video clips that are available, refer to the Business Essentials Guide web page or the Xero How-to web page. Alternatively, visit Xero TV, a one stop shop for all video content on xero.com 3. Refer to the Xero Tips web page to find out how to get around Xero as quickly and as easily as possible. 4. Refer to the Help menu in Xero: Help > Help Centre or Help > Get help for this page (shown to the left).

The Dashboard

The Dashboard is the main screen for each organisation in Xero. It displays a snapshot of your organisation's financial position based on transactions entered into Xero. Use the Dashboard to directly drill down into a transaction, or do common tasks quickly like bank reconciliation or adding sales invoices or bills.

💡 You can change the appearance of your Dashboard. Simply scroll to the bottom of the Dashboard screen, click Edit dashboard, then drag and drop the dashboard panels to where you want them.

General Settings

Settings > General Settings

This is a quick overview only. Please refer to the Set Up and Conversion courses available in Xero U to learn more detailed information.

⚠ If you use a specific setting on a regular basis, consider adding it as a 'favourite' to the **Settings** menu. To add a 'favourite', click on the ☆ icon to the left of the setting name.

Organisation Settings

Settings > General Settings> organisation (heading) > organisation Settings (link)

The information held in the Organisation Settings screen shows the name to display in Xero and on reports and sales invoices. It also records the organisation's contact details.

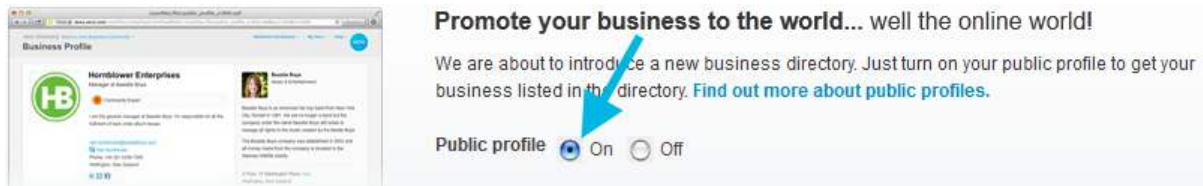If you want your organisation promoted to the online world, turn your public profile on.

Xero's public profile is an opportunity for you to promote your work or expertise to new and existing customers through the Xero Community. You can include any of your existing contact details from organisation Settings in your organisation's public profile. You can also add:

- a logo
- an organisation description
- a contact email
- your website

Xero sets your profile to 'private' by default; however, you can choose to make your Xero user profile public or private. If you choose to make your user profile public, you can select the details you want to share, from a simple online business card to a more extensive profile. Refer to the Help Centre for more about managing your Xero user profile.

To turn your public profile on and edit your profile details:

1. Go to Settings > General Settings > organisation Settings.
2. Next to Public Profile, choose On or Off.
3. If you chose On, select which details to make public when you're editing your organisation details.
4. Read and agree to the Terms & Conditions.
5. Save.
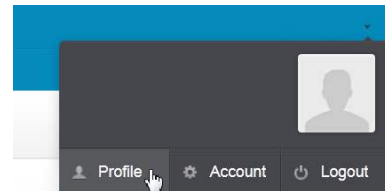
If you want to, and if you have editing permissions, you can also embed your Xero profile on an organisation's website, blog or CRM(customer relationship management) system. Embedding means inserting a snippet of code in a web page so that information from an external site displays on it.

To embed your Xero profile:

1. At the top right of the screen, click on your name and select Profile.
2. Click Embed your profile on another site.
3. Under Display Options, check or uncheck the boxes next to Community Activity and Company Details to include or exclude that information.
4. Highlight everything in the box on the left and copy it to your clipboard.
5. Go to your external site's code view.
6. Place your cursor at the desired point in the page code and paste the copied code.

You will have the option to include your user profile, provided that it is a public profile and you added the organisation to your user profile.

If you haven't done so already, open the Demo Company (Global). The case studies in this course deal with transactions for Snappy Freight, a local courier company.

To customise the Demo Company:

1. Enter 'Snappy Freight' in the **Display name** field.
2. Scroll down to the bottom of the screen and click on the **Add contact field** link.
3. Enter a Facebook or Twitter address if you have one. This step is optional.
4. Save changes and then refresh your screen.
5. Xero will now display 'Snappy Freight' in the header; shown below.

You can add social media links such as Facebook, Twitter and LinkedIn to your online invoices. When your customer receives the online invoice, they can use the link to connect with you. You will need to give your profile 'public' access before Xero can display social media links on your online invoices.

Financial Settings

Settings > General Settings > Organisation Settings (heading) > Financial Settings (link)

The financial information you're asked to provide is used in the production of financial reports and print versions of invoices, bills and credit notes. For these to generate accurately you will need to enter the information asked for on this screen.

Financial Year End – the date used for calculating year-to-date (YTD) balances and reports.

Sales Tax – options available are Cash Basis, Accruals Basis, None. Default is Accrual Basis.

Lock Dates – set a lock date to prevent users from making changes to data. Only people with the Advisor role can set, change, or remove lock dates. There are two lock options:

● Stop all users (except advisers) making changes on and before a set date
● Stop all users making changes on and before a set date

Chart of Accounts

Your Chart of Accounts is a list of accounts that every transaction you enter into Xero is 'coded' to for management and reporting. Your Chart of Accounts is arranged in tabs: a complete list of accounts, followed by the account classes Assets, Liabilities, Equity, Expenses and Revenue. Within these broad groups are different types of account. For example, under Expenses, you can distinguish between overheads and direct costs.

Account codes

An account code is simply an identifier that can be used to group similar or frequently used accounts together in your Chart of Accounts. Chart of Account codes can be up to 10 characters (alphanumeric).

Account Name & Description

All the default accounts in Xero have a generic name and description. The description is intended as a general guide for what the account is and does not seek to advise you how you should specifically use the accounts. If you would rather use different terminology for account names or alter the descriptions to suit your business you can edit any of the Xero accounts and change the name or description. The description is not mandatory so you can remove it altogether.

Account types

Each account has a type. The account types you choose for each account will be reflected in your financial reports in Xero. When you add an account you can choose the type your account will be. An illustration on the Add Account pop up box shows you where on your reports the different account types will display (by default).

Tax

When using Xero, every transaction line item entered needs a tax rate; for example, 0%, 15%. Each account has a default tax type applied depending on the account type and determines how the transactions in each account should be treated with respect to tax. Default sales tax rates are applied to each account in the Xero default Chart of Accounts. When setting up a new organisation in Xero, the tax rates are all set to (0%). You can change these percentages, or these tax rates or create your own tax rates altogether to meet the tax requirements of your country. Note that tax rates have already been set up in the demo company. Use the Tax Rates screen under General Settings to edit, add or delete tax rates. You can also use this screen to view existing tax rates already set up. To find out what's captured in the Sales Tax Report, refer to the Help Centre.

You can have as many Tax Rates as you need. Create a new tax rate by clicking on **New Tax Rate**.

YTD Balance

The YTD balance for the account displays a balance particular to the type of account this is:

- Expense and revenue accounts (i.e. Profit and Loss accounts): a financial year to date balance displays i.e. all transactions through the account from the start of the current financial year until today's date. When you click on the YTD balance to view the details for this account you will see all transactions for the account, not just those for the financial year.
- Asset, liability & equity accounts (i.e. Balance Sheet accounts): An 'as at' balance displays i.e. all transactions through the account showing the balance as at today's date. When you click on the YTD balance to view the details for this account all the transactions that display will be counted in the balance.

Click on the YTD balance (even if it's 0.00) to access the account details screen and a list of every transaction that has been entered against this account.

Add Account

It's quick and easy to add an account from any tab on the Chart of Accounts screen. Simply click the **Add Account** button in the upper left hand corner of the screen.

⚠️ All fields are mandatory except for 'Description' and the check boxes for Dashboard, Expense Claims and enabling payments.

Edit Account

Editing an existing default account or one you have created yourself is also done from the Chart of Accounts. Simply click on the account you want to edit make the desired changes and save.

Account display & behaviour

For any bank account you can view the:

- **Statement balance** - this is the balance of all imported bank statements (either imported manually by you, or automatically as part of Xero's bank feeds process). It includes the original Conversion Balance for the account.
- **Balance in Xero** - this is the balance of all transactions entered into this bank account in Xero.

Using the following optional check boxes you can determine where in Xero this account will display and when it can be used:

- Show on Dashboard Watchlist
- Show in Expense Claims
- Enable payments to this account

To change account display and behaviour, tick boxes as required:

☑ Show on Dashboard Watchlist	Tick the Dashboard Watchlist option to display the account on the Dashboard, in the Account Watchlist section.
☑ Show in Expense Claims	Tick the Expense Claims option to display the account in the list of accounts that can be chosen when entering receipts into an expense claim.
☑ Enable payments to this account	Tick the Enable Payments option to enable payments to be directly made or received against the account.

Use the links below for more about the Chart of Accounts:

Importing a Chart of Accounts CSV File

Choosing a Chart of Accounts (includes a video)

CASE STUDY: EDITING YOUR CHART OF ACCOUNTS

There are a few modifications that need to be made to Snappy Freight's Chart of Accounts.

⚠️ If using a mobile device you will be unable to export Snappy's COA, however you still need to make these changes as other Case Studies rely on them being made. Simply make the changes directly in the Chart of Accounts screen instead of exporting.

To Export Snappy Freight's Chart of Accounts:

Go to Settings > General Settings > organisation (heading) > Chart of Accounts (link)

1. Click the **Export** button - a file download will begin automatically
2. Open the file in Excel
3. Within Excel insert a new line (or scroll to the bottom of the document) so you can add a new line item
4. Add a new Current Asset account code for Unpresented Funds (635) - No GST. This is an account that you will want to show on the Dashboard Watchlist so type Yes in the Dashboard column
5. Change the name and description of the **Sales** account (200) to **Storage Income**
6. Within Excel insert a new line (or scroll to the bottom of the document) so you can add a new line item
7. Add a new **Revenue** code for Freight Income (230) - 15% GST on Income
8. Change the **Cleaning** code to 410
9. Within Excel insert a new line (or scroll to the bottom of the document) so you can add a new line item
10. Add a new Direct Costs expense code for Storage Fees (315)   - 15 GST on Expenses

11. The **Balance** column; used to import balances is optional. If you choose to use the balance column any opening balances saved in Xero will be replaced during import. Don't remove the **Balance** column heading (or any other heading) even if you are not using it. Removing a column heading will cause the import to fail

12. Save the file to your desktop using the **Save As** command. Keep the file in CSV format

13. Once saved, import the modified Chart of Accounts:
    a. Go to Settings > Chart of Accounts
    b. Click Import
    c. Select No/Don't know as the file does not contain opening account balances
    d. Click Browse to locate your saved file
    e. Click Import
    f. Review the import summary to see which accounts Xero has included for import, and any changes or accounts Xero has excluded

Accounts are deleted during the import process if they have not had any transactions coded to them. System or locked accounts cannot be deleted. Deleted accounts are completely removed from Xero. You will not be able to view or access deleted accounts again, and they will not show up in reports.

Accounts are archived during the import process if they have a balance in them. The balance needs to be available for any reports you run. Archived accounts are moved to the **Archive** tab. If necessary, you can restore an archived account.

Tracking

Use tracking categories to review and compare different areas of your organisation, and improve your reporting. Tracking may also allow you to reduce the number of accounts in your chart of accounts, as tracking removes the need for duplicate accounts across different business areas. Tracking is optional.

You can use tracking for Cost Centre or Departmental (Divisional) reporting. The Tracking Summary report (shown below), shows total sales reported by the Region tracking category. Transactions not assigned to a tracking category will appear as 'Unassigned.'

We do not recommend using tracking categories for job costing. A job has a start and finish date; tracking categories do not. You use tracking categories for the life of the organisation. (If you need Job Costing functionality, we recommend you use an **Add-on**; discussed further on in these notes.)

Tracking is set up with Categories and Options. Each Tracking category contains Tracking Options as sub categories. For example: Let's say that you are a car hire business operating from 7 locations. You also have two business divisions, Corporate and Retail. You want to be able to track sales at each location, and also sales in each division. In this case you would set Corporate and Retail as the tracking categories, then add the locations as Tracking Options.

You can have up to two active tracking categories. You will need to archive or delete an existing tracking category before Xero will allow you to create a new one. You can have up to two archived tracking categories.

Add Tracking Categories

To Add a Tracking Category:

1. Go to Settings > General Settings > Tracking
2. Click + Add Tracking Category
3. Name the first category something relevant to your business
4. Add the options you want to track by, you can have as many options as you like in a category
5. Click Save

Edit Tracking Categories

Go to Settings > General Settings > Tracking to rename, archive or delete tracking categories and options.

To rename, click on the **Rename** link.

To delete, click on the ⊠ icon to the right of the tracking category or option. If you delete a tracking category, you will delete the tracking category options at the same time.

You can only delete a tracking category or option that has *not* been used in any transactions. If a tracking category *has* been used in a transaction, Xero will archive it.

If you have not previously archived a tracking category or option, Xero will create an **Archived** tab. You will find the archived tracking categories (and options) on this tab.

You can restore a tracking category (and options) from the **Archived** tab. When restoring a tracking category option, Xero will restore the tracking category at the same time.

CASE STUDY: TRACKING AND DEPARTMENTAL REPORTING

Your client, Snappy Freight, uses tracking categories to monitor their regional offices; Eastside, North, South and West Coast. Because Snappy is a freighting business, tracking income and expenses by truck would also be useful. The owner could then see which types of truck are more profitable.

Snappy Freight has four trucks, let's set them up for tracking now. .

1. Create a 'Truck' tracking category
2. Then create the tracking options. To identify each truck, use its registration number: SNAPPY1, SNAPPY2, ABC123, DEF456

We can use this new Tracking Category and options on future transactions.

Conversion Balances

Settings > General Settings > Organisation (heading) > Conversion Balances (link)

Conversion balances are the list of your organisation's balances for the day before you start recording transactions in Xero. That is, conversion balances are like a snapshot of your organisation's balances just before you start using Xero.

The **Conversion Balances screen** is used for updating Xero with the balances coming from your previous accounting system. The information below is intended as an overview only. Learn more by attending one of our online Setup and Conversion courses, or go to the Xero Help Centre.

Conversion Date: The conversion date (or start date) is the date you've chosen to start entering your day-to-day transactions into Xero. Click on the Conversion Date button and enter the month and year that you will begin processing transactions in Xero. When the conversion date has been set, the next step is to enter the opening balances.

Conversion Balances: Opening balance amounts determined by the conversion date. For example, if the conversion date is January 2016 then ending balances as of December 31, 2015 should be entered. These balances can also be imported when importing the Chart of Accounts.

Prior Period Adjustments: Enter any prior period adjustments directly into the Conversion Balances screen. You might be tempted to enter a journal to bring in any prior period adjustments; however, this is *not* the recommended process when using Xero. This is because a journal will adjust the balance but it *won't* update the conversion balance screen and, if at some future period in time you need to update

the conversion balances again, the journal will be reversed. To prevent any future problems from arising, it's best to enter prior period adjustments directly into the Conversion Balances screen.

Bank Balances: This must be the closing balance on the actual Bank Statement, not the balance as per the previous accounting system as this may include unpresented funds.

Accounts Receivable and Accounts Payable: The recommended process for entering Accounts Receivable and Accounts Payable opening balances is shown below.

1. Go to Settings > General Settings > Organisation (heading) > Conversion Balances (link)
2. Enter a 0.00 amount in the Conversion Balances screen for both Accounts Receivable and Accounts Payable (This will be adjusted later)
3. When setup is complete, import the sales invoices and any credit notes
4. Enter any credit notes as a negative sales invoice: Accounts > Sales > Import (button)
5. Go back to the Conversion Balances screen; enter the correct opening balance
6. Save
7. Repeat the above two steps for bills: Accounts > Purchases > Import (button)

Sales invoices, bills and credit notes can be imported when setting up an organisation. Download Xero's template file from Accounts > Sales or Purchases > Import (button) and then enter data, as required. Enter any credit notes as a negative amount. You can also enter inventory item codes and descriptions and any applicable discount into the template file. Both inventory and discount are imported at a line item level only. Foreign currency sales invoices and bills can also be entered at this stage, using the correct currency.

If a sales invoice or bill has had a part payment applied to it before the conversion date, import the outstanding balance only so Xero can match the incoming payment.

Comparative Balances: Comparative balances are the 'finalized' balances from previous years that you want to use for comparison in the financial reports in Xero. You can add Comparative Balances for as many years as you like. Clicking on the Add Comparative Balances button creates a tab for the previous financial year.

Sales Tax: The Sales Tax system account must only contain the balance of the Sales Tax in the outstanding historical transactions, being those amounts entered to support the sales invoices and bills at the time of conversion. This is so that the Sales Tax Reconciliation Report does not include an opening balance for the life of the organisation.

Historical Adjustments: If the opening Conversion Balances (debits and credits) do not balance, the variance is posted to a system Balance Sheet account called Historical Adjustments.

CASE STUDY: CONVERSION BALANCES

You are converting your client Snappy Freight to Xero. You have a trial balance and a set of accounts from the previous accounting system for the prior reporting period. The trial balance records a positive balance of $2,550 for the Business Savings account; however, the paper Bank Statement records a positive balance of $2,000 for the same reporting period. The $550 difference is a payment from Rex

Media Group. Your client did bank the payment before the conversion date; however, the bank account does not yet show the deposit.

1. Go to Settings > General Settings > Organisation (heading) > Conversion Balances (link)

2. Click **Add a new line twice** to insert two more rows into the grid

3. Add **Business Savings Account** and **Unpresented Funds** to the list of accounts

4. Enter the conversion balances for these two accounts and then click **Save**

Users

Settings > General Settings > Organisation (heading) > Users (link)

Anyone who has been invited to your Xero organisation is a Xero user. So is the subscriber, who created it. If you have a Standard or Advisor user role, you can view the list of your organisation's users.

If you no longer want access to an organisation, you can remove yourself, rather than asking someone else to do it for you. This is useful if you have temporary access only and no longer wish to see the organisation listed in My Xero. For more about user roles, refer to the Xero Help Centre or Xero U.

Custom Contact Links

Settings > General Settings > Organisation (heading) > Custom Contact Links (link)

If you are using a customer relationship management (CRM) system, you can set up shortcuts from Xero to access customer details in that system. Custom contact links connect your contacts in Xero and your customer details in your CRM. Once set up, a link will appear on each Xero customer's contact page. Refer to the Help Centre for more information about creating custom contact links.

Review: General Settings

- What is a Public profile? What are some of the benefits of making your profile public?
- What does checking the Expense claims checkbox enable?
- Which General settings category contains an Organisation's name and contact information?
- How many lock dates are there? What are their differences?
- How do you mark an account to display it on the Dashboard? Why might a client ask you to do this?
- Are you able to rearrange the order of your accounts? If so, how.
- How do you mark an account to enable for payments? Why would you need to do this?
- What is the difference between deleting and archiving? Are you able to do both with any account? Why or why not?
- What are the different types of balances used during conversion? How do they differ? How does each balance affect Conversion?

Bank Reconciliation Basics

Connect Xero to your bank account and get your bank statements imported and categorized automatically. Match statement lines from your bank account with transactions you create in Xero and just click OK to reconcile. It's effortless to keep your accounts accurate and up to date.

Bank reconciliation is when you match statement lines from your bank account with transactions you create in Xero. Xero automatically matches transactions in Xero with statement lines where it can.

Xero will follow certain steps, in a particular order, to try to match your bank statement lines with your account transactions. You can choose whether to:

- Accept the match Xero suggests
- Change the match and reconcile
- Choose from other possible matches found
- Create your own transaction in Xero to match to the bank transaction

Manage Account Menu

One quick and easy way to get to the reconciliation screen on a specific account is to use the Manage Account Menu. The Manage dropdown (found on the Dashboard) displays a menu for the selected bank account. This menu will show your main options under the headings 'Find', 'New' and 'Reconcile'. In addition, you may also have a column with the heading 'Bank Feeds'.

FIND	Account Transactions – a listing of the General Ledger transactions recorded against that bank account within Xero. Includes Spend Money, Receive Money, Receipts, Payments and Transfers.
	Bank Statements – a listing of all imported Bank Statements and historical bank feed data.
NEW	Spend Money – used to enter a cash purchase. For example, a cheque that you wrote out for a Supplier you don't have an account with. Used when there is no intention to enter a bill for the amount.
	Receive Money – used to enter a cash receipt when there is no intention to enter a sales invoice for the amount.
	Transfer Money – used to move money between Bank Accounts; for example, between the cheque and savings accounts. Note that you can also create multiple transfers from the Accounts > Bank Accounts screen.
RECONCILE	Reconcile Account – main reconciliation coding screen; bank transactions on the left, Xero (GL) transactions on the right.
	Bank Rules – used to automatically code transactions.
	Reconciliation Report – shows how the Xero (GL) bank balance reconciles to the Bank Statement closing balance for the selected bank account and date.

	Import a Statement – used for importing bank statement transactions.
BANK FEEDS	The Bank Feeds column may or may not be displayed. Different options and prompts will be displayed depending on the status of your bank feeds, and whether your feeds are from a partner bank or by using Yodlee. Note that this is not available in the Demo Company.
EDIT	Edit Account Details – used to make changes to the bank account name or number.

Reconciling and Coding

In Xero, reconciling a bank account involves importing bank statement lines from your online bank account, either manually through an import or through the automatic bank feeds. Once imported, the bank statement lines are matched against transactions already entered into Xero, or they are matched by adding the necessary transactions 'on the fly', until a balance is arrived at. You will need to set up the bank account before you can begin reconciling it.

Get to the Reconcile screen by using one of the following options:

- Blue Reconcile [n] items button on the Dashboard
- Reconcile tab on any of the bank account screens
- Reconcile Account link from the Manage Account menu

In the bank reconciliation screen, where possible, Xero links a bank statement line to an existing transaction in Xero (known as matching), or it suggests coding information using bank rules *or* auto suggestion. Xero does this in the order given below.

1. **Auto-Match Amount**. Xero will automatically match where the transaction amount *equals* the bank statement line amount. If there are multiple transactions or invoices with the same amount, Xero will look at an invoice due date and the invoice number or reference to make a match. Xero compares the invoice due date to the bank statement date and matches by closest date. Next, Xero looks to the invoice number or reference number and compares that to the notes field in the bank statement line. If a match is found, the right-hand side of the screen turns green, as shown below. (For matching purposes, Xero does not look at the contact.)

2. **Bank Rules**. If there is no auto match Xero identifies bank statement lines that meet the bank rule criteria. Xero then uses the coding information in the bank rule to suggest where to code the transaction to. You know when Xero has done this when 'Apply Rule' shows on the **Create** tab. If necessary, users have the option of not applying the rule before reconciling; by clicking on the **Don't Apply Rule** link.

Xero Certification Course – Global v15.2 Final - May 2015
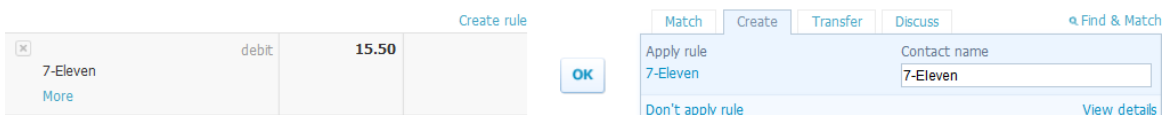
3. **Auto Suggestion**. If no bank rules apply and Xero recognises the contact name in a bank statement line, Xero will suggest the same account code used last time for that contact. The **Create** tab will show the suggested coding details, as shown below. Change these details before reconciling, if you need to.
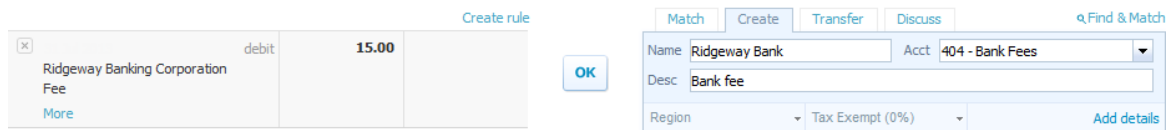
The **Create** tab is used to code transactions. Tracking information and tax rates can also be entered using this tab, as shown below. The **Add details** link (in the lower right) will let you split coding and assign a different posting date.
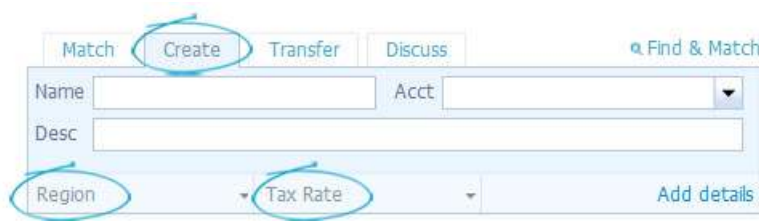
Import a Bank Statement

When you set up bank feeds in Xero you may or may not get any historical transactions. If you are able to import historical transactions you may not get a sufficient amount of data leaving gaps in your transaction history. Filling these gaps is one reason you would want to import a bank statement. Every financial institution offers different features and limitations with regard to historical statements. Some offer only 3 months of transactions some will offer up to a year. The historical data available is determined by your financial institution and not by Xero, questions about statements should be directed to your financial institution.

Xero supports many file types including OFX, QBO, QFX, QIF, or CSV. Choose OFX, QBO or QFX format if your online banking offers it, before QIF format. Choose CSV format only if your bank doesn't offer OFX, QBO, QFX or QIF format.

Statement format	First choice	Second choice	Third choice
OFX	X		
QBO	X		
QFX	X		
QIF		X	
CSV			X

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To import a bank statement into Xero:

1. Download the file from online banking and save it
2. Import your file into Xero
   a. Go to Accounts > Bank Accounts
   b. Locate the bank account you want to import your file into. Click Manage Account, then click Import a Statement
   c. Click Browse and select your saved file
   d. Click Import
   e. Click Save

CASE STUDY: REORDERING BANK ACCOUNTS AND IMPORTING A BANK STATEMENT

The Business Savings Account has missing bank statement lines. You have entered the missing bank statement lines into a CSV file. Import the bank statement lines into the Business Savings Account.

1. Open the **Dashboard**

2. Change the order of the bank accounts as you want the Business Savings Account displayed first

3. Import the CSV file:

   a. Click on **Manage Account** and then select **Import a Statement**
   b. Browse to the CSV file, select it and then click **Open**
   c. Click **Import** to begin the import
   d. Double-check the mapping - The column headings in the CSV file (left side) must be assigned to a similar field in Xero, if you need to, use the drop-down to change the mapping
   e. Check the first few transactions clicking the **Next** link
   f. Click **Save**
   g. Xero displays the number of bank statement lines imported
   h. Click **OK** to complete the import
4. View the **Statement Balance** and the **Balance in Xero**

5. Click on the **Bank Statements** tab to view the imported bank statement

Xero will automatically map any **Date**, **Amount**, **Payee** and **Description** fields unless you are importing OFX or QIF files. If you are using either of these files types the mapping screen will not be displayed.

You can import a coded bank statement file that posts cash transactions on the import of the bank statement file. Your import file must contain the 'Account Code' and 'Tax Type' data mapped to the same fields in Xero.

You also have the ability to change your saved mapping after import if an import mapping error arises. Click on **Manage Account** and then on the **Edit Account Details** link. In the screen that opens, click on the **Statement Import Options** link. Change the mapping as required.

CASE STUDY: RECONCILE SCREEN

Using the Business Savings Account, reconcile the imported bank statement lines for Snappy Freight.

1. Go to the **Dashboard**

2. For the Business Savings Account, click on **Manage Accounts**

3. Select **Reconcile Account**

4. Find the Rex Media Group $550 bank statement line. This is the unpresented funds amount entered earlier in the **Conversion Balances** screen. Deal with this amount as follows:

    a. Using the **Create** tab, enter 'Rex Media Group' in the **Name** field
    b. Enter 'Unpresented Funds' in the **Account** field and then click **OK** to reconcile
    c. Go to the Dashboard, view the YTD balance in the Unpresented Funds account balance; This should now show a zero YTD balance
5. In the **Reconcile** screen, reconcile the following bank statement lines

    a. Young Brothers Transport – payment made. Amount shows in the **Spent** column
    b. 7-Eleven – a bank rule has coded this payment. You can click on **View Details** to find the account code the amount will be posted to
    c. Click **Save Transaction** and then reconcile
    d. Shell – code the payment to the Motor Vehicle Expenses account. Use the **Create** tab to enter name and coding details and then reconcile
    e. Shell – Xero can apply the coding used in the previous transaction to the next Shell bank statement line (All you have to do is refresh your screen, Xero should automatically suggest the **Name** and **Account**)
    f. Click **OK** to reconcile
    g. $1,000 transfer to the Business Bank Account. Use the **Transfer** tab. To give more context about why the transfer was made, enter 'for upcoming payments' in the **Reference** field.
6. Since you are unsure of the coding for the City Stationery bank statement line, go to the **Discuss** tab to enter a comment: 'Is this for office supplies or the new printer?' Click **Save**

Review: Bank Reconciliation Basics

- What are the 3 ways that Xero uses to link a bank statement line to an existing transaction in Xero? What order does Xero use these to make matches?
- What is Cash Coding? When would you use cash coding instead of bank rules to save time?

● What fields are mandatory while importing Bank Account Statements?

Contents

Contacts > All Contacts

On the contacts screen you can create your customer and supplier contacts. The Contacts screen lists all Customers, Suppliers, Employees and Archived contacts. A contact in Xero can be both a Customer *and* a Supplier. In other words, a separate record does not need to be set up. One contact record holds both types of transactions.

Things you can do on the contacts screen:

Add a Contact	Contacts > All Contacts > Add Contact *or* Add Employee (button)
Contact Groups	Contacts > All Contacts > New Group (button) Set up a group for batch invoicing; for example, subscriptions. Creating one sales invoice on screen in Xero will create multiple draft invoices for everyone in that group.
Importing or Exporting Contacts and Contact Groups	Contacts > All Contacts > Import *or* Export (button) Xero will only export the contacts on the selected tab.
Search Facilities	Click Search to quickly find a contact.
Archiving Contacts	Select the contact (tick check box) and then click Archive. Note that contacts are not deleted in Xero, they're archived.

Add a Contact

You can create a contact in any of the following ways:
- Go to Contacts > All > + Add Contact to add a customer or supplier you have not yet done business with, then create <u>and approve</u> a transaction
- When creating a transaction
  - Enter the name of an individual or organisation directly into the 'To' or 'From' field on the transaction. This will create them as a contact without you having to leave the screen you are entering the transaction on. They will be saved as a contact with just their name and you can update the rest of the details later. NEW appears in the To or From field to indicate that you're not working with an existing contact.
- By importing contacts from another system
- When you receive a bill through Xero to Xero
- If the supplier is not already set up as a contact in your organisation, a contact will be created for them upon receipt of the bill

Case Study: Merging Contacts

When creating a sales invoice for your client Snappy Freight, you notice there are two contact records for the same contact, Bayside Club and Bayside Wholesale. Merge these records.

Open the **Contacts** screen and then click on the **Customers** tab and the **Suppliers** tab. Which organization (Bayside Club or Bayside Wholesale) is set up as:
- A customer?
- A supplier?

Now click on the **All** tab. This tab displays both Bayside Club and Bayside Wholesale.
- Select Bayside Wholesale (tick check box) and then click **Merge**.
- Find Bayside Club and select. Click **Yes** to merge the two organizations.

View the contact list on the **All** tab. Which contact did Xero keep?

When merging, Xero will always archive the contact selected first and then keep the contact selected second.

Smart Lists

With Smart Lists, you can search Xero for customers that meet certain criteria that you specify. It's great for building marketing lists and for managing receivables. You can construct the query so that results include customers who meet all or any of the conditions. You can also define conditions to exclude customers. After you specify the conditions, you

can save the search with a name. If this is something that would be useful to you, you can click here to learn more.

Review: Contacts

- What is a Contact group? In which situations might it be useful?
- Can a contact in Xero be deleted?
- What are smartlists?
- How is a contact added to the list of suppliers shown on the Suppliers tab?
- How do you merge contact records? When merging, which contact will be retained?

Features

Settings > General Settings > Features (heading)

Now that we understand the basics of Xero, lets take a look at some additional features that can be found on the Settings tab.

Invoice Settings

Settings > General Settings > Features (heading) > Invoice Settings (link)

Change invoice, quote and purchase order numbering and the appearance of sales invoices, statements, quotes, purchase orders, receipts or remittance advices you print or email. Change payment terms, or add payment services after you've setup your organisation in Xero.

The information held in the Invoice Settings screen is used to customise the appearance of Sales Invoices, Credit Notes and Statements.

The **New Branding Theme** menu shows there are two kinds of branding available:
Standard theme and *Custom DOCX theme*.
You can have as many branding themes as you like; however,
there is a limit of 15 DOCX files uploaded per client.

Click **Default Settings** to view the next number that will be used when generating a Sales Invoice or a Credit Note. To change the prefix or automatic numbering sequence, edit the appropriate field(s).

If you already send online invoices or credit notes, customers will be able to view their outstanding bills if the **Show Outstanding Bills** check box is ticked. (If this function is not required, clear the check box and then save changes.) Customers can also view online invoices on their smartphone.

⚠️ If they need to, customers can send a question or comment directly from the invoice. Xero adds these to the history of the invoice.

CASE STUDY: DEFAULT PAYMENT TERMS AND LOGO [o]

Snappy Freight has asked you to customise the standard Xero sales invoice by adding the Snappy Freight logo. They also want you to define the default due dates for bill payments and sales invoice payments.

1. Add the logo:
    a. Open the **Invoice Settings** screen.
    b. Using the existing **Standard** branding theme, click **Options** and then select **Change Logo**.
    c. Browse to the *snappyfreightlogo.png* file, select it and then click **Open**.
    d. Click **Upload** to begin the import. The new logo should appear on the right.
2. Add the default payment terms:
    a. Click **Default Settings** to open the **Payment Terms** screen.
    b. Add the supplier's payment terms; that is, bills due the 20th of the following month.
    c. Add the customer's payment terms; that is, Snappy wants customers to pay within 30 days.
    d. Snappy also prefers their purchase order numbers to begin at 1000. Enter '1000' in the **Next Number** field.
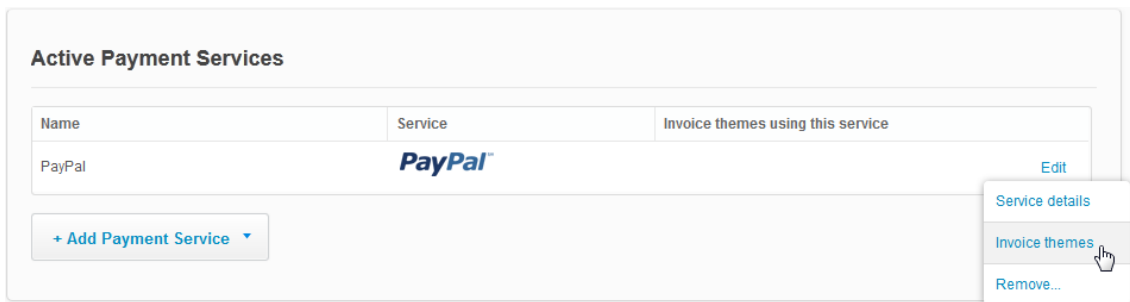   e. Click **Save**.

Payment Services

Customers can pay invoices online through the payment services that Xero supports; including, PayPal, Authorize.net and Stripe to name a few. The ability to pay an invoice online makes it much easier to receive and process payments too. After setting up payment services, you will receive any online

payments into your nominated bank account and Xero will automatically update the invoices as paid. All you need to do is reconcile the payment.

To set up a payment service:

1. Create an account with a payment service that Xero supports; for example, PayPal.

2. Add a payment service and apply it to an invoice theme:

    a. Go to Settings > General Settings > Features (heading) > Invoice Settings (link)

    b. Click **Payment Services**.

    c. Click **Add Payment Service** and then select a payment service from the list.

    d. Enter a name for the payment service that will display in Xero.

    e. Enter your payment service's account settings, as required. Click **Save**.
        NOTE: In some cases payment services will also pay the amount to a specific bank account, this will need to be selected at this stage for the payment to be applied. If no bank account is selected or isn't available, payment will not automatically update in Xero.

3. Apply the invoice theme to a sales invoice.

    a. For the payment service you've just added, select **Invoice themes** from the **Edit** link.

    b. Tick the checkbox next to the invoice theme that you want to apply the payment service to; for example, Standard, and then click **Save**.

When your customer opens the online sales invoice (when using the link you sent them), they can click **Pay now** (shown below) to pay you securely through your payment service.
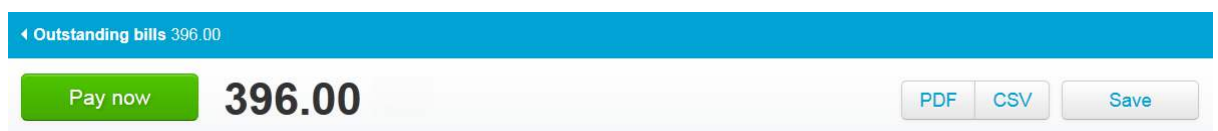
The exception is PayPal, which links your customer directly to the invoice in PayPal. If your customer has a PayPal account, they need to log on to the account to make a payment to you.

In the **Reconcile** screen, Xero displays the transaction reference ID from the payment gateway in the **Reference** field of the payment transaction. Your payment gateway provider is likely to charge a fee so reconcile the payment by adding a bank fee.

Currencies

Base/default currency

The default currency already in place for your organisation is your local currency. This is determined by the country you chose from the country drop-down when you first added your organisation. This is the country where you file your taxes.

This currency of your 'reporting' country becomes your 'base' currency. Where figures in Xero are not shown in another currency, they'll be converted to your base currency. Overall, most figures are displayed in Xero in your base currency and you can change this on some reports. You can't change your base currency once you've setup your organisation.

Add Multi-currency

If you are on the Business Edition premium pricing plan, you can choose to use the multi-currency option. This option allows you to create foreign bank accounts, send or receive invoices and payments in currencies other than your own. Xero automatically pulls exchange rates into Xero using a feed from XE.com. The feed occurs hourly and is possible because Xero is online 24/7.

To use the multi-currency option, you will need to add the currencies you want to use. To do this, click Add Currency. You can add as many currencies as you need.

After you have added a currency, you can view historical rates by changing the date in the **Exchange Rates for** field. Also, if you want to use a specific rate to override the current rate, click on the existing rate and then define the new rate in the window that opens. Xero uses the rate given in the Currencies screen to automatically calculate realised or unrealised gains or losses.

Email Settings

Email Settings let you tailor contact emails you send from your organisation in Xero. In the email address settings you can specify who will show as the "sender" for emails sent out from the the organisation through Xero. Regardless of who is using Xero at the time, you can specify the name to display in your customer's inbox. You can also control the 'reply-to' email address.

To add and set your login email address on all outgoing emails:

1. Click **Edit** alongside **Email address**
2. Click **Add email address**

There are three options for outgoing email address settings: the logged in user (default), your own email address or someone else's email address. Refer to the Help Centre for more information.

Email templates are messages you can set up for use when sending emails from Xero. For example, if you email sales invoices to your customers, a previously set up email template will populate the subject and body of your email saving you time each time you email a sales invoice. Xero has email template types for sales invoices, repeating invoices, credit notes, remittances, statements, purchase orders and quotes. You can create up to five customised templates for each template type, one of which can be the default 'basic' email template. Edit the default template or create a new one.

CASE STUDY 9: EMAIL TEMPLATES

Snappy Freight would like to use their emails to portray elements of their business culture. They have asked you to amend their Sales Invoice email template to sign off with 'Have a Snappy day!'

1. Click on the **Email Settings** link and then, in the **Templates** section, click on the **Edit** link
2. For the **Sales Invoice** template, click on the **Basic** link and then edit the template as follows:
    a. Remove the [Contact Name] placeholder and replace with [Contact First Name]
    b. Delete **Thanks** (located at the bottom of the message) and change to **Have a Snappy day!**
3. Click **Save**

Xero to Xero

Settings > General Settings > Connect (heading) > Xero to Xero (link)

If your client does business with another Xero organisation they can send invoices directly within Xero where they will show up as draft bills straight into yours. The companies will need to exchange Xero Network Keys and enter them in each other's contact details, then elect to send invoices and bills to you using Xero to Xero.

Click **Send Xero Network Invite** to send the Xero network key to a supplier or customer. When they add your client's Xero network key into their Xero system, they will be able to send their invoices directly to your client's Xero account. They will appear as draft bills. You can then code and approve the drafts for payment.

The Xero network key is unique to each organisation. You only send it to those organisations that you want to send it to. Once sent, these organisations can only use the key to send their sales invoices. The key does not give them access to your client's data.

Add-ons

Settings > General Settings > Connect (heading) > Add-ons (link)

You can use an add-on to connect Xero with third-party software providers. Add-ons allow for the exchange of data between their software and Xero. They integrate seamlessly with Xero which means you can add functionality such as job costing, inventory management, CRM and payroll to Xero.

Set up is easy; just click on the **View the Xero Add-on directory** link and then select the application category you want from the list on the left. Once selected, Xero displays the add-ons that integrate with Xero.

Files

Xero lets you [attach files](#) to bills, purchase orders, sales invoices and contacts. You can also upload files to expense receipts, fixed assets, accounts in your Chart of Accounts and manual journals.

You can upload and attach files directly from the transaction screen. However, best practice would be to add the file to the file library and then attach it to the transaction screen when entering the transaction.

Files Library

Over time, you are likely to upload hundreds of files. Saving each file to a suitable folder in the files library allows you to find them more easily later on.

To manage the folders in the file library:

1. Click on the **Files** icon located at the top right of the screen
2. Xero has created two folders already: Inbox and Contracts
3. To create a new folder, click on the **New folder** link and then
enter the name of the new folder and then click **Save**
4. To upload files to the new folder, click on **Upload Files** and then
browse to the file you want to upload and then click on it to select it
5. Click **Open**
6. To rename an existing folder, click on the name of the folder you want to rename, click
Options and then select **Rename**
7. Enter the new name and then click **Save**
8. To delete an existing folder, click on the name of the folder you want to delete, click **Options**
and then select **Delete**
9. Choose to move any existing files in the folder to the Inbox, or to delete them, click **Delete**

You can create transactions such as Bills, Sales Invoices, Spend Money and Receive Money directly from the file library. Select the file or files you want to attach to the transaction (tick the check box) and then click **Add to new**. Select the transaction type. Enter the transaction details and then save.

When viewing any list, Xero will display a small, numbered file icon if the item has a file attached to it. The numeral indicates the number of file attachments.

Email a file to the file library Inbox

Xero gives your organisation a unique email address for your file library's Inbox. This means you can email files directly into the Inbox. You may also want to share your organisation's unique Xero email address with your colleagues so they can also email files to the Inbox.

To find the unique email address:

1. Click on the **Files** icon located at the top right of the screen
2. Xero displays the unique email address top-right, as shown below
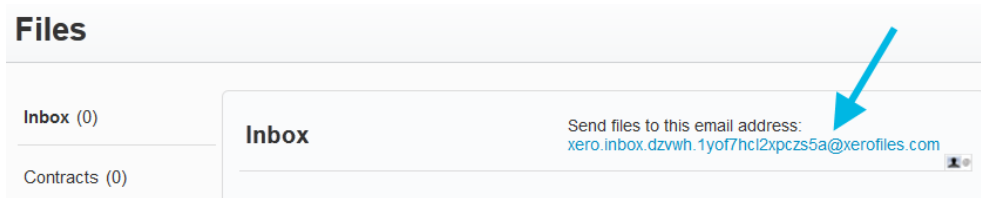
To email a file to the file library Inbox:

1. Click on the **Files** icon located at the top right of the screen
2. Copy the unique email address and then add it to your email program contact list
3. Open a new email screen, enter the contact that uses Xero's unique email address in the **To** field, attach the file and then send
4. Go back to Xero and open the **Files** screen, or if it's already open, refresh the screen
5. Click the word email to view any message sent with the file(s) in the body of the email
6. Drag and drop the emailed file from the Inbox into a relevant folder.

Attach files directly

You can also attach files by uploading them directly from anywhere you see the files icon. Click the files icon and then click on the **Upload files** link. Browse to the file you want to upload, select it and then click **Open**. You can also drag a file directly onto a screen. Locate the file, click on it (to select it) and then drag and drop the file onto the Xero screen.

To attach the same file to more than one transaction, you'll need to upload the file for each transaction that needs it, or you'll need to create each transaction directly from the file library.

Adviser and Standard users have full access to the file library and file attachments.
Other user roles have limited access; refer to the Help Centre for the files roles comparison.

Review: Features

- What are Branding themes? How many are available?
- Can customers send a question or comment directly from the invoice? If so, where is this information recorded?
- What is a transaction reference ID?
- What determined the base/default currency rate for your company?
- What are email templated and how are they used?
- When would you use Xero to Xero? How does it work?
- What are add ons? Why would you use an add on?
- How do you know if a file is attached in Xero? Where would you look to see how many files are attached?

Inventory

Accounts > Inventory

There are two types of inventory items in Xero:

- **Untracked Inventory** items are used for products you don't need to count or keep track of. Untracked inventory is also used for services provided. Untracked items allow you to store information in Xero to speed up data entry on forms like Invoices, Quotes and Bills. Untracked items can also be used for description only line items or standard messages.
- **Tracked Inventory** is used for any products your clients are buying from a supplier and reselling to customers at a later date.

Bring Inventory into Xero

There are a few ways you can bring inventory items into Xero. If you have a small number of inventory items to enter, you can enter them one at a time. You can also convert untracked items to tracked items, and you can even upload items from a template.

Add a new item

To create a new inventory item:

- Go to Accounts then select Inventory
- Click the +new item button
- In Item Code, enter a unique code for the product or service. - The Item Code is an internal reference code using letters and numbers.
- In the Item Name field, enter a name for the item. - The Item Name is an internal name for your item.
- Select the "I track this item" checkbox to track it. NOTE: Leave this box unchecked if you want this item to be untracked. If you choose to track this item:
  - Choose the inventory asset account you want to use for this item. Only accounts set to the "Inventory" account type may be selected.
  - If you don't have a suitable account you can easily add one, just click the "+add account" button. Multiple accounts can be added to make Xero better work for your clients tracking needs.
- Enter the item details: unit price, account, tax rate and description. All of these details will appear when you add this item to a transaction.
- Click Save if you are finished, or to add another inventory item, click the arrow on the Save button and select Save & add another.

Convert an untracked item

You can also convert untracked inventory items to tracked inventory items. You will recognise the untracked inventory items in your list because they do not have a quantity.

To convert an untracked item to tracked:

- Go to Accounts then select Inventory
- Click on the item you wish to convert
- Select edit and check the "I track this item" box
- Update the item details

- Click Save

Now you've converted an untracked item to a tracked item.

NOTE: It's important to note that once an untracked item is converted to tracked it cannot be converted back to untracked.

Import items

If you have many items to set up, you can quickly import them using the template provided in Xero.

- Go to Accounts then select Inventory
- Click the import button and select Items.
- From here you can follow the instructions in Xero:
  - Download the items template file
  - Copy the items into the template. Be sure not to move or delete any columns from the file.
  - If you'd like an item to be tracked, complete the fields 'Inventory Asset Account' and 'Cost of Goods Sold Account.' Any items imported without these accounts will be imported as untracked items.
  - Import the updated template file

Opening balances

If your client already has stock for any of the tracked inventory items entered, you need to record this by entering opening balances.

Detailed steps for this can be found in the help centre by clicking here.

Inventory Adjustments

You can easily make adjustments. For example, if your client has damaged stock that cannot be sold you can account for this with an adjustment. Simply decrease quantity on hand by using the adjustments button.

- Go to Accounts then select Inventory
- Select the item that you need to adjust.
- Click on the Options button and select New Adjustment from the drop down.
- Choose to decrease, increase or revalue the item.
- Enter the required info and click Review Adjustment.
- Look over the adjustment and if everything looks good click Post Adjustment.

You'll notice that the quantity on hand is automatically updated.

Using Tracked Inventory

It's easy to see what your client has on hand when selling and purchasing inventory because you will see stock quantities right on the Sales Invoice or Bill. Tracked inventory is simple to use while buying and selling.

While buying:

- While creating a Bill, entering the quantity will automatically add that to the stock availability.
- Xero takes care of processing the accounting entries for you.
- When the bill is approved Xero actually brings the item into stock in the item's designated Inventory Asset account.

It works similarly for selling:

- When your client sells goods and invoices customers, the quantity entered in the invoice reduces the stock in Xero.
- Xero will move the items from the "Inventory Asset account" to the "Cost of Goods Sold" account once the transaction has been approved.
- If you try to sell more of an item than you have on hand, Xero will alert you by providing your quantity on hand in a red alert bubble. You may continue entering this transaction and can save but not approve until you have sufficient quantity on hand to fulfill this order.

Xero allows you to track inventory items without any additional work required. Create a bill and the stock goes up. Create an invoice and the stock goes down. All the while Xero provides real time value of the current stock.

Inventory Dashboard

Here you see the details for the items in Xero. This information is continually updated as products are bought and sold.

To see the Tracked Inventory Item Dashboard:

- Go to Accounts and select Inventory.
- Click on the item you wish to view from the list of inventory items. Here you see the details for the items in Xero.
- You'll see the basic item info. If it's a tracked item you will also see:
  - Quantity on hand
  - Average Cost. NOTE - Note that Xero uses the "average cost" method of inventory.
  - Total Value
  - Quantity in committed quotes
  - Quantity on order

This information is continually updated products are bought and sold. You'll also notice that the history of an items transactions can be seen at the bottom of the dashboard.

CASE STUDY: ADDING INVENTORY ITEMS

Snappy Freight purchases boxes and resells them to their customers. They would like to use Xero to keep track of the quantity on hand. They carry 3 sizes:

Size	Cost	Item number
small	10	963
medium	20	965
large	30	967

1. Create 3 new tracked inventory items, 1 for each size box. For each sized box:
    a. Go to Accounts then select Inventory
    b. Click the +new item button
    c. Use the info in the chart above to create the first item.
    d. Select the "I track this item" checkbox to track it.
    e. You will need to create a new inventory asset account. Click the "+add account" button.
    f. Enter your item details: unit price, account, tax rate and description. All of these details will appear when you add this item to a transaction. Feel free to make this up.
    g. Click the arrow on the Save button and select Save & add another.

Review: Inventory

- Describe tracked inventory. Describe untracked inventory. How are they similar? How do they differ?
- List the ways to enter inventory items. Give a scenario for using each method.
- What information will you find on the inventory dashboard?

Quotes and Sales Invoices

Accounts > Sales > New (button)

It's common knowledge that people start companies because they have a passion that they want to turn into a profitable business. Xero supports these efforts by making it easy to create Quotes and Sales Invoices. The next few sections will detail how to use these features.

Quotes

Quotes are a great way to obtain new clients. These days most of us live in a world loaded with options, we have choices in everything from food to electricians. In this pick and choose environment, consumers shop around for the best deal. Providing a professional looking quote is more important than ever before. Quotes allow you to provide potential clients an amount for their desired products or services. Creating a Quote also gets the potential client into your system and makes it easy for your sales team to follow-up. Often this follow-up can close the deal turning a would be client into a revenue generating endeavor.

A Quote behaves very similarly to a Sales Invoice but it's a non-posting transaction so it won't impact your reports. There are 4 four parts to Quotes listed below, please click on each link to learn more about each.

1. Create a quote
2. Print or email a quote
3. Mark a quote as accepted or declined
4. Create a sales invoice from a quote

CASE STUDY: CREATING A QUOTE

You received a call from Tina Bliss, the manager at Cake Bliss. Tina is shopping around for the best prices to ship her custom cakes around the world. She has already received quotes from several other companies and this is Snappy's chance to gain Tina as a new customer.

Accounts > Sales > New > Quote

Use the info below to create a Quote for Cake Bliss:

- **Expiration Date** is one month from today
- **Customer** is Cake Bliss
- **Description** is Freight Charges from New Delhi to New York
- **Quantity** is 1
- **Unit Price** is $495 Tax exclusive
  NOTE: There is no need to include a reference number or account code.

Since you feel that you have offered up a competitive rate you are ready to send the Quote and hope for the best.

- Click **Send**
- Enter your personal email address in the To line so you can see what Tina would receive

With Xero's online quotes feature the customer can accept the quote right from their browser and that acceptance will be automatically reflected in Xero. Or, let's say a few days have passed and you call Tina to follow up. She tells you that you were the best price and she is going to go with you. If you don't still have the Quote pulled up in Xero locate it now.

Once you are looking at the quote for Cake Bliss:

- Click the **Options** dropdown in the upper right
- Select **Mark as Accepted**

Once this is done Xero will congratulate you, after all gaining the business of a new customer is exciting stuff! Now before you get too excited there is still one more step to make this new sale official. Create an invoice from the Quote.

- Click the green **Create Invoice** button in the upper right
- Tick the box **Mark as Invoiced**
- Click **Create**
- Review the New Invoice for accuracy, in this case we know it's correct
- Click **Approve**

Now if you followed the original directions exactly you will get an error here. Xero should be telling you that the Date cannot be empty and the Due Date cannot be empty. There should also be an error about the account. If you are wondering why these errors are just now occurring it has everything to do with the status of the transaction. Remember when it was a Quote it was a non-posting transaction. Now that you are trying to turn it into an invoice Xero needs to know how to handle it, so let's correct these errors now.

- **Date** should be today's date
- **Due Date** is one month from today
- **Account** is Sales
- Click **Approve** again

This time your invoice should have been accepted and you are ready to move on.

Sales Invoices

Create a sales invoice (for someone to pay you) and send it to them. Add a sales invoice from the Dashboard, Sales section or directly for one of your customers from their Contact Details screen. If you've updated your Sales Conversion Balance and it requires a corresponding invoice to make up the difference, you will be taken to the New Invoice screen directly.

Sales Invoices are:

- Used to create a new standard sales invoice.
- Used to create a new repeating sales invoice. Repeating criteria need to be defined. You also need to decide what you want Xero to do with the invoice that is created on the appointed date. Choices are:
    - **Save as Draft** (Xero sends the invoice to the Draft tab); or
    - **Approve** (Xero sends the invoice to the Awaiting Payment tab); or
    - **Approve and Send** (Xero sends the invoice to the Awaiting Payment tab and it emails the link to the customer's online invoice).
- Used to create a new standard credit note.

You can also use Xero's inbuilt calculator when creating a sales invoice. Enter a formula directly into the **Qty**, **Unit Price** or **Disc %** columns and then press the **Tab** key to view the answer. For example, typing (7+5)*12 would calculate to 144.

Invoice Only User Role

The Invoice Only user role is suitable for someone who needs to enter customer and supplier invoices and credit notes; that is, they don't need access to bank accounts or reports. If necessary, you can limit someone with Invoice Only access even further by giving them Sales Only access. An Invoice Only user

with Sales Only access can only create and approve sales invoices and customer credit notes. They won't be able to create or view bills or supplier credit notes.

Awaiting Payment

The Awaiting Payments tab shows you what invoices need to be paid. Of course before you can expect payment, you'll need to send the invoice to the customer.

You have a few options for how you wish to send the invoice. On the **Awaiting Payments** screen, you'll see the **Email**, **Print PDF** and **Invoice Options** buttons.

Click the **Invoice Options** arrow to display available options.
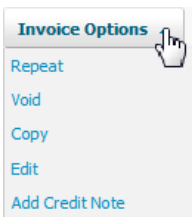
Invoice Options ⤵ Repeat Void Copy Edit Add Credit Note	**Repeat**: Use this option if you want to create a repeating sales invoice that uses the data in the selected sales invoice. **Void**, **Copy** or **Edit**: Use one of these options if you want to void, copy or edit the selected sales invoice. **Add Credit Note**: Use this option to copy the data in the selected sales invoice to create a Credit Note.

The **Awaiting Payment** tab makes it easy to stay on top of the amounts your customers owe. Xero colours the tab name blue, but if it is red, some amounts are overdue.

Print	Used for bulk printing sales invoices. To select multiple sales invoices, tick the checkbox to the left for each sales invoice you want to print. Alternatively, tick the checkbox for the first sales invoice to print, hold the Shift key down and then tick the checkbox for the last sales invoice to print. Click **Print** to begin printing the selected sales invoices.
Email	Used for bulk emailing online invoices. Select Customers and then click **Email**. Enter any missing email addresses. Choose whether to include a PDF attachment and whether to send yourself a copy or not. Click **Send**. Once sent, Xero marks all selected sales invoices as sent.
Search	Used to search for an existing sales invoice. Click **Search** to define search criteria. Click the ☒ button to close the search window.

Description Only Lines

Enter 'description only' lines into an invoice or credit note by entering text into the **Description** field; no need to enter anything into the **Qty**, **Unit Price**, **Disc %** or **Account** fields.

The description only line shows up in the invoice as follows:

History and Notes

View an audit trail of any changes made for the selected sales invoice. Xero displays who created it, who approved it and whether it has been sent or not. Xero also records any other changes made to the sales invoice and who made them.

To view History Notes:

1. Scroll to the bottom of the sales invoice screen
2. Click **Show History**
3. Click **Add Note / Expected Payment Date** to add a note or an expected payment date

CASE STUDY: CREATING A SALES INVOICE

Gavin Rutherford phoned Snappy Freight to ask for a price for a freight delivery from
New York to San Francisco. Snappy gave Gavin a price of $510. Use the following details to create this Sales Invoice.

- Delivery from New York to San Francisco is $490 (tax inclusive)
- Administration Fee is $20 (tax inclusive)

Snappy also offered a 20% discount on the Administration Fee. With the discount included, the total tax inclusive price is $506.

Snappy has now completed the job. Using today's date, create and approve the sales invoice.

1. Terms are seven days from job completion, the **Due Date** field automatically shows the default payment terms (30 days). You can override the default when necessary

2. Code $490 to Freight Income. The North Region made the delivery using the SNAPPY1 truck. Inventory codes are optional, and will not be needed for this invoice.

3. Code $20 to Administration Fees. This account doesn't exist yet, so create a new Administration Fees (410) revenue account directly from the sales invoice screen
4. Attach the *thankyou.jpg* file to the invoice and then click **Approve**

Credit Notes

If necessary you can add a credit note for your customers. The quickest way to accomplish this is from within the original invoice. We will do this for Gavin in the next case study.

To add a credit note:

1. On any Sales tab, click + New Credit Note, this will create a new empty credit note that you can complete for any customer
2. If you want to credit a specific invoice you can create a credit note directly from the invoice - it will be automatically completed for you with the details and amount outstanding from the invoice.

CASE STUDY: CREATING AND ALLOCATING A CREDIT NOTE

Gavin Rutherford received the $506 sales invoice sent for the freight delivery. However, Gavin expected the delivery charge to be $430, not $490. Snappy has asked you to credit the difference.

1. If the $506 sales invoice is not already open, open it now

2. Click **Invoice Options** and then select **Add Credit Note**

3. Click into the **Date** field and then press the **Tab** key, this action enters today's date

4. Delete the **Administration Fee** line

5. Enter $60 the **Unit Price** field (in the **Freight** line item)

6. Enter a description only line: *To reduce our invoice to the quoted amount*

7. Click **Approve**, Xero will now automatically apply the Credit Note to the sales invoice

8. In the **History & Notes** section, add a note explaining why the Credit Note was created

9. View the **History & Notes** section; which line is the Credit Note entry?

Online Invoices

When using Xero you can send a real-time online sales invoice, credit note or prepayment to your customer. Xero sends the customer a link. Customers use the link to view the electronic document in their web browser. The electronic document also gives customers up-to-date information, including their payment status, their payment history and their outstanding bills (if you've allowed this in your invoice settings). If you've set up a payment service, customers will also have the ability to pay their sales invoice directly from the electronic document.

You can also attach files to online invoices. If you include files, a files button ⬜ displays on your online invoices, credit notes and prepayments. Your customer can click on this button and view your included files.
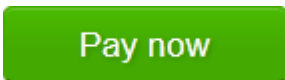
The **Sent** column on the **Awaiting Payment** screen will let you know whether each invoice has been sent or viewed by the customer. Because Xero is online 24/7, it knows when someone views the electronic document. Xero leaves a comment in the **History & Notes** section each time the customer views the electronic document.

Refer to the Help Centre for more about viewing information that displays on an online invoice, an online credit note or an online prepayment.

The buttons and links showing on the online invoice:

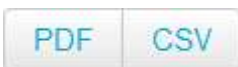| ◀ Outstanding bills	Customers can use this link to view any unpaid bills. Before Xero can display this link, you will need to go to Settings > General Settings > Invoice Settings > Default Settings (button) and then tick the checkbox in the **Show Outstanding Bills** section. For more about viewing outstanding bills online, refer to the Help Centre. This page discusses outstanding bills from a sender *and* recipient view.
Pay now	Customers can use this button to pay the sales invoice. You will need to link a payment service to your invoice branding theme before the **Pay now** button will appear on an online invoice. To do this, go to Settings > General Settings> Invoice Settings. For the invoice branding theme you want to set up a payment service for, click **Options** and then select **Edit**. In the **Payment Services** field, select the payment service from the drop-down. Click **Save**.
⬜ 1	Customers can click on this icon to view the attached file. Click on the attached file to open it.
PDF CSV	Customers can download the invoice as a PDF or CSV file. Click on the selected format to open or save the file.
Save	Customers can save the invoice into their Xero organisation as a draft bill. If they don't use Xero, they can create a free login and save their online invoices in one place.
Questions or comments about this bill?	Customers can use this link to send messages. Xero emails any messages to the organisation. Xero will also put any messages in the **History & Notes** section of the invoice and contact.
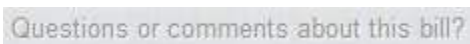
Review: Quotes and Sales Invoices

- How are quotes and invoices similar? In what ways do they differ?
- What are the options for saving invoices? Which option would you use if you needed authorization before sending the invoice to a customer?

- What information would you find on the awaiting payments tab?
- How does Xero's inbuilt calculator work?
- What's the fastest way of creating a credit note for a return? How do you apply it against the sales invoice?
- What are Online Invoices? How does the customer access the invoice?

Purchases and Bills

Accounts > Purchases > New (button)

It's simple and quick to manage personal expenses and reimburse employees for payments made on behalf of the business. Create claims at work, home or on the go. It's quick and easy to create fully customizable purchase orders, email them to suppliers and then copy to a bill when it's time for payment.

Bill	Used to enter a new standard bill.
Repeating bill	Used to create a new repeating bill. You will need to define the repeating criteria. After defining these, you can choose to save the repeating bill as **Draft** or **Approved**. This means that on the appointed date, Xero creates and puts the bill either on the **Draft** tab or the **Awaiting Payment** tab.
Credit note	Used to create a new standard credit note.
Purchase order	Used to create a new purchase order.

Purchase Orders

Accounts > Purchases > Purchase Orders (heading)

Use purchase orders in Xero to streamline your organisation's purchasing process. Purchase orders let your suppliers know you want to buy specific goods or services from them. They also define details such as delivery dates and prices. The ability to save data entry time by copying purchase order details is a good reason to create and use purchase orders.

⚠️ Since Purchase Orders are non-posting transactions they do not appear on any reports.

Xero lists any saved purchase orders on the Draft tab.

Submit for approval — Used to bulk-approve purchase orders. Select all purchase orders for approval and then click Submit for approval.

Xero lists unapproved purchase orders on the Awaiting Approval tab.

Approve — Used to approve purchase orders. Select all purchase orders for approval and

	then click Approve.
Delete	Used to delete purchase orders. Select the purchase orders to remove and then click Delete.

Once approved, Xero lists the purchase order on the Approved tab.

Billed	Used to mark a purchase order as billed. If you have already entered the bill in Xero, click Billed to mark the purchase order as billed.
Print	Used to print purchase orders. Select all purchase orders for printing and then click Print.
Send	Used to email purchase orders. Select all purchase orders for emailing and then click Send after entering the email address and confirming the email text.
Copy to	Used to convert, or copy, purchase orders.

You can print or email purchase orders.

To add a Purchase Order:

1. Go to Accounts > Purchases
2. Click the arrow next to the +New button
3. Select Purchase order from the menu
4. Enter information into the purchase order fields
5. Save or approve

CASE STUDY: CREATING A DRAFT PURCHASE ORDER

Snappy Freight needs to order stationery supplies from Office Supplies Company.

Description	Quantity	Price per unit (tax inclusive)
Spiral Notebooks	10	$4.30
Red Ballpoint Pens (box)	2	$5.20

Create a purchase order to Office Supplies Company:

1. Complete the header fields using today's date, the delivery date is three days from today
2. Code each line to Office Expenses (453). Purchase order total will be $53.40
3. Add a delivery instruction: 'Please deliver to the back door'
4. Click Save
5. Xero transfers saved Purchase Orders to the Draft tab

Customize Purchase Orders

Before you begin sending purchase orders, customise them by:

● Changing the automatic numbering sequence of your purchase orders

- Creating a branding theme to change the way your purchase orders appear
- Setting up an email template specifically for your purchase orders

You can add an expected arrival date to an approved purchase order. Open the approved purchase order and then click Add expected arrival.

You can also add an expected arrival date directly from the Approved tab. Find the purchase order to add the arrival date to and then click on Add date & notes, located in the Expected arrival column.

Copy an Existing Purchase Order

You can also convert a purchase order into a bill, or copy the details in an existing purchase order to create another purchase order. Use an existing purchase order to create a new bill, a new purchase order, or a sales invoice.

To use purchase order details to create a bill:

1. Go to Accounts > Purchases
2. Either:
   a. Under the Purchase orders heading, click the status panel your purchase order is in, or
   b. Use the search function
3. Open your purchase order
4. Click the Options button and select Copy to....
5. Select Bill
6. Select Mark this purchase order as fully billed if you've received all your ordered goods (This check box appears only if your purchase order has an approved status)
7. Create draft
8. Complete your bill - you can edit any of the fields in your new bill

After completing the bill details, approve the bill. Xero moves a billed purchase order to the Billed tab.

To create a new purchase order by copying the contents of an existing one:

Select the purchase order to copy and then open it. Click Options and then select Copy to. In the dialogue box that opens, select the Purchase Order option and then click Create draft.

Once copied, complete the purchase order details and then click Save or Approve.

To copy the contents of an existing purchase order to create a draft sales invoice:

Find the purchase order and then select it. Click Options and then select Copy to. In the dialogue box that opens, select the Invoice option (shown below) and then click Create draft.

If the purchase order uses an inventory item, Xero uses the item's sales unit price in the sales invoice. Complete the sales invoice details and then click Approve.

Mark a purchase order as billed

If you've received your ordered goods and a bill from your supplier, you can:

- Mark the purchase order as billed (if you have already entered the bill into Xero); or

- Use the purchase order details to create the bill, marking the purchase order as billed at the same time. Only do this if you have not yet entered the bill into Xero

To mark a purchase order as billed in either situation:

1. Go to Accounts > Purchases and then scroll down to the Purchase Orders section
2. Click on the Approved tab and then search for the purchase order to be marked as billed
3. Open the purchase order and then click Mark as Billed
4. If you have already entered the bill this purchase order corresponds to, click OK. This action marks the purchase order as billed without converting the purchase order details into a bill. View the billed purchase order from the Billed tab
5. If you have not yet entered the bill this purchase order corresponds to, select Copy purchase order to a draft bill (tick the check box) and then click OK
   a. In the New Bill screen, enter the date and due date
   b. To convert the purchase order details into an approved bill, click Approve
   c. View the billed purchase order from the Billed tab or the purchases Awaiting Payment tab

Unmark a purchase order as billed

If you need to, you can also unmark a purchase order as billed. In doing so, Xero will change your purchase order's status from Billed to Approved.

To unmark a purchase order as billed:

1. Go to the Billed tab
2. Search for the billed purchase order and then open it
3. Click Options and then select Unmark as billed
4. Xero will then move the purchase order from the Billed tab to the Approved tab

Unsupplied Goods in your Purchase Order

There may be times when your supplier doesn't supply all the goods in your purchase order.
If you receive only some of your ordered goods, follow the steps below.

1. Copy the purchase order to a bill
2. Edit or delete some of the lines in the bill; that is, edit the bill's details to match your supplier's bill and the goods they've supplied
3. When you receive your remaining goods, copy your purchase order to a bill again

Approve a Purchase Order

If you or someone else has saved a purchase order, find out how to approve it or submit it for approval.

To approve a purchase order, or submit one for approval:

1. Go to Accounts > Purchases
2. Either:

- Under the Purchase orders heading, click the Awaiting Approval or Draft status panel, or
- Use the search function
3. Open your purchase order
4. Approve or submit for approval

CASE STUDY: APPROVING AND BILLING A PURCHASE ORDER

Snappy Freight's stationery supplies, ordered from Office Supplies Company, arrived three days later with the supplier's invoice. Approve the draft purchase order and then use the approved purchase order to create a bill.

1. Using the Draft tab, select the purchase order to Office Supplies Company and then approve it
2. Using the Approved tab, find the approved purchase order and then open it,
   Use the purchase order details to create a draft bill mark the purchase order as fully billed
3. Edit and approve the new bill using today's date + three days. Due date is seven days from today. You can leave the line items as they are, Snappy Freight received the ordered items
4. View the approved bill. You can also view this bill using the paths shown below:
   Accounts > Purchases > Awaiting Payment (tab)
   Accounts > Purchases > Purchase orders (section heading) > Billed (link)

Manage Bills and Expenses

Accounts > Purchases > Bills (heading)

When creating or editing bills or credit notes, you can click on the ⬜ icon to attach single or multiple files. This is useful if you need to refer to the supporting documentation later.

Earlier, we learned that the Invoice Only user role is suitable for someone who needs to enter customer and supplier invoices and credit notes; that is, they don't need access to bank accounts or reports. If necessary, you can limit someone with Invoice Only access even further by giving them Purchases Only access. An Invoice Only user with Purchases Only access can only create and approve bills and supplier credit notes. They won't be able to create or view sales invoices or customer credit notes.

Repeating Bills

Enter details for a bill that you receive on a regular basis. Xero will automatically create and save bills for you, according to the template you set up. You can choose to have bills appear on either the Draft or Awaiting Payment tab on the recurring date you've set them up to generate. All you'll need to do is complete the process: approve them if they're Draft, and pay them if they're Awaiting Payment.

To create a repeating bill template:

1. You can create a new repeating sales invoice or bill template in several different ways:
   a. Click the New Repeating Invoice or New Repeating Bill button on the Repeating tab

2. Select the 'New Repeating Invoice' option from the New Invoice button or 'New Repeating Bill' option from the New Bill button from other tabs in Sales or Purchases
3. From a contact details screen, select 'New Repeating Sales Invoice' or 'New Repeating Bill' from the + New button to create a new repeating template for that contact
4. Use an existing invoice or bill of any status as the basis for a repeating template
5. Open the invoice or bill and select 'Repeat' from the Invoice Options drop-down

To make things even easier you can add placeholders to your reference and description fields. Placeholders are named markers where content will appear when a document is generated. The value of the placeholder will depend on the date your repeating invoice or bill is generated. You can have more than one placeholder in a field.

Place your cursor in the Reference or Description field to see the **Insert Placeholder** link. Click the link to select the placeholder option.

You can add or subtract within the placeholder to change the placeholder value. For example, [Month-1] will display the previous month to the invoice or bill month.
Click **Preview placeholders** to see how your placeholders will appear in your invoice or bill.

You can follow the same process to create repeating invoices and repeating journal entries.

CASE STUDY: CREATING A REPEATING BILL

Snappy Freight leased a new photocopier from Tannon Photocopiers. They signed the Operating Lease when the photocopier was delivered, the 1st day of last month. The lease terms state that Tannon Photocopiers will send bills of $60 to Snappy Freight every two weeks, from the date of delivery. Because of the regular frequency of these bills, you decide to create a repeating bill.

1. Create the repeating bill, end date will be 31 December next year which means Xero will continue to automatically create bills until the end date occurs.

2. The due date will be the same as the bill date

3. Code to Printing & Stationery

4. Check the dates and amounts if correct, select the ⊙Approve option and then save

5. If you entered the dates correctly, Xero will have created some bills using the repeating bill template details. Go to the **Awaiting Payment** tab to find them. To find these bills quickly, click on the **From** heading to alphabetically sort supplier names

Foreign currency bills

You can enter bills in Xero in your base currency (the country your organisation belongs to), or in other currencies if you have set these up for your organisation. Payments on the invoice or bill can be in the currency of the invoice or bill, or another currency that you've set a bank account up for in Xero.

To create a foreign currency bill:

1. The currency displayed will be your base currency by default, and you can change this to another currency you've chosen to use in your organisation
2. If you copy a bill, it will be in the same currency as the original one but no rate will display until you've selected a date
3. If you have entered a bill for a contact before, when you select their name the currency field will automatically change to the default currency saved for them
4. Once you've created a bill using a particular currency for the first time, that currency is saved as the default currency for next time. If you'd already saved a default currency, this will remain - using a different currency than their default will apply only to the current bill. If a currency you want to use is not available, use the +Add Currency option in the drop-down list. This will take you to the Currency screen to add a new currency.
5. If you don't see this field for choosing a currency then your organisation has not been set up to use the multi-currency option. The user who is the Subscriber can enable this from Settings > General Settings > Currencies

Case Study: Entering a Foreign Currency Bill

Your client, Snappy Freight, ordered some new designer office furniture from Canadian Fine Furniture. The bill (dated on the last day of last month) has just arrived; the total comes to $5,117CAD (no tax).

Canadian Fine Furniture expects payment by the 28th of this month.

Enter the bill received from Canadian Fine Furniture:

1. Complete the **From**, **Date**, **Due Date** and **Reference** fields

2. Xero will display the bill in Canadian dollars if the **Currency** field displays Canadian dollars. Click on the arrow to the right of the **Currency** field and then select **Add Currency**

3. In the window that opens, select **CAD Canadian Dollar** and then note the exchange rate

4. Click **Add Currency**

5. Note the exchange rate displayed in the **New Bill** screen

6. Enter the tax rate. Amounts are 'No Tax'

7. Enter the purchased items: 10 Office Desks at $511.70CAD each. Code to Office Equipment (710)

8. Check dates, currency and amounts are correct if so, click **Approve**

Xero updates the unrealised gains or losses regularly. Each hour on the hour, Xero looks to XE.com for the latest foreign exchange rate. Xero then recalculates the gain or loss. This means that when you view a foreign currency bill, Xero will always display a fairly accurate gain or loss. You can use this information when making decisions about bill payments.

Bill Payments

From the Awaiting Payments screen you can schedule payments and create batch payments from the list of bills. If you open a bill, you can enter payment details directly into this screen. From here, you can also edit bill details or use them to create a Repeating Bill or a Credit Note.

Create or edit a batch payment

Create a batch payment to bundle one or more bills together into one transaction for payment. You can export a batch payment to your bank account, or pay it from another account where you have enabled payment.

To create a batch payment:

1. Go to Accounts > Purchases
2. Click on the Awaiting Payment panel
3. Check the box next to each bill you want to include in the batch payment
4. Click Batch Payment
5. Click Make Payments

CASE STUDY: CREATING A BATCH PAYMENT

Your client, Snappy Freight, wants to try paying some of their bills by batch payment this month to reduce time spent entering each payment into online banking. You've chosen to pay these bills from the Business Savings Account on the 28th of the current month.

Create the batch payment as follows:

1. Open the **Awaiting Payment** screen: Accounts > Purchases > Awaiting Payment (tab)

2. Sort the Suppliers alphabetically by clicking on the **From** heading

3. Select the bills for payment (as below) and then click **Batch Payment**

Capital Cab Co	$242.00
Net Connect	$54.13
PowerDirect	$108.60

In the **New Batch Payment** screen:

1. Enter payment date and bank account details (Business Savings Account)

2. Make sure you have entered the bank account details for each Payee into the grid, If one bank account number is missing, Xero cannot create a batch file

3. If applicable, enter any other relevant information and then click **Make Payments**

Review: Purchases and Bills

- Do purchase orders appear on reports? Why or why not?
- What are the ways you can send a purchase order?
- What screen can you create batch payments from?
- How do you create a Foreign currency bill?
- How would you handle a bill that you receive on a regular basis?
- Can you apply a Sales Invoice to a Bill? If so how?

A Closer Look at Bank Reconciliation

Earlier in this course you were introduced to bank reconciliation within Xero. Now that you are feeling comfortable with the basics it's time to kick it up a notch and layer on a few new skills. The following sections will help you do just that. So let's jump in and get practicing with these case studies so you will know how to handle issues when they arise.

Reconciliation Issues

You already know that Xero is smart enough to automatically make a match. However, sometimes the match isn't obvious and won't be picked up. These bank statement lines can still be reconciled but the method used will depend on the scenario taking place.

Amounts received that are less than the invoice amount can be dealt with as an adjustment or part payment. Both options are explained below.

Reconcile a partially paid invoice

Sometimes customers pay less than the full balance of a sales invoice. This happens for many different reasons and it's important to know how to handle it properly when it does occur. Importing a bank statement line that represents a partially paid invoice or expense claim in Xero, means the part payment won't automatically match in bank reconciliation. There are a couple ways to handle this in Xero.

The 2 ways of dealing with part payments in Xero are:

1. Match the imported statement line while you're reconciling by creating a split of the invoice or expense claim that is already in Xero
2. Record the payment directly on the invoice or expense claim, (perhaps it was a payment that hasn't yet gone through your bank account) then you can follow the steps below for how to reconcile it

Both of the above methods are covered in your webinar but additional information on the entire process can be found by clicking here.

Alternatively, you can record the payment directly on the invoice, bill or claim before you reconcile the payment. For more information on this process check out the following help topics:

Record payment of a sales invoice or bill

Record payment on the expense claim

Gavin Rutherford (Snappy Freight's customer) has made a $60 part payment. Match the payment against the sales invoice.

1. In the Business Savings Account, find the $60 amount received from Gavin Rutherford

2. As Xero has not automatically matched the amount received, click on **Find & Match**

3. Enter 'gav' in the **Search** field and then click **Go**

4. Match the $60 receipt to the sales invoice - Note the total is out by a $386 underpayment

5. As the receipt is a part payment, click **Split** (shown below)

Date	Name	▲	Ref/Number		Spent	Received
☑	➡ Gavin Rutherford		INV-0031	Split		446.00 USD

6. Check Xero has correctly entered the part payment amount then click **Split**

7. Click **Reconcile**, Xero will now allocate the part payment against the sales invoice

Reconcile Pre Payments and Overpayments

Occasionally a customer might overpay an amount owing, or you might overpay a supplier. Customers might also prepay an amount, or you might prepay a supplier. Examples include paying annual subscriptions in advance, paying a deposit, or receiving payment before raising the invoice.

Deal with overpayments and prepayments directly from the **Reconcile** screen. Xero treats these as a Spend Money or Receive Money transaction. Xero will 'park' the transaction until someone decides what to do with it. The system also allows you to apply part of the payment.

Use the links below for more about this topic:
Editing Prepayments
Deleting or Voiding Prepayments
Editing Overpayments
Deleting or Voiding Overpayments

Prepayments

Prepayments are a type of Spend Money or Receive Money transaction. They can be used for payments in advance such as annual subscription payments, deposits, or where payment is received before the invoice being raised. Customer prepayments are different from other Receive Money transactions in Xero in that they generate unique numbers like invoices. Unlike overpayments, prepayments can be set to attract tax.

Follow the flowchart below to assist you in processing prepayments:
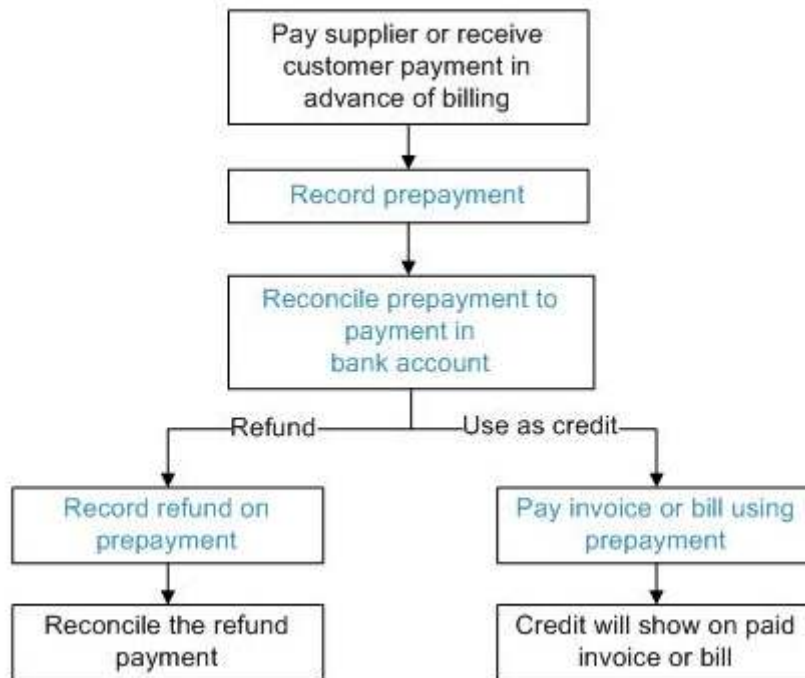
CASE STUDY: DEALING WITH A PREPAYMENT

Another one of Snappy Freight's customers, Jakaranda Maple Systems, has signed a contract for a $5,000 freight job. Snappy's contract terms require a 50% deposit before undertaking any large freight jobs; so, to confirm the job, Jakaranda recently paid $2,500 into the Business Savings Account. Snappy Freight has asked you to deal with this amount as a prepayment.

1. In the Business Savings Account, find the amount received from Jakaranda Maple Systems

2. Click on the **Add Details** link to process the amount as a prepayment

3. Click **Direct Payment** and then select **Prepayment**

4. Enter a description and then code the prepayment to the Revenue Received in Advance account

5. For this example, we will choose the Tax Exempt tax rate as we do not want to report the sales tax until the prepayment is applied to a future invoice

6. Save the transaction and then reconcile, view the prepayment in the **Awaiting Payment** screen

Overpayments

Overpayments are a type of Spend Money or Receive Money transaction. You can use overpayments when someone has mistakenly paid you too much, or when you have accidentally overpaid a supplier.

Creating an overpayment is a way of 'parking' the money until your organisation or your customer is refunded. Since overpayments are not payments on intended future work, they do not attract tax.

Follow the flowchart below to assist you in processing prepayments:
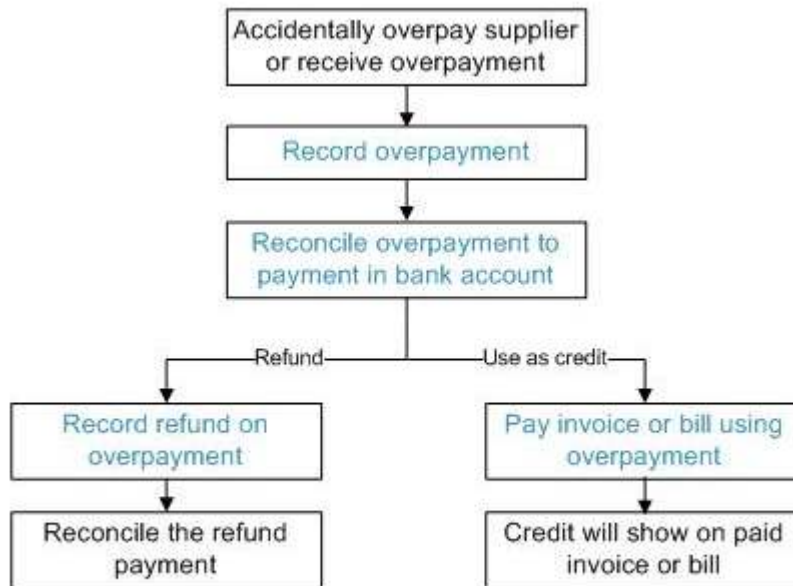
CASE STUDY: RECONCILING AN OVERPAYMENT AND PROCESSING A REFUND

When reconciling the Business Savings Account, you note Xero has not automatically matched the $941.55 amount received from Basket Case. You decide to find out why.

1. Find the Basket Case receipt and then click on **Find & Match**
    a. Search for and select the sales invoice (tick the check box)
    b. Note that Xero did not match the invoice to the receipt due to an overpayment
2. Deal with the overpayment:
    a. Click **New** and then select **Receive Money**
    b. Click **Direct Payment** and then select **Overpayment**

3. Enter a suitable description and then click **Save Transaction**
4. View the two transactions for the one payment and then reconcile

✔	18 Jul	➡ Basket Case	INV-0036	914.55
✔	28 Jul	OP Overpayment: Basket Case		27.00

5. Click on the **Accounts Transactions** tab
6. Click **Search** to find the multiple item payment and then drill into the payment transaction to view it

Snappy Freight has asked you to refund the overpayment using the Business Savings Account:

1. Go to Accounts > Sales > Awaiting Payment and then drill into the overpayment line item

2. Complete the cash refund fields found at the bottom of the screen. Date = the 28th of this month

3. Click **Add Refund**, The status of the overpayment will now change to 'Paid'

4. Go back to the **Reconcile** screen of the Business Savings Account. Scroll down and then use the 'jump to' field to jump to the last page. Reconcile the $27 refund payment

5. View the overpayment and cash refund in Basket Case's statement, go to Contacts > Customers, click on Basket Case and then click **Send Statement**

Bank Rules

Accounts > Bank Accounts > Bank Rules (button)

Bank rules are a quicker and easier way to reconcile imported bank statements. With bank rules you define the conditions for each rule to match with your imported statement lines. After you import a bank statement and go to reconcile your account, your rules run. For each bank transaction that matches a rule, Xero creates a transaction using the details of the conditions you've set.

If the transaction that Xero creates based on the rule is wrong, you can edit it, create a new one or find a transaction you've already entered into Xero to match with your statement line.

Bank rules are for the automatic creation of cash transactions in Xero, so they differ to how Xero matches transactions and makes suggestions for matching transactions when you reconcile.

⚠ If a transaction has been reconciled using a bank rule, changing the bank rule later will not affect the reconciled transaction.

Bank Rules speed up the bank reconciliation process.

There are **two types** of Bank Rules – Spend Money Rule and Receive Money Rule.

1. **Spend Money Rule** – applies only to debit transactions
2. **Receive Money Rule** – applies only to credit transactions

To create a bank rule:

1. Use the Create Rule button and use the drop-down list to select whether your rule is for money you spend or receive
2. This will take you to the Create Rule screen where you'll set the conditions for your rule

3. If there are no rules on a spend or receive money tab, you can also use the Click here to add one link to create one
4. If you're adding a rule from the reconciliation screen you'll bypass this step, this is because Xero already knows if your transaction is spend or receive money

CASE STUDY: CREATING BANK RULES

Create a Bank Rule for Dick Smith Electronics for all Computer Equipment purchased over $575.

1. Open the **Bank Rules** screen and then create a **Spend Money Rule**

2. Add the conditions, as shown below

3. Set the contact, as shown below

This will be the name that Xero will use when creating the Contact (the instruction stops the system from creating more than one Contact should the name come through differently later)

4. Allocate all purchases to the **Computer Equipment** (720) account, leave the **Description** field blank.

5. Give the rule a title and then save the rule

6. Go to the **Cash Coding** tab (Business Savings Account) click on the **Payee** column heading; Xero will sort the items alphabetically

If Xero did not apply the bank rule to the Dick Smith transactions, return to the bank rule and identify why. Check you have 'contains' and not 'equals' for the Payee criteria.

Bank rules can also divide amounts between two or more account codes. For example, the screenshot below shows a scenario where entertainment expenses are split equally. That is, 50% of the total cost is a business expense, 50% is personal.

4. With the remainder, allocate items in the following ratios...

Description	Account	Tax Rate	Percent...	
Entertainment 50% business	420 - Entertainment	Tax Exempt (0%)	50.00%	⊠
Entertainment 50% personal	880 - Owner A Drawings	Tax Exempt (0%)	50.00%	⊠
⬇ **Add a new line**			**TOTAL** 100.00%	

Click **Add a new line** to add more lines to the grid.

CASE STUDY: CREATING BANK RULES

Charlie Browning, the owner of Snappy Freight, sets up meetings at Chow Down Café most days each week. At each meeting he buys coffee for himself and his clients. This expense is an entertainment expense and only 50% of the total cost is deductible as a business expense, with the remaining 50% not allowable as a tax deduction.

1. Create a bank rule to automatically split and code payments made to Chow Down Café. Remember to allocate items in the ratio of 50% business (code to Entertainment) and 50% personal (code to Drawings).

2. Go to the **Cash Coding** tab (for the Business Savings Account), sort the **Payee** column alphabetically and then check the Chow Down Cafe lines. Xero has applied the bank rule to these items. How can you tell? Click on a **Multiple line items** link to view the 50/50 split. (If Xero did not apply the 50/50 split; that is, did not apply the bank rule, review the bank rule to identify why. Check you have 'contains' and not 'equals' for the Payee criteria. Why would 'equals' not work in this instance?)

From the **Cash Coding** tab (for the Business Savings Account), reconcile the Chow Down Cafe transactions by clicking **Save & Reconcile All** (there is no need to select the Chow Down Cafe transactions first.)

Cash Coding

Accounts > Bank Accounts > Reconcile Items (button) > Cash Coding (tab)

Use cash coding to quickly reconcile imported bank statement lines that represent cash transactions you haven't entered into Xero. Cash coding is quicker than using the Reconcile tab to reconcile your bank accounts. It lets you select accounts and tax rates for multiple statement lines at the same time. Then when you save and reconcile, Xero creates a matching spend or receive money transaction.

All users with the Adviser role have access to the Cash Coding screen. You can also give access to users with the Standard role, if they need it.

Snappy Freight has many cash transactions in the Business Savings Account. To reconcile them you decide to use the **Cash Coding** screen. Open the **Cash Coding** screen; sort by **Payee** and then code the transactions below, bulk-coding when possible. Reconcile after completing each coding job.

Contact	Amount	Code
Bank	$105.00	Code to Legal Expenses (441).
Central Copiers	$81.78	Code to Office Expenses (453).
City Stationery	$230.08	Split – 50% Office Expenses (453) and 50% Drawings (880). Use the / key for quick access to the **Spend Money** screen.
Dick Smith Electronics	$104.57	This was for cables. Code to Repairs and Maintenance (473).
Express Services	multiple	Bulk code to Printing & Stationery.
Interest Earned	multiple	Bulk code to Interest Income.
Shell and Shell Botany	multiple	Bulk code to Motor Vehicle Expenses (449).

Fix Coding and Reconciling Errors

You may identify errors during bank reconciliation that need to be fixed. Here well see how to fix a few common errors.

Edit Transactions

For one or two transactions it is quicker to drill into the transaction and then edit it from there. Of course if you are editing several transactions, drilling into each transaction is not the best use of your time. It's much quicker to bulk select the transactions and then edit the transactions after using the **Remove & Redo** function, discussed next.

To edit a single transaction:

Accounts > Bank Accounts

1. For the bank account that holds the transaction to be edited, click **Manage Account** and then select **Account Transactions**

2. Click **Search** to find the transaction to be edited. Once found, drill into the transaction

3. If the **Spend Money** or **Receive Money** screen opens, click Options and then select **Edit Transaction**
4. After selecting the **Edit Transaction** option, you will note that all fields can be edited, including tax. Remember, you are only editing the Xero transaction, not the bank statement line

- Unreconcile unhooks the transaction from the Bank Statement line

- Edit Transaction allows you to edit any field on the transaction, with the exception of the total, this applies to both reconciled and unreconciled Spend Money or Receive Money transactions

- Remove & Redo unreconciles the transaction and then removes the transaction from the **Account Transactions** screen

5. If the transaction is marked as a **Payment**, the **Options** button will still be there but you won't be able to edit the transaction. Transactions marked as a **Payment** are matches made against invoices; that is, they are not Spend Money or Receive Money transactions. This means that only the **Unreconcile** and **Remove & Redo** options can be selected from the **Options** drop-down.
6. Edit the transaction as required, and then click **Update**

Remove and Redo

You can use **Remove & Redo** to fix transactions with coding errors. It allows you to recode several cash transactions at the same time. It unreconciles and deletes the selected transactions so you can recode them.

Unreconciling and deleting removes the association between the Xero transaction and the bank statement line. Using **Remove & Redo** will not delete any bank statement lines. It just deletes the Xero Spend Money or Receive Money transaction.

When using Remove & Redo, three actions will occur:

1. Xero removes the connection between the transaction in Xero and the bank statement line
2. Xero removes the transaction from the **Account Transactions** tab
3. The bank balance in Xero changes

After using **Remove & Redo**, the bank statement lines will again be available in the **Cash Coding** or **Reconcile** screen. From here you can bulk recode them.

To edit transactions using **Remove & Redo**:

1. Open the Dashboard

2. Open the bank account that holds the wrongly coded transaction

3. Click **Manage Account** and then select **Account Transactions**

4. Select the transactions you want to remove and redo; that is, unreconcile and delete

5. Click **Remove & Redo** and then on **Yes** to confirm

6. View the bank statement lines using the **Cash Coding** screen, recode, as needed

When using the **Cash Coding** screen to code Snappy's $105 payment to Bank, you initially coded it to the Legal Expenses account with tax included. However, you now find the $105 payment should have been coded to the Bank Fees account. Fix the coding error using the **Edit Transaction** method.

1. In the **Account Transactions** screen (Business Savings Account), search for the $105 payment

2. Open the Spend Money transaction

3. Click **Options** and then select **Edit Transaction**

4. Change the account details; that is, code to the Bank Fees account

5. Click **Update**

When using the **Cash Coding** screen to code the Express Services payments for Snappy Freight, you initially bulk-coded all bank statement lines to the Printing & Stationery account. However, you now find these payments should have been coded to the Freight & Courier account. Fix the coding errors in each Spend Money transaction using the **Remove & Redo** method.

1. Open the **Account Transactions** screen (Business Savings Account). How many transactions still need reconciling? Hint - The number on the **Reconcile** tab gives you the answer

2. In the **Account Transactions** screen, click **Search** to find the Express Services transactions. When you're found them, note the reconciled status of each transaction. Select all Express Services transactions

3. Click **Remove & Redo**. Xero will remove all Express Services transactions from the **Account Transactions** tab. How many transactions need reconciling now? The number on the **Reconcile** tab gives you the answer

4. Click on the **Cash Coding** tab. Find the Express Services payments and view the **Account** column. **Remove & Redo** *removes* the previously entered account code, enabling you to *redo* the coding

5. Bulk-select the Express Services payments and then bulk-code to the Freight & Courier account

6. Save and reconcile

7. Click on the **Account Transactions** tab and then search for the Express Services transactions. Xero has reconciled the Spend Money transactions, created when bulk-coding the bank statement lines. Drill into one Spend Money transaction to check the coding

Unreconciling

If you need to, you can unreconcile a reconciled Spend Money or Receive Money transaction. To do this, open the transaction, click **Options** and then select **Unreconcile**.

Unreconciling a Spend Money or Receive Money transaction simply removes the link between the imported bank statement line and the account transaction in Xero. The transaction, along with the sales tax allocation, will remain, as will the bank statement line.

After unreconciling, the transaction will appear on the **Reconcile** screen. It will also appear on the **Cash Coding** screen. Only reconcile from the **Cash Coding** screen if you mean to create another Spend Money or Receive Money transaction. Reconcile from the **Reconcile** screen to match an amount to a sales invoice or bill.

CASE STUDY: USING UNRECONCILE TO FIX RECONCILED TRANSACTIONS

There is some preparatory work to do before you can do this case study. Go to Accounts > Sales > Draft (tab) and then select the draft sales invoices (tick the checkbox) for Rex Media Group and Hamilton Smith. The amount due for both invoices is $550. Click **Approve**. Xero will transfer the draft sales invoices to the **Awaiting Payment** screen. You are now ready to begin this case study.

The office manager at Snappy Freight received a cheque for $550 from Rex Media Group. They only bank their cheques once a week. Meanwhile, the invoice in Xero needs to be marked as paid.

1. From the **Awaiting Payment** screen, find the Rex Media Group invoice and then open it

2. Scroll down to the payment section and then enter the payment details. Use today's date. The cheque will be banked into the Business Savings Account, click **Add Payment**

3. After processing the payment, go to the **Account Transactions** tab for the Business Savings Account. Find the $550 Rex Media Group payment and then view the **Status** column

4. Now go to the **Reconcile** screen. Find the $550 bank statement line (a receipt) from Hamilton Smith. Xero has automatically matched this receipt to the Rex Media Group payment. Xero matches on amount, not on contact name. However, Xero has identified another possible match. We know this because Xero displays a **1 Other Possible Match Found** link

Let's make a deliberate error:

Reconcile the receipt from Hamilton Smith to the Rex Media Group payment. Consider what has happened. The payment has been reconciled but, as the Rex Media Group payment has been reconciled against the Hamilton Smith receipt, the Hamilton Smith sales invoice remains unpaid.

Let's think about the best way to correct this error:

If we use **Remove & Redo**, we will delete the payment transaction that has been processed against the Rex Media invoice, and it will be moved to the **Awaiting Payment** screen in Sales. The payment entry needs to remain as unreconciled in the **Account Transactions** tab until Rex Media Group's payment has been banked. So, in this instance, we simply need to unhook Hamilton Smith's bank statement line from Rex Media Groups payment transaction.

To fix the error:

1. Click on the **Accounts Transactions** tab (Business Savings Account), find the Rex Media Group payment and then click on the payment to open the payment screen

2. Click **Options**, select **Unreconcile** and then click **OK**. Unreconciling the payment will remove the association between the correct payment transaction (for Rex Media Group) and the mistaken bank statement line (for Hamilton Smith)

3. Go back to the **Reconcile** screen and then find the Hamilton Smith receipt again

4. Click on the **1 Other Possible Match Found** link

5. In the screen that opens, remove the current selection (clear the check box for the Rex Media Group payment), and then select the check box for the Hamilton Smith sales invoice

6. Check the receipt has been matched correctly and then reconcile

7. View the Rex Media Group and Hamilton Smith payments on the **Accounts Transactions** screen

   a. Search by description (enter 'payment') and exact amount (enter '550.00')
   b. Note the **Status** column to see which payment has been reconciled

8. When Rex Media Group's cheque is acknowledged as a deposit in the bank account, it will come into Xero as a bank statement line through a bank feed. When that happens Xero will auto match the bank statement line (a receipt) to the **Payment: Rex Media Group** transaction. Meanwhile, Rex Media Group's payment shows as an outstanding receipt in the Reconciliation Report.

Delete Duplicate Bank Statement Transactions

Occasionally you might find more than one bank statement line for the same bank deposit or payment. For example, when creating a CSV file to import a Bank Statement, someone entered the bank deposit on 10 March twice in error.

If there is more than one bank statement line for the same transaction, you will need to remove the duplicate bank statement line. Further, if the bank statement line was reconciled against a Spend Money or Receive Money transaction, you will also need to remove the transaction it was reconciled against.

To remove duplicate bank statement lines:

- From the Dashboard, open the bank account with the duplicate bank statement line
- Click on the **Bank Statements** tab and then open the bank statement with the duplicate bank statement transaction
- Select the duplicate bank statement line (tick the check box) and then click **Delete**
- Xero displays a warning. Click **Yes**, if you're sure you want to continue
- View the deleted bank statement line

To remove a duplicate bank statement line from the **Reconcile** screen:

- Click on the **Reconcile** tab and then find the duplicate bank statement line
- Click on the ⊠ delete icon
- Xero displays a warning. Click **Yes**, if you're sure you want to continue
- View the removed bank statement line from the **Bank Statements** tab, you will need to open the bank statement with the duplicate bank statement transaction first

If you need to, you can restore a deleted bank statement line.

To restore a deleted bank statement line:

1. Click on the **Bank Statements** tab and then open the Bank Statement that holds the deleted bank statement line
2. Find the deleted bank statement line, look for the word *Deleted* to find it more quickly
3. Select the deleted bank statement line (tick the check box) and then click **Restore**

CASE STUDY: DELETING DUPLICATE BANK STATEMENT TRANSACTIONS

When checking Snappy Freight's **Bank Reconciliation Summary Report**, you discover the Bank Statement balance for the Business Savings Account is out of balance.

After checking the CSV file used to import bank statement lines into the Business Savings Account, you notice a duplicate Shell Botany bank payment.

The duplication came about when creating the CSV file. As you used the CSV file to import the bank statement lines, you could fix the problem by deleting the imported Bank Statement. However, you have since reconciled those bank statement lines and you do not want to do the job again. It makes better sense to delete the duplicate bank statement line. You will need to delete the corresponding Spend Money transaction as well.

- Open the **Reconcile** screen for the Business Savings Account and then record the **Statement Balance** amount and the **Balance in Xero** amount
- Click on the **Bank Statements** tab
- Open the Bank Statement that holds the duplicate Shell Botany bank statement line
- Find the two Shell Botany bank statement lines and then select one (tick the check box)
- Click **Delete**
- When initially coding the deleted bank statement line, Xero would have created a Spend Money transaction. As you have deleted one of the Shell Botany bank statement lines, you will also need to delete one of the Shell Botany Spend Money transactions. Do this as follows:
    - Open the **Account Transactions** screen for the Business Savings Account
    - View the **Statement Balance** and **Balance in Xero** amounts
    - Search for the two Shell Botany transactions
      Xero unreconciled the Spend Money transaction when you deleted the duplicate bank statement line
    - Select the unreconciled Shell Botany transaction and then click **Remove & Redo**
- View the **Statement Balance** and **Balance in Xero** amounts

It is worth noting the Delete Entire Statement button at this point.
You can find this button at the bottom of the **View Statement** screen.

You cannot undo the consequences of using the **Delete Entire Statement** button. Once you have deleted an entire Bank Statement, it is gone. In contrast, you can undo the consequences of using the **Delete** button when deleting duplicate bank statement lines. Just select the transaction with the deleted status and then click on **Restore**. You will need to reconcile any restored transactions.

Mark or Unmark as Reconciled

When setting up clients, you may not be able to download all required bank statements. When this is the case, you could manually enter and reconcile them or you could enter the bank statement lines into a CSV file and then use this file to import the bank statement lines. Alternatively, you could create a Spend Money or Receive Money transaction and then manually mark the transaction as reconciled. When marking a Spend Money or Receive Money transaction as reconciled, Xero will create a dummy bank statement for the transaction. Xero will also update the Statement Balance for the bank account.

Mark as Reconciled

You may need to reconcile an account transaction without a bank statement line. Mark an account transaction as reconciled when you can't import its matching statement line from your online bank account.

Mark as reconciled after enabling the Mark as Reconciled button, or opening the account transaction.

Marking an account transaction as reconciled:

- Changes its status to marked as reconciled
- Creates a dummy bank statement on the Bank statements tab that Xero reconciles your account transaction with
- Changes the Statement Balance

To mark an account transaction as reconciled:

1. Go to Accounts > Bank Accounts
2. Locate the bank account for the account transaction you want to mark as reconciled
3. Choose Manage Account > Account Transactions
4. If you haven't already enabled the Mark as Reconciled button, go to Help > Enable Mark as Reconciled
5. Check the box alongside the account transaction you want to mark as reconciled
6. Select More > Mark as Reconciled
7. Select Mark as Reconciled to confirm

CASE STUDY: MANUALLY CREATING MISSING BANK TRANSACTIONS

Earlier in this certification you used the **Cash Coding** screen to code and reconcile two interest amounts earned, one for $27.80 and one for $32.23. One month later you discover the $32.23 amount was in error and the bank has since deducted the amount from Snappy Freight's bank account. The reversing entry (dated the same day as the receipt) did not come into Xero through a bank feed. Because you have already reconciled the $32.23, you will need to deal with the reversal showing in the bank statement.

1. Open the **Account Transactions** screen for the Business Savings Account

2. Search for the $32.23 interest earned transaction and note the transaction date

3. Click on **Manage Account** and then on **Spend Money** to create a reversing entry for the missing bank transaction

To	Interest earned
Date	As noted in step 1 above
Description	Reversal of interest amount incorrectly deposited to bank account
Qty	1
Unit Price	32.23
Account	Interest Income

4. After creating the **Spend Money** transaction, view it in the **Account Transactions** screen. What is its status?

5. Now mark the **Spend Money** transaction as reconciled:

   a. From the **Help** menu, select **Enable Mark as Reconciled**
      This action puts a **More** button above the grid header
   b. Find and select the unreconciled interest earned
      Spend Money transaction
   c. Click **More** and then select **Mark as Reconciled** (This
      step is necessary because the bank statement line
      wasn't imported)

6. Check the **Account Transactions** screen for your **Spend Money** transaction
   Xero marks manually reconciled transactions with the ✔ status icon
   Transactions with the ✔ icon also appear in the **Statement Exceptions** report

7. Now click on the **Bank Statements** tab. Look for the ✔ icon. Xero creates a dummy bank statement for transactions marked as reconciled

8. Run the Reconciliation Report: Manage Account > Reconcile (heading) > Reconciliation Report

   a. Click on the **Statement Exceptions** tab. View the manually reconciled interest earned transaction (You may need to adjust the date range to be able to do this)

   b. Click on the **Bank Statement** tab, view the dummy bank statement line for interest earned, located at the bottom of the report

Unmark as Reconciled

Transactions marked as reconciled can also be unreconciled.

You can do this by selecting the **Unmark as Reconciled** option.

When using the **Unmark as Reconciled** option:

● The transaction status changes to unreconciled

- Xero deletes the dummy bank statement previously created

- The Statement Balance for the bank account changes

- Xero updates the **Bank Statement** and **Statement Exception** reports

Review: A Closer Look at Bank Reconciliation

- What are the 2 ways you can deal with part payments in Xero?
- Describe Prepayments and Overpayments. How do you handle these in Xero?
- What are bank rules. How do they work?
- What is Cash Coding? When might you use it?
- When would you use Remove & Redo? What 3 actions occur in Xero as a result of using Remove & Redo?
- How would you remove the link between the imported bank statement line and the account transaction in Xero?
- How do you fix a duplicated Bank Statement line?
- When would you mark an account transaction as reconciled? What happens in Xero as a result?
- How does Unreconciling affect an imported bank statement?

Find and Recode

If you have advisor access you can now find and recode multiple transactions at once saving you tons of time.

You can recode:

- Accounts
- Tax Rates
- Contacts
- Tracking
- Transaction lines across multiple transactions

For more information about this great feature check out the following links:

- What can I recode
- Supported Transactions

Search for transaction lines

-

Reporting Overview

Reports > All Reports

The Reports menu allows access to All Reports, Budget Manager and to the most commonly used reports (favourites). Publishing a report means a snapshot for a particular period will be saved as a report in Xero.

You can add another favourite report to the list by clicking on the ☆ icon next to the report you want to add (from the **All Reports** screen).

Xero reports can be exported to Excel, PDF or Google Docs. When you save reports to PDF or Excel, Xero will include the organisation's name in the filename. This way, if you're saving reports across multiple clients, into the same folder, you'll be able to distinguish between them.

By default, users with the Standard user role have Standard + All Reports rights. If you need to, you can restrict Standard users to Standard + No Reports permissions. Go to Settings > General Settings > Organisation > Users and then select the Standard user you want to restrict. In the **View reports** column, select 'No Reports' and then save changes. Users with Standard + No Reports permissions will still be able to access the: (1) Bank Reconciliation Summary (without the ability to publish), and (2) contact reports in Contacts. They won't have access to any other reports though, nor will they have access to Budget Manager or Manual Journals.

Inventory Item Details Report

You can dig even deeper into inventory details with the inventory item details report. Here you will find a complete list of associated transactions for Tracked and Untracked Inventory items. This makes it easy to see who's buying what and how often. To see the inventory item details report:

- Go to the reports tab and select New Reports.
- Click on the link for the Inventory Items Detail report.

Seeing these patterns allows your client to proactively contact their customers to ensure that they never run out of product.

Journal Report

The Journal Report lists all items going into and out of your general ledger (Chart of Accounts) as the result of transactions and other actions performed in Xero (e.g. invoices, manual journals, conversion balances).

The Journal Report is used to view posted journals or all journals, including system journals. The only exception to this is the unrealised foreign currency gains or losses that are automatically calculated

when a report is run. In this case, any gain or loss is not journaled; rather, once the calculation is made, the amount is displayed in the Unrealised Gains or Losses account.

The Journal Report is a full Audit Trail of all journals created by the system for a defined period.
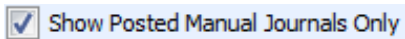
✓ Show Posted Manual Journals Only	Tick check box to view the posted manual journals.
➕ Add New Journal	Click **Add New Journal** if you want to enter a manual journal. Note that the ability to enter a manual journal can only be done by those with the Adviser or Standard user role.

Create budgets

The Budget Manager worksheet allows budgeted income and expenditure amounts to be compared against actuals throughout the year. Create an overall budget or, if you use tracking, set up budgets for each of your tracking categories. Budgets can be edited, copied, renamed and deleted. They can also be imported or exported. Keeping track of any budgets you have created can be done using the **Budget Summary**, **Budget Variance**, **Profit and Loss** and **Account Summary** reports.

Sales Tax Report - Sales Tax Summary

The Sales Tax Report in Xero is a summary showing sales tax charged or paid by your organisation for the tax period being reported, based on the sales tax rates you have set up for your organisation. It is made up of a Sales Tax Summary and a Sales Tax Audit Report. Sales tax for the period is calculated based on when and how you have entered transactions into Xero, what tax rate you applied to each line item, and can be tracked using the Sales Tax Audit Report.

If you have set up your sales tax rates to match the rates (and individual rate components) you are required to file based on the tax return or other document from your country or state, it is likely that you will be able to copy the figures calculated for a tax period from Xero onto your tax return.

CASE STUDY: COMMON REPORTS

1. View the reports on the **All Reports** screen - Note the report sections

2. Run and view the **Account Summary** report for the Storage Income account

3. Add the **Account Transactions** report as a favourite and then run it for the Freight Income account, view report

4. Run and view the **Journal Report**; see below for more information

5. Run and view the **Sales Tax Report**

Reconciliation Reports

Click on the down arrow to view Xero's reconciliation reports.

Xero's reconciliation reports are a quick way of checking balances and picking up incorrect balances. You can use these reports as workpapers as they are a quick way of attaching Balance Sheet items and other relevant items to accounts that need reconciling.

Xero will export each reconciliation report to Excel, PDF or Google Docs.
Xero saves all formulas when exporting to Excel.

You can make changes to any reconciliation report. For example, you could add another report to the set of reconciliation reports. Always click **Save as Draft** before leaving the Reconciliation Reports screen. You will lose your changes otherwise.

Bank Reconciliation Report

The Bank Reconciliation Report shows how your actual bank balance and the balance of the bank account in Xero match, after taking into account any unreconciled items. This report is useful if your bank account's statement balance and balance in Xero do not match, and you need to check for duplicate or manually created transactions that might cause the discrepancy.

There are three tabs in the Reconciliation report:

Bank Reconciliation Summary – compares the Xero (GL) balance to the closing Bank Statement balance using the format below. The closing Bank Statement balance as calculated by the Bank Reconciliation Summary report should be the same as the closing amount on the actual Bank Statement.

Balance in Xero (the GL balance)	+	Outstanding Payments	–	Outstanding Receipts	+/ –	Unreconciled Bank Statement Lines	=	Closing Bank Statement Balance

Recommended best practice is to check the balance with your bank each month to verify these closing amounts match. The message on the Bank Reconciliation report reminds you to do this.
The two balances should match each other for the same date. If your two balances don't match, this means either your starting point in Xero is wrong or you have an error in your bank statement lines.

For help with identifying errors and how to fix them, refer to the Help Centre.

Bank Statement – shows all imported bank statement lines and balances for the selected Bank Account and given selected date range. Also shows if the transaction was: (1) manually imported or brought in from bank feeds, (2) whether the transaction has been reconciled or not. The end result should be a reconciled bank statement.

Statement Exceptions – shows all exceptions such as duplicated, deleted and/or manually created bank statement lines for the selected Bank Account and given date range. This is the first place to look if the actual paper bank statement balance differs to that shown in Xero. For example, if using auto

bank feeds, this reports shows manually imported bank statements as they are not considered the norm.

Management Report

Management style reporting packages are available from the **Adviser** menu in Xero. These packages group Xero's standard reports and specific text-based information into one larger report. They are typically suitable for month-end or year-end reporting.

Click on the down arrow to view the reports available.

Each report initially displays the current period. You can select a different period, if you need to.

The Profit and Loss report has several tabs. These tabs extend the number of reporting possibilities. For instance, to display only two annual periods, click on the **Compare Periods** tab. Enter '12 months' in the **Period** field and then enter 'Previous 1 period' in the **Compare with** field. Click **Update** to view.

You can add transaction schedules, footnotes, and account summaries to the Management Report. You can also add aged receivables or aged payables charts, define a default report layout and customise a report layout if you need to.

Export

When using Xero, you can export an organisation's general ledger data. Xero puts it in a format suitable for importing into other accounting products. You can view the itemised accounting product export files and formats in the Help Centre.

Only users with the Adviser role can export general ledger data.

In Xero, transactions posted to the General Ledger (GL) are:

- Bank account transactions (spend and receive money, transfers, expense claims, receipts, payments, credit note cash refunds)
- Approved sales invoices, bills and credit notes on the **Awaiting Payment** screen
- Authorised expense claims on the **Awaiting Payment** screen
- Posted and reversed manual journals
- Fixed asset depreciation and disposal or sale journals

When exporting GL transactions, Xero exports the transaction details making up each journal line in the General Ledger. For example: journal number, journal date, account name, account code, account type, net amount, tax amount, gross amount, tax code and any descriptions or comments.
If applicable, Xero will also export tracking information.

History and Notes Activity Report

Xero has always kept an audit trail of user activity. The History & Notes Activity report extends that functionality by listing it all in one place, giving you the ability to find out what's happening and who's doing it.

Users with the Adviser role can search through Xero's audit trail for specific transactions, changes, or types of activity. Go to Adviser > History & Notes Activity and then, from the control bar shown below, choose the **Period**, **Item** and **User** you want to see history and notes for.

The control bar allows you to narrow your search.

Period	Used to define the transaction date you want to see history and notes for; for example, last month. You can also define a custom date range.
Items	Used to define the transaction type you want to see history and notes for; for example, bank transactions.
User	Used to see history and notes by user. Leave blank to query all users.

Click **Update** after making your selection and then click **Update** again each time you make a change.

Browse through the report to find what you need. Click on an item description to view the transaction. You can also click each column heading to sort the data by that category.

Because the History & Notes Activity report only displays the most recent 1000 items that match your search criteria, a quick way of narrowing your search is to use the **Filter Results** field. You can then filter by date, item, action, user or notes. To use this field, enter key letters, numbers or words.

The filter will not search the contents of the actual transaction, but it will search any details that appear in the notes. You could search for the bill for $1,181.25 by entering 1,181.25 in the filter box. You will need to enter the amount exactly as recorded; that is, include the comma, but not the dollar sign. Entering 1,181 would find this transaction too, but it would also return transactions for amounts like $1,181.60 or $21,181.42.

Publish Reports

Publishing a report means that Xero will create a snapshot for a particular period and then save that snapshot as a report. Published reports are available from: Reports > All Reports > Published (tab)

User permissions control whether you can publish and view published reports or not. When using Xero's Partner Edition, click on **Settings** to choose the publishing settings for your organisation. Only people with the Principal user role will have access to edit these settings.

To publish a report click **Publish**. You can find this button at the bottom of the report. Xero publishes reports to Excel, PDF and Google Doc formats.

Options available when publishing a report include customising the title, editing the author's name, entering disclaimers and, when publishing the management report, removing any reports not needed.

Customising Reports

Xero offers many reports to help business owners and their accountants know exactly where they stand financially. While there are too many reports and variables to cover in any details here we wanted to make you aware of the Report Centre and all of the wonderful resources available to you in Xero. Check out the following links for loads of great information.

- Common report tasks
- Xero's New Reports
- Publishing Reports
- Customising Reports

Review: Reporting Overview

- What does the Bank Reconciliation Report show? How is the closing bank statement balance calculated?
- What is the Journal Report? When might you use it?
- What is the Sales Tax Audit Report? How is Sales tax for the period is calculated?
- What information can be found in Management Reports? Who can access this?
- What can you search for on the History and Notes Activity Report?
- How do you publish a report?

Certification Test and Keeping Up-to-Date

The Certification Test is available from the Partner Help Centre. To get there, open the Partner Edition of Xero and then select **Partner Help Centre** from the **Training** tab menu.

Alternatively, enter help.xero.com/int/#MGXResources in your web browser to access this page.

Scroll down to the **Certification** section and then click on **Sit the online Xero certification test**.

This opens the **Become Xero certified** page. Read the instructions and then, in the **Sit the test** section (shown to the right), click on the **Xero certification test** link to begin the test.

The test has 25 randomly selected questions at varying degrees of difficulty, mostly multiple choice.

There is no time limit. However, as a guide, 35 minutes is a reasonable time for completion.

You must finish the test in one sitting. You cannot save and finish later.

You can go back and check your answers before finishing.

You must answer at least 20 of the 25 questions correctly to become Xero certified. If you score less than 20, you can resit the test but you can only attempt the test three times. After the third attempt there is a two week lock-out period. You can sit the test again after the two week lock-out period.

You can view your score at the end of the test. If you would like to receive an electronic copy of your test results, click **Email Results** before logging out.

If you pass, congratulations! We will send an electronic certificate to your email address immediately after you pass the test.

Once certified, take a look at our awesome new Xero TV. There are loads of different training videos that we've created, and viewing them is a great way of keeping your knowledge up-to-date.

You can also check out Xero U, the perfect place to learn Xero inside and out. Here you can choose a path for content that's tailored just for you.

And if you're a practice staff member, you can also access Xero's Learning Centre to view self-paced courses from the **Training** tab in My Xero. Keep your knowledge up-to-date anywhere, anytime, from any device. You can also review which training courses you've completed from here, and see if your Xero certification is about to expire. Refer to Xero's Help Centre for more about online learning help.

And then there's the Help Centre. From the home page, click on the **View Changes** link to see what's recently changed in Xero. Also on the home page, view a list of **New or Recently Updated** features.

Changes to the Help search function in Xero now enables searches across the User Guide, FAQs, Tutorial Videos and the Xero Community, increasing your chances of getting answers quickly.

Payroll

Did you know Xero offers Payroll too! With Payroll in Xero say goodbye to manual data entry and never worry about calculation mistakes again. It's easier than ever to process your payroll, pay your employees and manage your tax filings and payments. Having accounting and payroll software as one means your payroll information is automatically updated into your general ledger and rest easy because you never have to worry about a tax table again. Tax calculations are completed for you and tax rate updates are done automatically. Visit Xero U to learn more about how Payroll in Xero works, or talk to your Xero account manager to find out if Xero Payroll is right for your clients.