

# Beyond Management

COMPUTER AND MANAGEMENT CONSULTING

June 8, 2001

## **Comments on the SUSPENSE account in a Timeslips TAL register** **Cash Basis**

This discussion assumes that the firm is operating on a cash basis accounting method. TAL is used to categorize revenue that has been collected from a client. This categorization is determined when an invoice is finalized in Timeslips. For this discussion we will assume charges of \$1,000 in fees, and \$200 in costs.

In a normal circumstance, the invoice will be finalized in Timeslips, and later the client will submit a payment for that invoice. The following example represents the normal circumstance.

### **Example #1, normal payment of an invoice:**

	<b>Debit</b>	<b>Credit</b>
Cash in Bank	\$1,200	
Fee revenue		\$1,000
Cost revenue (costs recovered)		\$200
Description: To record a payment for a client invoice		

In some circumstances, a client will pre-pay, or over pay on their account when there is no invoice to which the payment can be applied. (We will assume that the funds are not put into the client's trust account.) Since there is no invoice in the system, the program does not yet know how to categorize the payment. Therefore the payment is put into SUSPENSE. The following example represents this circumstance.

**Example #2a, a client over pays before an invoice has been finalized:**

	<b>Debit</b>	<b>Credit</b>
Cash in Bank	\$1,200	
Suspense		\$1,200
Description: To record a payment from a client that has no invoice, yet		

Later, the charges (fees and costs) are finalized on an invoice. At that moment, Timeslips and TAL are now aware of how to categorize the payment that had previously been put into SUSPENSE. So, it takes the money out of SUSPENSE, and puts it into the proper categories. The following example represents the newly finalized invoice.

**Example #2b, an invoice has been cut for the client that over paid:**

	<b>Debit</b>	<b>Credit</b>
Suspense	\$1,200	
Fee revenue		\$1,000
Cost revenue (costs recovered)		\$200
Description: To record the categorization of a payment after the invoice is finalized		



**Comments on the SUSPENSE account in a Timeslips TAL register**  
**Accrual Basis**

This discussion assumes that the firm is operating on an accrual basis accounting method. TAL is used to categorize revenue that has been billed (also called *finalized* in Timeslips) to a client. This categorization is determined when an invoice is finalized in Timeslips. For this discussion we will assume charges of \$625 in fees, and \$440 in costs.

In a normal circumstance, the invoice will be finalized in Timeslips, and later the client will submit a payment for that invoice. The following two examples represent the normal circumstance.

**Example #1, issuing of an invoice, impact to A/R:**

	<b>Debit</b>	<b>Credit</b>
A/R (Accounts Receivable)	\$1,065	
Fee revenue		\$625
Cost revenue (costs recovered)		\$440
Description: To record the finalization of a client invoice		

**Example #2, payment of an invoice:**

	<b>Debit</b>	<b>Credit</b>
Cash	\$1,065	
A/R (Accounts Receivable)		\$1,065
Description: To record the payment of a client invoice		

In some circumstances, a client will pre-pay, or over pay on their account when there is no invoice to which the payment can be applied. (We will assume that the funds are not put into the client's trust account.) Since there is no invoice in the system, the program not will apply the money to Accounts Receivable account. Instead, the payment is put into SUSPENSE. The following example represents this circumstance.

**Example #3, an over-payment (no invoice available):**

	<b>Debit</b>	<b>Credit</b>
Cash	\$1,065	
Suspense		\$1,065
Description: To record an overpayment from a client invoice		



Later, the charges (fees and costs) are finalized on an invoice. At that moment, Timeslips and TAL are now aware of how to categorize the invoice, and reclassify the overpayment that had previously been put into SUSPENSE. So, TAL generates two new entries. The first entry is an invoice that will impact Accounts Receivable. The second entry takes the money out of SUSPENSE, and applies it to Accounts Receivable. The following examples represent the newly finalized invoice.

**Example #4a, issuing an invoice following an overpayment:**

	<u>Debit</u>	<u>Credit</u>
A/R (Accounts Receivable)	\$1,065	
Fees		\$625
Costs		\$440
Description: To record the finalization of a client invoice		

**Example #4b, reclassifying an overpayment:**

	<u>Debit</u>	<u>Credit</u>
Suspense	\$1,065	
A/R (Accounts Receivable)		\$1,056
Description: To record the reclassifying of an overpayment		



**Comments on the client trust accounting in a Timeslips TAL register**

When a client submits client trust funds to a firm, the firm will place the money in a client trust cash account. The offsetting side of this transaction is a liability. That is to say, until the firm earns the money in trust, the firm has a liability to repay those funds in the client trust cash account. The following example represents a client trust payment received from a client.

**Example #3, client trust funds received from a client:**

	<u>Debit</u>	<u>Credit</u>
Cash in client trust bank account	\$500	
Liability for client trust funds		\$500
Description: To record client trust funds received from a client		

When the firm finalizes an invoice (that is to say, the firm has now earned the money in the client trust account), the firm will write a check out of the client trust cash account. The following example represents a client trust payment paid out of the trust account.

**Example #4, client trust funds are paid to the firm for fees or costs that have been invoiced:**

	<u>Debit</u>	<u>Credit</u>
Liability for client trust funds	\$500	
Cash in client trust bank account		\$500
Description: To record client trust funds paid to the firm		

