**Recording Customer Down Payments**

When a customer gives you a down payment, you need to show a liability on your balance sheet until the work is performed or product delivered. The below method will allow you to process this type of transaction, as well as track and report down payments for each customer individually.

* Create “Customer Deposit/Prepayment” or something similar as a new account in the Chart of Accounts. The account type will be Other Current Liability.
* In your Item List (Lists 􀃆 Item List), create an item called “Customer Deposit.” The item type will be service or other charge and should be linked to a sales/income account. The price/amount can be blank. Choose “Customer Deposit/Prepayment” as the account.

Create an Estimate for the full amount of the customer bill. The item used should be linked to a Sales/Income Account.

Then each time you accept a deposit/prepayment, follow these steps:

1. From the home screen choose “Create Sales Receipts.”

2. Choose the customer or click “Add New” and add them.

3. Select the date you received the deposit.

4. Under Item choose “Customer Deposit.”

5. Under Amount, put the amount you received.

6. Save and Close.

7. From the home screen choose “Record Deposits.”

8. Find that deposit amount, check it and deposit it. Make sure it matches with what you actually deposited at the bank.

At this point, your Balance Sheet will show the amount of the deposit in your checking account and the amount of the deposit in “Customer Deposits” the other current liability

Then, when you create the full customer invoice/sales receipt:

1. Go to Edit>Find and find the estimate that was created for this customer. At the top of the estimate, click on “Create Invoice.” The first line on the newly created invoice will be the full amount of the estimate.

2. On line 2, choose “Customer Deposit” as the item and in the amount column put in the amount of their deposit as a negative. (This will take it out of the Other Current Liability account.)

3. The remaining customer balance will calculate on the invoice