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The following is an excerpt from the Peachtree r2006 on screen Help. The article gives advice regarding choosing Cash Based Accounting in Peachtree versus Accrued Based Accounting. Emphasis added.

"Cash Basis or Accrual Accounting (Getting Started)

When you set up a company in Peachtree, one of your first choices is between cash-basis and accrual accounting.

====> In **cash-basis accounting**, you recognize income and expenses when you receive cash.

====> In **accrual accounting**, you recognize income and expenses when you send or receive an invoice. In other words, **accrual accounting recognizes future receipts or disbursements**, based on the reasonable expectation of cash flow.

Thus, in accrual accounting, you have Accounts Receivable and Accounts Payable account types. The sum of your Accounts Receivable account(s) equals the sum of open invoices with customers. The sum of your Accounts Payable account(s) equals the sum of open bills you have with suppliers (vendors, in Peachtree terminology). In cash-basis accounting, you would not need these types of accounts.

Please note that if yours is an established business, you may not have a choice. The Internal Revenue Service has strict rules about switching between cash and accrual accounting. The switch must be made at the beginning of your fiscal year, and you must advise the IRS. Consult your accountant or tax-preparation professional if you're considering this switch.

For the above reasons, Peachtree will not let you switch between methods once you have established a company. If you do decide to change methods, you would have to set up a new company.

====> How Peachtree Handles Cash-Basis

We have defined cash-basis accounting as a system that recognizes income and expenses when actual cash (including checks or money orders) is received or disbursed. In the accounting world, there are different varieties of cash-basis accounting.

====> **Peachtree offers the cash-basis company two important benefits of an accrual system:**

customer and vendor aging

projected cash flow, via customer and vendor ledgers

To reap these benefits, you must enter customer and vendor invoices in a timely fashion.

Customer and Vendor Aging - If you enter customer and/or vendor invoices, Peachtree will compute and track aging for receivables and payables, even for cash-basis companies. This includes automatically tracking discounts for timely payment. For sales, you can calculate finance charges for overdue customer invoices. For purchases, you can select a batch of bills to pay, based on due date, discount date, and other criteria. In addition, you can use the Collection Manager and Payment Manager to analyze receivables and payables, and to generate collection letters (Collection Manager) or select bills to pay (Payment Manager).

Projected Cash Flow - Cash-basis companies that record customer and vendor invoices can still accurately project cash flow. The two main tools for this in Peachtree Accounting are the Cash Flow Statement and the Cash Manager.

Payroll - Because of their vital importance to your business, Peachtree handles payroll taxes in an accrual fashion, even for cash-basis companies. When you enter and post a payroll check, Peachtree immediately updates all payroll tax expense accounts, even if the check date is a future date."