General 1
Timing Issues

This article explains the importance of getting dates right.

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Your Business Numbers in a Nutshell

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General 1 Timing Issues

An important part of the accounting process is to match transactions by date. This is particularly important for bank reconciliation reasons.

The date that the transaction actually took place is the correct date to use on any matching records. Don't use today's date if you are processing transactions after the event, use the date the money went through the bank in the absence of any other date.

Depending on what approach you take to your financial records – in other words – do you write invoices and raise purchase orders or do you simply record the payment coming in when it comes in? These approaches are called "accruals" or "cash" reporting. They mean very different things.

If you've raised a sales invoice on the 4^{th} May, and the customer pays on the 6^{th} May – those dates are both fine. However, if you haven't raised an invoice and a deposit goes into the bank then anything you do with that transaction should be dated the day of the bank transaction.

If you raise an invoice, and then immediately mark the invoice as paid, you cannot then use that invoice to match a deposit because Xero thinks it's been paid. This will create problems especially if you haven't actually received a payment. This makes the information in your accounts receivable reporting incorrect and unreliable.

If you receive the money into the bank, but then not receipt the deposit until several days later you must date the receipt as per the date it was actually received. Legally, you have received the payment. And, if you create this artificial timing delay you may be causing problems for your bank reconciliation, and then following on in your BAS reporting.

Dates are critical!

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