Each account in your Chart of Accounts must have a default tax rate specified.

When an account is used in a transaction, such as an invoice or journal entry, the default tax rate will be automatically populated when the account is selected.

The tax rate can also be changed at the time of transaction, using a drop down list.

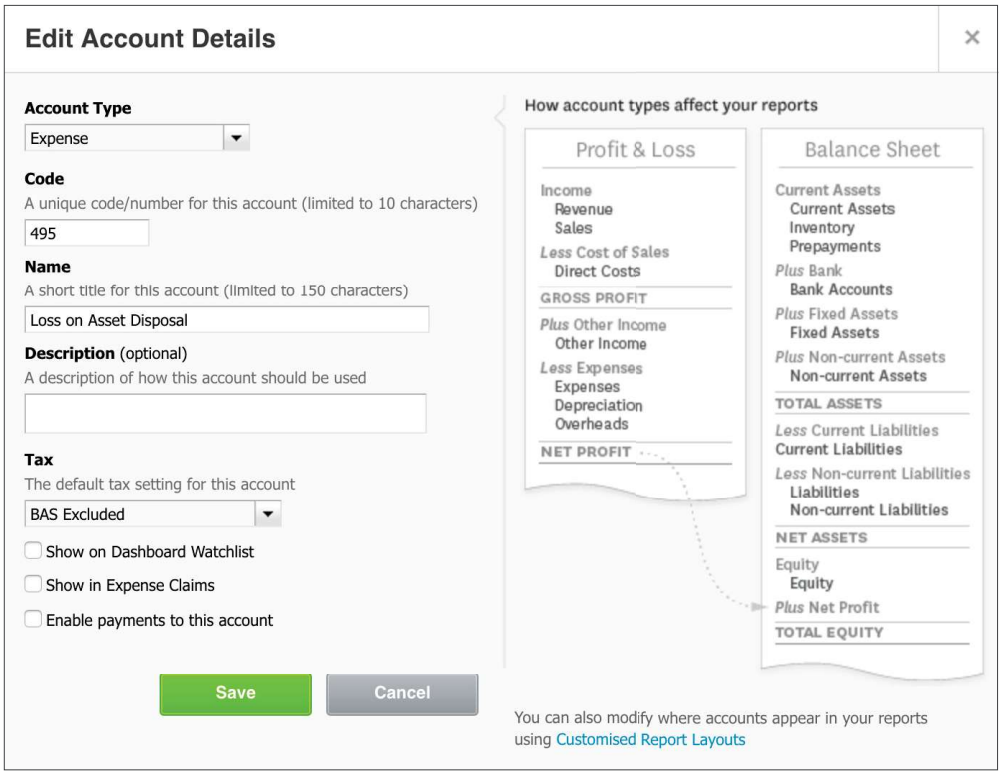
In this exercise you will edit a tax rate for an account.

EXERCISE 3.3

Julie's Flowers has received advice that there is no GST applicable for the Loss on Asset Disposal Expense and that this account should be excluded from BAS calculations.

> **Info:** this doesn't mean that all asset disposals are treated as BAS excluded under Australian GST laws. However in this case, the account is used to record the net loss on the disposal, and not the proceeds from sale and applicable GST collected with sale.

1. Click on **Settings** > **Chart of Accounts**
2. Select the account **495 - Loss on Asset Disposal**
3. Use the **Tax** drop-down list to change the tax rate from GST on Expenses to BAS Excluded.
4. Click **Save.**



Check your progress

Skills	Complete
Import a Chart of Accounts into Julie's Flowers, in accordance with organisation requirements	
Edit an account (420 - Staff Entertainment) manually	
Delete an account (494 - Travel International) manually	
Edit a tax rate for an account (495 - Loss on Asset Disposal)	

Notes

4. Bank Accounts

Learning Outcomes

By the end of this module, you will be able to:

- understand the bank feed process
- add a bank account
- manually update conversion balances
- import bank transactions

BANK ACCOUNTS

Banking in Xero

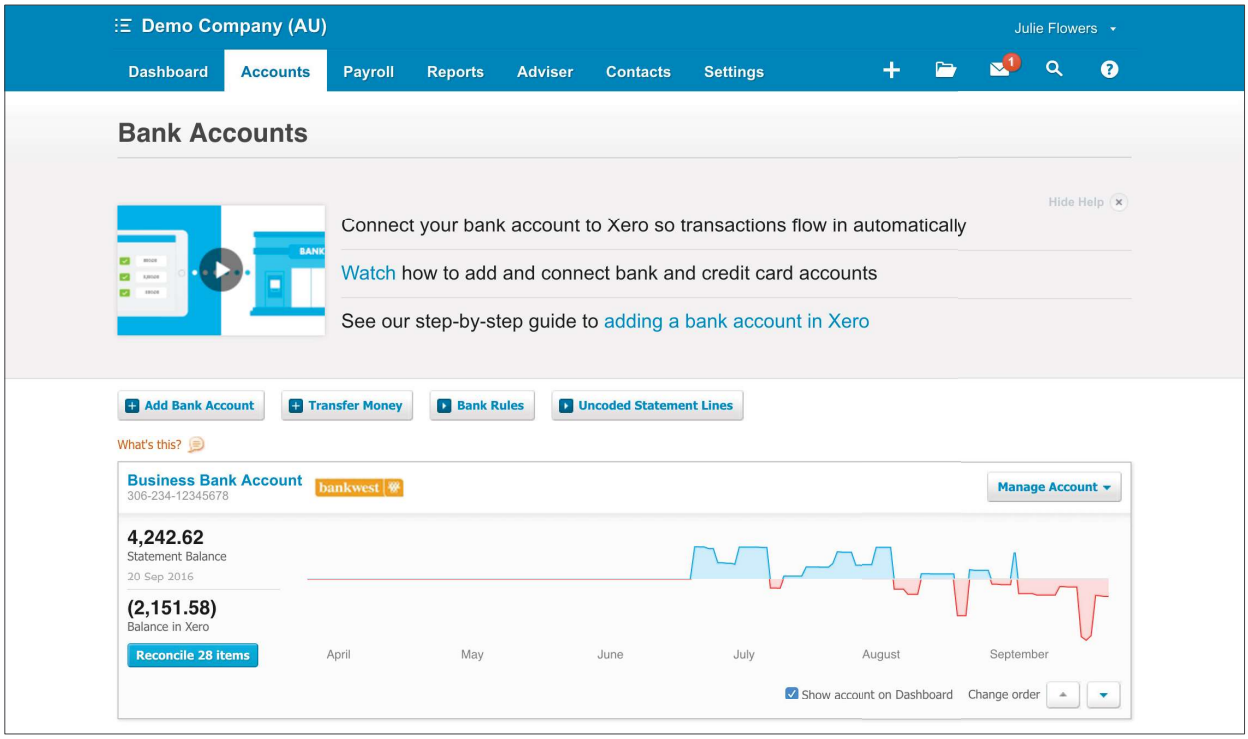
When you add bank accounts to your organisation, you're able to view your banking activity, and reconcile bank statement entries with transactions recorded in Xero.

When you add a bank account, it is automatically added to your Chart of Accounts. It will be assigned the account type **Bank Account**, under the **Asset** class.

A **bank feed** can be set up for each of your bank accounts. It's recommended to set up a bank feed, as once setup, it will automatically import account transactions into Xero from your bank or other financial institution. Alternatively, you are able to import transactions via a CSV, OFX or QIF file downloaded from a bank's online banking platform.

Bank accounts automatically appear on the dashboard to view and manage. You are also be able to view your bank accounts under **Accounts > Bank Accounts.**

From this page, you can opt to hide particular accounts from the dashboard and change the order in which they appear. You are also able to see a snapshot of your bank account balances over time.



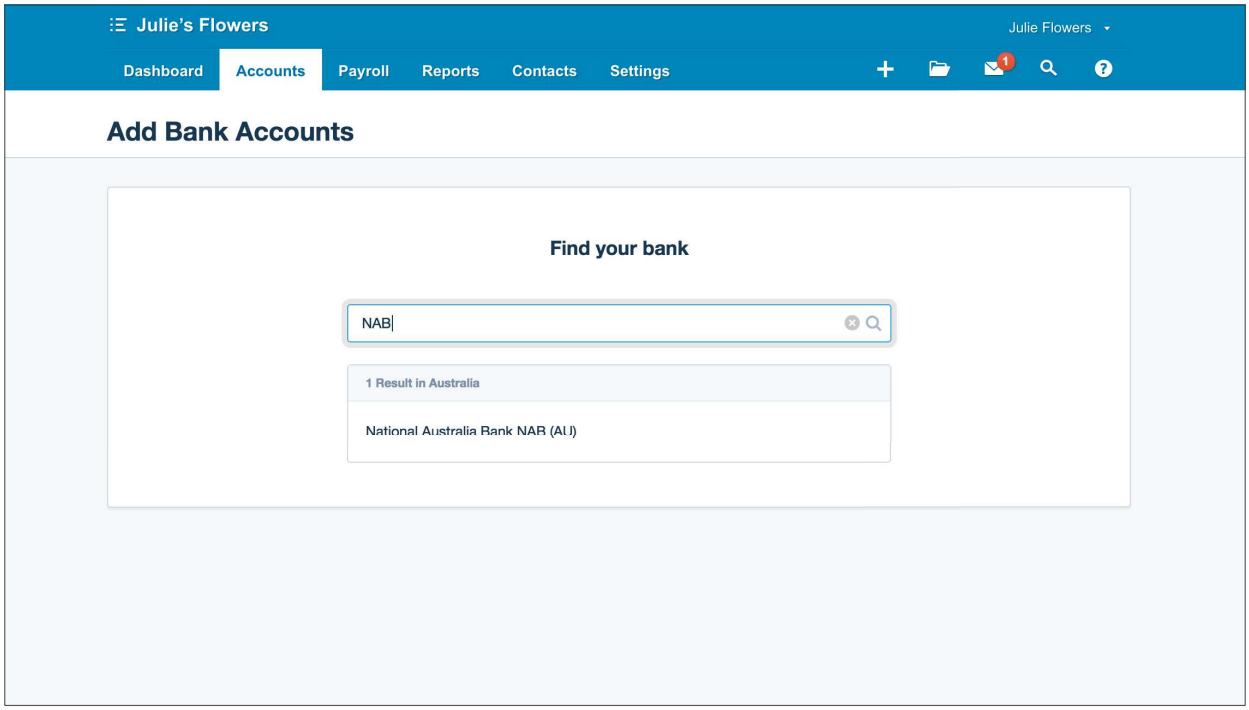
Adding Bank Accounts

EXERCISE 4.1

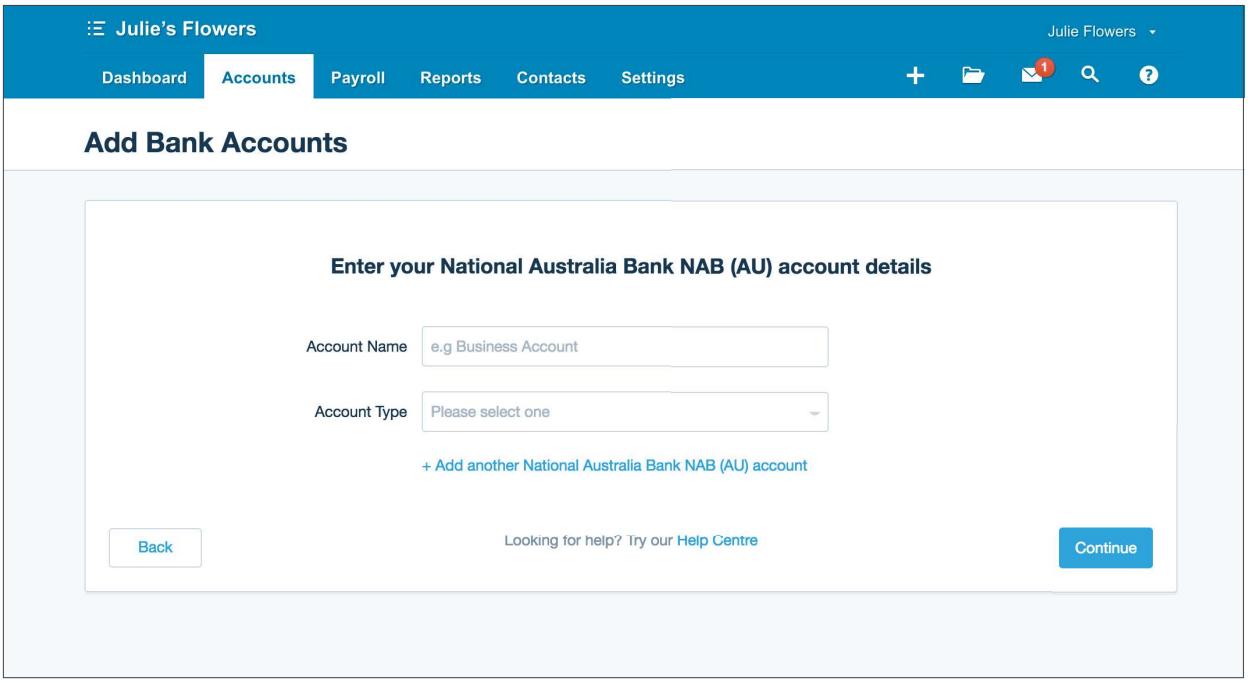
In this exercise, you will add two bank accounts to the Julie's Flowers organisation.

1. Starting from **Accounts** > **Bank Accounts**
2. Click on the button + **Add Bank Account**

3. Enter **'NAB'** under the field **Find your Bank**



4. Click on the result **National Australia Bank NAB (AU).**

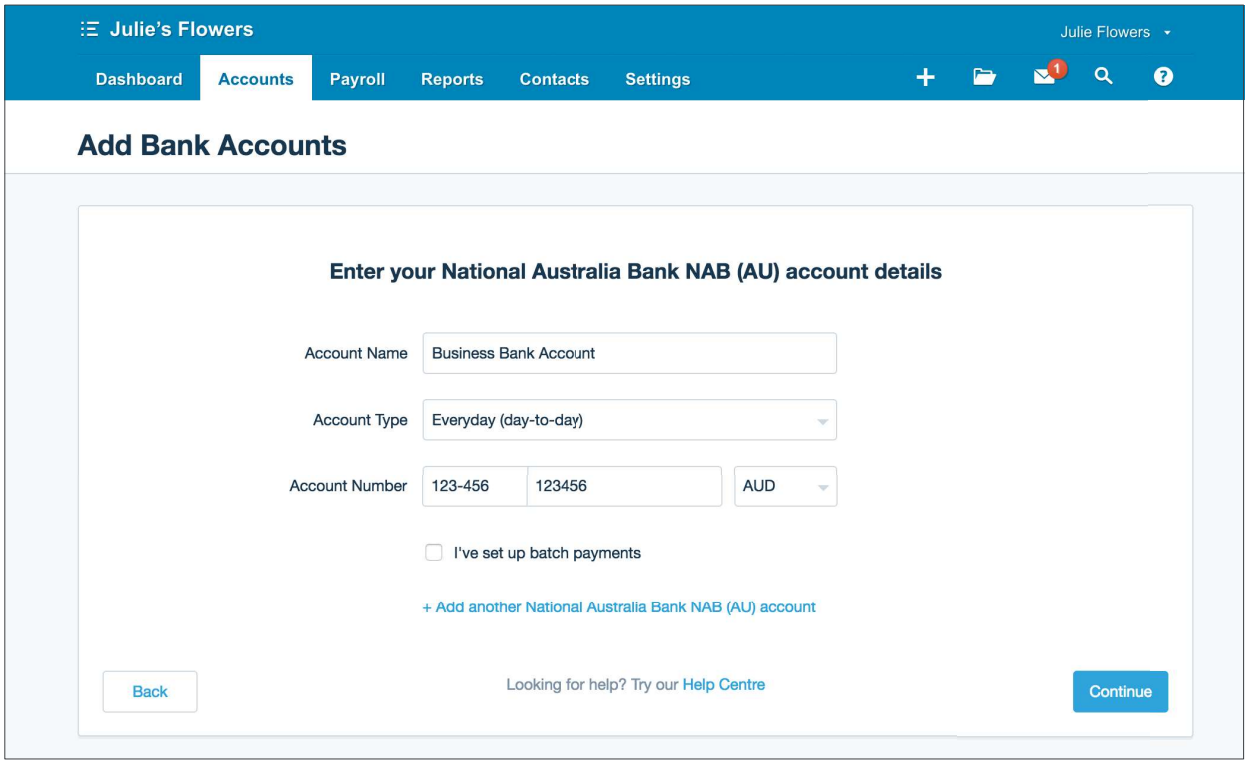


5. Enter the following information into the fields:

Field	Information
Account Name	Business Bank Account
Account Type	Everyday (day-to-day)
Account Number (BSB)	123456
Account Number	123456

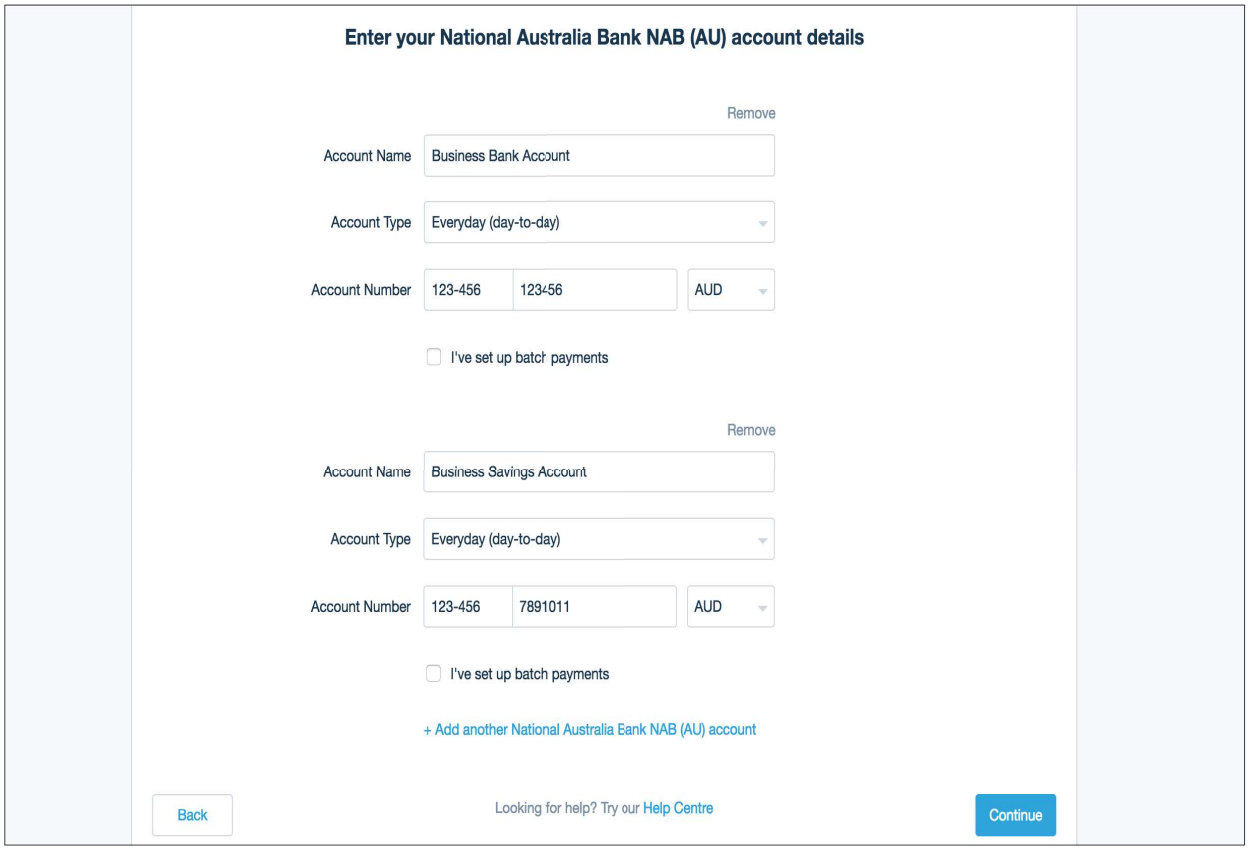
Leave **I've set up batch payments** unticked.

6. Click '+ Add another National Australia Bank NAB (AU) account'



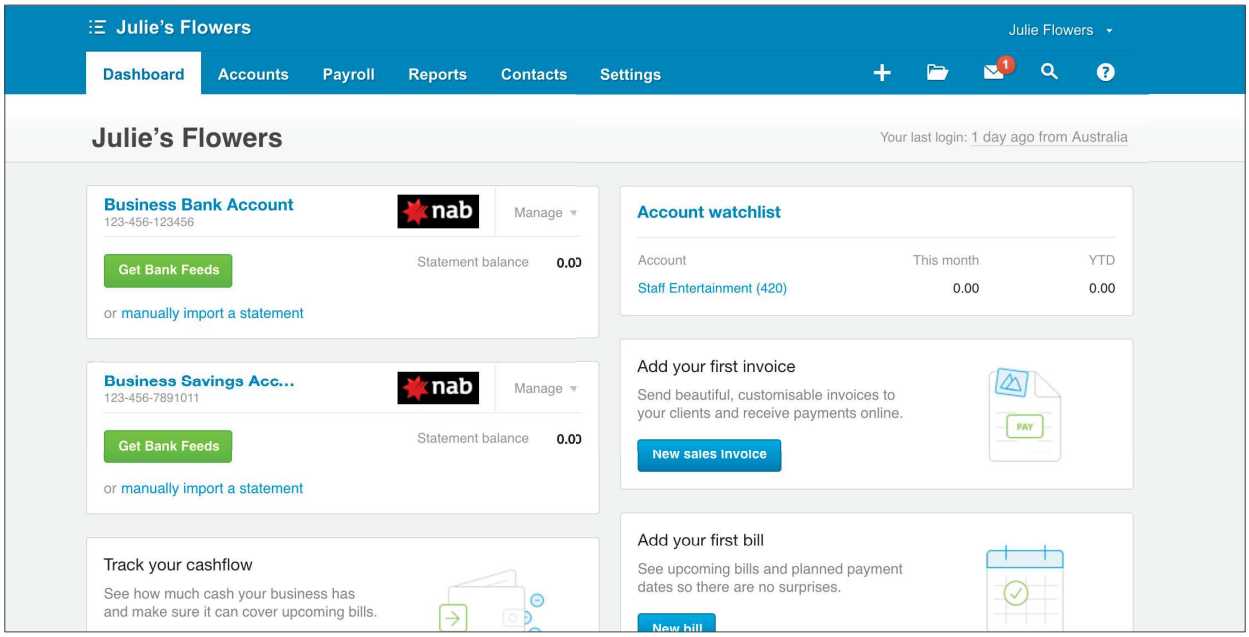
7. Enter the following information into the fields:

Field	Information
Account Name	Business Savings Account
Account Type	Everyday (day-to-day)
Account Number (BSB)	123456
Account Number	7891011



8. Click on **Continue**

9. Select the **Dashboard** tab, and you will see that the two bank accounts have now been added and are ready to use.



Bank Account Conversion Balances

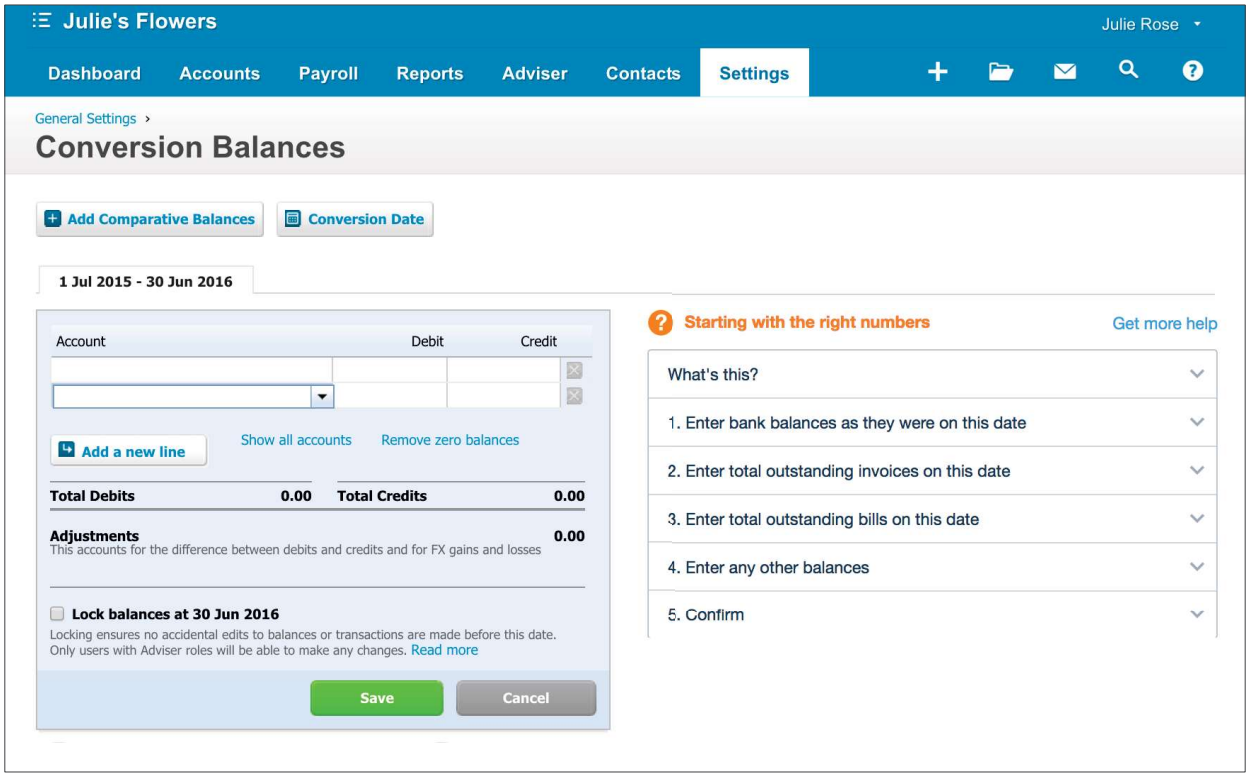
As with other accounts in the Chart of Accounts, the bank account balance as of the conversion date must be recorded.

The conversion balance will serve as the starting point from which Xero will calculate the future balance of the bank account, as money is spent or received.

EXERCISE 4.2

In this exercise, you will set the conversion balances for the Julie's Flowers organisation's two bank accounts.

1. Go to **Settings** > **General Settings** > **Conversion Balances**



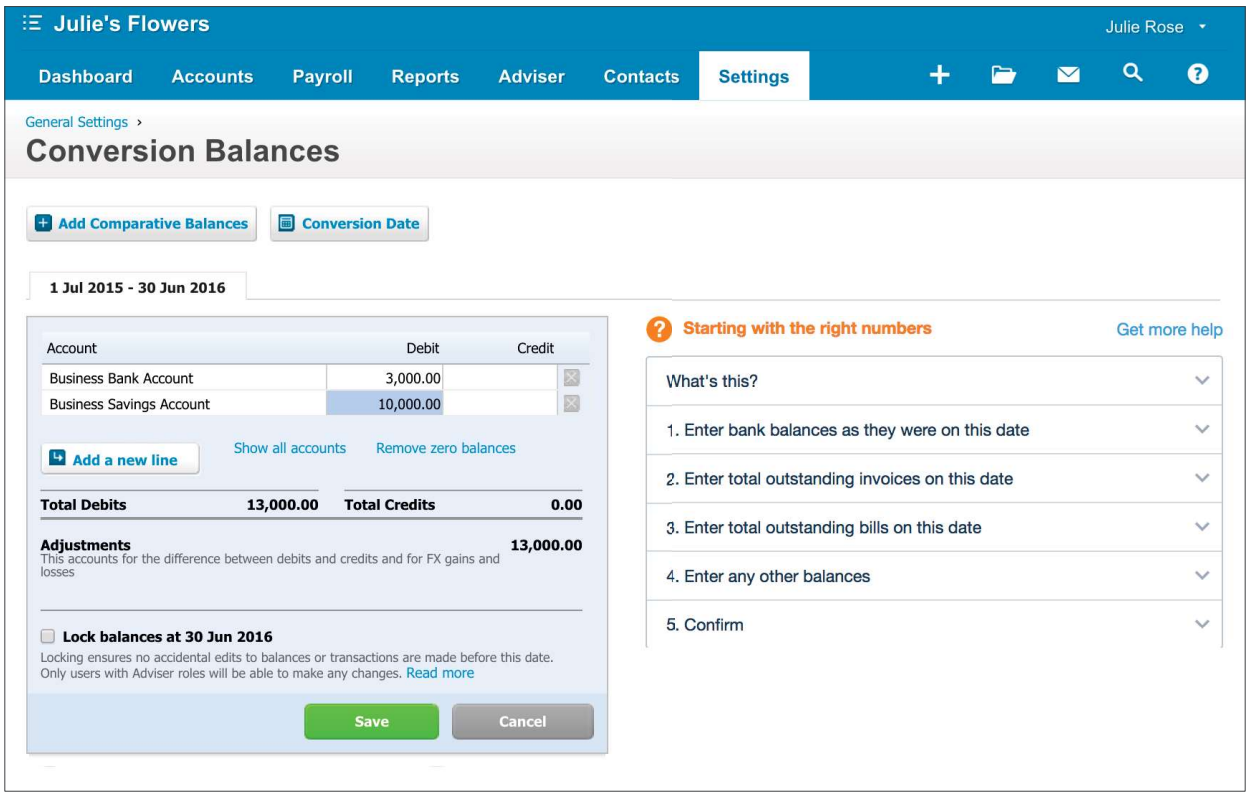
2. Add two lines using the **add line** button

3. Add the following details into the new lines:

Account (row 1)	Business Bank Account
Account (row 2)	Business Savings Account

4. For the Business Bank Account (row 1), enter 3000 into the **debit** column

5. or the Business Savings Account (row 2), enter 10000 into the **debit** column

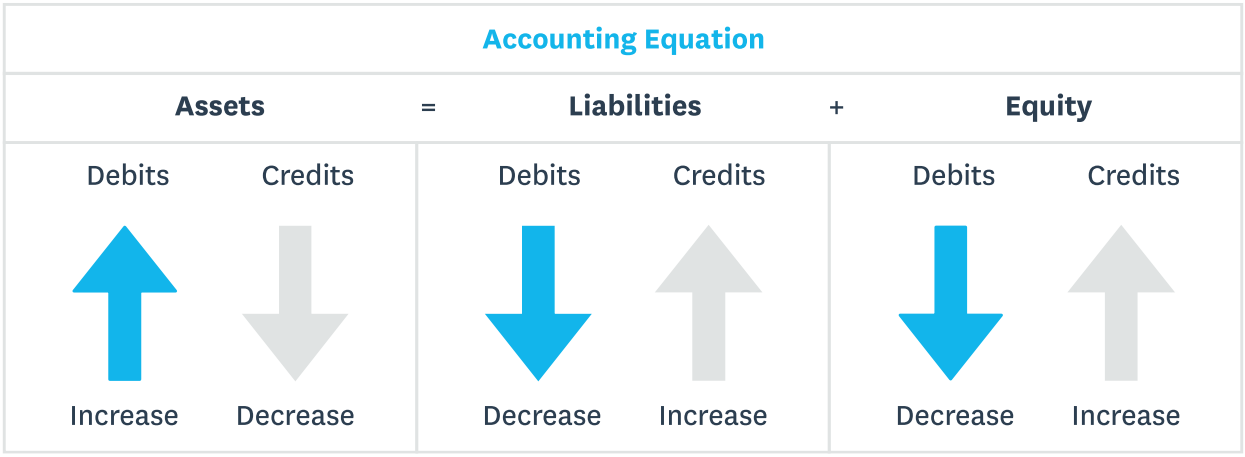


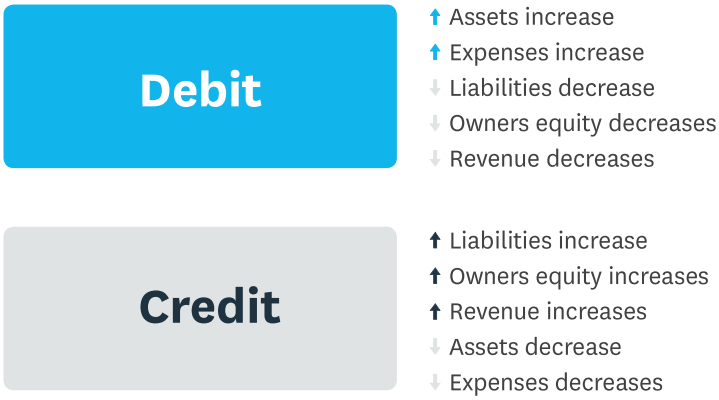
6. Click **save** to update the conversion balances for these two bank accounts.

You will see a dialogue box confirming that the conversion balances have been saved.

Important: entering values in the debit column will record a positive conversion balance for the bank account. If the bank account had a negative balance this would be entered into the credit column.

The below graphics are a reference for the Accounting Equation, and how this affects account movements:



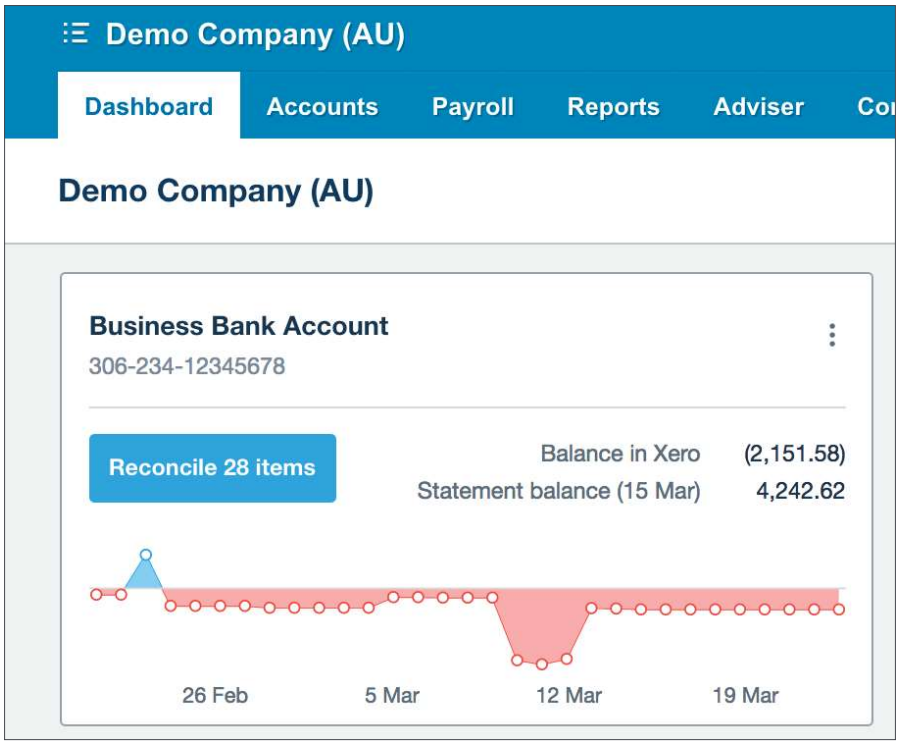


Automatic Bank Feeds

Once a bank account is added to the organisation, you can link the account to a bank feed.

Bank feeds require a one-off setup process, and once completed, transactions will be imported into the bank account in the organisation going forward. Some bank feeds will begin immediately, and others can take up to 10 days to become activated.

Once the transactions arrive into the bank account, they will show as outstanding items to be reconciled. The account will display a button saying 'Reconcile x items' (see below). The frequency of import differs from bank to bank, but generally transactions are updated in Xero on a daily basis.



You won't be setting up a bank feed during this course, as it requires a real bank account and real transactions.

For more information about setting up a bank feed, please see the Xero help centre for more information: https://help.xero.com/au/BankFeeds

Teachers Note: most bank accounts will be serviced by a bank feed. If no feed is available directly from the institution, then a third party (Yodlee) can host the feed. Paypal accounts can be added as bank accounts and bank feeds from Paypal are available

Importing Bank Transactions

If no bank feed is available, or if you require historical transactions to be imported into the bank account, then you are able to import bank transactions in bulk via a CSV file.

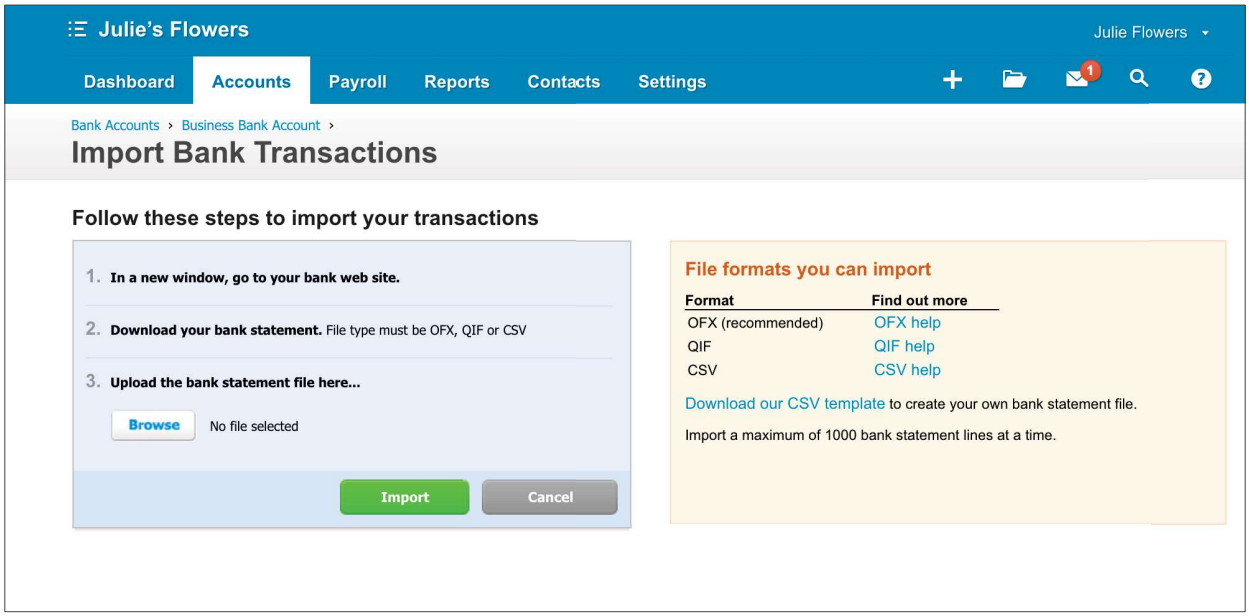
Other file types accepted are OFX and QIF files. These file types should be available for download from your online banking platform.

EXERCISE 4.3

In this exercise you will import a CSV file containing transaction data into the Business Bank Account that you added to the Julie's Flowers organisation earlier. If you haven't already, you will need to download the exercise files. Refer to the Quickstart Guide at the start of this manual and navigate to the URL to access the files.

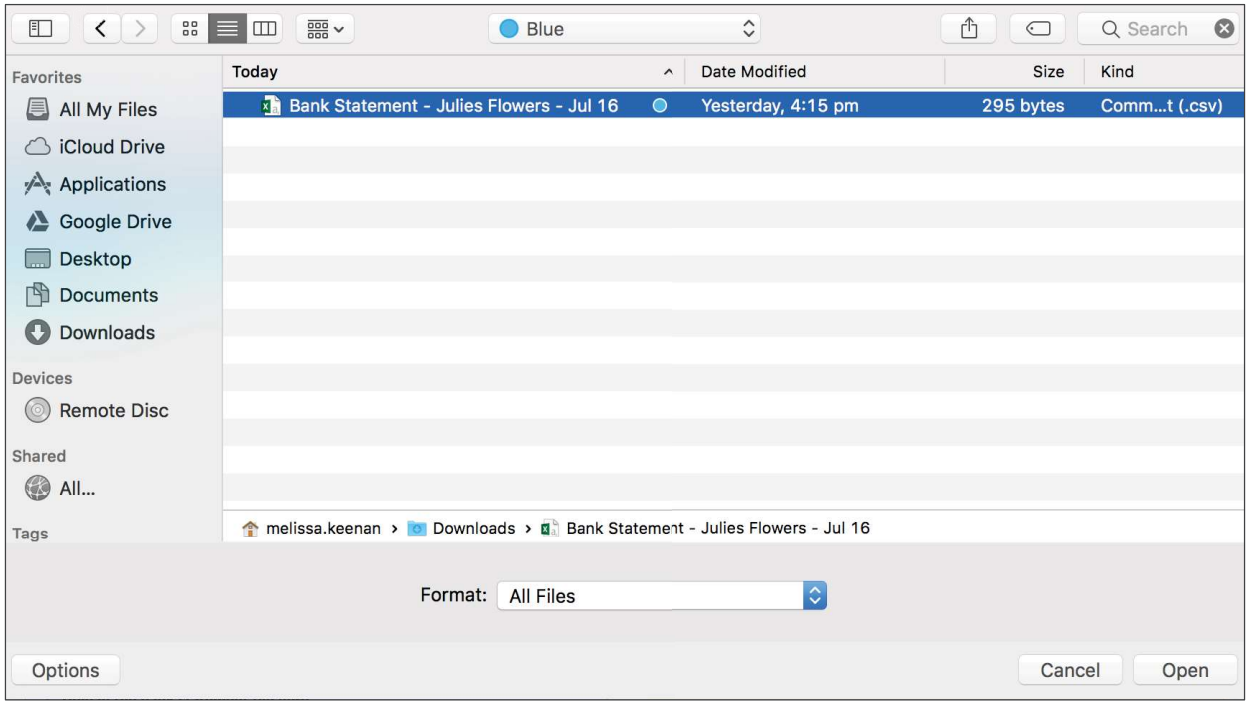
1. Refer to the exercise files that accompany this workbook, you will need the bank import file, 'Bank Statement - Julies Flowers - Jul 16.csv', download this file and save it somewhere accessible on your computer.
2. Starting on the **Dashboard**, click on the **Manage Account** button

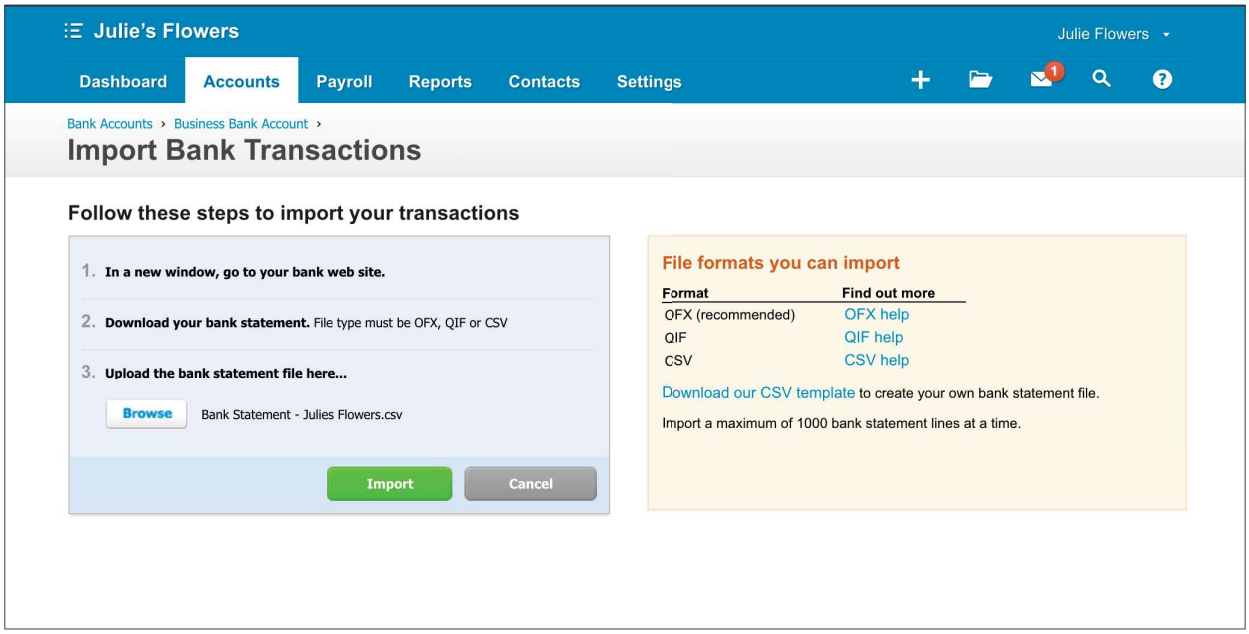
3. Under the **reconcile** column in the pop up menu, select **Import a Statement**



4. Click on the **Browse** button

5. This will bring up the option to select the file, select **Bank Statement - Julies Flowers - Jul 16.csv** from your computer. Click **Open**.





6. Click on **Import**

   The next screen allows you to assign the columns in the CSV file to the fields in Xero using drop down lists. OFX and QIF files don't require this task and will be mapped automatically.

   The only compulsory fields that are required for the import to succeed are 'Date' and 'Amount', however you are able to assign a number of other fields if they are included in the file. These are:

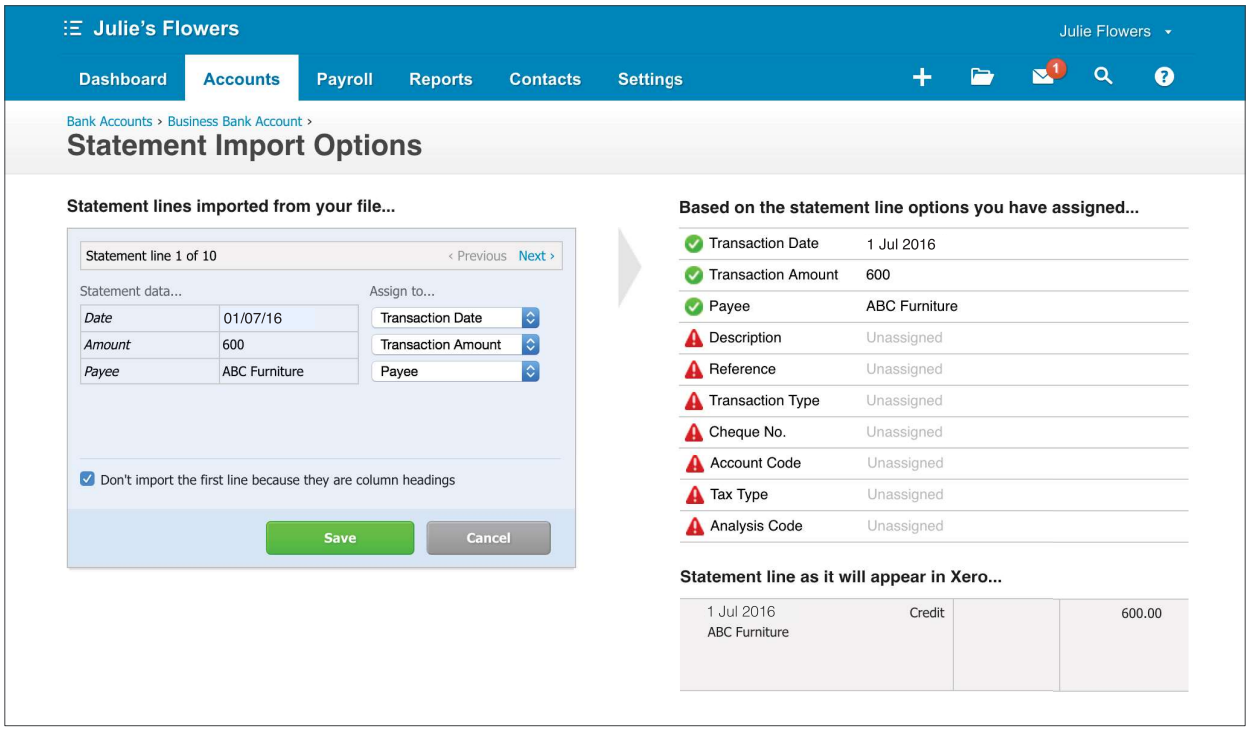
- Payee
- Description
- Reference
- Transaction Type
- Cheque Number
- Account Code
- Tax Type
- Analysis

You will now use the drop down lists to select the correct fields in Xero, and match to the statement lines in the CSV.

7. Select **Transaction Date** for the Date row (01/07/2016) in the CSV

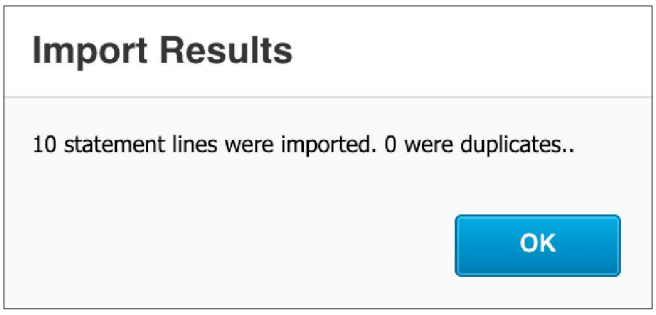
8. Select **Transaction Amount** for the Amount row (600) in the CSV

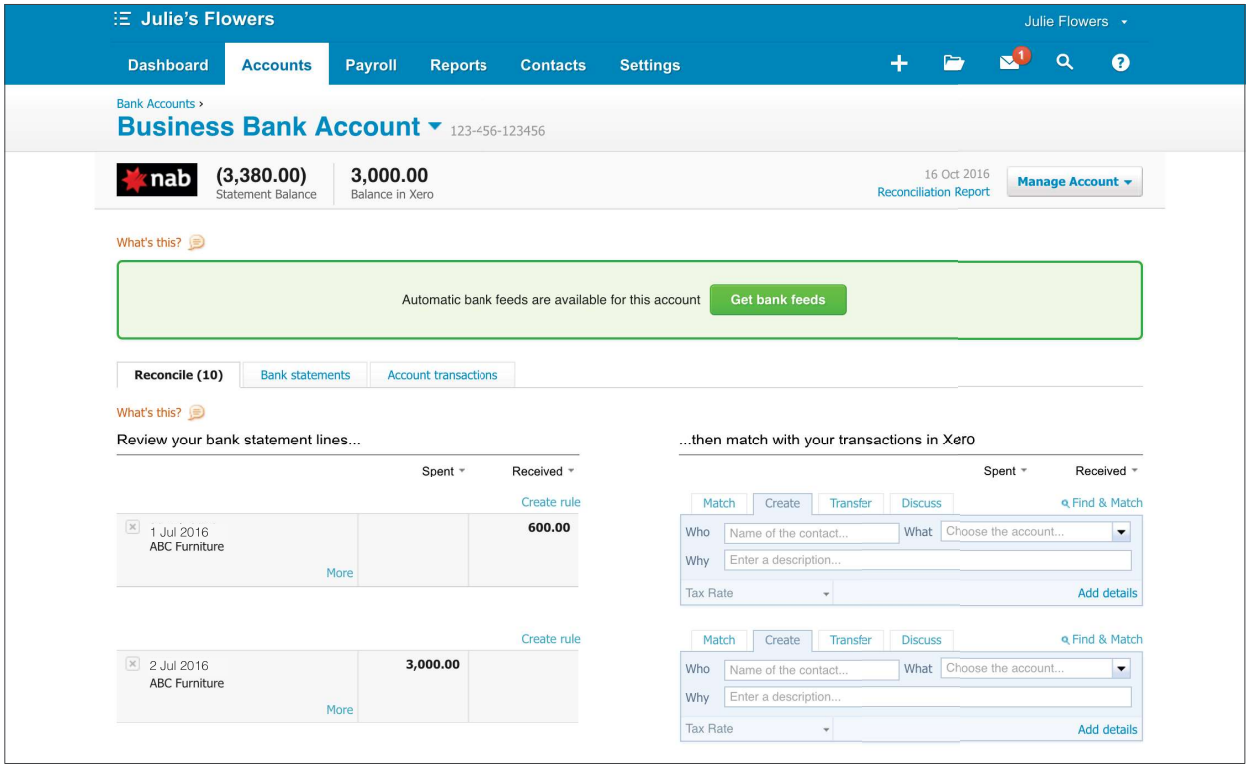
9. Select **Payee** for the Payee row (ABC Furniture) in the CSV



10. Once you're finished mapping the columns to the correct fields, you can click **save** to complete the import.

    A dialogue box will appear to confirm if the import is successful, and will show how many statement lines were imported. Click **OK** to be taken to the bank reconciliation screen. You will perform the bank reconciliation later in this course. Don't try to do it now as you won't get the full benefits of how Xero's bank reconciliation works to automatically match bank statement lines with transactions created in Xero.





Important: It is important to note that when importing a CSV file, Xero requires that the amount column contain both money coming into and money going out of the bank account. Some banks will provide a CSV file with two separate columns for money coming in and out of the account. In these cases, some manual consolidation in MS Excel (or other spreadsheet editing software) will be required.

The first time you import and map a CSV file in Xero, your mapping will be retained for future imports.

Check your progress

Skills	Complete
Add two bank accounts for the Julie's Flowers organisation: Business Bank Account & Business Savings Account	
Update the conversion balances for the two bank accounts	
Import 10 bank statement lines into the Business Bank Account using a CSV	

Notes

5. Contacts

Learning Outcomes

By the end of this module, you will be able to:

- create a contact
- view and work with contacts
- archive a contact
- edit an existing contact

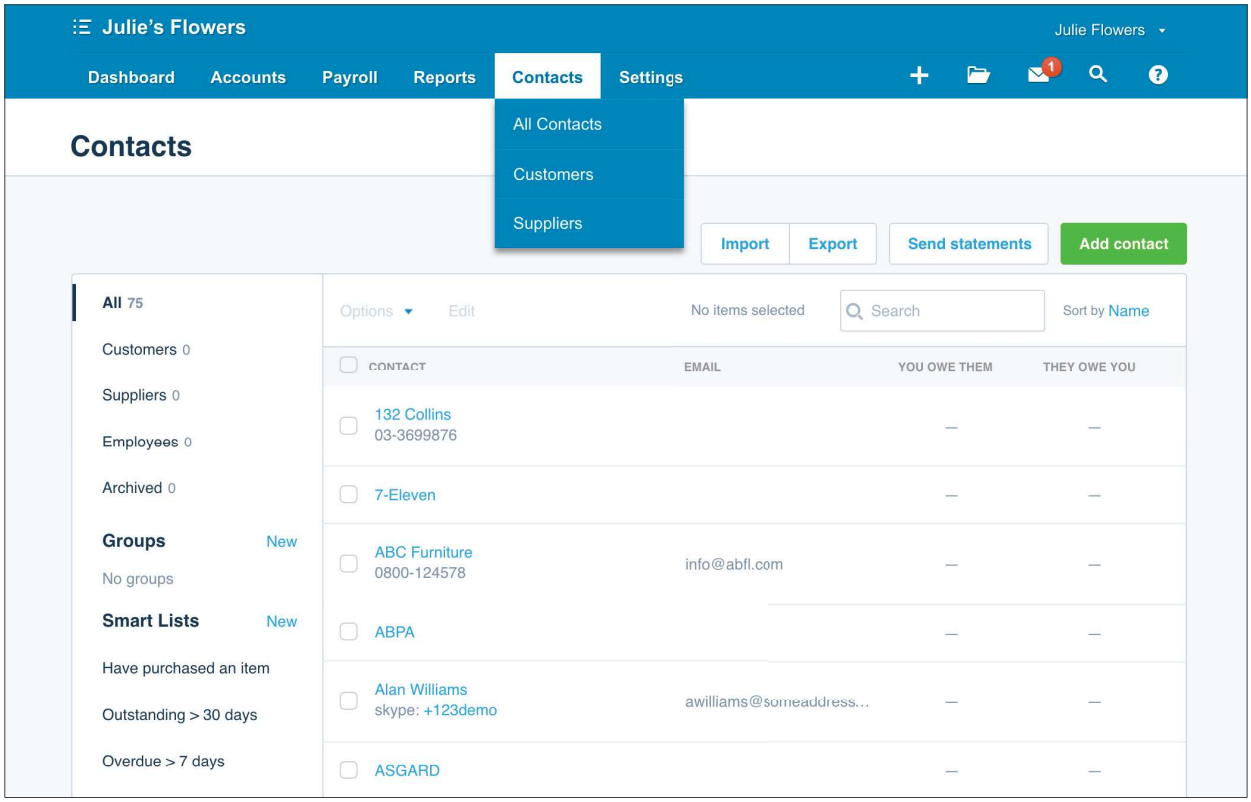
CONTACTS

Overview

Contacts in Xero stores all of an organisation's contacts. A contact can be a customer, supplier or both.

To view all Contacts, click on **Contacts** > **All Contacts**. As part of **Module 2: Introduction to Xero**, contacts were imported using a CSV template.

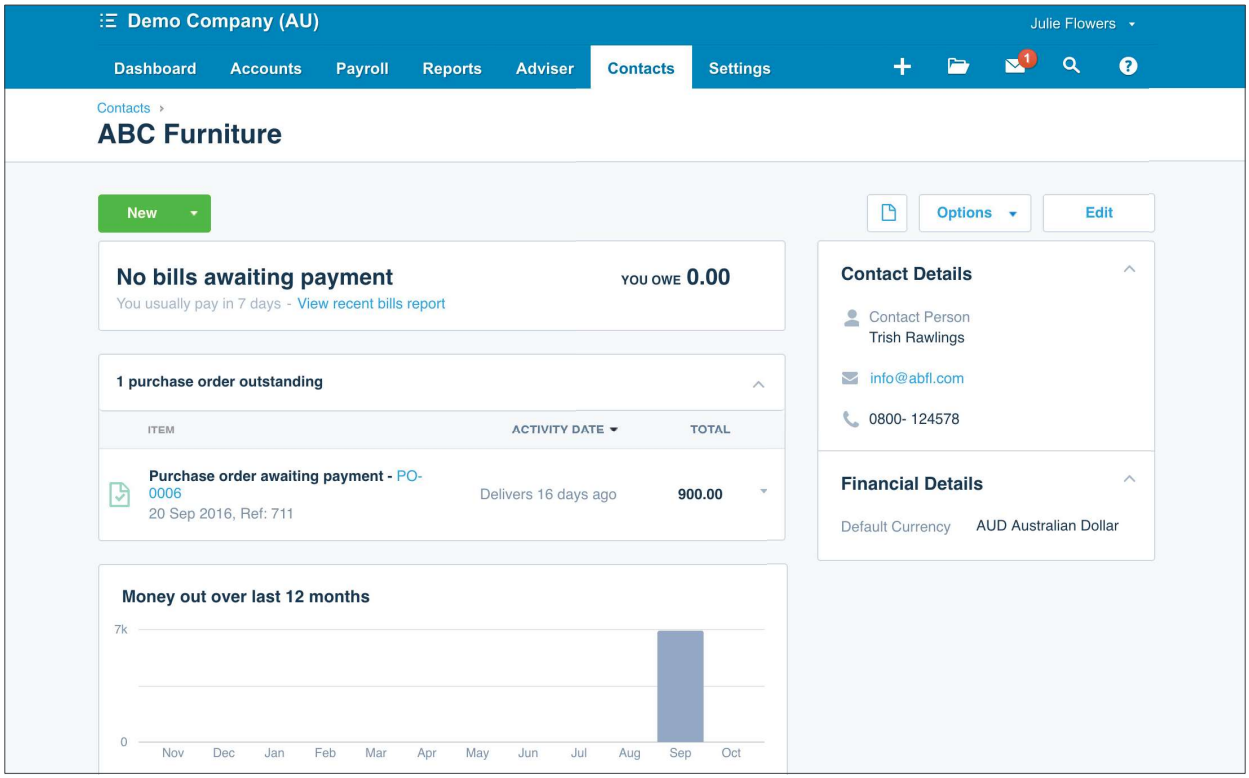
You can see these contacts here:



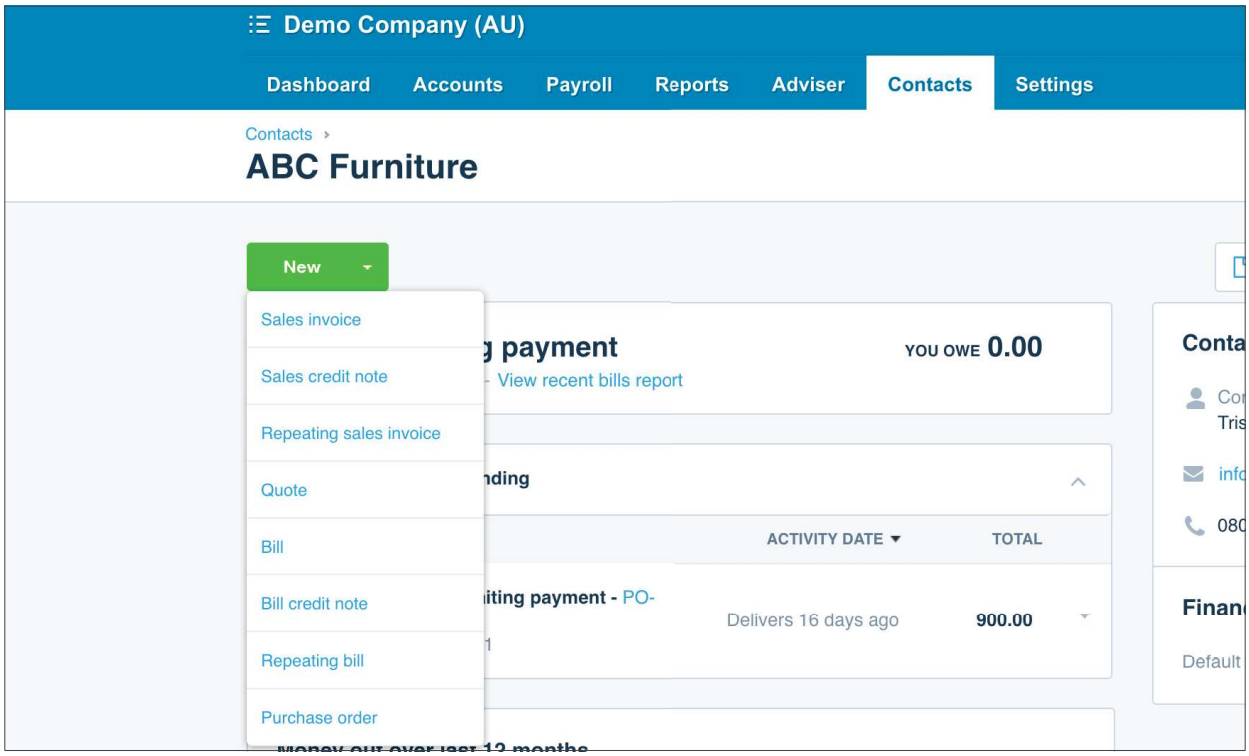
Within an entry you can store generic information such as contact details, and also financial details such as default accounts, tax rates, discounts and invoice due dates.

Once a contact is created, you can raise sales invoices, create purchase transactions or use a combination of both, all for a single contact record.

You can view a detailed history of these transactions recorded for this contact under their contact entry.



You can also create a transaction for a particular contact, right from the contacts screen, by using the **New** button at the top.



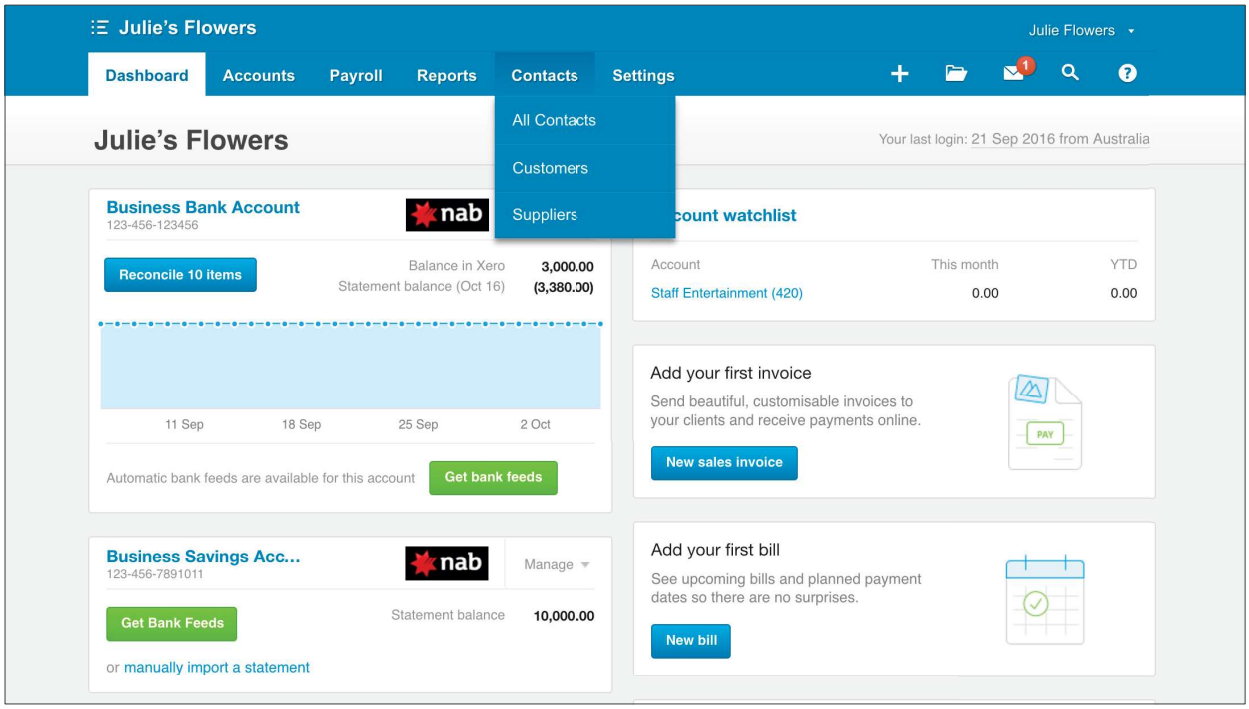
Creating a Contact

Here are some common ways of adding a contact:

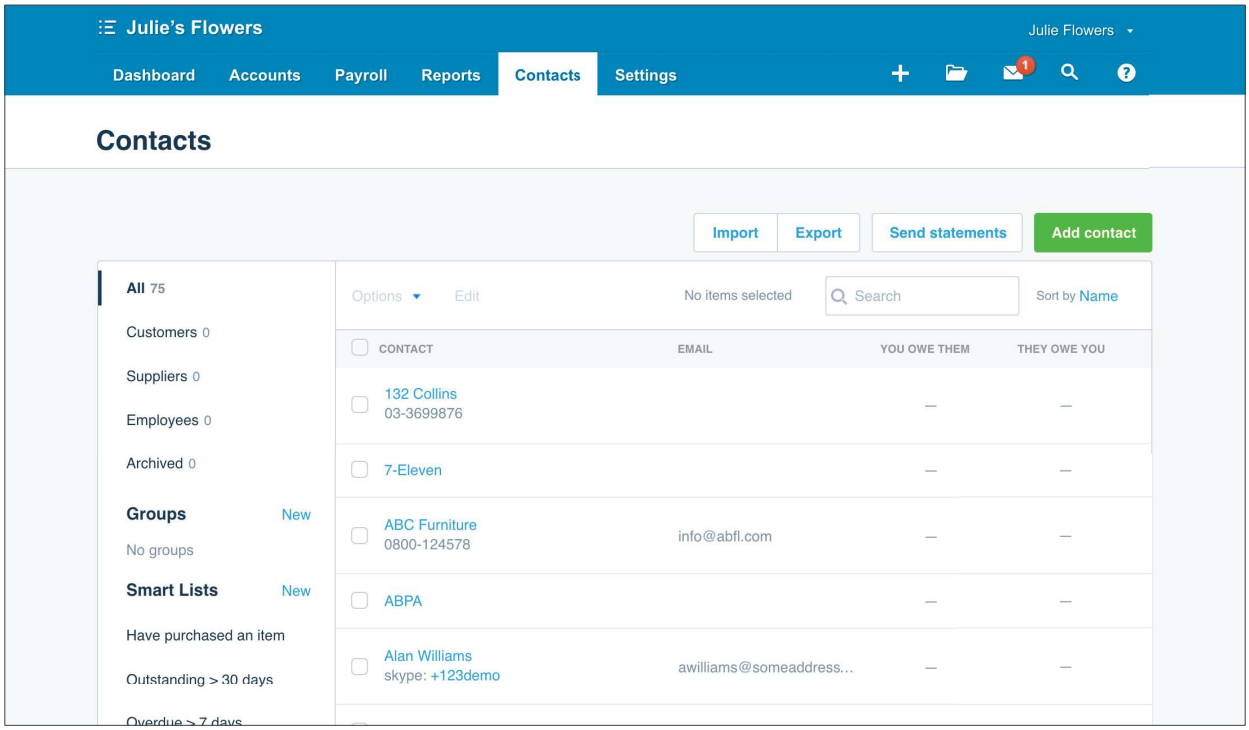
- from the contacts tab
- when creating a transaction
- by importing a contacts CSV template

EXERCISE 5.1

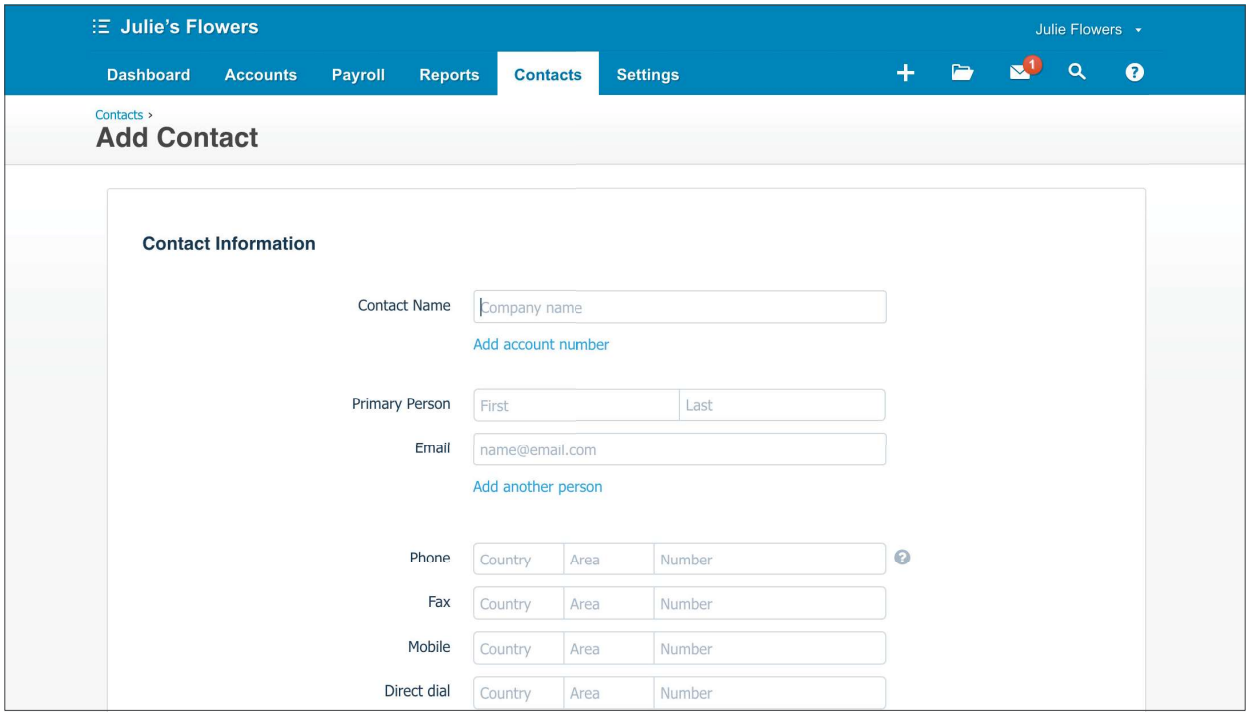
Julie's Flowers has acquired a new customer. In the following example, you are going to create a contact entry for the customer Foxglove Studios.



1. Starting at the Dashboard, go to **Contacts** > **All Contacts**

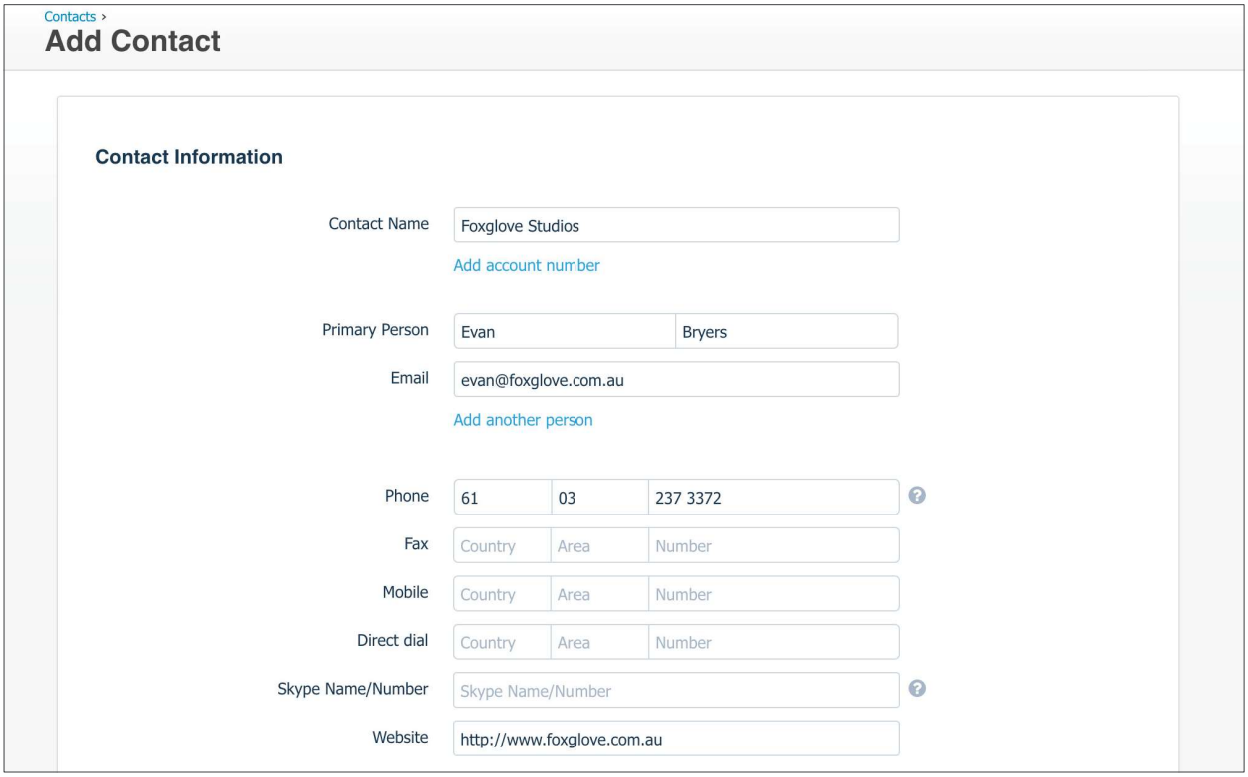


2. Click the **Add contact** button

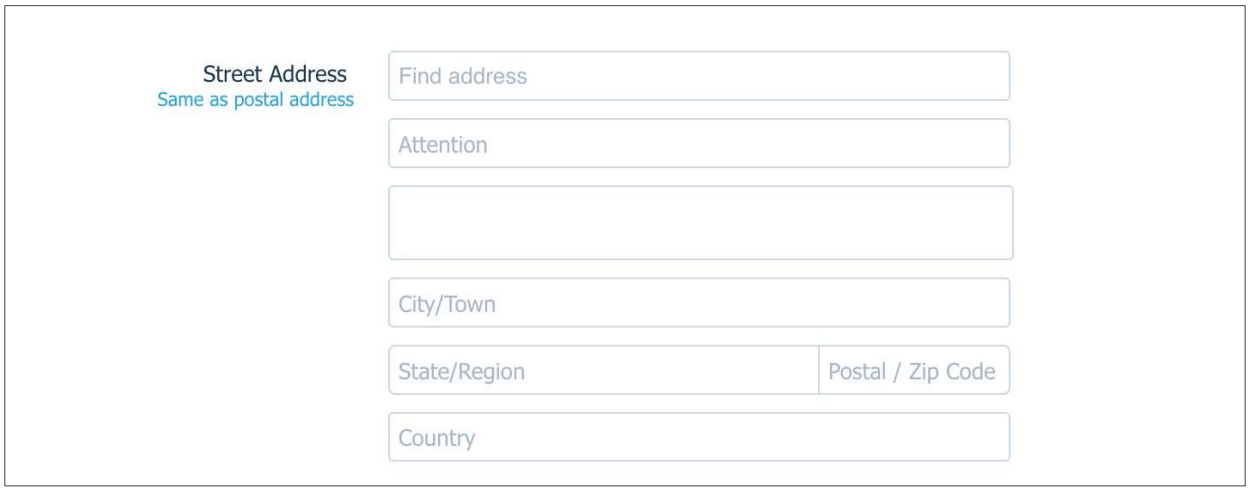


3. Enter the following information for Foxglove Studios under the **Contact Information** section into these selected fields:

Field	Information	Note
Contact name	Foxglove Studios	Mandatory field
Primary person	Evan Bryers	
Email	evan@foxglove.com.au	
Phone	61 03 237 3372	
Website	www.foxglove.com.au	
Find address	(leave blank)	If you begin entering an address, this function searches Whitepages for an entry. Designed to save you time filling out an address.
Postal address	7 Swanston Street	
City / Town	Melbourne	
State / Region	VIC	
Postal / Zip	3000	
Country	Australia	



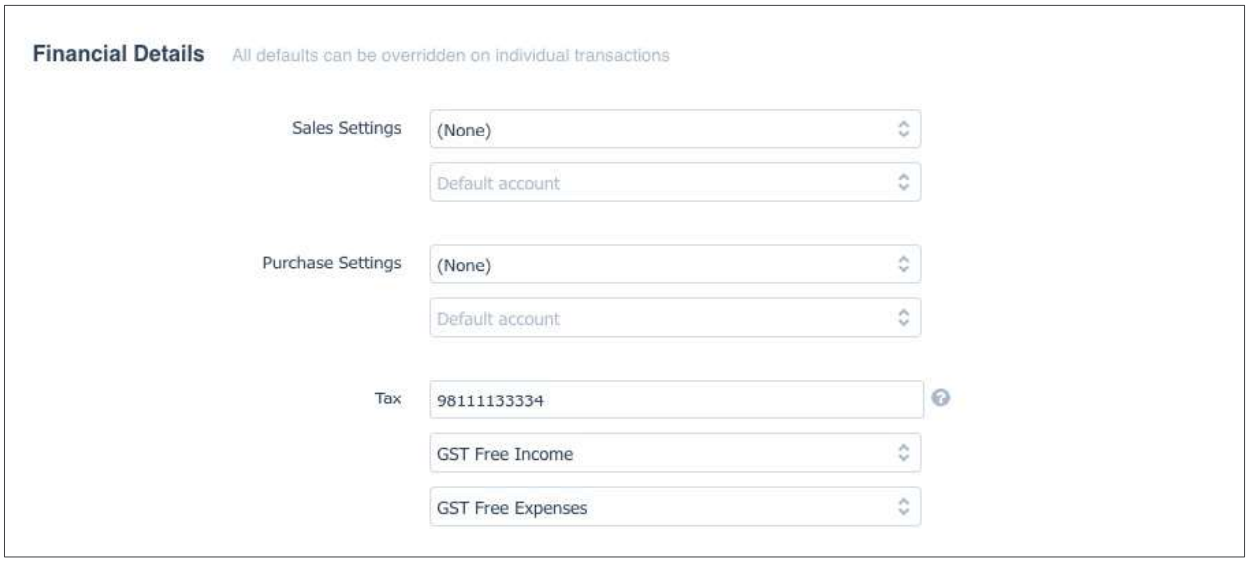
4. Under Street Address, click **Same as postal address**



This will copy down the postal address to the street address fields. This will save you time if the two addresses are the same.

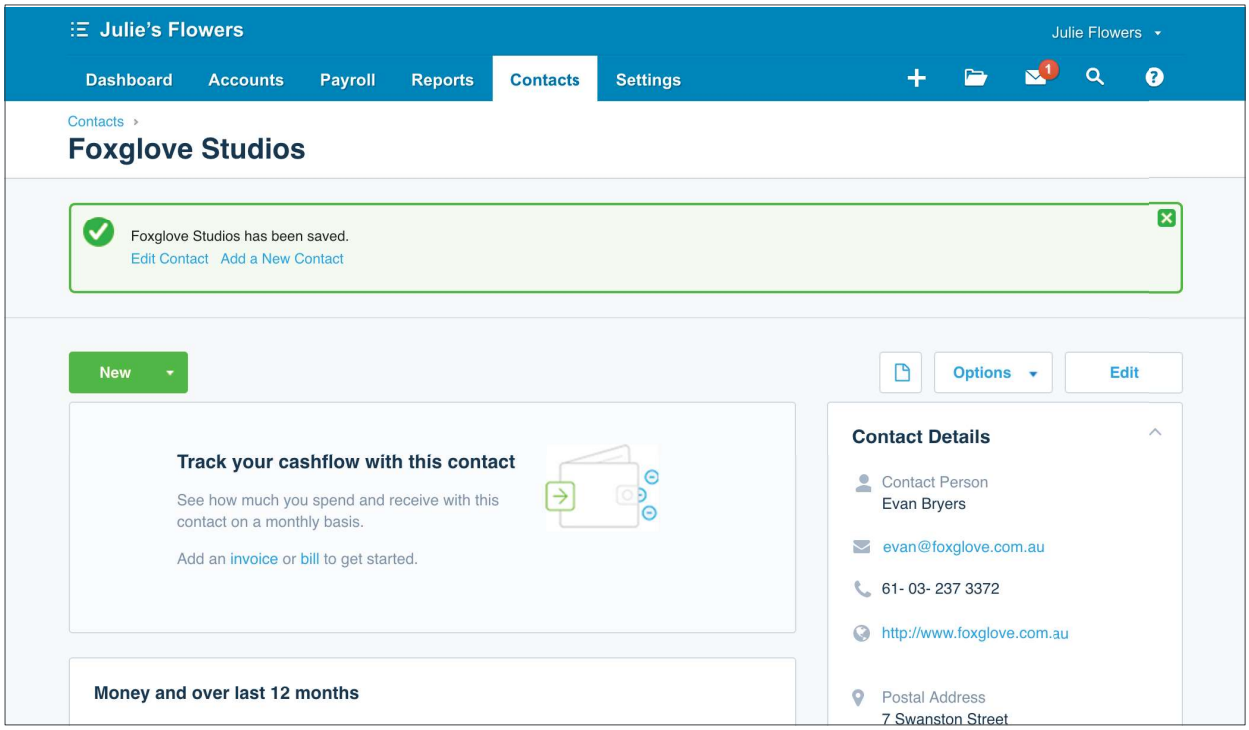
Under the **Financial Details** section, enter the following into the selected fields:

Field	Information	Note
ABN	98111133334	
Default sales GST	GST on Income	
Defult purchases GST	GST on Expenses	Although we are primarily setting up this contact as a business we sell to, we may also purchase from this business in the future. To save time later on it's easy to set both GST defaults during this setup.
Sales Discount %	10	
Invoices Due Date	7, day(s) after the invoice date	Type 7, then use the drop down list to select 'day(s) after the invoice date'



5. Click **Save**

This will take you to the new contact entry for Foxglove Studios.



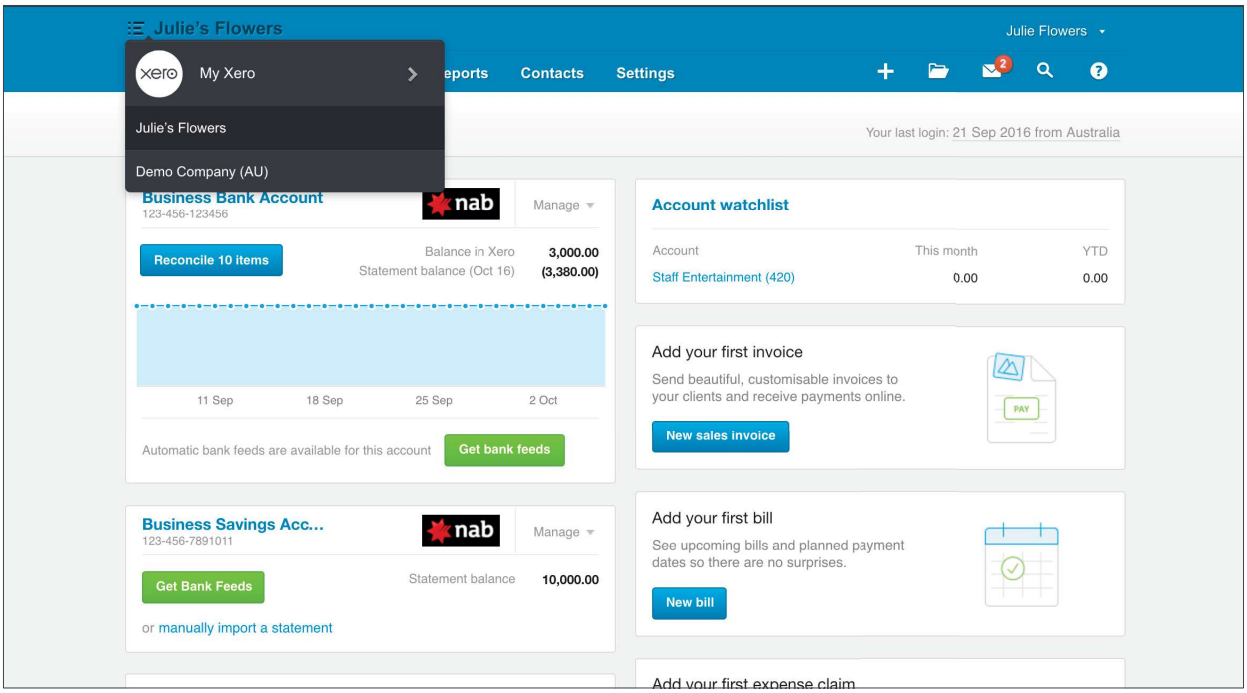
Teacher Note: if you have a number of contacts to add at once, using the CSV template is an efficient way of creating or editing contacts in bulk. In Module 2 of this course, you imported contacts into the Julie's Flowers organisation.

View and Work With Contacts

EXERCISE 5.2

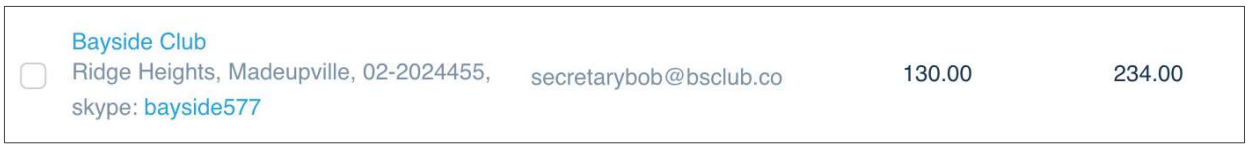
In this example you will be using the Demo Company to view an existing contact's details and transaction history.

1. Navigate to My **Xero** > **Demo Company (AU)**



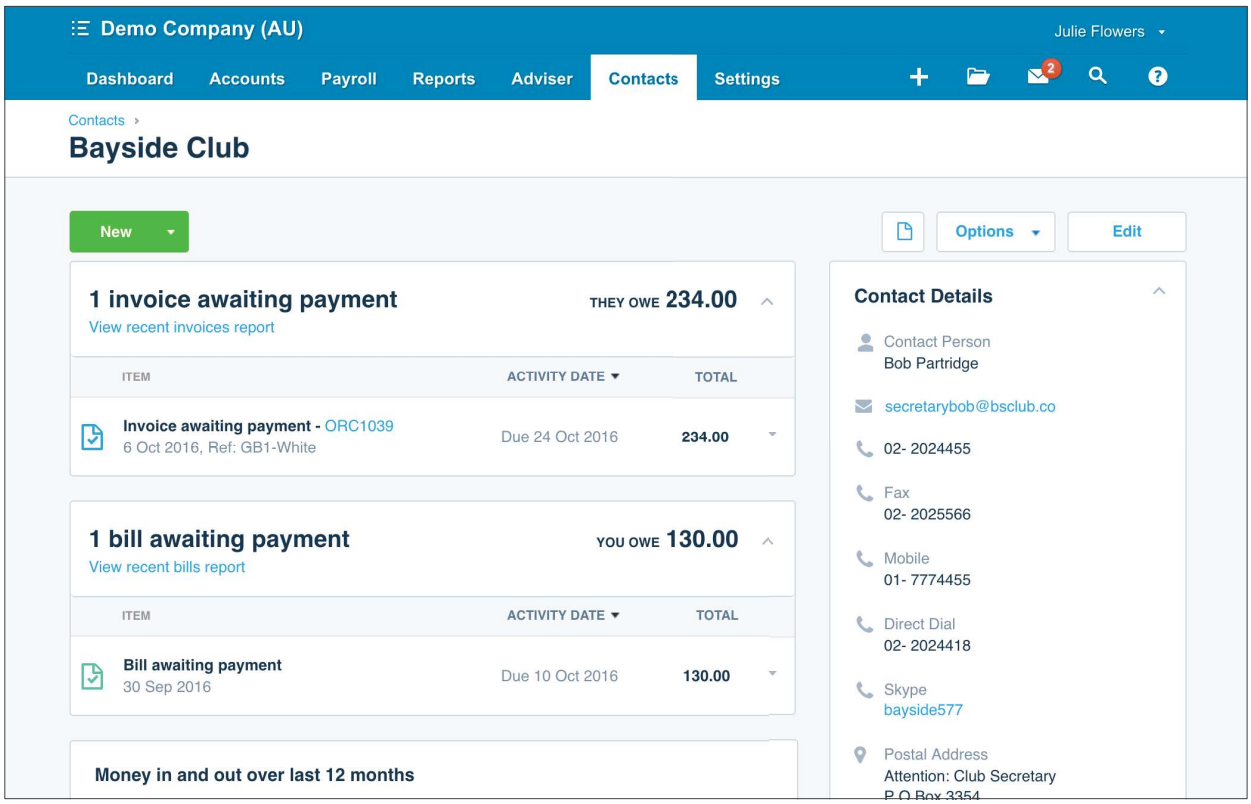
2. Click on **Contacts** and select **All Contacts**

3. Scroll down to find the contact for **Bayside Club**, and click on the contact name to view

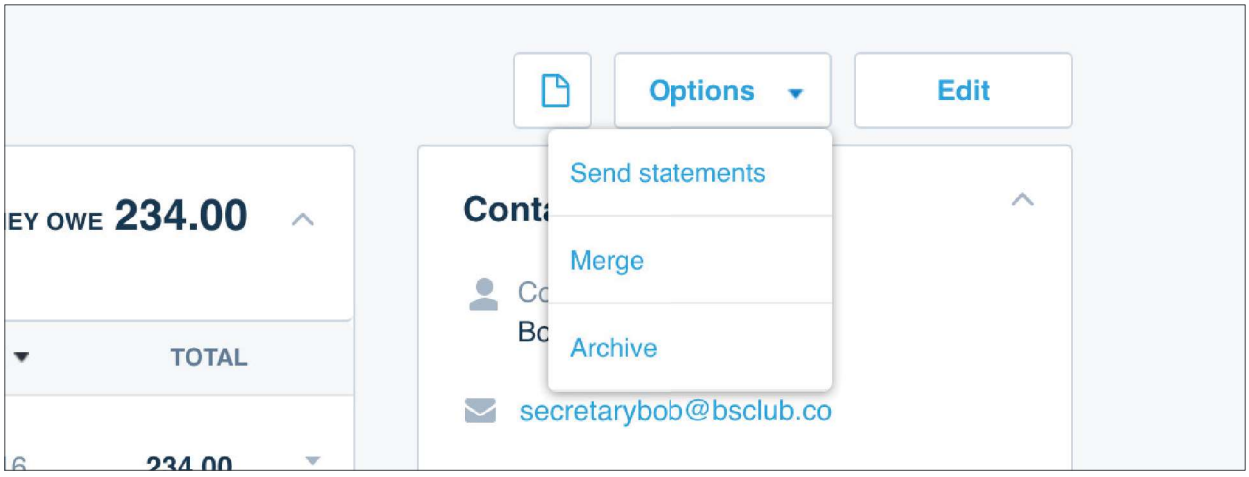


From this screen you will see an overview of the transaction history for the Bayside Club.

You can see that the Bayside Club is both a customer and a supplier. Invoices and Bills that are awaiting payment are shown along with a summary of activity.



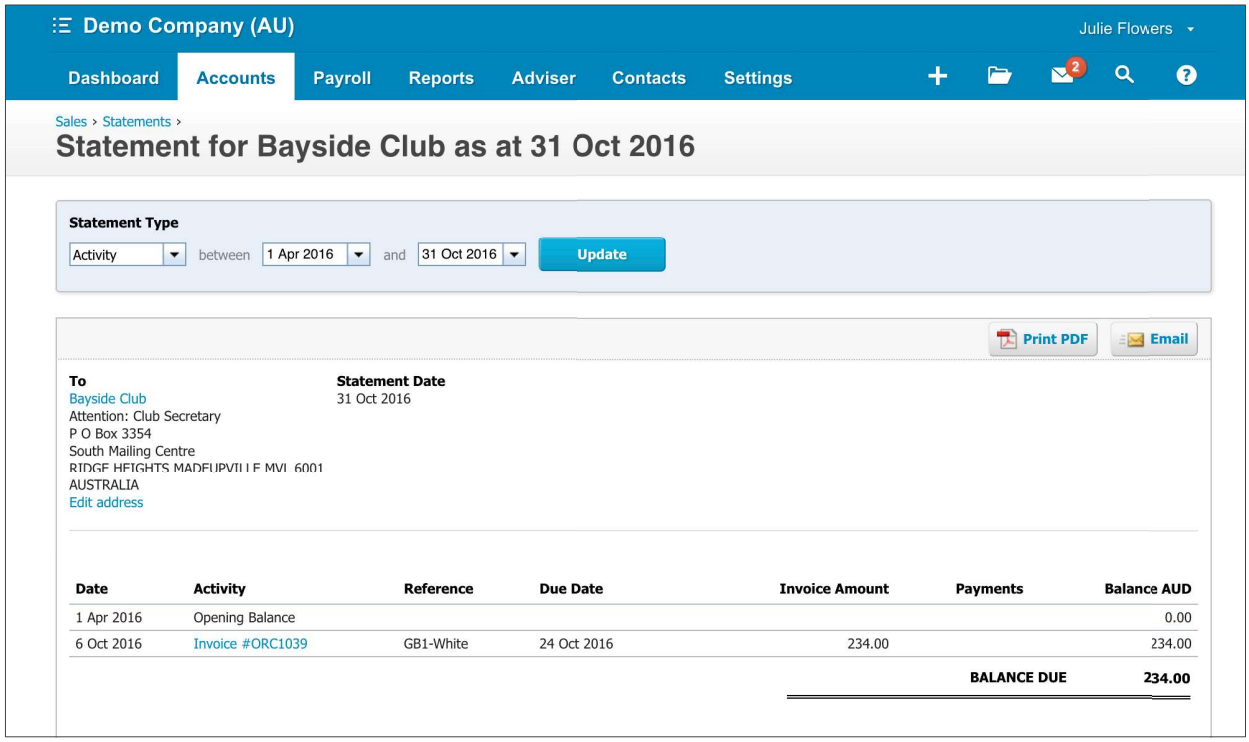
4. To view a statement the Bayside club, click on the **Options** drop down and select **Send statement**



5. Select **Activity** from the statement type drop down list. Select the last six months using the date drop down, and click **update**

Important: There are two types of statement to choose from:

- **Outstanding statements** show only what's outstanding for the customer as at a certain date. They don't show fully paid invoices.
- **Activity statements** show all activity for that customer within your choice of date range, including any fully paid invoices.



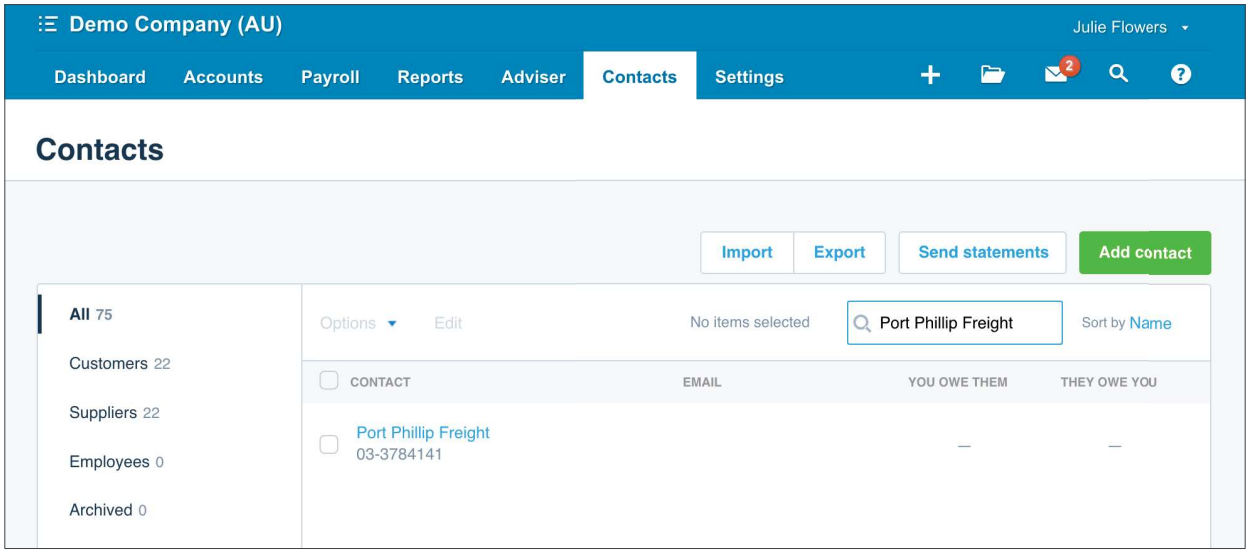
Archive Contact

If you no longer interact with a customer or supplier, it's good practice to archive that contact to prevent transactions being recorded for them in the future.

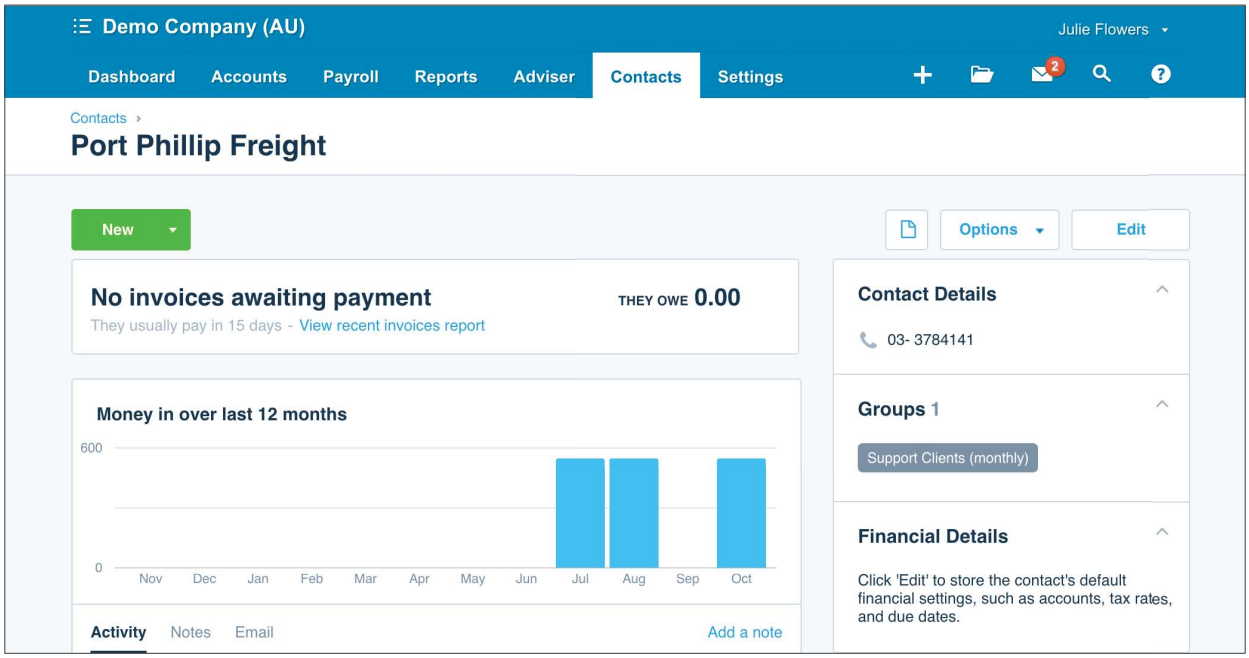
EXERCISE 5.3

Remaining in the Demo Company, you will learn how to archive an existing contact.

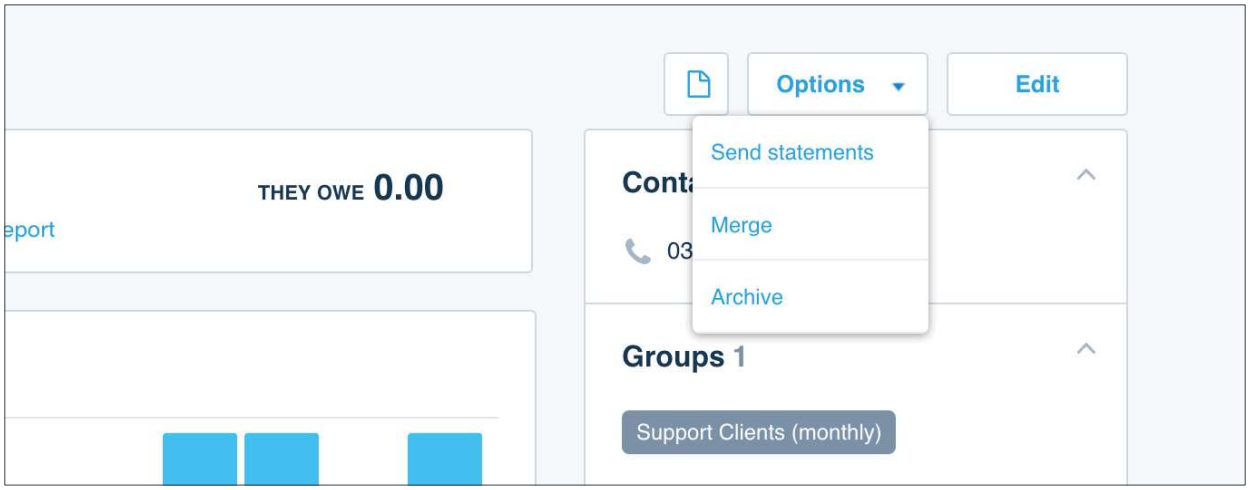
1. Select **Contacts** > **All Contacts**
2. Using the search function at top of the **All Contacts** page, type in **Port Phillip Freight**



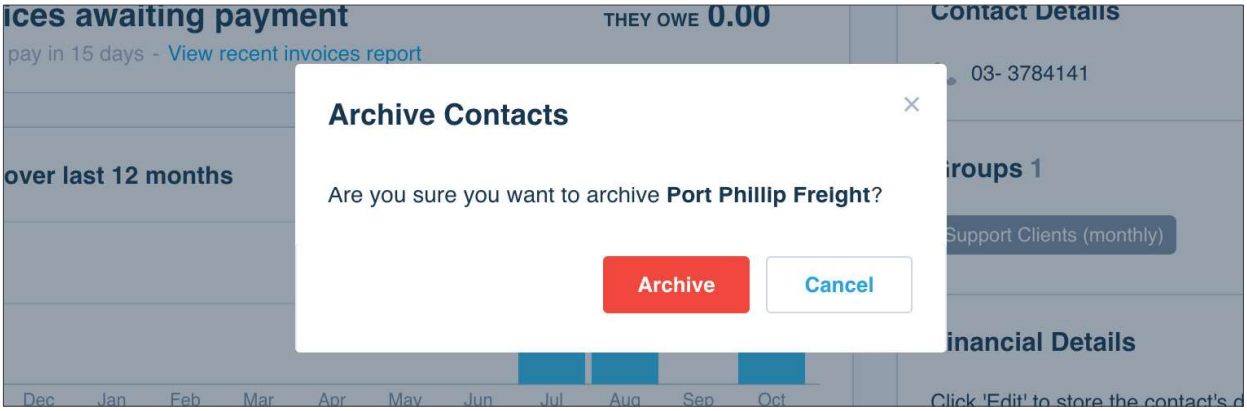
3. Click on the **Port Phillip Freight** entry



4. Under the **options** drop down in the top right, select **archive**



5. A confirmation message will appear, click **Archive**



Important: Contacts can be deleted completely if they don't have any transactional history recorded.

Otherwise, you will need to use the archive function. An archived contact can be restored at a later date.

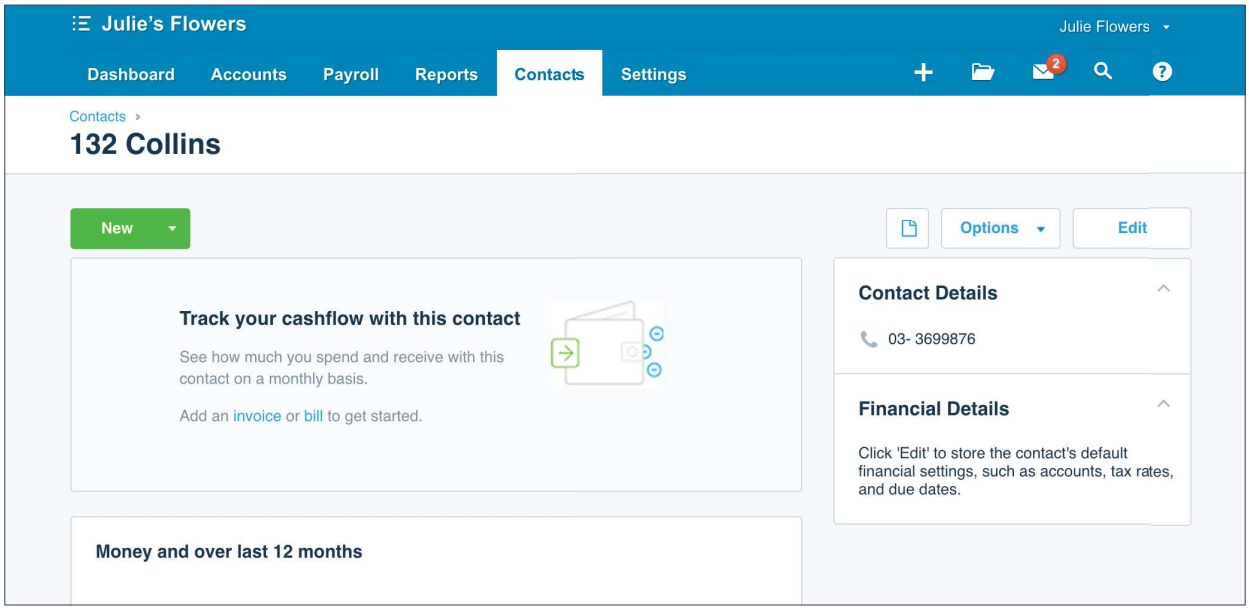
Edit a Contact

In this exercise you will edit an existing contact to add additional details. 132 Collins are a supplier of Julie's Flowers.

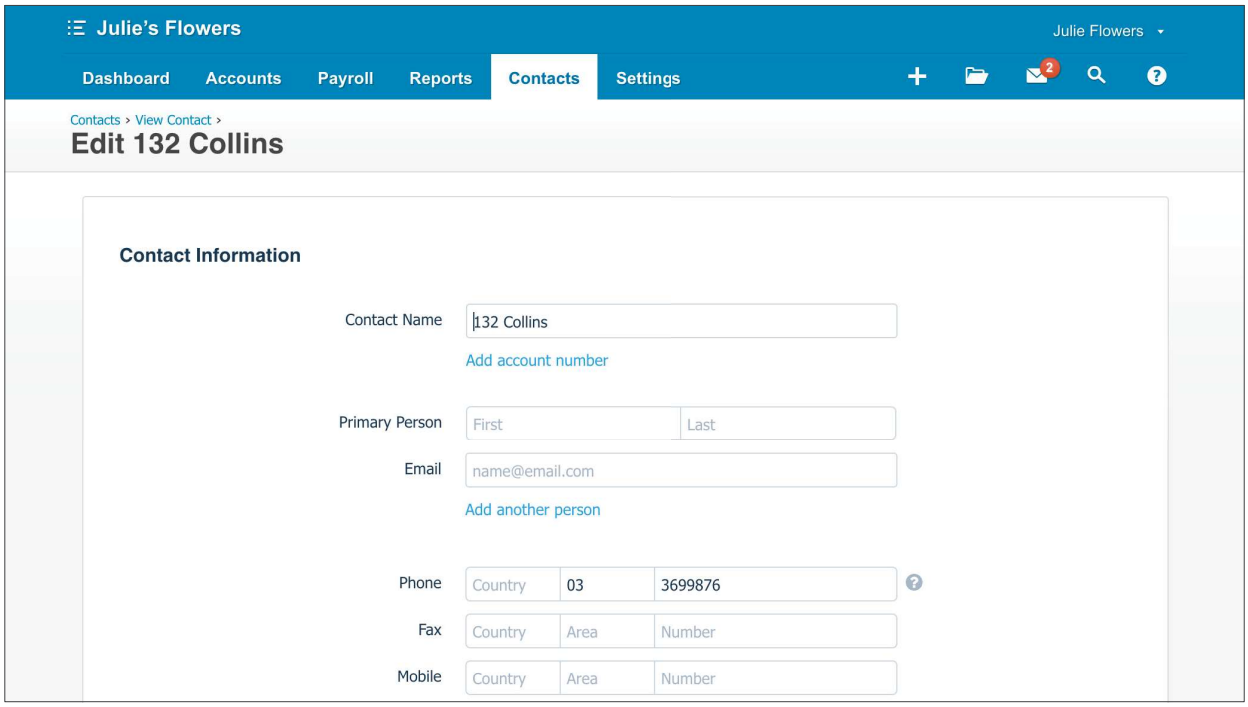
EXERCISE 5.4

In this exercise, you will edit some financial details for the 132 Collins contact, to save some defaults for more efficient entry of purchases.

1. Navigate to **Julie's Flowers** and go to **Contacts** > **All Contacts**
2. Click on the 132 Collins contact



3. Click on the **edit** button in the top right.



4. Scroll to the financial details section, under **purchase settings** select **tax inclusive**

5. Under **default account**, enter **461 - Printing and Stationery**

6. Under **bills due date**, enter 10 and select **'day(s) after the bill date'.**

7. Click **save** to update the 132 Collins contact.

You will return to the 132 Collins contact screen, with a confirmation dialogue that the contact has been saved.

Check your progress

Skills	Complete
Add a new contact for Foxglove Studios in the Julie's Flowers organisation	
View a statement for the Bayside Club contact in the Demo Company	
Archive the Port Phillip Freight contact in the Demo Company organisation	
Edit the financial details for the 132 Collins contact in the Julie's Flowers organisation	

Notes

6. Inventory

Learning Outcomes

By the end of this module, you will be able to:

- Add an untracked inventory item
- Add tracked inventory item
- Understand the basic use of an item

INVENTORY

Inventory Items in Xero

If your organisation buys or sells a product or service, you can add these as Inventory Items.

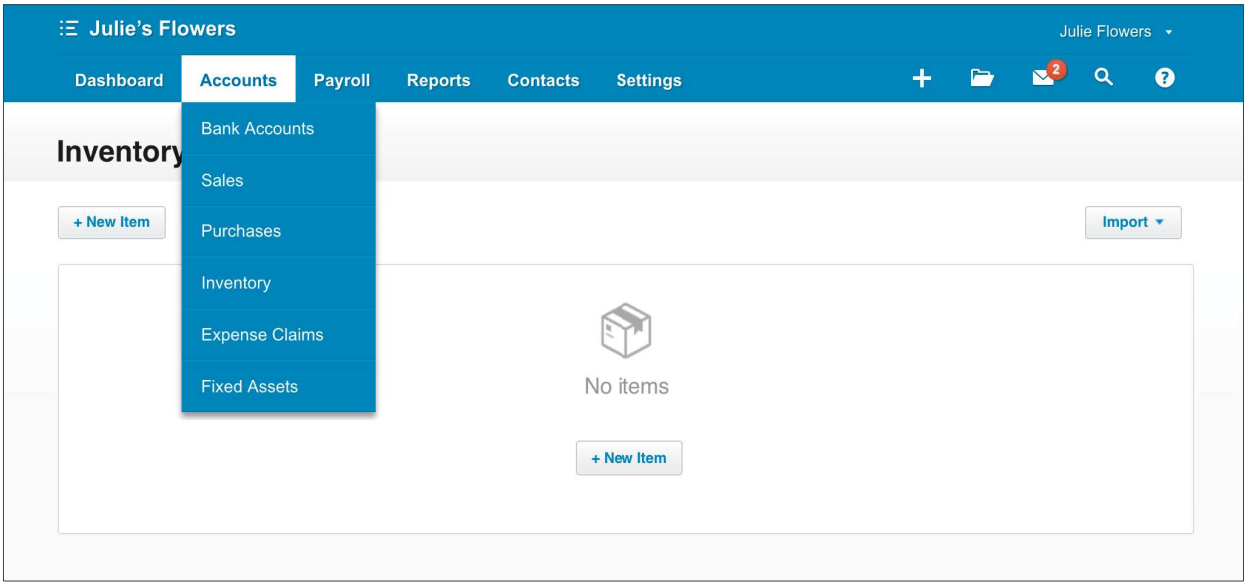
At a minimum, you can use Inventory Items to save details about a product or service that you buy or sell to allow for quick and consistent entry into your invoices or bills. You can also use Inventory items to manage your organisation's inventory on a deeper level.

Inventory in Xero is made up of your items, both tracked and untracked:

- **Untracked Inventory:** simply record the items and services you buy and sell to speed up data entry when you enter invoices, bills and other transactions. Xero won't keep a record of the quantity and value of items on hand. Use untracked inventory if you don't want to manage and account for stock, or you wish to add services for quick entry.
- **Tracked inventory:** enter your items as tracked inventory items to manage and account for your stock. After initial setup, when transactions using tracked items are entered, the quantity and value of your stock will be updated. Only used for actual stock, not services.

You can use a combination of tracked and untracked items in your organisation.

To access inventory management, go to **Accounts** > **Inventory.**

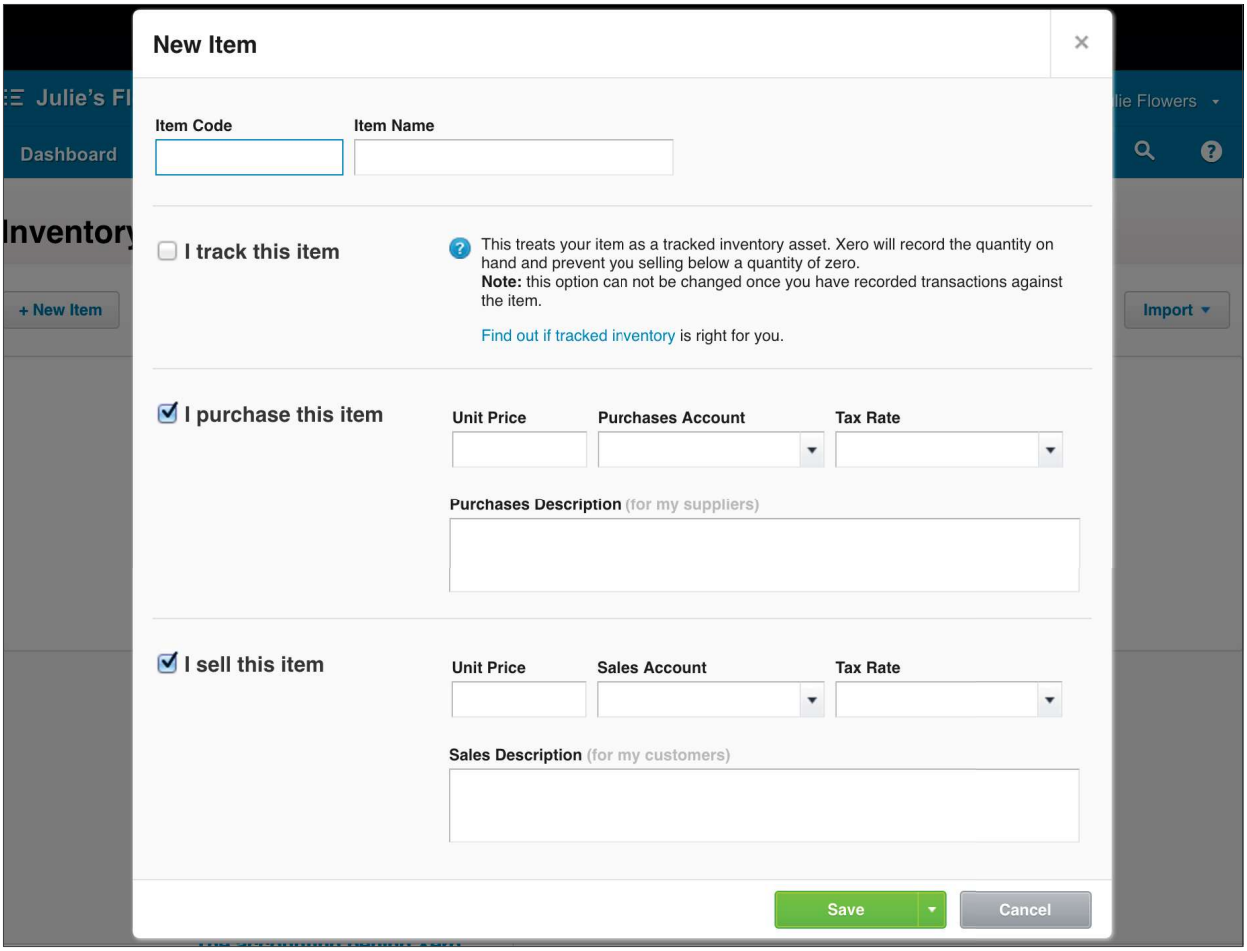


Untracked Inventory

EXERCISE 6.1

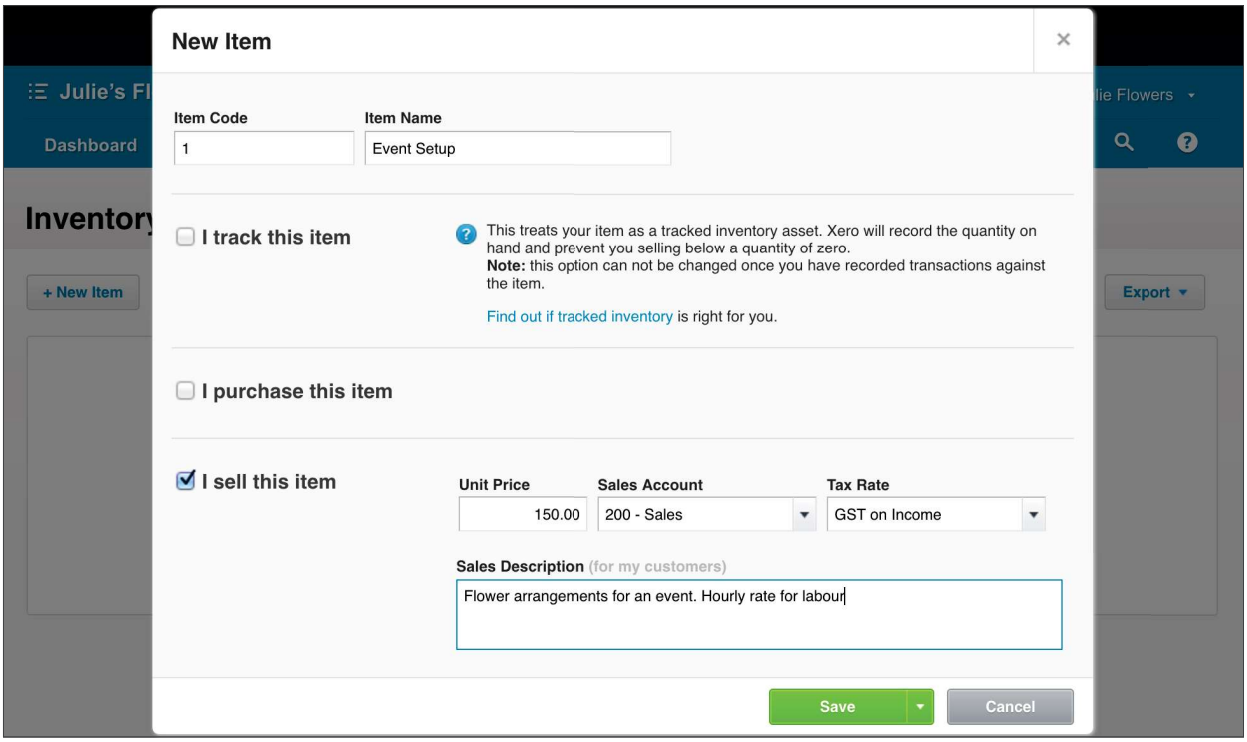
In this exercise, you will add an untracked inventory item for a service that Julie's Flowers offers.

1. Click on the + **New Item** button

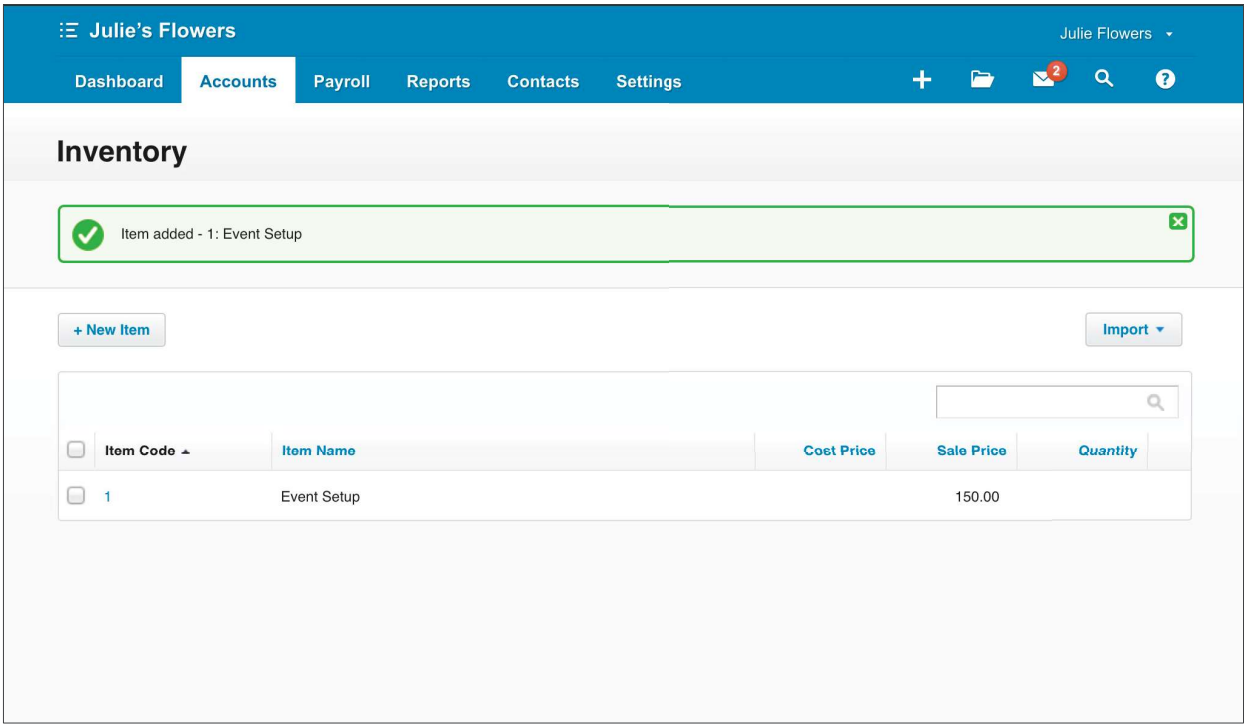


2. Add the following details into the fields in the New Item screen:

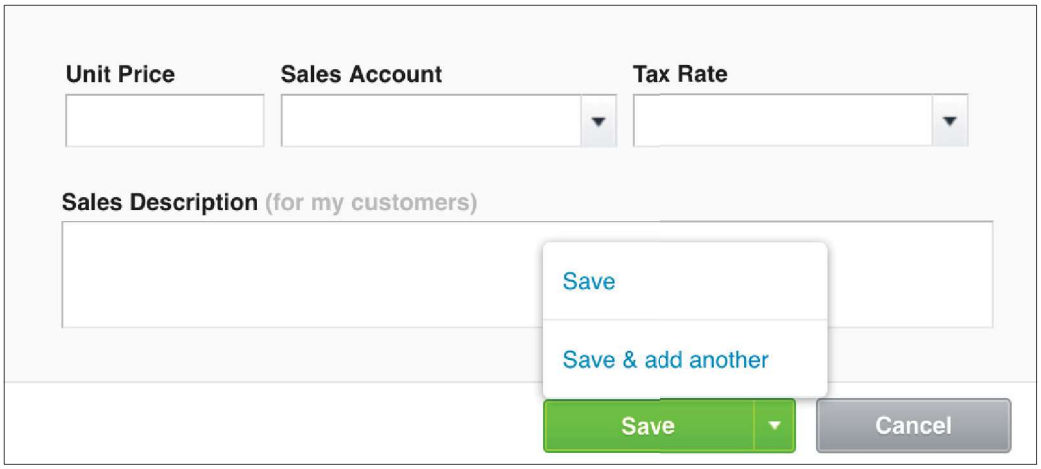
Field	Information
Item Code	1
Item Name	Event Setup
I track this item	Unticked
I purchase this item	Unticked
I sell this item	Ticked
Unit Price	150.00
Sales Account	200 - Sales
Tax Rate	GST on Income
Sales description	Flower arrangements for an event. Hourly rate for labour.



3. Click **Save**



Teacher Note: When you click the arrow on the right hand side of the save button you are given the option to **Save** and **Save & add another**. When the **Save & add another** option is selected the New Item screen is refreshed so you can instantly add another item.



Tracked Inventory

EXERCISE 6.2

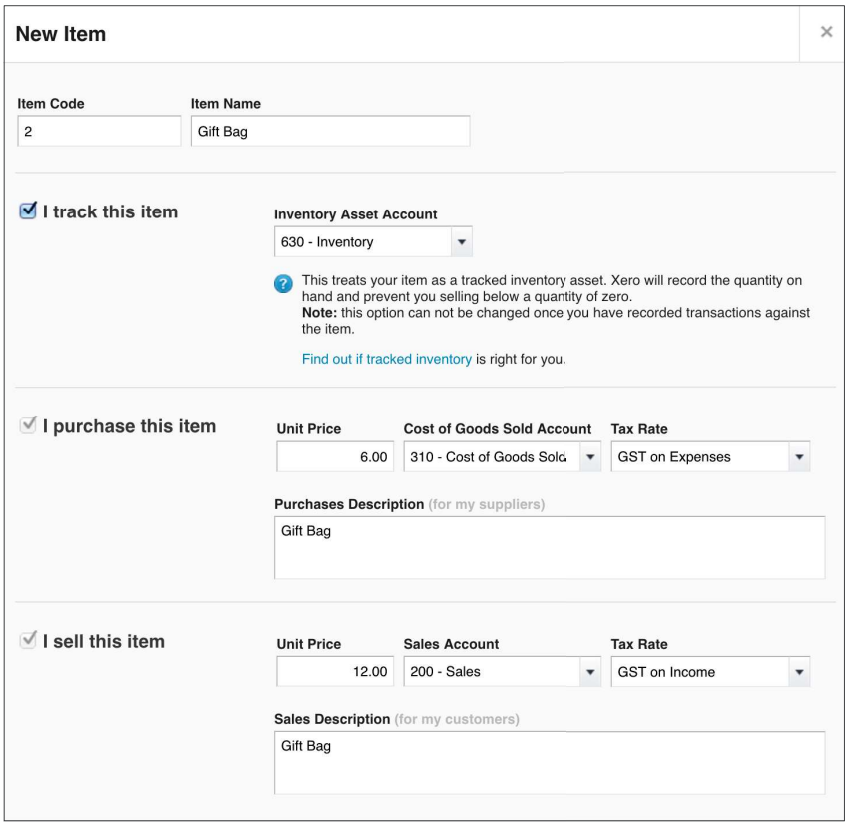
In this exercise, you will add an item that Julie's Flowers physically stocks in the store:

This is a product that is bought from a supplier at one price, and then sold for another price. Quantity is also tracked to assist the business manage stock levels.

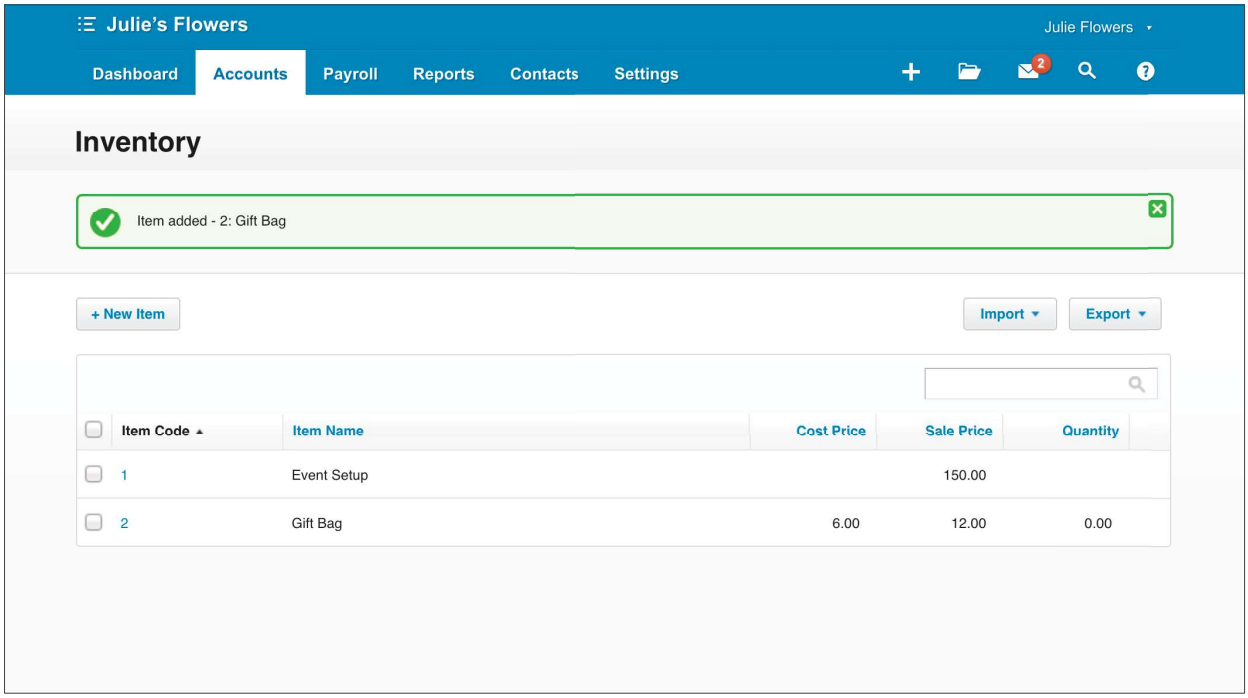
This will be added as a tracked item.

1. Click on the + **New Item** button
2. Enter the following details into the **New Item screen**:

Field	Information
Item Code	2
Item Name	Gift Bag
I track this item	Ticked
Inventory Asset Account	630 - Inventory
I purchase this item	Ticked (default)
Purchase Unit Price	2.00
Cost of Goods sold account	310 - Cost of Goods Sold
Purchase Tax Rate	GST on Expenses
Purchase Description	Gift Bag
I sell this item	Ticked (default)
Sales Unit Price	4.00
Sales Account	200 - Sales
Sales Tax Rate	GST on Income
Sales Description	Gift Bag


New Item
Item Code
2
Item Name
Gift Bag
I track this item
Inventory Asset Account
630 - Inventory
This treats your item as a tracked inventory asset. Xero will record the quantity on hand and prevent you selling below a quantity of zero.
Note: this option can not be changed once you have recorded transactions against the item.
Find out if tracked inventory is right for you.
I purchase this item
Unit Price
6.00
Cost of Goods Sold Account
310 - Cost of Goods Sold
Tax Rate
GST on Expenses
Purchases Description (for my suppliers)
Gift Bag
I sell this item
Unit Price
12.00
Sales Account
200 - Sales
Tax Rate
GST on Income
Sales Description (for my customers)
Gift Bag

3. Click **Save**
Save


Julie's Flowers
Julie Flowers
Dashboard
Accounts
Payroll
Reports
Contacts
Settings
Inventory
Item added - 2: Gift Bag
+ New Item
Import
Export
Item Code
Item Name
Cost Price
Sale Price
Quantity
1
Event Setup
150.00
2
Gift Bag
6.00
12.00
0.00

Here are some additional inventory items for you to setup:

- Item 3 - Teddy Bear, white with red heart, tracked stock, purchase for $12.00 incl GST, sell for $24.00 incl GST
- Item 4 - Delivery charge, untracked service item, sell only, flat rate of $18.00 incl GST

Check your progress

Skills	Completed
Setup the untracked inventory item 'Event Setup' service for Julie's Flowers	
Setup the tracked inventory item 'Gift Bag' for Julie's Flowers	
Setup additional inventory items to meet organisational requirements and the reporting requirements of GST	

Notes

7. Receiving Money: Sales

Learning Outcomes

By the end of this module, you will be able to:

- understand the components of the sales dashboard
- add a conversion balance for the Accounts Receivable account
- enter a sales invoice
- enter a repeating invoice
- understand each invoice status

RECEIVING MONEY: SALES

Sales Dashboard

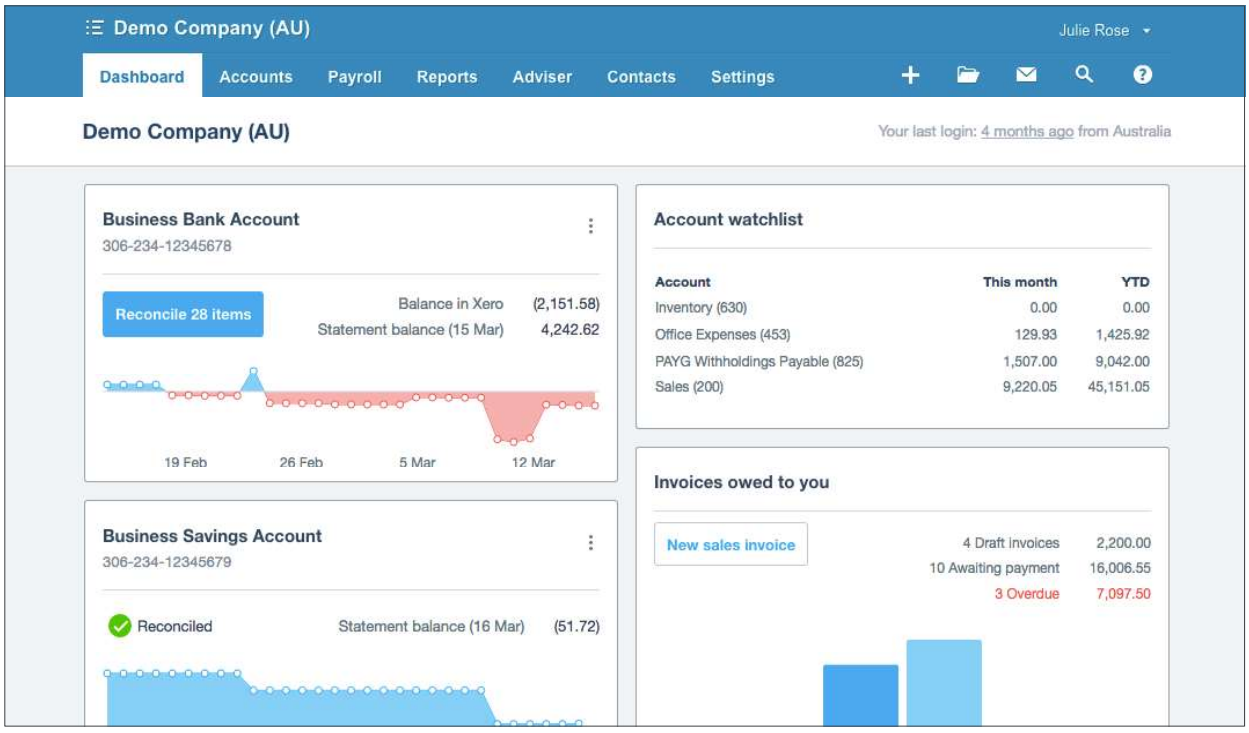
Knowledge of how much cash will be available at any given time, can help an organisation make informed business decisions. As such, understanding how much money is due to come in, and when, from invoices is extremely important information.

The Sales Dashboard provides an overview of any quotes and invoices that are outstanding, their value, and when they are due.

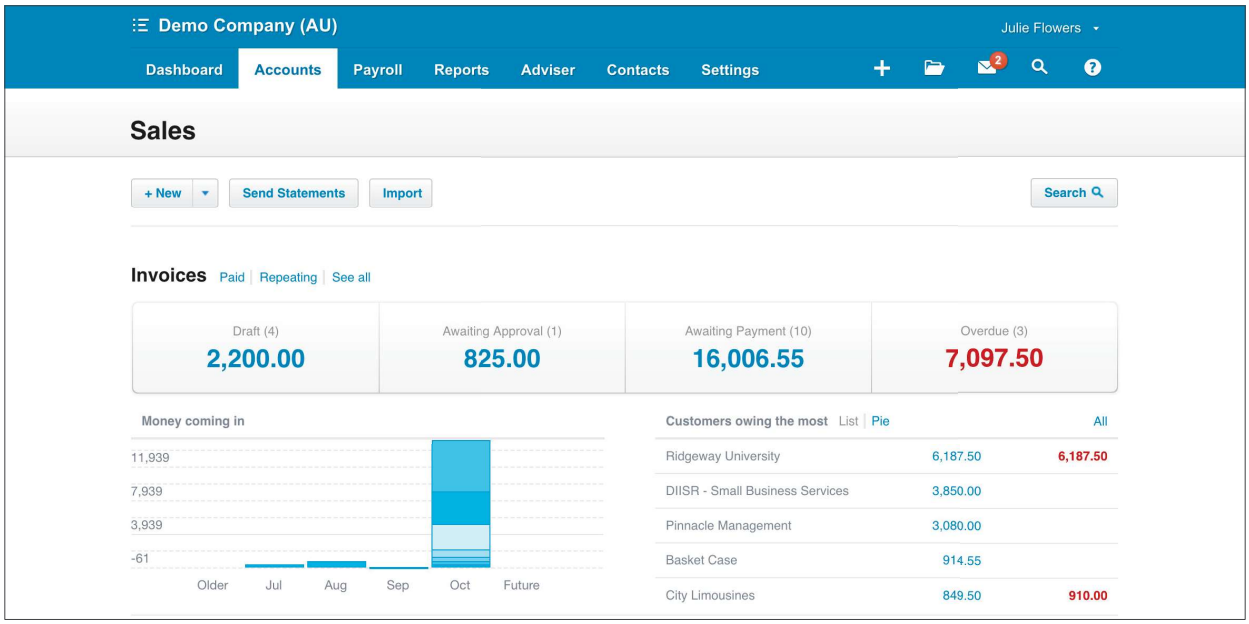
EXERCISE 7.1

Using the **Demo Company**, which contains sample invoice data, you will see the key components of the Sales Dashboard.

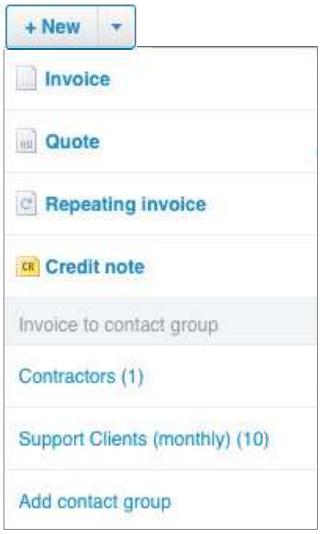
1. Go to **My Xero > Try the Demo Company (AU)**



2. Click on **Accounts > Sales** to view the Sales Dashboard:



Along the top, you will see the opportunity to create a new invoice (or quote, repeating invoice or credit note) from the + **New** button.



Under the Invoices heading, you will see the four different statuses that an invoice can be in, along with the total value of items in this state.

These four states are:

- **Draft:** you can enter information into an invoice, save it as a draft and revisit, or delete, at a later date.
- **Awaiting Approval:** A user with Invoice only (Draft only) user access can create an invoice to submit for approval before progressing to an approved invoice. A user with a higher level of access (Standard user role or above) can approve the invoice.
- **Awaiting Payment:** all approved invoices that have yet to reach their due date. These are live invoices that an organisation can send to customers in an email in the form of an online invoice, or as a PDF copy. These invoices are ready for a payment to be allocated to it, or reconciled to it. The outstanding value of these invoices awaiting payment will show up in reporting, and also under the customer entry.
- **Overdue:** all approved invoices that have have not been paid, and are past their due date.

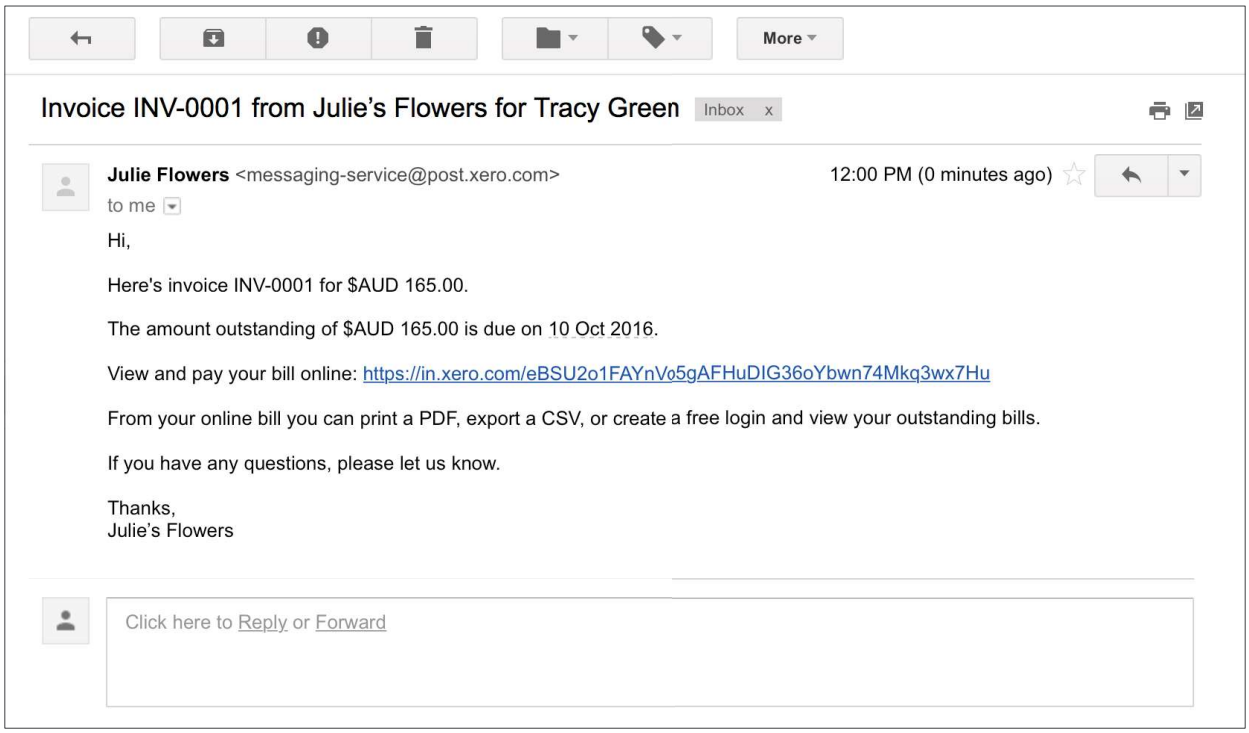
If you click into any of these tabs, you will be able to see a list of all the invoices that make up the totals displayed.

There is also a graph for **Money Coming In**, which displays $ value across due dates. You will also see the **Customers owing the most** list, which lets you know which customer owes the most on their invoices.

Scrolling down further, you will see the **Quotes** segment of the Sales Dashboard. Similar to the invoice tabs, if you click into any of these tabs, you will be able to see a list of all quotes that make up the totals displayed.

Important: online invoices are a concept unique to Xero. Each invoice that is approved and sent to a customer contains a unique link that can be viewed. This functionality also extends to quotes.

The online invoice link will contain all of the relevant invoice information. Third party payment services can be added to online invoices, so that customers can pay online using a credit card.



Important: If this invoice is paid, if a credit note is issued against that invoice, or if a quote is accepted, all updates will be reflected immediately in this online link.

One important benefit is that you can see if a customer has clicked on the online invoice link, eliminating confusion around whether or not they have seen the invoice.

Accounts Receivable Conversion Balance

A conversion balance is the value of a particular account within your Chart of Accounts, as of the conversion date.

You set the conversion date earlier in the course for the Julies Flowers organisation, and you imported several conversion balances within the chart of accounts.

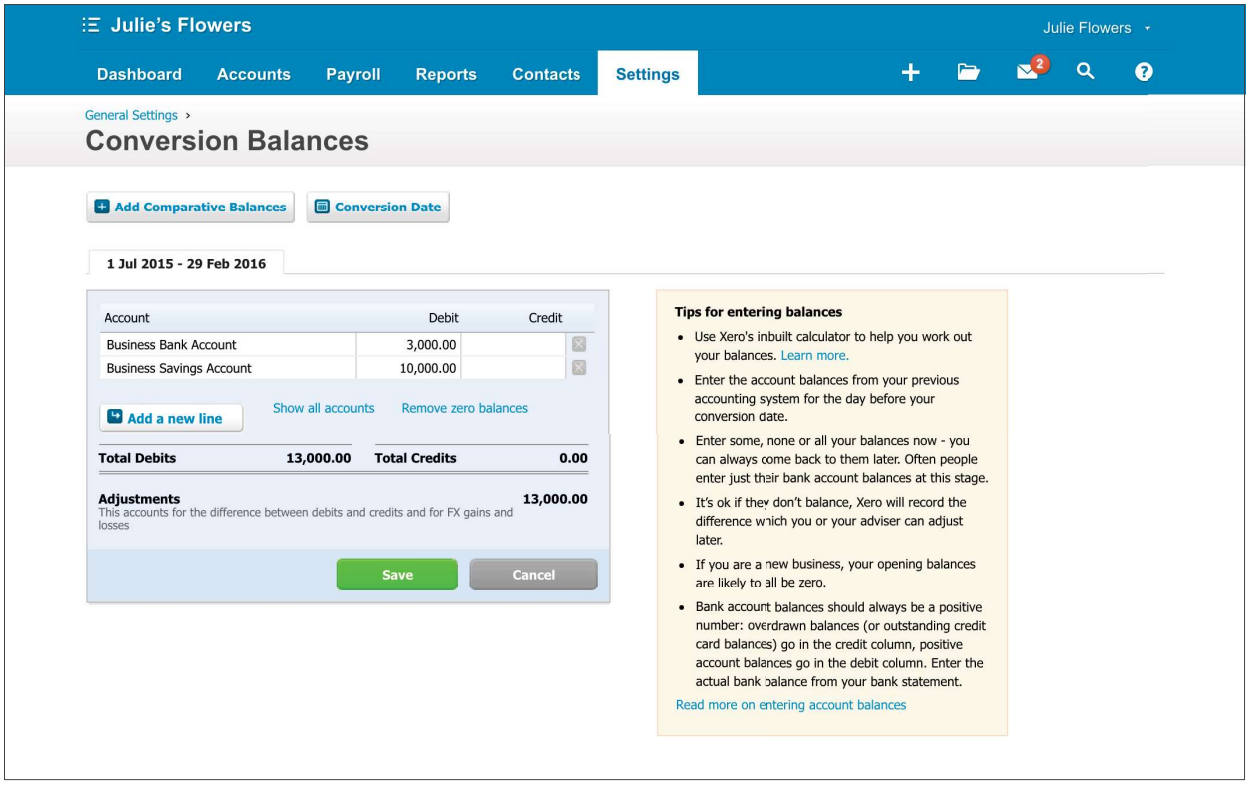
The Accounts Receivable conversion balances are unique. When setting the Accounts Receivable conversion balance, by either importing the balance or by entering it manually into the **Conversion Balances** screen you will be required to enter invoices to show what makes up the total of the conversion balance. This is a unique task of the Accounts Receivable account, and is also required with Accounts Payable.

For example if Julies Flowers has $600 in outstanding invoices owing, as of the day that the business converted to Xero, then the invoice(s) that make up this $600 need to be added to Xero. That way, when payment is received for the invoices there will be a transaction in Xero for it to be matched to.

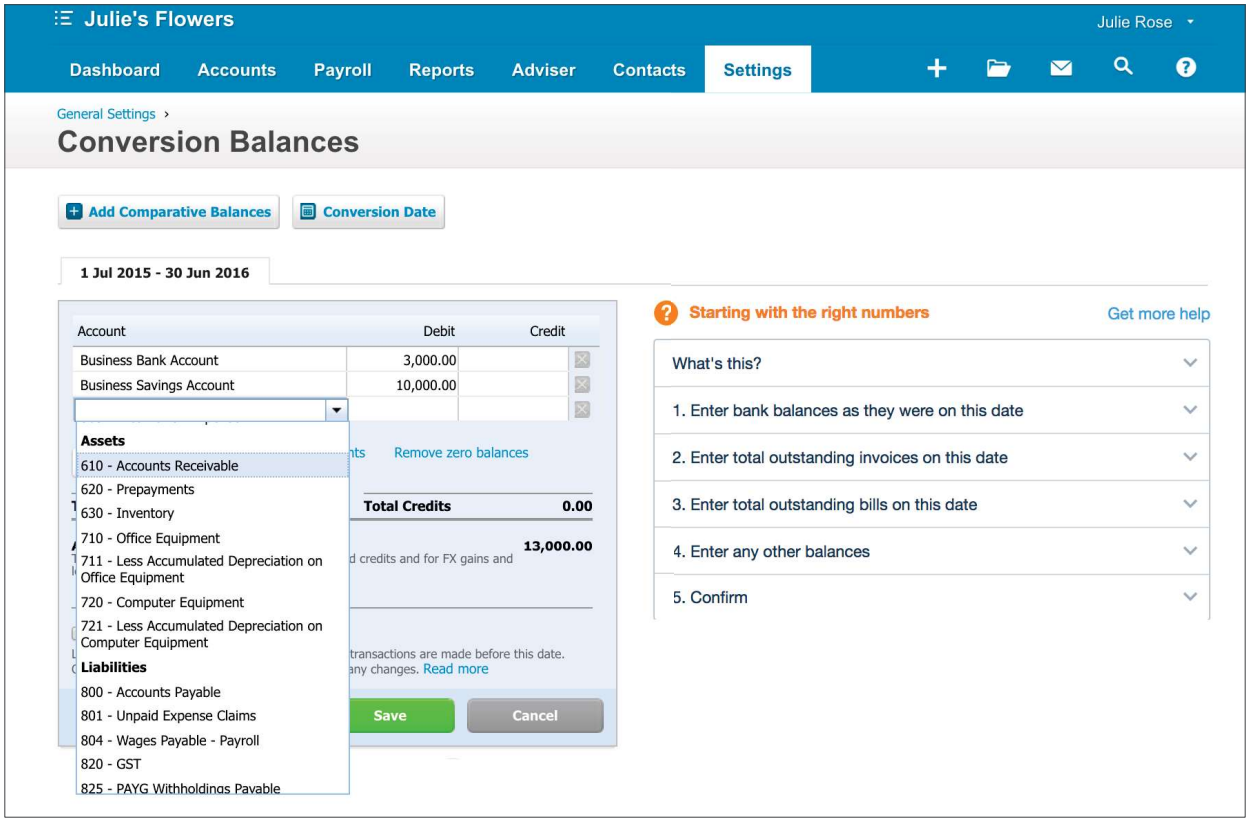
EXERCISE 7.2

In this exercise, you will be entering a balance in the **Accounts Receivable** account and entering an **invoice** to account for the value of that balance for the Julie's Flowers organisation.

1. Navigate to the Julie's Flowers organisation. **My Xero > Julie's Flowers.**
2. In Julies Flowers, go to **Settings > General Settings > Conversion Balances**



3. Click on the button **Add a new line.** This will allow you to add accounts to the conversion balances screen.

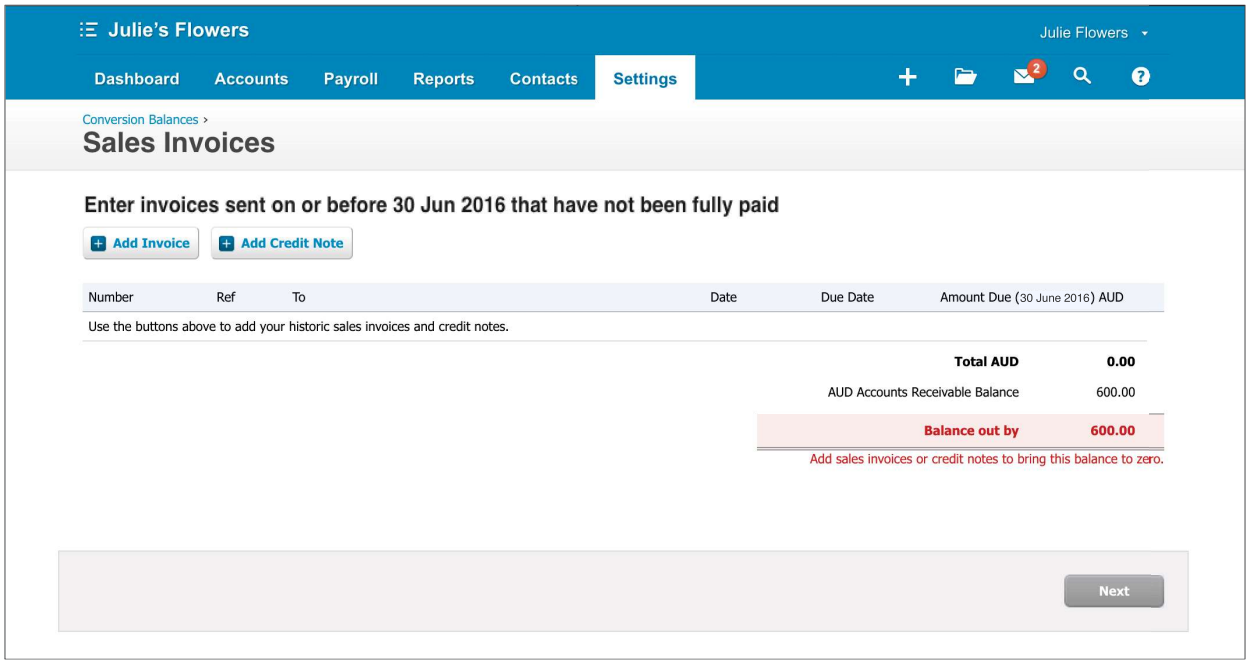


On the conversion date, Julie's Flowers had one outstanding invoice with a value of $600. This had been sent to a client, but the payment has yet to be received into the business bank account.

Entering $600 in the debit column will indicate that there is $600 outstanding to be paid from an invoice. Julie's Flowers changed to Xero at the beginning of the month.

4. Using the drop down list, select the **Accounts Receivable** account. Enter **600** into the **Debit column**. Click the **Save** button to confirm the conversion balance.

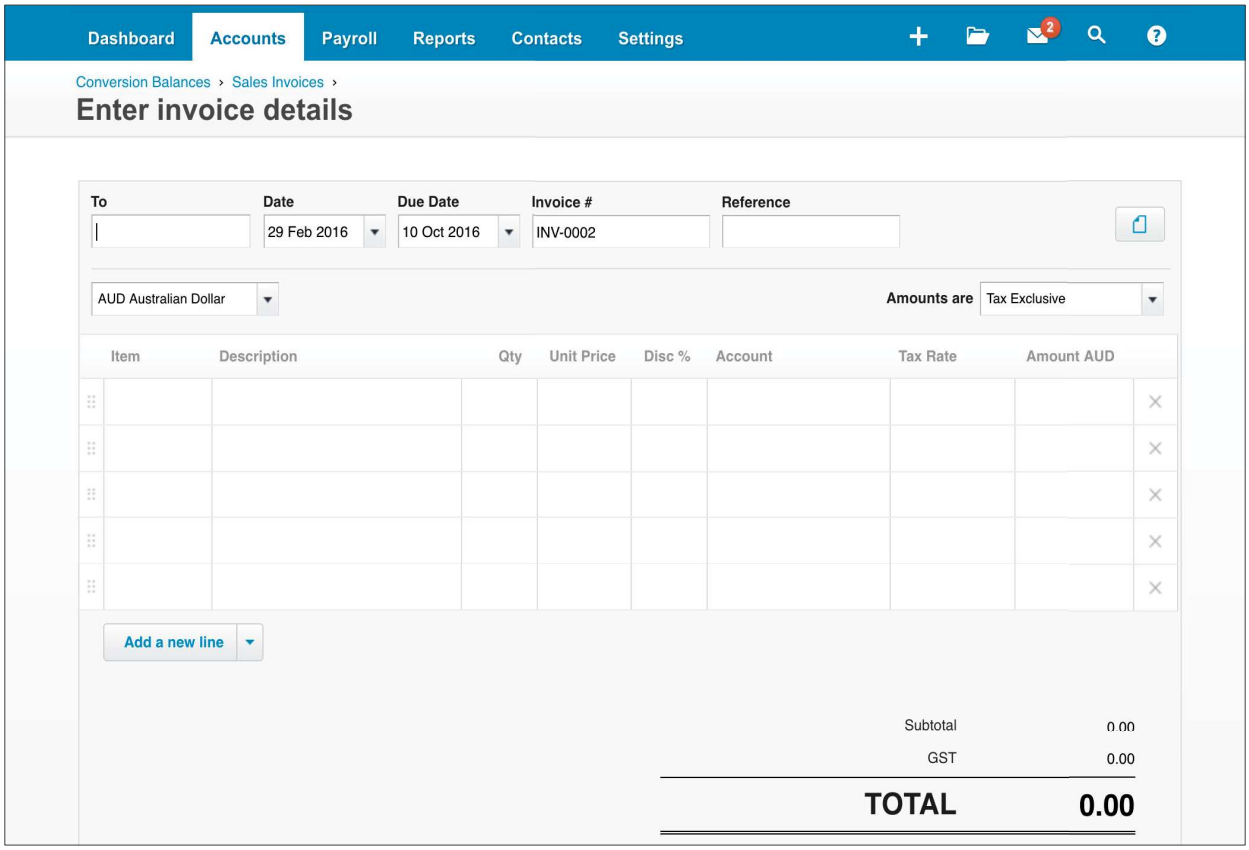
The next screen shows that the account is out of balance as the individual invoice(s) that make up the total owing as at the conversion date, have not yet been entered.



5. Now you can enter the individual invoice(s) that make up the outstanding balance. You will have the option to either add an invoice(s) or credit note. click on **Add Invoice.**

This will take you to the main invoice entry screen.

Important: this is the same invoice screen that you will see when adding an invoice from the Sales Dashboard or several other entry points.

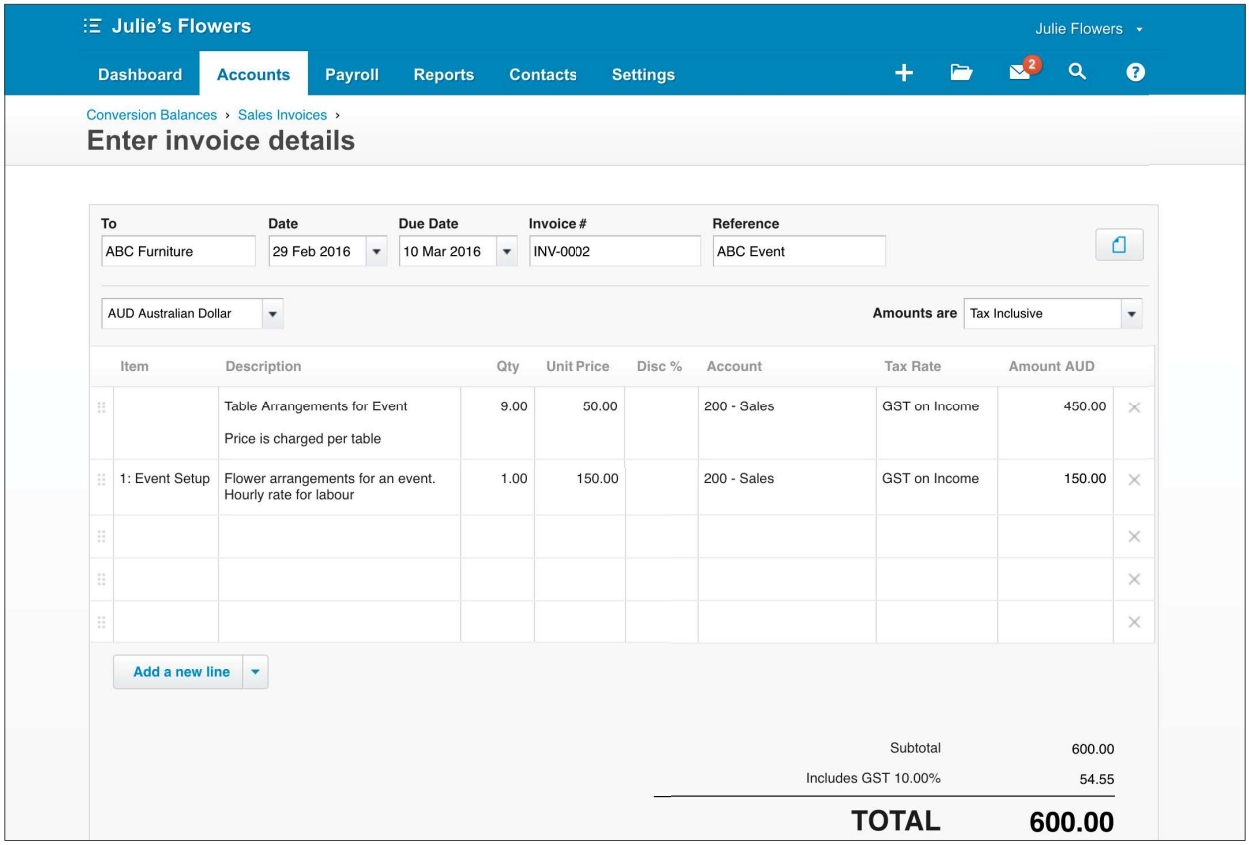


Enter the following details into the fields of the **invoice entry screen:**

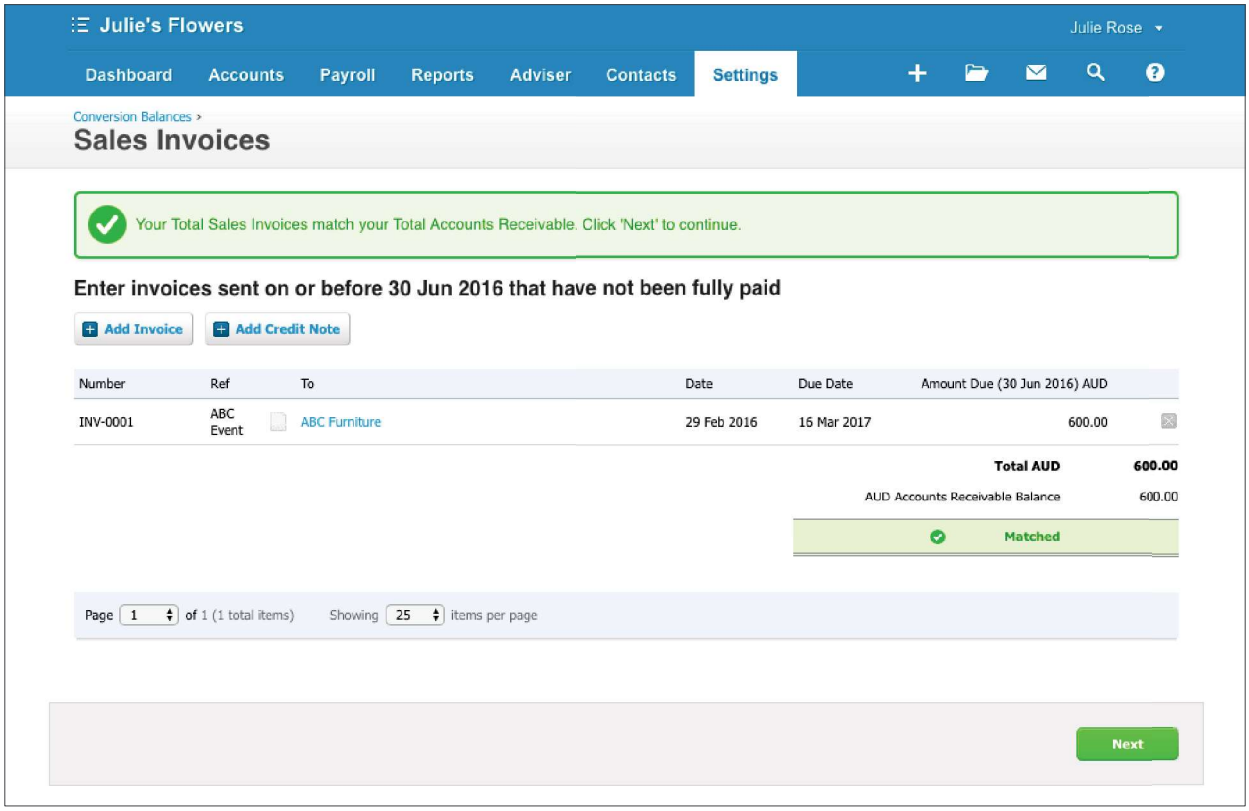
Field	Information	Notes about this field
To	ABC Furniture	Customer name. If new, you will be asked if you want to add this as a new contact. You can also select an existing contact from the drop down.
Date	29th Feb 2016	This is the date of invoice entry, or the date the invoice becomes active. Simply using the **tab** button the keyboard will automatically populate today's date.
Due Date	10 days from invoice date	You can either use the calendar selection tool, alternatively, **+10** is a keyboard shortcut to add this.
Invoice #	(automatically populated)	The invoice number is automatically allocated. This is sequential, and the prefix can be customised in Invoice Settings **(General Settings > Invoice Settings)**
Reference	ABC Event	This is a free text field, which is surfaced on the invoice.
Currency	AUD Australian Dollar	Additional currencies can be added to this list in your settings.

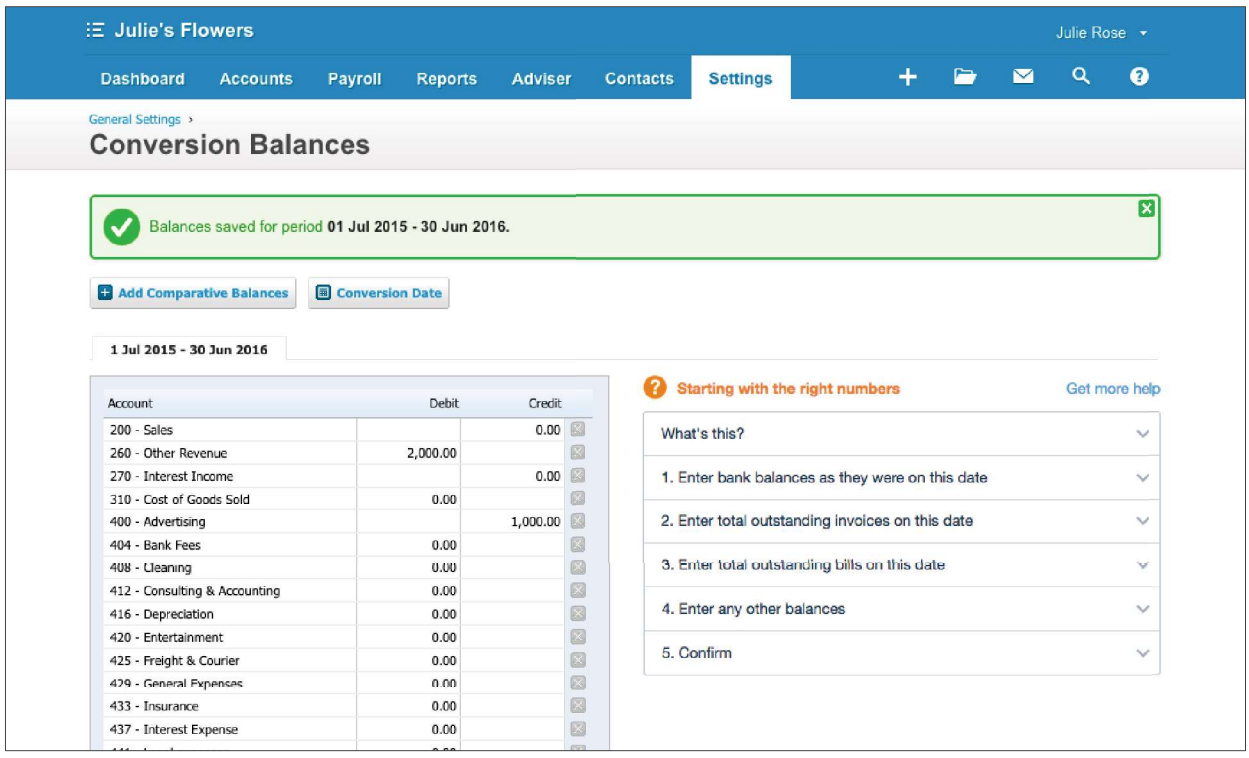
Amounts are	Tax Inclusive	You can also opt to calculate tax on top of the total, or have no tax.
Item (Row 1)	(leave blank)	You can add Items directly from here using the +item button, or select an existing item from the drop down. In this scenario it is a product / item.
Description (Row 1)	Table Arrangements for Event Price is charged per table	Your own description of the item. Enter as much or as little text as you like to describe your goods or services
Qty (Row 1)	9	Quantity can be used both for products or services. In a services context, quantity is generally used for an hourly rate.
Unit Price (Row 1)	50	This can be used as both a fixed rate for a product, and an hourly or fixed rate for a service.
Disc % (Row 1)	(leave empty)	A discount percentage can be added to a row. This will discount the total of the unit price x quantity. This will be applied to just one line.
Account (Row 1)	200 - Sales	This is the account that income from this line item will be allocated to.
Tax Rate (Row 1)	GST on Income	Drop down list contains all existing tax rates from Settings > Tax Rates. You can have different tax rates for different line items.
Amount AUD (Row 1)	(leave as 250)	The value in the line total Amount is generated automatically. It is made up from (Quantity x Unit Price) - Discount %.
Item (Row 2)	1. Event Setup	Select from drop down list, this already exists as an item. In this scenario we are adding a service.
Description (Row 2)	(leave as Flower arrangement for an event. Fixed rate for labour or fixed rate.)	This should already be populated from selecting the existing item 1. Event Setup
Qty (Row 2)	1	As this particular invoice refers to one instance of a fixed rate, enter 1.

Unit Price (Row 2)	(leave as 150)	If this item is selected, it will be automatically populated.
Disc %	(leave blank)	If this item is selected, it will be automatically populated.
Account	(leave as 200 - Sales)	If this item is selected, it will be automatically populated.
Tax Rate	(leave as GST on Income)	If this item is selected, it will be automatically populated.
Amount AUD	(leave as is)	The amount is the line total is generated and is generated automatically. It is made up from (Quantity x Unit Price) - Discount %.



6. Click **Save**



7. If the amount of the invoice matches the amount outstanding in the **Accounts Receivable** account, you will see a green **Matched** icon. Click **Next**

8. You will land back on the Conversion Balances page, where you will see that the Accounts Receivable balance has been saved.