Case Study

Encountering issues with transaction matching in Xero. when reconciling bills and payments that have the same amount.



Background: XYZ Ltd., an accounting firm offers accounting, bookkeeping, and financial services to various businesses across the country. I am responsible for one of XYZ's bookkeeping clients in the accommodation business sector. During last week's bank reconciliation process, I encountering issues with transaction matching in Xero, particularly when reconciling bills and payments that have the same amount. This can often lead to mismatches and potential confusion regarding which bills have been paid. Here are some steps you can take to ensure correct matching and to address any discrepancies:

Problem: Where transactions with the same amount are being matched to the wrong bills, leading to incorrect reconciliation. This can indeed cause confusion and result in unpaid bills despite showing as paid in the system.

- Review reconciled transaction
- Use Unique Identifiers
- Check the payment history
- Review Bank Transactions

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Impact:

1.Correct transactions matched: One way to do this is to carefully verify the details of each transaction before reconciling, including the date, reference number, and any other identifying information that can help distinguish between similar transactions.

2.Creating Check list : This could involve creating a checklist for reconciling payments to bills and using tools within Xero to detect and separate multi-supplier invoices automatically.

3.Review Reports for Discrepancies: Payment and Receipt Summary or a Bills Summary Report to double-check any discrepancies between the bills and payments. This can help identify any payments that haven't been properly applied to the bills.

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Solution:
Important to Review, the Reconciliation Process

To resolve the issue, the following corrective actions were implemented:

1. **Review Reconciled Transactions:**
   - Go through your previously reconciled transactions. In Xero, you can view your reconciliation reports or the reconciliation history to pinpoint any transactions that were matched incorrectly.

2. **Use Unique Identifiers:**
   - Whenever possible, use unique identifiers related to the bills, such as invoice numbers, dates, or descriptions, to differentiate between transactions. This will help prevent mistakenly matching transactions to the wrong bills.

3. **Check the Payment History:**
   - For bills that are showing as paid but have not been, check the payment history of those specific bills in Xero. Verify against bank statement entries or client communications to confirm whether the payment was actually made.

4. **Conduct a Regular Audit:**
   - Regularly audit your accounts payable and accounts receivable to catch and correct any discrepancies early. This includes checking for duplicate payments or incorrect matches.

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Conclusion:

Reconciliation process and paying close attention to the details of each transaction, you can minimize the risk of matching payments to the wrong bills and ensure accurate reconciliation in the future.

Tips for Future Prevention:

1. Review the Bank fees entries
2. Use Find & Match Features
3. Check for Partial Payments
4. Use Bill payment rules
5. Ensure correct payment date
6. Manually Match Payments & Bills

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