This Factsheet covers the setting up of **SmoothPay** to permit the transfer of payroll costing information to *Xero*. Portions of this document were obtained from the *Xero* website.

A set of *Quick Instructions* is provided for those already familiar with **SmoothPay** followed by fully *Detailed Instructions* for new Users.

Quick Instructions

Set Your Ledger Type

- Choose the *Company* you wish to work with from **SmoothPay's** *Control Centre,* if you have more than one.
- Select *Company Setup*
- Select Options tab, tick the *"Analyse earnings by Account and/or Job. Link to General Ledger"* checkbox, and/or simply click on the *Ledger Setup button.*
- Choose *Xero* from the *Ledger Type options* drop down box.
- Be sure to check that the *export file pathname* is correct *(Generate an account costing file for export to your Ledger)*, as well as setting the default *Account Code, Payroll Holding/Net Pays Account Code* and *Accounting Year begins in Month*. If you do not set these items correctly, your costing transfer will not operate correctly.
- If you are using *Xero's Tracking Categories*, you can establish their names and options via the *Tracking* button and associated screens. These must match the codes used in *Xero* EXACTLY, otherwise your costing transfers will not operate correctly.
- Using *Job Codes* in **SmoothPay** with *Xero* is optional, and allows you to add yet another dimension to your costing analysis. Though job information is not passed through to *Xero*, you can analyse job cost information in **SmoothPay** for other purposes, such as charging Customers or simply to track costs against Jobs or Activities.
- If you process GST through Wages (Real Estate Agents, Contractors etc who have tax deducted at source), then you need to ensure the same descriptions are used in **SmoothPay** as in *Xero*. GST Descriptions (names) can be edited in *SmoothPay...Payroll Codes...GST Rates*.

Generate Costing Report and File

- The Costing File specified in *Ledger Setup* is automatically generated when you print the St*andard Reports* after *Pay Input*
- GL Account Costing Analysis **MUST** be included in the *Standard Reports* selected, otherwise the latest Costing File will not be generated.
- Once satisfied that all your *Standard Reports* are correct, then you can import the payroll Costing File into *Xero* any time up until the next pay is processed.
- Costing Reports and Files may also be produced at any time for any processed pay period or range of pay periods from *Reports...Costings Reports*.

Import the Costing File to Xero

- Start *Xero* and navigate to *Accounts...Accounts Payable...Import...Browse. T*he Import File is located and named as per your **SmoothPay** *Company Setup...Ledger Setup* Costing File name, and is in correct *Xero* format.
- If any errors are reported when the file is checked or *Xero* won't let you approve the costing transfer invoice, you will need to repair the entries (usually caused by incorrect coding) or enter the batch manually and rectify the cause of the problem so it does not occur in future. The main culprits are wrong or missing Account Codes, incorrect Tracking Categories and/or Options and incorrect GST names.
- Please check that the correct batch has been loaded. An old batch could be imported, if you have not produced the latest *GL Account Costing Analysis Report* from *Standard Reports,* from *Reports...Costing Reports*.
- The data imported is summarised by account (and tracking categories, if used) and provides a Costing Journal debiting expense codes and crediting current liability accounts as defined in the *Payroll Control Accounts*.
- All payments to Employees, disbursements to IRD etc should then be made from the specific *Payroll Control Accounts* you have established in **SmoothPay's** *Ledger Setup* – which in turn match *Xero's* Chart of Accounts.
- When all disbursements have been made, your *Payroll Control Accounts* balance should be *zero*.
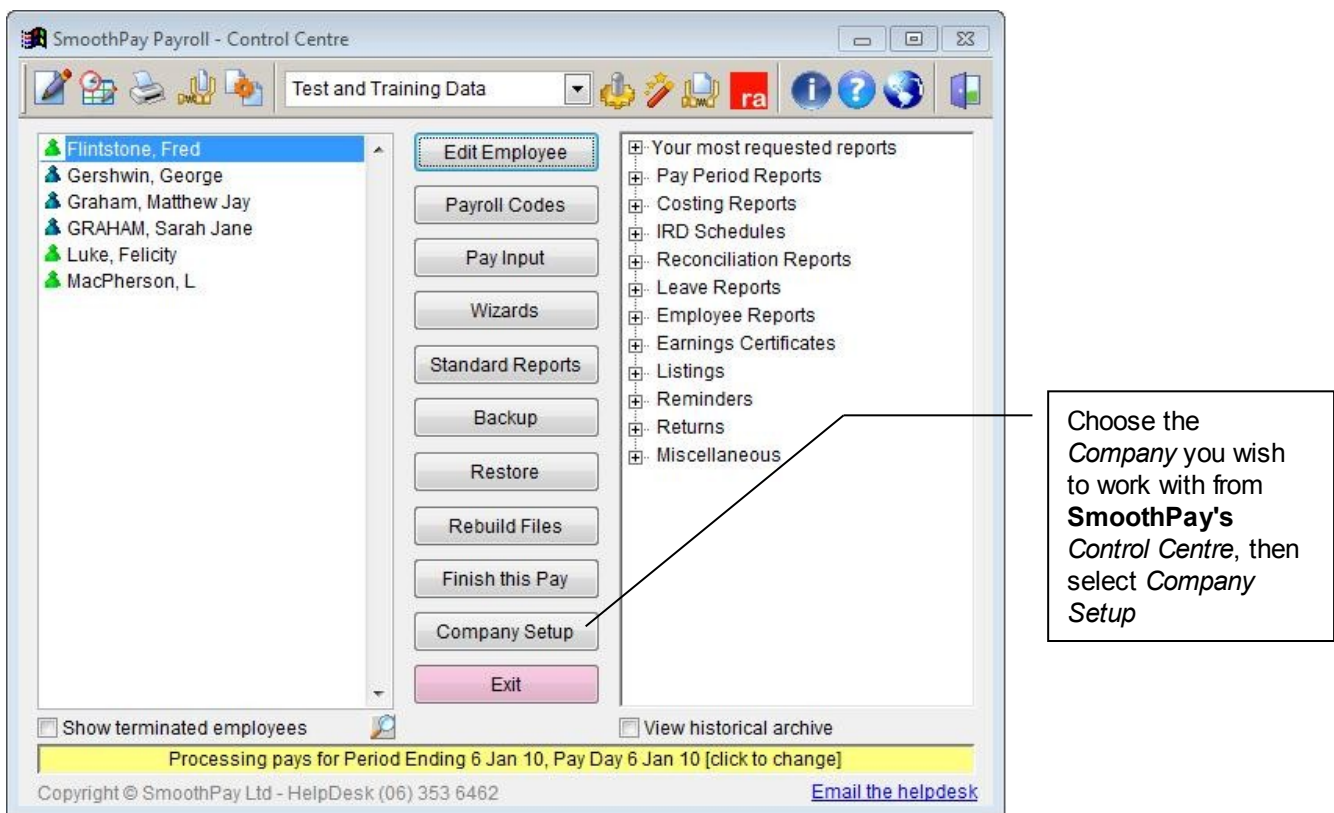
Detailed Instructions

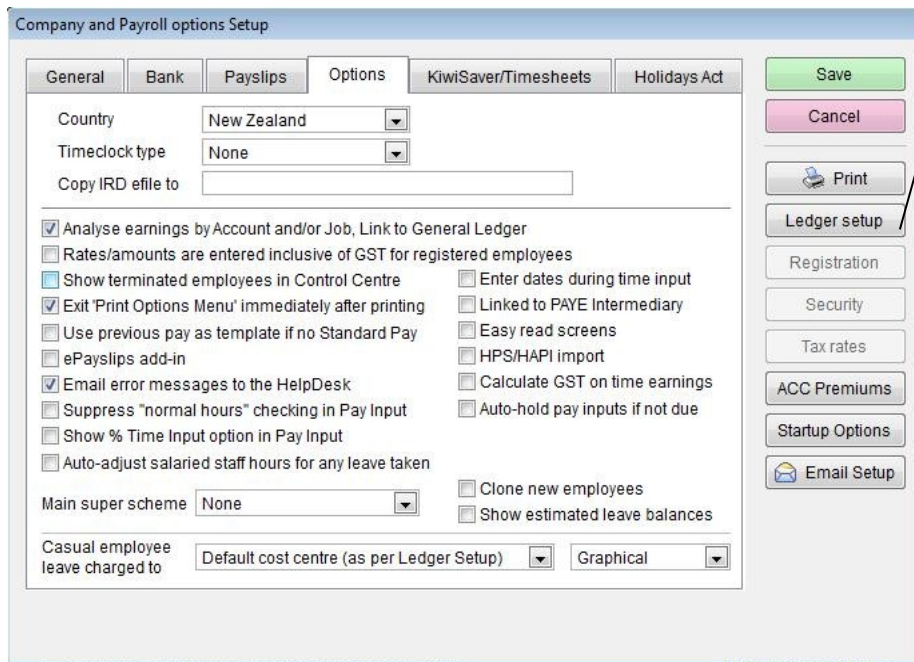### Setting Xero as Your Ledger Type from within SmoothPay

In order for **SmoothPay** to know what type of Costing File to produce, you must tell it the *type of accounting system* that you are using. **SmoothPay** can "talk" to a number of different accounting packages, but for the purposes of this Factsheet we are only dealing with *Xero*.

It is assumed you know how to use your computer and the software, although you should be able to successfully complete this task by closely following these instructions. If not, then you are welcome to call the **SmoothPay HelpDesk** for assistance.
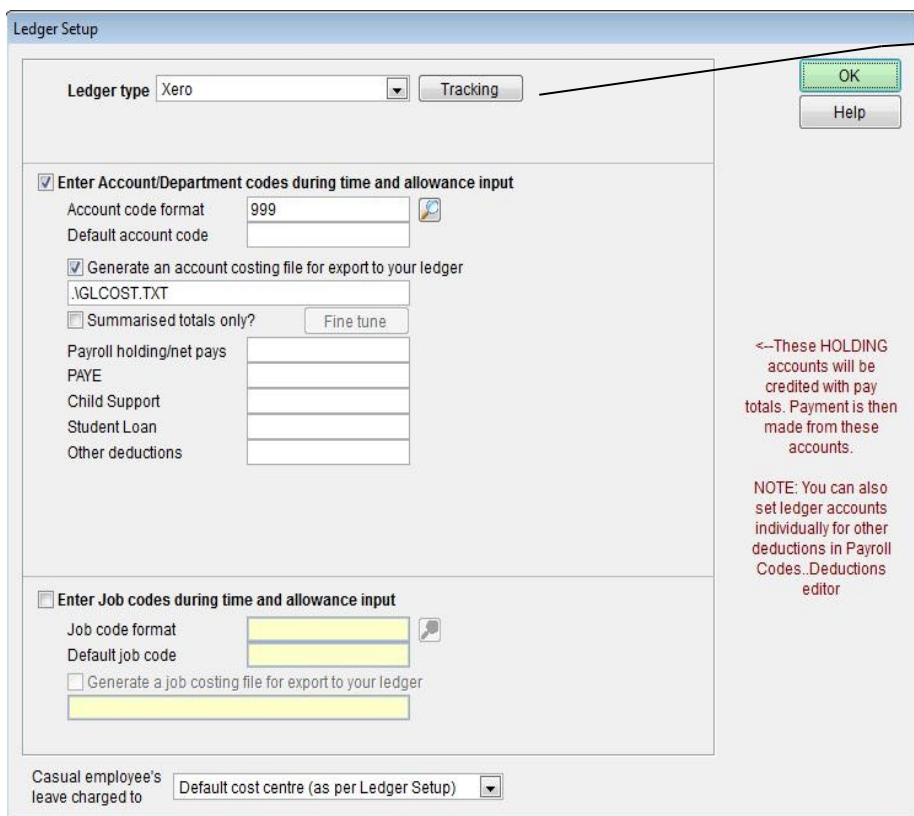
Lets begin by setting the *Ledger Type* from within **SmoothPay**.

When you start **SmoothPay**, the *Control Centre* is displayed:

Choose the *Company* you wish to work with from **SmoothPay's** *Control Centre*, then select *Company Setup*

Select Options tab, tick the "*Analyse earnings by Account and/or Job. Link to General Ledger*" checkbox, and/or simply select *Ledger Setup*

Choose *Xero* from the *Ledger Type* options then check any additional settings.

You can also edit your *Tracking Category desriptions* and options using the "*Tracking*" button and screens.

Job Codes are not required, but may be used for additional costing analysis within **SmoothPay**.

Be sure to check the *Default Account Code* which is used during time and allowance input for initial entries.

The *Payroll Holding /Net Pays* Codes must match those used in your *Xero* Chart of Accounts. You will probably need to add a *Current Liability Account* for *Payroll Holding/Net pays* and *Deductions Holding* to your *Xero Chart of Accounts).*

WARNING: If you do not set these items correctly, your costing transfer will not operate correctly.

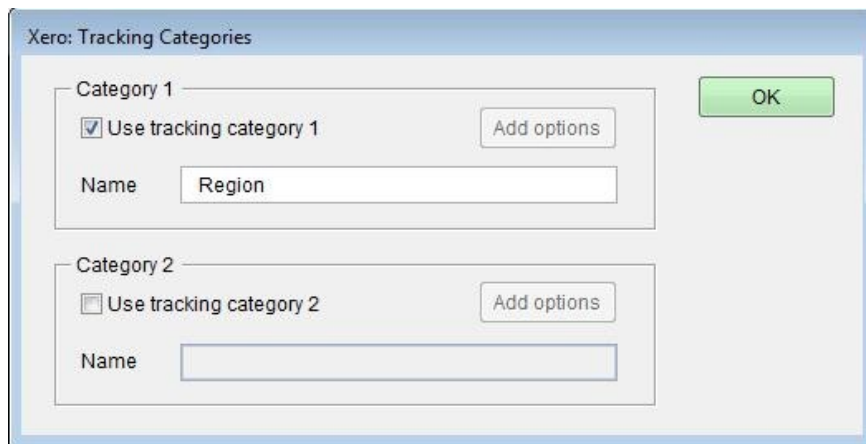Choose *OK*, then *Save* to keep your *ledger settings*.

Tracking Categories

Xero can cater for up to 2 additional dimensions *(Tracking Catgeories)* for analysis of your accounting information, in this case your *payroll costs*.

For example, you might want to track costs by *Region*, so in *Xero* you would have "*Region*" set as a tracking category, and "*North*", "*South*", "*East*" and "*West*" set as options available in that category.

If you want to use *Tracking Categories* in **SmoothPay** and have the costing information transferred to *Xero*, then you need to establish the <u>same</u> *Tracking Category* names and options in **SmoothPay**, as follows:
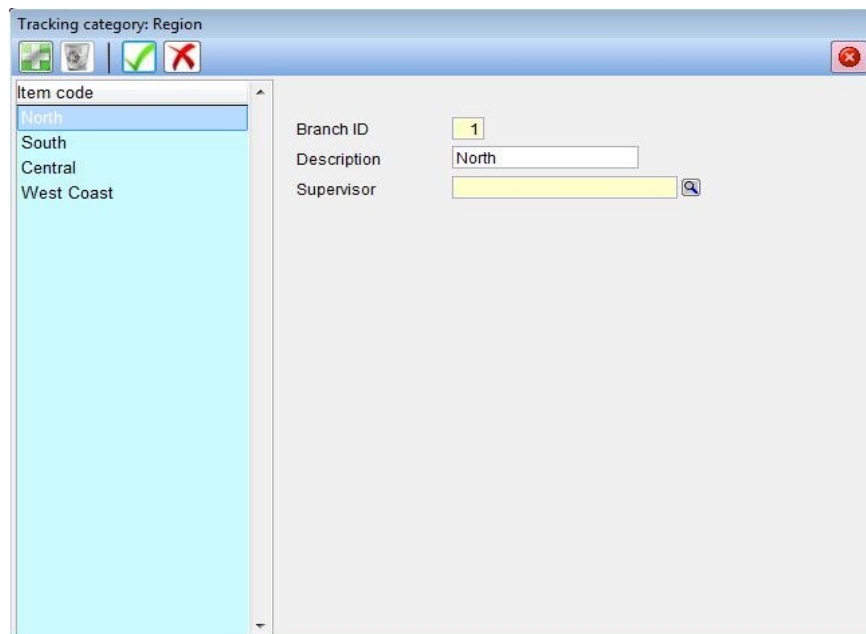
Select *Company Setup...Ledger Setup...Tracking*

Set the options to match the *Tracking Category* descriptons used in *Xero*

For each *category* you can edit the options available. You can also do this from the *Payroll Codes* menu:
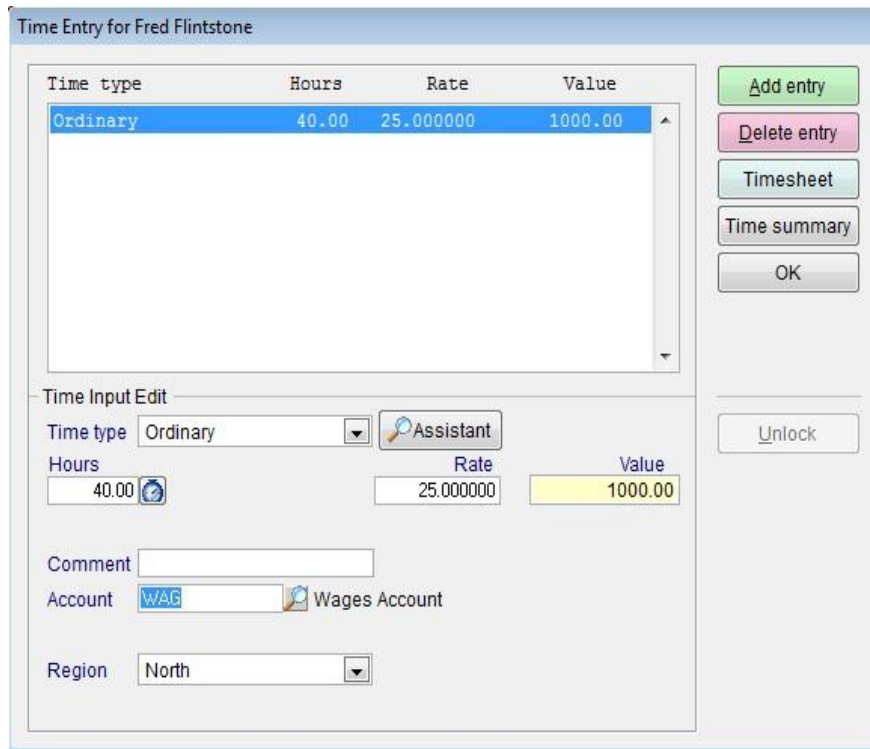

These can now be selected per *Pay Input* entry to analyse your *payroll costs* to specific *categories* (see next section).

Entering Account and Optional Information – Analysing your data to Cost Centres and Tracking Categories

During *Time Input* (F5) and *Allowance Input* (F6), you have the opportunity to specify the *Account, Job and Tracking Codes*:


Note: the unused space on the form is reserved for other uses. As in this case, we are not using Job Codes, so the *job related fields* are not displayed).

Generating Costing Information

The Costing File you specified in your *Ledger Setup* is automatically generated when you print the *Standard Reports* after *Pay Input.*

GL Account Costing Analysis MUST be included in the *Standard Reports* selected, otherwise the latest Costing File will not be generated.
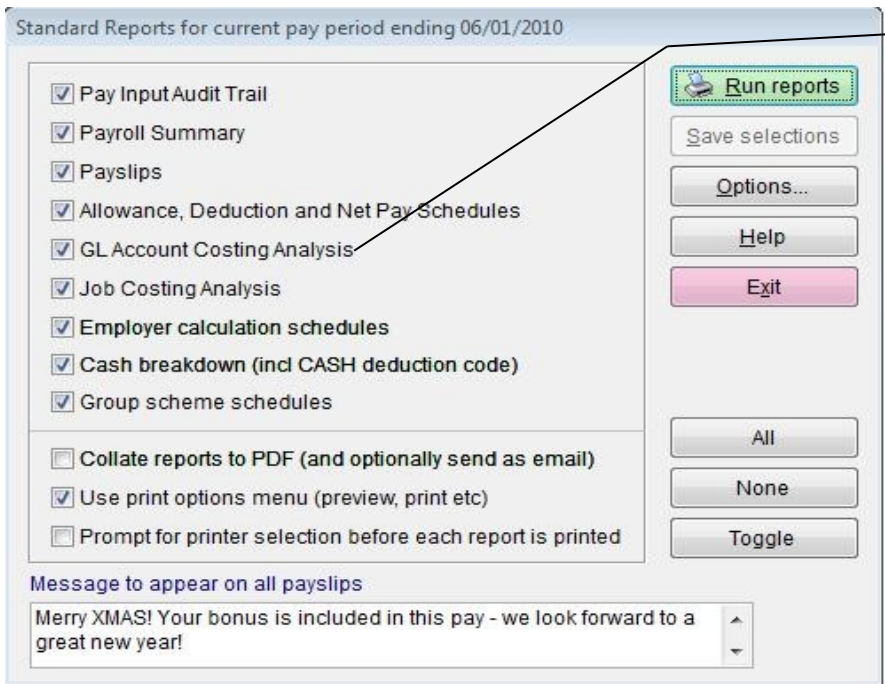
Producing this Report generates the Costing File you specified the name for in *Ledger Setup*.

The Costing File can then be imported into *Xero*.

Once satisfied that all your *Standard Reports* are correct and you have produced an up to date *GL Account Costing Analysis Report*, the Costing File is ready to be imported into Xero.

The Costing File will contain *Xero* formatted *Account and Tracking Codes*, and from the above example would use account *477* and the Region tracking category option "*Central*"

Importing the Costing File to Xero

🔵 In *Xero*, choose *Accounts...Accounts Payable...Import*

🔵 Click *Browse* to locate the File you have exported from **SmoothPay**.

🔵 Highlight the File - usually called GLCOST.TXT in your **SmoothPay** Company Folder

🔵 Click *Open*:
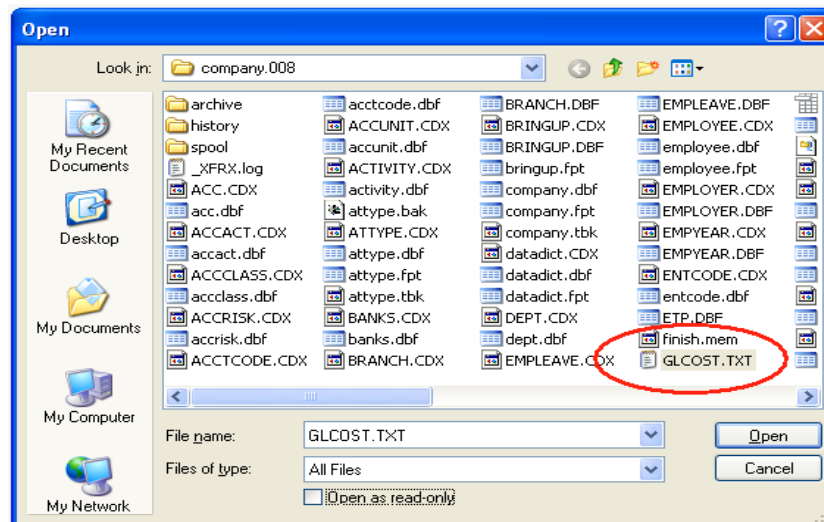
🔵 Click *Import*.

🔵 If the correct File has been selected, and is in *Xero* format (otherwise it'll fail basic checking), you'll be able to *confirm* the File Import:

Import your Accounts Payable invoices

The imported file **GLCOST.TXT** contained 1 invoice. From this file the following invoice will be imported into Xero:

- 1 new DRAFT invoice will be imported

If you're happy to continue with the import please click the "Complete Import" button below, otherwise click "Go Back" button to import a different file. **You should visit each invoice imported individually to make sure it is correct as some values may not have imported exactly as specified in the file.**

If you're happy to continue with the import please click the "Complete Import" button below. Please note **this action CANNOT be undone**

‹ Go Back   ✔ Complete Import

🔵 Click *Complete Import*

Accounts Payable

✔ 1 invoices added.

+ New Invoice ▾   + New Credit Note   Import

Summary   All   **Draft (3)**   Awaiting Approval (0)   Awaiting Payment (14)   Paid   Repeating

Submit for approval   Approve   Delete   Print   No items selected   3 items | 388.13 NZD   Search

	Ref	From	Date ▾	Due Date	Due
☐	PY20100926	Payroll (SmoothPay)	26 Sep 2010	26 Sep 2010	0.00
☐	<<INSERT THEIR INV#>>	Vodafone	19 Aug 2010	7 Sep 2010	337.50
☐		Miss Sparkle Cleaning Company	9 Aug 2010	19 Aug 2010	50.63

🔵 You can now examine the entries and confirm the *costing transfer invoice* (or edit it, delete it etc).

There are a few things to note about the Costing transfer:

🔵 The net value is ZERO as it's really just a Costing Journal to your Wages Expense Account/s, with credit entries for disbursements (such as Net Pay, PAYE, Deductions) to current liability accounts as defined in **SmoothPay's** *Ledger Setup* and your *Xero* Chart of Accounts.

🔵 If it's not Zero, you may need to make a small (1 or 2 cent) adjustment due to GST rounding, however that's rare, or call the **HelpDesk** and we'll check the cause and solution to the imbalance.

🔵 Account Codes, GST names (if used in *Pay Input*), Tracking Category names and their Option names (if used in *Xero* and coded in **Smoothpay**) MUST MATCH *XERO*, otherwise you won't be able to *Approve* the invoice until you manually correct the invalid entries.

🔵 The invoice Reference number is the *pay period ending date* in yyyymmdd format, prefixed with the letters PY

🔵 The invoice contact (created automatically) will always be "*Payroll (SmoothPay)*"

GST Descriptions

Xero users can specify the name used for GST, and if you process GST through Wages (Real Estate Agents, Contractors etc who have tax deducted at source), then you need to ensure the same descriptions are used in **SmoothPay** as in *Xero*.

GST Descriptions (names) can be edited in *SmoothPay...Payroll Codes...GST Rates*.

Disbursing Net Wages, PAYE and other Deductions

The beauty and simplicity of **SmoothPay's** Costing Journal is that you only need to know which holding account to charge disbursements to.

When it's time to allocate the direct credit total from your bank statement, simply charge it to the *Net Pay Holding account* (in the examples it is 826), along with any net pay cheques, automatic payments and cash pays. The balance remaining in 826 should be *zero* once the payments have been fully disbursed.

When it's time to pay IRD, allocate the payment to PAYE Holding (in the examples it is 825) – repeat for any other *Deduction Codes* like Union Fees, Social Club etc which can share an account, or have their own (refer *Payroll Codes...Deductions*).

Help, I'm stuck!

Please also refer to the *Accounting Integration* and *Ledger Integration* Factsheets on our website for more detailed information.

We hope you enjoy using **SmoothPay** and the easy (once you get the hang of it) costing transfers provided for your *Xero* accounting system.

If you need assistance with **SmoothPay** at any time, please call our **HelpDesk** on (06) 353 6462.

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