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# Credit Cards & Lines of Credit

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Lines of credit are used by many farm operations to pay operating and other expenses during periods when cash outflows exceed cash inflows. Credit cards used for the same purpose are becoming more common in farming operations. Both types of credit can be tracked within your Quicken farm records to help you know where you are financially at anytime.

## Setting Up Your Accounts

It is recommended that you create a credit card account for each credit card and line of credit you have. Follow the instructions in the **Accounts** chapter to set up your new credit card account(s). The information required to create your credit card account is the same as the information needed to create a checking account, except that you can enter the credit limit established for each line of credit or credit card. While the credit limit is optional, it is recommended that you enter this information. With the limit established and the register for a credit card account opened, the balances shown at the bottom of the register include the amount of credit used and the amount of credit remaining for this particular account.

## Making Entries

Credit card or line of credit transactions are entered into the appropriate register just like making entries into a checking account register. Each farm related transaction should be entered into the credit card register. Just like in a checking account register, credit card transactions can also be entered as split transactions if necessary. For credit card transactions that are for only personal expenses, it is optional if this type of transaction is entered into the register.

**\*\*Note\*\*** When you use a line of credit or a credit card to pay business expenses, those expenses are deductible at the time of the charge (or payment from the credit line) rather than when the credit card statement is actually paid. To make sure these expenses are deducted in the correct year, you need to enter the business related charges in your credit card account as soon as possible after the transaction is made.

Example: You and your spouse are going out to dinner for your anniversary. On the way to the restaurant you stop at the Farm & Ranch Store to pick up a few things for the farm. You use your Master Card to pay for the items. At the restaurant, the bill for dinner is \$50 and you charge it to your Master Card. The following split transaction is entered into your *Farm Master Card* account.

<u>Date</u>	<u>Payee</u>	<u>Memo</u>	<u>Category</u>	<u>Amount</u>
1/15/XX	Farm & Ranch Store		--SPLIT--	\$607.50

**\*\*Split Screen Detail\*\***

<u>Category</u>	<u>Memo</u>	<u>Amount</u>
1. Fuel & Lube	Oil for truck	75.00
2. Supplies, LS	Cattle supplies	400.00
3. Repairs:Mchy	Chisel plow shank	125.00
4. Hmisc	Candy for grandkids	7.50

**\*\*Note\*\*** This transaction was entered as a split transaction since there are multiple categories. The personal transaction was included since it was part of the transaction at the Farm & Ranch Store.

**\*\*Note\*\*** Since it is not mandatory that transactions of a personal nature are entered in the *Farm Master Card* account, the restaurant transaction was not entered. Without the personal transactions entered, the account balance will not be correct. The correct outstanding balance is \$657.50, but only \$607.50 has been actually entered into the register.

## Paying Your Credit Card Bill

When you write the check to pay your credit bill, you transfer money between your checking and credit card accounts if all transactions have been entered. If personal transactions have not been entered, the payment to pay off the account balance will be a split transaction that includes a line(s) for the family living (personal) portion of the payment.

Example: You pay your credit card bill from your farm checking account. In your farm checking account, you write a check to Master Card, Inc. for \$657.50 to pay off your monthly credit card balance in full.

<u>Date</u>	<u>Num</u>	<u>Payee</u>	<u>Memo</u>	<u>Category</u>	<u>Amount</u>
2/5/XX	101	Master Card, Inc.		--SPLIT--	\$657.50
<b>**Split Screen Detail**</b>					
		<u>Category</u>	<u>Memo</u>		<u>Amount</u>
		1. [Farm Master Card]			607.50
		2. Hfood	Anniversary dinner		50.00

After the above payment is made, the outstanding balance in the *Farm Master Card* account will be zero.

**\*\*Note\*\*** If the restaurant charge of \$50 had been entered in the *Farm Master Card* account register, the payment would have been a single line (rather than a split transaction) with the category being **[Farm Master Card]** and the amount paid \$657.50.

**\*\*Note\*\*** Transactions and payments associated with a bank line of credit would be identical to the example above using a credit card account.

## Reconciling Your Credit Card Account

If you enter all your credit card transactions into your credit card account, you can reconcile the account. The procedure is similar to reconciling a checking account.

1. With the credit card account window open, **Click the Reconcile** button in the account register tool bar.
2. Fill in the required information about your credit card statement in the *CREDIT CARD STATEMENT INFORMATION: credit card* window. **Click OK.**
3. **Click** every transaction that appears on your statement. Missing transactions can be added and transactions can be edited.
4. **Click Finished.**
5. If desired, Quicken will make an entry into a selected bank (checking) account to make a payment on the credit balance. **Click Yes** if you want this option. Otherwise, **Click No.**

### **Credit Card Transactions In Reports**

If you are using a credit card account to record expenses paid with a line of credit or charged with a credit card, be sure to include your credit card account(s) in the reports that you use to generate tax-related reports and P&L statements. When generating any of these reports, **Click the Customize** button either before creating the report or after the report has been created to open the *CUSTOMIZE REPORT* window. **Click the Accounts** tab and select the credit card account(s), along with the other accounts, to be included in the report.

### **Debit and ATM Cards**

Debit cards and ATM cards are not credit cards, even though they often carry the name of a major credit card company. When you make a purchase with a debit card, the money is withdrawn from your bank account as if you had written a check. It is different from a credit card in that it is not a loan or advance, but a deduction from your checking account. In Quicken, you record debit card transactions in a bank account register associated with that debit card, not in a credit card account. ATM cards are used to withdraw cash from a checking or savings account. Like the debit card, ATM transactions are recorded directly in the account associated with the ATM card.