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SOP: Recording Customer Payments and Bank Deposits in QBO

Last updated October 17, 2026. Screens and menu names may look different depending on your QuickBooks Online version.

Purpose and scope

Every customer payment gets recorded in two steps: first against the invoice it pays, then into the bank through a deposit. Following both steps keeps invoices closed, Accounts Receivable (AR) accurate, and bank deposits matching what actually hits the bank statement.

This SOP applies to anyone entering customer payments in QuickBooks Online (QBO): checks, cash, ACH/wire, and other payments received outside of QBO Payments. Bounced or returned payments are covered in a separate SOP.

Not covered: this SOP does not apply to payments made through QBO Payments (for example, a customer paying an invoice by card or bank transfer from the invoice link). QBO records those payments against the invoice automatically, so they should not be entered again with Receive payment.

How money flows through QBO

A payment moves through four places, in this order: Invoice, then Receive Payment, then Undeposited Funds, then Bank Deposit. Skipping the Undeposited Funds step is the most common cause of doubled income and bank reconciliation problems.

Term	What it means	Where it shows up
Invoice	The amount the customer owes	Increases AR
Receive Payment	Records that the customer paid, and links the payment to the invoice	Reduces AR and closes the invoice
Undeposited Funds	A holding account for payments received but not yet deposited at the bank	Balance Sheet, current asset
Bank Deposit	Groups the payments into the deposit that matches the bank statement	Moves money from Undeposited Funds to the bank account

Rule of thumb: the Receive Payment screen says a customer paid, and the Bank Deposit screen says the money landed in the bank. Both are required.

Procedure A: Record a payment against an invoice

Use this whenever a customer pays an invoice that already exists in QBO.

1. Select **+ Create (or + New)**, then **Receive payment**. (Or open the invoice and select **Receive payment**.)
2. In **Customer**, choose the customer. Their open invoices appear in the list below.
3. Enter the **Payment date**: the date the payment was received, not the date you are entering it.
4. Choose the **Payment method** (check, cash, ACH, credit card, etc.).
5. Enter the **Reference no.**: the check number or the ACH/wire confirmation number. This makes the payment easy to find later and to match to the bank.
6. In **Deposit to**, choose **Undeposited Funds**. Do not choose the bank account here, because the bank deposit is recorded separately in Procedure B.
7. Check the box next to each invoice being paid and confirm the **Payment** amount for each. If the customer sent one check for several invoices, check all of them.
8. Confirm the **Amount received** at the top equals the check or payment total.
9. Select **Save and close**.

Partial payments: enter only the amount received. The invoice stays open for the remaining balance.

Overpayments: if the customer paid more than owed, QBO creates a credit. Leave it on the customer account for the next invoice, or refund it. Do not delete the extra amount.

Check before saving: the customer name, payment date, amount, and reference number all match the check or remittance.

Procedure B: Deposit payments into the bank

Do this when the money is actually deposited at the bank (or when it shows on the bank feed). Each QBO deposit must equal one bank deposit.

1. Select **+ Create (or + New)**, then **Bank deposit**.
2. In **Account**, choose the bank account the money was deposited into.
3. Enter the **Date** the deposit hit the bank.
4. Under **Select the payments included in this deposit**, check each payment that was in the physical deposit (or the single electronic deposit). Payments that are not in this deposit stay unchecked.
5. Confirm the **Total** at the bottom equals the deposit amount on the bank statement or deposit slip.
6. Add a **Memo** such as the deposit slip date or processor batch (for example, "Deposit 10/17 - 3 checks").
7. Select **Save and close**.

Matching to the bank feed: after saving, go to **Transactions > Bank transactions**. The bank line should match the deposit you just saved. Select **Match**. Do not select **Add**, which would create a duplicate deposit and duplicate income.

Cash back or fees taken out of a deposit: add a line in the deposit for the amount taken out, as a negative amount, using the correct account (for example, a bank fees or merchant fees expense account). The deposit total must still equal what the bank received.

Check before saving: every payment in the physical deposit is checked, and the total ties to the bank.

Common mistakes

Mistake	What goes wrong	Fix
Entering the payment as income or a sales receipt for an invoiced sale	Income counts twice and the invoice stays open	Delete the duplicate and use Receive payment on the invoice
Choosing the bank account instead of Undeposited Funds in Receive payment	Money lands in the bank twice once the deposit is made	Change the payment to Undeposited Funds, then deposit it
Skipping the Bank Deposit step	Undeposited Funds grows and the bank will not reconcile	Create the deposit and match it to the bank feed
Using Add instead of Match on the bank feed	Duplicate deposit and duplicate income	Delete the duplicate and match the original
Wrong payment date	Payment lands in the wrong month and aging reports are off	Edit the payment date to the date received
Combining several checks into a deposit that does not match the bank	Reconciliation will not tie out	Make each QBO deposit match one bank deposit exactly

Disclaimer

Last updated: October 17, 2026. QuickBooks Online changes often, so screens, menu names and button locations may look different depending on your QBO version or plan.

General information only. This SOP is for general information and may not fit every business's setup. Please confirm the steps with your bookkeeper or accountant before applying them to your books.

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Questions about this procedure? Contact Michelle Oehlerking, CMS Bookkeeping, LLC. 605-933-7342