

Recording customer and supplier payments

Accounting and finance

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Record money received or paid, allocate it to invoices and handle partial and advance payments.

Beginner · About 15 minutes · Version 1.0 · Updated 17 November 2026

Overview

A **Payment Entry** records money received from a customer or paid to a supplier, and ties it to the invoices it settles. Submitting it moves the invoice to **Paid** (or **Partly Paid**) and updates your bank or cash balance.

Prerequisites

A submitted invoice and a **Mode of Payment** set up with an account (Cash, Bank or M-Pesa).

Steps

Receive a customer payment from an invoice

1. Open the submitted **Sales Invoice**.
2. Click **Create**, then **Payment**. A Payment Entry opens with the party and amount filled in.
3. Check the **Mode of Payment**, such as *M-Pesa* or *Bank Draft*.
4. Enter the **Reference No** (for example the M-Pesa code or bank transaction number) and the **Reference Date**.
5. Check the **Paid Amount**. Change it if the customer paid only part.
6. Click **Save**, then **Submit**.

Pay a supplier

1. Open the submitted **Purchase Invoice** and click **Create**, then **Payment**.
2. Choose the **Mode of Payment**, enter the reference and amount, and submit.

Record a payment with no invoice yet (advance)

1. Search for **New Payment Entry**.
2. Choose the **Payment Type**: *Receive* or *Pay*.
3. Choose the **Party Type** (Customer or Supplier) and the **Party**.
4. Enter the **Paid Amount** and the reference, then save and submit. Leave it **unallocated**.
5. Later, allocate it with the **Payment Reconciliation** tool, or when you create the invoice.

Practical example

Baraka Supplies pays KES 100,000 by M-Pesa against a KES 153,500 invoice. The accountant creates the payment, enters the M-Pesa code as the reference, and sets the paid amount to 100,000. The invoice shows **Partly Paid**, with KES 53,500 outstanding.

Important notes

- Always enter the **reference number**. It makes bank reconciliation fast.
- To spread one payment across several invoices, open **New Payment Entry**, choose the party, and click **Get Outstanding Invoices**. Then allocate the amount to each.
- Cancel a payment by clicking **Cancel**. The invoices return to unpaid.

Common mistakes

- Recording a payment against the wrong customer.
- Forgetting to submit the payment, so the invoice stays unpaid. Check the list for **Draft** payments.

Troubleshooting

If the invoice does not appear in the **Get Outstanding Invoices** list, check the company and currency match, and that the invoice is submitted and unpaid.

Next steps

Read Credit notes and returns.

Related documentation

- Creating a sales invoice
- Recording supplier bills
- Bank accounts and bank reconciliation