

Retainage

Used most commonly in construction or a related industry, retainage (a.k.a. Retention) is defined as financial funds withheld until a job has been completed and signed off. Once the job is completed, retainage should then be invoiced.

Accounting for retainage in QuickBooks is often misunderstood but actually easily accomplished. The areas of misunderstanding typically center on the fact that users fail to account for retainage revenues until the retainage is invoiced. This method is simply incorrect. The reason; income reported for any period should equal both the net balance due on the invoice plus the retainage amount.

Setting up Retainage

So, what is the proper way one should deal with retainage in QuickBooks? Start by doing the following:

1. Create a G/L account, calling it 1250 – Retentions Receivable. The account type should be an “Other Current Asset” account.

Name	Type
1000 · First Bank	Bank
1020 · Petty Cash	Bank
1200 · Accounts Receivable	Accounts Receivable
1250 · Retentions Receivable	Other Current Asset
1499 · Undeposited Funds	Other Current Asset
1700 · Deposits	Other Current Asset
1800 · Fixed Assets	Fixed Asset
1810 · Leasehold Improvements	Fixed Asset
1820 · Furniture & Fixtures	Fixed Asset
1830 · Equipment	Fixed Asset

2. Next, create a new item (“Vendor”, “Item List”) naming it “Retainage”. This item should be defined as an “Other Charge” type. In the description field enter “Amount deducted for retainage”. In the amount or % field enter negative 10% (-10%). Finally, in the Account field select the 1250 – Retention Receivables Account you created.