*The QuickBooks™ Client Newsletter*

**Helping You Grow a Profitable Business with QuickBooks™ Software**

**From the office of:**

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# June 2019
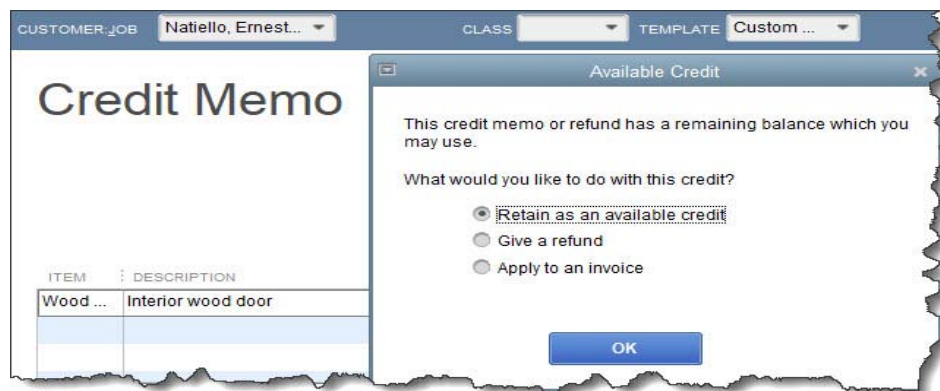
## Issuing Credit Memos and Refunds in QuickBooks

QuickBooks is very good at helping you get paid by your customers. It comes equipped with customizable invoice templates for invoicing customers with payment terms, and sales receipts for recording instant sales. It supports online payments, so you can accept debit or credit cards and electronic checks. It simplifies the process of recording payments and it offers reports that let you keep track of it all.

There are times, though, when you have to issue a payment to a customer, i.e., return of goods sold; overpayments; duplicate payments and at times a duplicate invoice. QuickBooks provides forms that allow you to handle these types of transactions by using credit memos and refunds. Do you know when and how they are used? Here are the basics:

**Credit Memos**

A credit memo is just what it sounds like. A customer returns an item for which they have already paid, and you have to credit him or her for its cost.  This is the more complicated of the two and requires more bookkeeping, since you are tracking the sale, its payment, and the return item. You can deal with the amount of the credit memo by:
- Retaining the funds in the customer account
- Issuing a refund
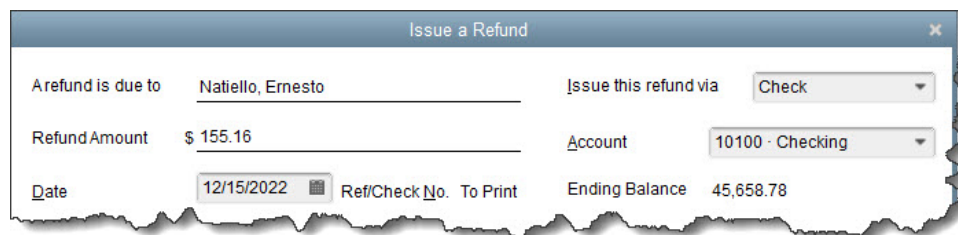- Applying it to the next open invoice



*When you issue a credit memo to a customer, you have three options for returning the money they paid.*

To create a credit memo, click **Refunds & Credits** on QuickBooks' home page or open the **Customers** menu and select **Create Credit Memos/Refunds**. The **Credit Memo** window opens. Select the correct **Customer:Job**. In the line item section of the form, choose the merchandise returned in the **Item** column and enter a quantity. Repeat the process if more than one item was returned, then click **Save & Close**. The **Available Credit** window, pictured above, will open. Click the button in front of the option you want.

Select the first option if that is what you want and click **OK.** The window will close, and the customer will have had that credit amount applied to his or her own account. You can see this in the **Customer Center** if you click on **Customers** in the navigation toolbar (or **Customers | Customer Center**). You can then either click on the **Customers & Jobs** tab and scroll down until you can highlight your customer's record or click on **Transactions | Credit Memos**.

Click on **Give a Refund** to open the **Issue a Refund** window. All the information will be shown, with the exception of the payment method. If you select **Cash** from the **Issue this refund via** drop-down list and then pick the correct account from the list that opens, the refund amount will be subtracted from the account. Select **Check** and then the **Account**, and check the box in front of **To be printed**. That refund will be in the list the next time you open the **File** menu, then **Print Forms | Checks**. Choose a credit card and check the box in front of **Process credit card refund when saving** box to issue a credit card refund automatically.

*Tip: Cannot work with credit cards because you do not have a merchant account? We can help you set this up.*
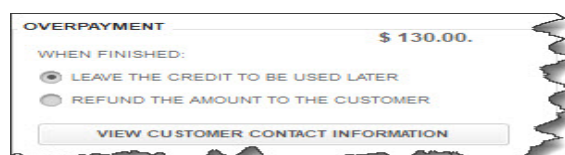


*The **Issue a Refund** window*

If there is an open invoice, the **Apply Credit to Invoices** window will open, containing a list of unpaid invoices. Click in the first column to create a check mark. This will apply the credit to that unpaid invoice. QuickBooks will tell you how much credit was applied to that particular invoice and whether any balance remains. When you have checked the screen for accurateness, you can click **Done**.

**Dealing with Overpayments**

Let's say a customer is catching up on multiple outstanding invoices and he or she sends you a check for the total but overpays you. Open the **Receive Payments** window by going to **Customers | Receive Payments** or clicking **Receive Payments** on the home page. Select the customer and enter the **Payment Amount** and **Check #**. QuickBooks will have put a checkmark in front of all the outstanding invoices listed to indicate they have been paid.

In the lower left corner, you will see a section titled **Overpayment**. The extra amount and your two options for dealing with it appear here. You can either credit the customer or issue a refund. Click the action you want to take, then save the transaction.



*If a customer overpays you, you can use QuickBooks' built-in tools to credit him or her.*

You can also issue refunds through the **Write Checks** window, but this is a more complicated procedure. It is easier to process a credit memo.

If you are at all unclear about what we have described here, please contact us for assistance. Refunds or credits that come through incorrectly (or not at all) can make customers very unhappy and may affect future sales. Let us help you get it right the first time.

We hope you find this QuickBooks tip helpful. Please visit our company website often http://www.accountingconnections.org as it is updated constantly and offers a wealth of tax and accounting tips, along with links to better serve your business needs.

Our QuickBooks Tips newsletters are archived on our website as well.

Accounting and Taxation is **our** business; having us a part of your team allows **you** to concentrate on **your** core business.

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