

## Dealing With Refunds

Refunds are usually required because a payment has been made against goods that have been:

1. Returned
2. Were never delivered
3. A customer paid twice

Essentially all of these are dealt with in the same way, but there are variations in the way stock is handled. Here is how it is done:

1. When goods are returned the items are usually returned to stock unless they are damaged or are to be written off (in the case of stock NOT being updated ignore this option and go to (2)).
  - a. Step one is to create an unallocated detailed credit with the goods therein (tick the Unallocated Credit checkbox), this will add the items back into stock and allocated against the sales account attached to that product; NOTE that there is no posting to the Returned Goods account in this case.
  - b. Step two is to pass the Refund against the credit using Unallocateds in Sales.
2. In the case of goods NOT being returned to stock:
  - a. Step one is to create an unallocated Manual Credit where you have the option to post to your Returned or Damaged goods General Ledger Account if you wish, therefore the returned goods credit will show against the Returned or Damaged Goods account.
  - b. Step two is to pass the Refund against the credit as in b. (above).
3. In the case of a customer paying twice use the same logic as in 2. (above)

We have had requests on what to do in the case of returning goods to stock, but allocating against a Goods Returned account. In this case 2. (above) would be used posting to a Goods Returned account using Manual Credits followed by a Stock Adjustment to add the items back into stock.

Again we have had requests as to what the account choice is that pops up when doing a refund. This is purely for the cashbook and bears no relationship to the General Ledger except for the choice of bank account (cashbook postings are used for those who prefer cashbook to general ledger plus NZ clients who use payments basis GST). General Ledger postings are done via Manual Credits as above.

For the accounting minded here is how the General Ledger postings work assuming using the Manual Credit system in 2. (above) where you can choose GL accounts:

Credit note passed:

**DEBIT** chosen account (eg; Goods Returned) **CREDIT** Debtors

Refund given:

**DEBIT** Debtors **CREDIT** Bank