



**Overview & Objective** – The purpose of this I M & U is to demonstrate managing partial refunds. Partial refunds require *reversing* posted payments, the *creation* and *application* of AR Credit Memos, and recording an alternate (lesser) payment.

**Procedural Note** – Intacct has no sponsored facility for *issuing* refunds to customers. Therefore, these procedures demonstrate a *workaround* that ultimately requires payment execution facilitated outside of the system. These procedures have the correct affect on the general and subsidiary ledgers.

**Framework** – A general framework for managing partial refunds is as follows:

1. **Reverse Posted Payment** – The reversal of a posted payment will “unapply” amounts previously applied to either an AR Invoice (AR Module) or an Order Entry Transaction (Order Entry Module).
  2. **Create AR Credit Memo** – An AR Credit Memo can be generated through either the Accounts Receivable Module (using, “AR Adjustment”) or the Order Entry Module (using Transaction Definitions).
  3. **Apply AR Credit Memo** – An AR Credit Memo must be *applied* after it is created (Viz. unless it is applied no adjustment will be recognized). *Application must follow creation.*
  4. **Record Alternate Payment** – An alternate or lesser payment will be recorded and applied to the adjusted amounts due from the customer.
- ⇒ The order of procedures is not critical. The creation and application of AR Credit Memo can be completed before the reversal of payment, and recording of the alternate payment amount.

**Initial Navigation** – To navigate to the Posted Payments screen (from the Accounting Console):

1. Go to the Applications dropdown
2. Select the Accounts Receivable Module
3. Under Transactions, click on the Posted Payments (link)

**Reverse Posted Payment** – The title “Posted Payments” should appear in the upper left hand corner, proceed as follows:

- **Reverse** – Click the Reverse (link) adjacent to the payment for reversal. The “Transaction Reversal Date” dialog will appear.
    - **Reverse the Transaction on Date** – Select the return of payment execution date.
    - **Memo** – Enter a memo which captures the return of payment information.
- ⇒ When the date and memo are entered click the [Submit] (button). Once submitted, a transaction will be posted to the A/R and G/L Modules which will record the following entry:
- |            |      |   |
|------------|------|---|
| A/R: Trade | DB   | This entry <i>reinstates</i> the A/R: Trade balance |
| Cash       | <CR> | and <i>mimics</i> amounts returned to the customer  |
- ⇒ As noted, there is no means of issuing refunds via select to pay, check payment, etc. Therefore, users **must execute payment outside of Intacct**, by wire transfer, bank payment platform, merchant service provider, or handwritten check. The above entry simply captures the accounting entries and records the proper “negative payment” in the A/R Ledger (subsidiary).

**Create AR Credit Memo** – For issuing credit memos see I M & U, “Creating AR Credit and Debit Memos.”

- ⇒ The AR Credit Memo should equal the partial refund *or Partial Refund Amt. = AR Credit Memo Amt.*

**Creating AR Credit Memo (continued)**

⇒ Once an AR Credit Memo is saved, a transaction will be posted to the A/R and G/L Modules which will record the following entry:

Revenue	DB	This entry reverses the A/R Trade balance and
A/R: Trade	<CR>	records a "negative charge" in the A/R ledger

**Apply AR Credit Memo** – For applying credit memos see I M & U, "Applying AR Credit and Debit Memos."

⇒ No journal entry is posted as a result of *applying* AR Credit Memos, but it ensures the customer ledger properly reflects the closing of the transaction.

**Record Alternate Payment** – For recording payments see I M & U, "Receiving Customer Payments."

⇒ The alternate (lesser) payment should equal the difference between the full payment and the partial refund or *Full (Original) Payment Amt. – Partial Refund Amt. = Alternative Payment Amt.*

⇒ Once the alternative payment is saved, a transaction will be posted to the A/R and G/L Modules which will record the following entry:

Cash	DB	This entry reduces the A/R Trade balance and
A/R: Trade	<CR>	records a payment in the A/R ledger

**Further Instruction & Use** – For further information regarding Managing Partial Refunds contact The NDH Group, Ltd. at 312.461.0505 or on the web: <http://www.ndhcpa.com>.