How to deal with Credit Notes & Refunds

The Difference:

Credit Notes and Refunds are 2 very different entities. Credit Notes are usually issued to credit off a Sales/Purchase Invoice when the sale/purchase doesn't go ahead for whatever reason. A Refund is only issued when money has to be returned to a Customer, or a Supplier gives you back your money in respect of a Sale/Purchase where money has already been paid over. The Credit Note then gets issued after the Refund.

When to use them:

If a Sale or Purchase **has** been paid for then a Credit Note cannot be issued until a Refund is, because money has to be paid back first, and similarly, if a Sale or Purchase **hasn't** been paid for then a Refund cannot be issued as no money has changed hands – therefore only a Credit Note is necessary.

How to create a Credit Note:

Point to note: There are 2 ways to create a Credit Note on SortMyBooks -the first uses the "Credit Note" button on the Invoice – which automatically credits off whatever remains on the invoice. The second is to manually create a Credit Note like you would a normal invoice – but putting a negative value in the Gross/Net boxes instead or putting in a negative Quantity in the case where you are using products and services. This "manual" way will then allow you to allocate the credit note to whichever invoices you want to.

To create an "automatic" Credit Note:

1. Click on either the "Sales" or "Purchases" tab then "Invoices", depending on which side of the accounts the credit note is for.
2. Find the invoice that you want to credit note, and click on it.
3. When it opens up the invoice you will see at the bottom there are several buttons on the bottom left – the one on the right says "Credit Note" - click on this.
4. A pop-up box will appear saying **"This will create a copy of this document with reversed amounts. Are you sure?"**. Click "OK" on this and the system will take you back to the main invoice screen and you will see at the top it has created your credit note.

To create a "manual" Credit Note:

1. Click on either the "Sales" or "Purchases" tab then "Invoices", depending on which side of the accounts the credit note is for.
2. Click on "Add" to add a new invoice.
3. Select the Customer/Supplier, enter the credit note number and select the date. Click "OK". This will then open up the details section, allowing you to enter the Credit Note details. Remember to enter the amount being credited as a negative figure. **N.B.** – if you were keeping track of stock by using the "Quantity" section then remember to credit back products that have been bought/sold, in order to keep your stock figure correct. These go in as negative entries as well
4. Click on "Add New Line" if you need to add more lines to the Credit Note, again remembering to enter negative amounts. Once you have finished adding the details click "Save". If you need to add more lines for different VAT rates, click on "Add New Line" again and repeat step 4 again.
5. Once you have added all the lines necessary click "OK"

Point to note: To delete a credit note, just click on it within the main invoice screen and click on the "Delete" tab at the top. This will automatically restore any invoice(s) that it may have been allocated to.

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How to create a Refund:

Point to note: Refunds can only be given on invoices that have been paid either in full or partially.

1. Click on either the "Sales" or "Purchases" tab then "Invoices", depending on which side of the accounts the Refund is for.
2. Find the invoice that the Refund is related to and click on it.
3. Click on the "Refund" tab at the top of the invoice.
4. Enter the amount of the refund – ***always as a negative***, the date, the Payment Type, the Account the refund will be paid into/out of, and any other details you need.
5. Click the "Add Refund" button.
6. The system will take you back to the main invoice screen and quickly highlight the invoice the Refund was applied to.

Point to note: There are 2 possible ways to reverse a Refund -

1. **To delete a Refund that was put on to an invoice by mistake**, click on the "Accounts" tab at the top of the screen and then click on "Transaction Search", use the search box to find the refund and then click on it to open it. Click on the Delete tab at the top.
2. **If the Refund payment bounces for whatever reason**, click on the "Accounts" tab at the top of the screen and then click on "Transaction Search", use the search box to find the refund and then click on it to open it. Click on the "Report as Bounced" tab and enter the date the transaction bounced. This will reverse the transaction and adjust the invoice it was applied to. If the Refund gets re-issued you will have to through the above steps to re-enter the new Refund.