Lesson 4-4: Creating a Credit Memo

Figure 4-4

The Create Credit Memos/Refunds window.

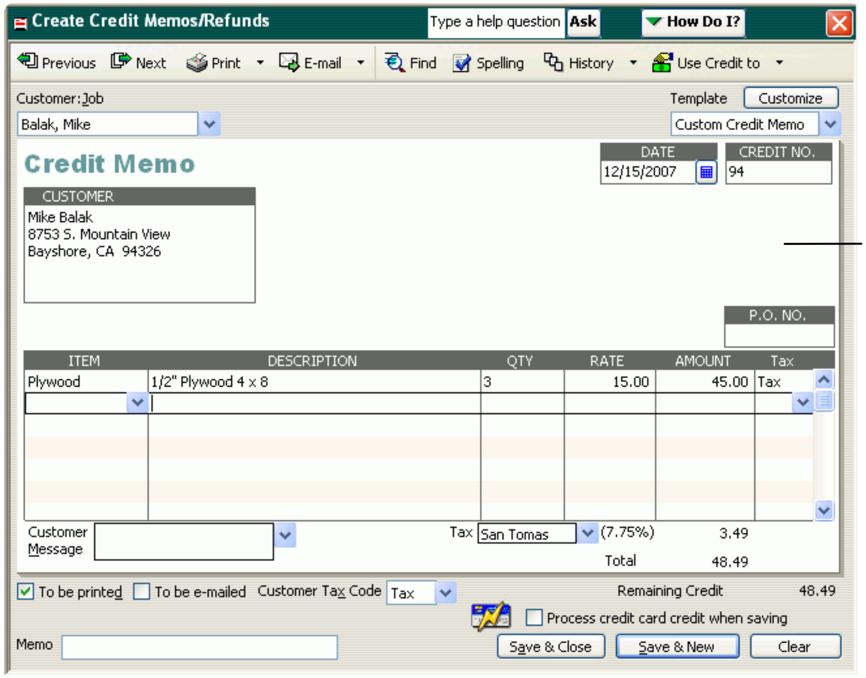

Figure 4-4

The window for creating credit memos looks very similar to—and functions very similar to—the invoice window.

Every now and then, a sale doesn't go according to plan. This can happen because you entered wrong information on the invoice or because the customer disputes the sales price or decides to return an item. Whatever the reason, credit memos provide a way for you to reduce what a customer owes you (as you learned in the last lesson). Credit memos can be applied against a customer's current balance or a future purchase, or they can be used to cut a refund check to a customer. They show up in QuickBooks basically as a negative invoice. Usually, you'll send a copy of the credit memo to your customer, to let them know about it.

As you'll see, the process of creating a credit memo is very similar to creating an invoice.

You can edit credit memos in the same way you edit invoices.

1. **Select Customers → Create Credit Memos/Refunds from the menu.**

   The Create Credit Memos/Refunds window appears, as shown in Figure 4-4.

2. **Click the Customer:Job list arrow and select a customer or job.**

   The Customer's address defaults in the Customer box. You can edit it if necessary.

3. **Make sure the correct date appears in the Date box.**

   Today's date defaults here (or 12/15/2007 if you're using a QuickBooks sample company), so you shouldn't need to change it.

4. **Click the Credit No. box and type the correct credit memo number, if necessary.**

   Each time you create a credit memo, QuickBooks advances the Credit No. by one, so you shouldn't normally need to change this field.

5. Click the P.O. No. box and enter a number, if necessary.

If the credit memo relates to a particular customer purchase order, enter it here.

6. Click the first row in the Item column and click the list arrow.

A list of items appears. If the customer is returning any items, you need to select them here to add them to the credit memo.

7. Select an item, then click the Qty column and type a quantity.

The Amount column shows the total amount by multiplying the Qty by the Rate.

8. Click the next row and repeat step 7 for any additional items.

Make sure to include any special items like shipping and subtotals.

9. Click the Customer Message list arrow and add a message, if desired.

This message will appear on the credit memo.

10. Click the Tax list arrow and select a sales tax.

QuickBooks applies the sales tax to the taxable items above.

11. Click the Memo text box and type a memo.

This memo doesn't appear on the credit memo itself, but provides a good place for you to note what the credit memo deals with, and what invoice it relates to.

We'll cover printing in a moment, but for now we don't want to print the credit memo.

12. Click the To be printed check box to uncheck it. Click Save & New.

A dialog box may appear, asking whether you want to retain the credit, give a refund, or apply it to an invoice. For now, you can just click OK to retain it as an available credit. A lesson in the next chapter will cover applying the credit to an invoice to reduce the customer's balance, and we'll cover giving a refund in the next step. You can also click the "Don't show me this again" box to keep the dialog box from appearing every time you create a credit memo.

And that's all you have to do to create a credit memo. Now there is a credit available to apply to the customer's balance.

Sometimes, however, the customer doesn't want a credit against their account—perhaps they don't currently have any unpaid invoices that you can apply it to, and they aren't content to let the credit sit on your books waiting to be applied to their next purchase. In this case, you can send them a refund check.

13. Click the Previous button to return to the credit memo you just created, and click the Use Credit to button list arrow on the Create Credit Memos/Refunds window toolbar. Select Give Refund.

The Issue a Refund dialog box opens.

14. Click the Account list arrow and select a bank account to write the check from, then click the Date box and type the check date, if necessary.

Today's date defaults as the check date, so you may not need to change it.

15. Click the To be printed check box to uncheck it if you won't be printing the check.

If you uncheck this box, the Check No. changes from "To Print" to the next check number, and you can manually write the check to the customer. If you leave the box checked, the check is added to the list of checks to be printed.

16. Click OK.

You return to the Create Credit Memos/Refunds window.

17. Click Save & Close.

Quick Reference

To Create a Credit Memo:

1. Select Customers → Create Credit Memos/Refunds from the menu.
2. Click the Customer:Job list arrow and select a customer or job.
3. Click the Date box and type the correct date.
4. Click the Credit No. box and type the correct credit memo number.
5. Click the P.O. No. box and enter a number.
6. Click the first row in the Item column and click the list arrow.
7. Select an item, then click the Qty column and type a quantity.
8. Click the next row and repeat step 7 for any additional items.
9. Click the Customer Message list arrow and add a message.
10. Click the Tax list arrow and select a sales tax.
11. Click the Memo text box and type a memo.
12. Click Save & New or Save & Close.

To Issue a Refund Check:

1. Display the credit memo, then click the Use Credit to button list arrow on the toolbar and select Give Refund.
2. Click the Account list arrow and select a bank account, then type a date in the Date box. Click OK.