

User Guide

Credits Notes and Overpayments

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CREDITS NOTES AND OVERPAYMENTS

Credit Notes are documents issued by a business to acknowledge the adjustment of previous charges issued on existing invoices. Credit Notes are raised to indicate a return of funds in the event of an invoice error, incorrect or damaged products, purchase cancellation, or other specific circumstances. The management and allocation of credit notes changes depending on the payment status of the original invoice.

Credit Notes issued for Unpaid Invoices

The Credit Note is allocated to the original invoice to offset either a partial or the full amount. For partial credits, the balance payment is still required.

Credit Notes issued for Paid Invoices

The Credit Note can be applied to a subsequent unpaid invoice or kept in the system to offset future purchases. Alternatively, a refund payment can be issued. In most cases the customer retains the right to decide what to do with the outstanding credit.

Credit Notes issued for Overpayments or Double Payments

An overpayment transaction is raised which can either be refunded or allocated to a current outstanding invoice or an upcoming purchase.

Important Information



- Supplier Credit Notes cannot be added to a batch payment, they must be allocated to a bill;
- Credit Notes can either be applied to a contact or directly to the relevant Invoice/Bill;
- Credit Notes cannot be created from the Inbox screen;
- Credit Notes refund payments must be allocated in the Credit Notes screen; they cannot be allocated from the Bank Feed screen;
- A Credit Note can be applied to multiple invoices/bills;

Security Policies



- Invoice Only, Standard and Adviser User Permission is required to issue and allocate Credit Notes;
- At this stage Xero does not provide the ability to set a User Role which allows the ability to create invoices/bills but prevents from issuing credit notes;

Frequently Asked Questions

I have issued an invoice to a customer with the incorrect price, can I just change the invoice amount instead of creating a credit note?



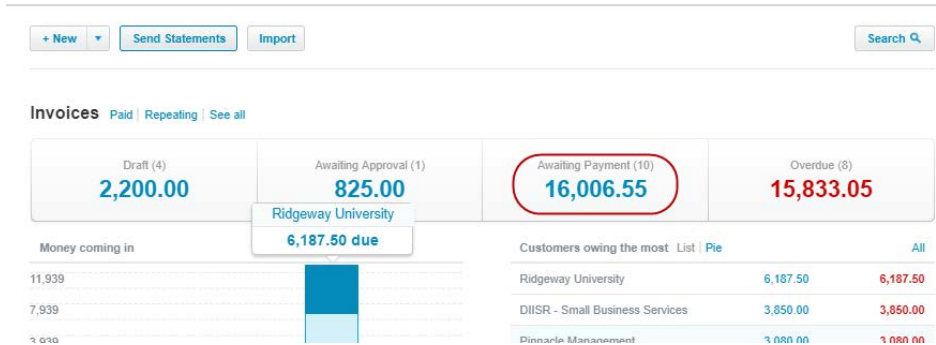
Although, Xero will allow you to change the original invoice amount (when that invoice is still unpaid), this is not best practice as it may have consequences on your GST reporting (accrual reporting). Furthermore, if your customer is a business, their accounting system may not allow them to amend the original invoice.

My company policy states we are not allowed to refund payments, can we enforce this?

Although, your company policy may state this condition, Fair Trading still gives rights to customers to obtain refunds in specific circumstances. Internal company policies should always be outlined in line with Government legislation.

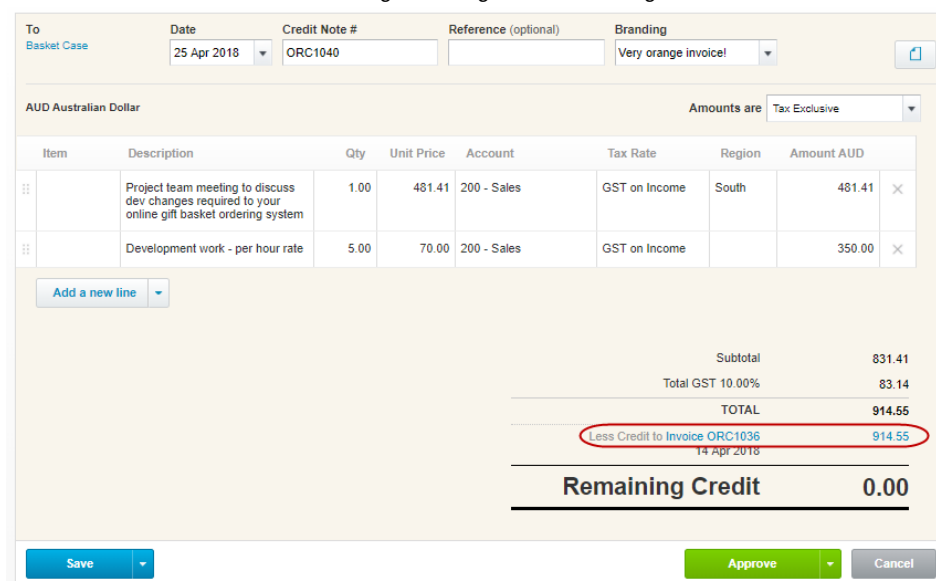
How to create and allocate a credit note to an unpaid invoice/bill

1. Go to Accounts → Sales/Purchases
 → *The Sales/Purchases screen opens*



The screenshot shows the 'Invoices' section with a summary of invoice statuses: Draft (4) for 2,200.00, Awaiting Approval (1) for 825.00, Awaiting Payment (10) for 16,006.55 (circled in red), and Overdue (8) for 15,833.05. Below this, there's a 'Money coming in' bar chart and a table titled 'Customers owing the most'. The table lists: Ridgeway University (6,187.50 due), DIISR - Small Business Services (3,850.00), and Pinnacle Management (1,000.00).

2. Click on **Awaiting Payment**
 → *The list of unpaid sales/bills is displayed*
3. Select the unpaid sale/bill you wish to credit
 → *The Sale/Bill screen opens*
4. Click on **[Invoice/Bill Options] → Add Credit Note**
 → *The Credit Note is created reversing all charges from the original invoice/bill*




The screenshot shows the 'Add Credit Note' form. It includes fields for 'To' (Basket Case), 'Date' (25 Apr 2018), 'Credit Note #' (ORC1040), and 'Branding' (Very orange invoice!). Below is a table of items:

Item	Description	Qty	Unit Price	Account	Tax Rate	Region	Amount AUD
	Project team meeting to discuss dev changes required to your online gift basket ordering system	1.00	481.41	200 - Sales	GST on Income	South	481.41
	Development work - per hour rate	5.00	70.00	200 - Sales	GST on Income		350.00

Summary of the credit note:

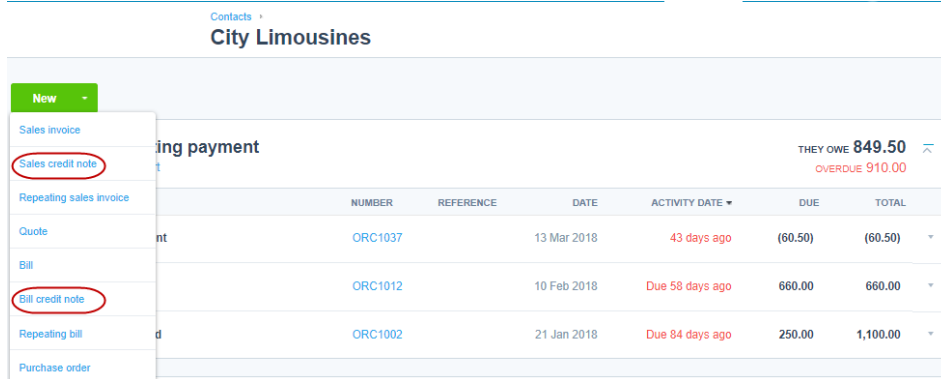
- Subtotal: 831.41
- Total GST 10.00%: 83.14
- TOTAL: 914.55
- Less Credit to Invoice ORC1036: 914.55 (circled in red)
- Remaining Credit: 0.00

5. Amend the credit note if you wish to only credit a part of the original invoice/bill
6. For Supplier Credit Notes, click on the paper clip icon  and upload the paperwork issued by the supplier
7. Click on **[Approve]**
 → *The Credit Note is created and automatically allocated to the original invoice/bill*

How to add a new a credit note to a contact

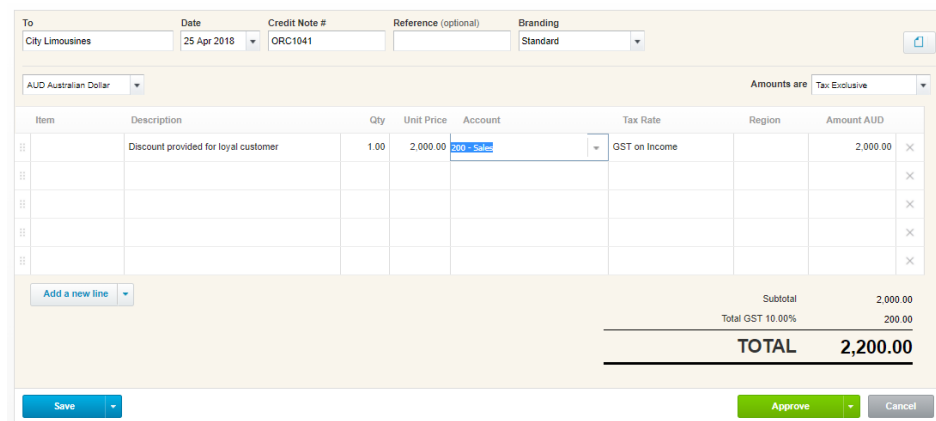
1. Go to Contacts → All Contacts
2. Select the Contact

→ *The Contact screen opens*




3. Click on [New] → Sale/Bill Credit Note

→ *The New Credit Note screen opens*



4. Select/Enter the following details:

- Item → Select the Item (if applicable)
- Description → Type/Amend the description (Eg. Discount provided for loyalty purchase)
- Qty → Enter the Qty of items returned or enter: 1 for service sales/purchases
- Unit → Confirm/Amend the Item price or enter the credit amount
- Tracking → Allocate the relevant tracking category (if required)

5. For Supplier Credit Notes click on the paper clip icon  and upload the paperwork issued by the supplier
6. Click on [Approve]

➔ If the contact has existing unpaid sales/purchases – the allocation screen is displayed

✔ Credit Note Approved

Allocate balance on Credit Note ORC1041

Invoice	Date	Invoiced	Amount Due	Amount to Credit
ORC1002	21 Jan 2018	1,100.00	250.00	<input type="text"/>
ORC1012	10 Feb 2018	660.00	660.00	<input type="text"/>

Cash refund

Outstanding Credit Balance	2,200.00
Total Amount to Credit	0.00
Remaining Credit	2,200.00

Allocate Credit
Cancel

- If you wish to allocate this credit to an existing invoice: ➔ Type the credit amount in the **Amount to Credit** column next to the relevant invoice(s) and click on [\[Allocate Credit\]](#)
 If you wish to allocate this credit to upcoming invoices: ➔ Click on [\[Cancel\]](#)

How to allocate a credit note to an invoice

- Go to Contacts ➔ All Contacts
- Select the Contact
 ➔ *The Contact screen opens*

Contacts
City Limousines

New

4 invoices awaiting payment THEY OWE **(1,350.50)**

[View recent invoices report](#)

ITEM	NUMBER	REFERENCE	DATE	ACTIVITY DATE	DUE	TOTAL
Sales credit note approved	ORC1041		25 Apr 2018	Today	(2,200.00)	(2,200.00)
Sales credit note sent	ORC1037		13 Mar 2018	43 days ago	(60.50)	(60.50)
Invoice sent	ORC1012		10 Feb 2018	Due 58 days ago	660.00	660.00
Invoice partially paid	ORC1002		21 Jan 2018	Due 84 days ago	250.00	1,100.00

- Select the Credit Note you wish to allocate
 ➔ *The Credit Note screen opens*
- Click on [\[Credit Note Options\]](#) ➔ [Allocate Credit](#)

→ The Allocate Credit Balance screen opens

Sales > Invoice ORC1041 >
Allocate Credit Balance

Invoice	Date	Invoiced	Amount Due	Amount to Credit
ORC1002	21 Jan 2018	1,100.00	250.00	<input type="text" value="250.00"/>
ORC1012	10 Feb 2018	660.00	660.00	<input type="text" value="660.00"/>
ORC1042	25 Apr 2018	1,290.00	1,290.00	<input type="text" value="1290.00"/>

Cash refund

Outstanding Credit Balance	2,200.00
Total Amount to Credit	2,200.00
Remaining Credit	0.00

5. Type the credit amount in the **Amount to Credit** column next to the relevant invoice(s)

6. Click on **[Allocate Credit]**

→ The Credit Note is allocated to the Invoices/Bills

Note: Supplier Credit Notes *must* be allocated to unpaid bills before processing a batch payment

How to refund a credit note

1. From the Credit Note screen go to the **Make a Cash Refund** section

→ The Make a cash refund Section

Make a cash refund

Amount	Date	Paid From	Reference	<input type="button" value="Add Refund"/>
<input type="text" value="2200.00"/>	<input type="text" value="25 Apr 2018"/>	<input type="text" value="090 - Business Bank Acc"/>	<input type="text"/>	

2. Select/Enter the following details:

- Date → Enter the Refund Date
Note: ensure this date matches the date of the refund in the bank feeds
- Paid From/To → Select the Bank Account the refund payment was received from/paid to

3. Click on **[Add Refund]**

→ The Refund Transaction will automatically match the refund payment in the Bank Feed

How to void a credit note

1. Go to Contacts → All Contacts
2. Select the Contact

→ The Contact screen opens

Contacts >
City Limousines

New

4 invoices awaiting payment THEY OWE **(1,350.50)**
View recent invoices report OVERDUE 910.00

ITEM	NUMBER	REFERENCE	DATE	ACTIVITY DATE	DUE	TOTAL
Sales credit note approved	ORC1041		25 Apr 2018	Today	(2,200.00)	(2,200.00)
Sales credit note sent	ORC1037		13 Mar 2018	43 days ago	(60.50)	(60.50)
Invoice sent	ORC1012		10 Feb 2018	Due 58 days ago	660.00	660.00
Invoice partially paid	ORC1002		21 Jan 2018	Due 84 days ago	250.00	1,100.00

3. Select the Credit Note you wish to void

→ The Credit Note screen opens

Awaiting Payment ✔ Sent Mark as unsent View online invoice Email Print PDF 📄 Credit Note Options

To: City Limousines, Date: 13 Mar 2018, Credit Note #: ORC1037, Branding Theme: Standard

Item Code	Description	Quantity	Unit Price	Account	Tax Rate	Region	Amount AUD
	Credit on overcharge for work last month as discussed	1.00	55.00	Sales	GST on Income	Eastside	55.00
Subtotal							55.00
Total GST 10%							5.50
Total Credit							60.50

4. Click on [Credit Note Options] → Void

→ A Confirmation message is displayed

Confirm ✕

Are you sure you want to void this credit note?

OK
Cancel

5. Click on [OK]

→ The Credit Note is voided

Note: you can search for Voided Credit Notes but you cannot amend them or reverse them. Credit Notes voided by mistake must be re-created.

How to record an overpayment from the invoice/bill

If a payment has been made which exceeds the value of the invoice/bill, an overpayment can be processed directly from the relevant invoice/bill.

1. Go to Contacts → All Contacts
2. Select the Contact

→ *The Contact screen opens*

Contacts >
City Limousines

New

4 invoices awaiting payment THEY OWE **(1,350.50)**

View recent invoices report

ITEM	NUMBER	REFERENCE	DATE	ACTIVITY DATE	DUE	TOTAL
Sales credit note approved	ORC1041		25 Apr 2018	Today	(2,200.00)	(2,200.00)
Sales credit note sent	ORC1037		13 Mar 2018	43 days ago	(60.50)	(60.50)
Invoice sent	ORC1012		10 Feb 2018	Due 58 days ago	660.00	660.00
Invoice partially paid	ORC1002		21 Jan 2018	Due 84 days ago	250.00	1,100.00

3. Select the Invoice that was overpaid

→ *The Invoice screen opens*

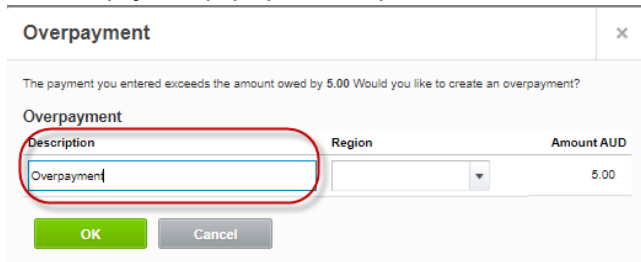
Item Code	Description	Quantity	Unit Price	Disc %	Account	Tax Rate	Region	Amount AUD
PMW6	Project management & implementation - website revamp workshop with your team	1.00	450.00		Sales	GST on Income		450.00
Subtotal								450.00
Total GST 10%								45.00
TOTAL								495.00

Receive a payment

Amount Paid	Date Paid	Paid To	Reference	
500.00	25 Apr 2018	090 - Business Bank Acc		Add Payment

4. Go to the **Make a Payment** section
5. Select/Enter the following details
 - Amount Paid → Amend the default value to the paid amount
 - Date Paid → Enter the payment date
 - Paid to/from → Select the Bank Account the payment was received from/paid to
6. Click on [\[Add Payment\]](#)

→ The Overpayment pop up screen opens



7. Enter a description (Eg. *Overpayment*) and select the relevant Tracking Category (if applicable)

8. Click on [OK]

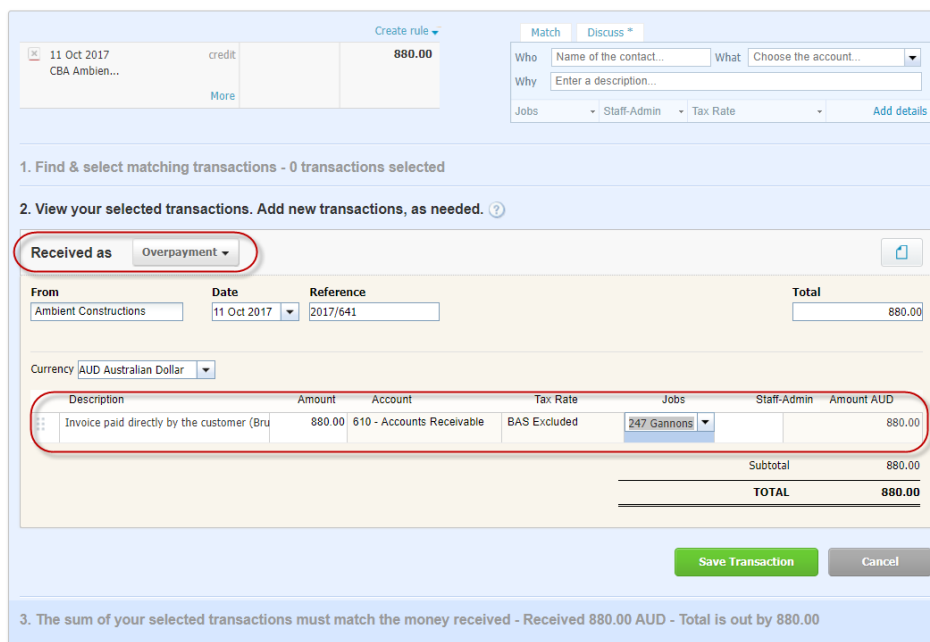
→ An Overpayment transaction is created against the contact

How to record an overpayment from bank feeds

1. Find the overpayment transaction in the bank feeds screen

2. From the [Create] Tab click on [Add Details](#)

→ The Bank Feed details screen opens



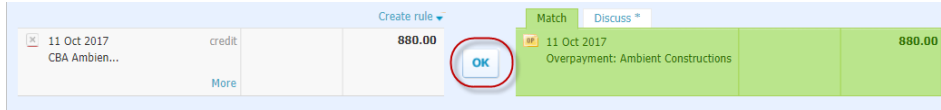
3. Select/Enter the following details:

- Received As → Select: **Overpayment**
- From → Enter the Customer Name
- Date → Confirm the payment date from the bank transaction
- Reference → Enter the invoice number related to the double payment
- Description → Enter a description for the overpayment

- Amount → Confirm the payment amount from the bank transaction
- Account → Confirm: **6XX - Accounts Receivable**

4. Click on **[Save Transaction]**

→ *The bank feed transaction reconciles*



5. Click on **[OK]**

→ *An overpayment transaction is created against the contact*

How to allocate an overpayment

1. Go to Contacts → All Contacts

2. Select the Contact

→ *The Contact screen opens*

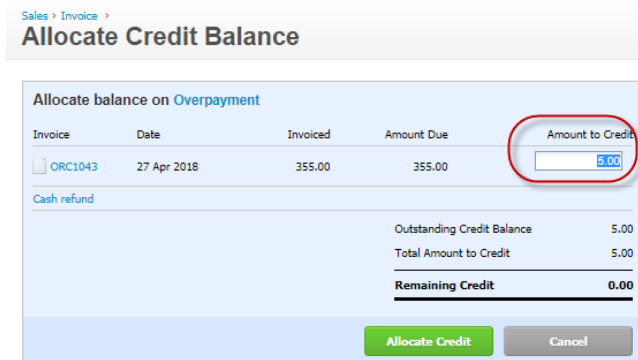
3. Select the Overpayment Transaction

→ *The Overpayment screen opens*



4. Click on **[Overpayment Options]** → **Allocate Credit**

→ *The Allocate Credit Balance screen opens*



5. Type the credit amount in the **Amount to Credit** column next to the relevant invoice(s)

6. Click on **[Allocate Credit]**

→ *The Overpayment is allocated to the Invoices/Bills*

Note: *the Allocate Credit screen also appears when a new invoice is created and an existing overpayment is allocated to the contact.*