

BUDGETARY SYSTEM: CREDIT MEMOS

This information sheet details the Credit Memo process, including how to enter and correct a Credit Memo, how the Credit Memo interacts with Accounts Payable, and what Budgetary accounts are affected in the process.

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Initial Set Up

In order to use Credit Memos, the following steps must first be done:

- **A Credit Memo Receivable account must be created in the General Ledger.** This account will need to be created in the Assets General Ledger subtotal range. To check what this range of accounts is, select **M. File Maintenance > 3. G/L Subtotal Ranges**. The account itself can be added by selecting **6. Account Setup > 4. General Ledger Titles**. If multiple funds are being used, a Credit Memo account must be created in each fund that is going to have Credit Memos applied to it.
- **The Credit Memos Receivable account must be identified as a Control Account.** To do so, select **M. File Maintenance > C. G/L Cntl/Stand Accts**, expand the *Control Accounts* section, and enter the appropriate account number in the *Credit Memo Receivable* field. This field is only looking for the middle set of account numbers – for example, if the Credit Memos Receivable account is G 1-101-00, only 101 would need to be entered here.

Adding a Credit Memo

To enter a new Credit Memo into the system:

- **Create a Credit Memo journal.** To create a new journal, select **1. Data Entry > 8. Credit Memos**, leave the selected journal number on "0000" and click *Process*. To add to an existing journal, select the appropriate journal number from the drop-down menu and click *Process*. On the subsequent screen, enter the Vendor Number, Description, Memo Number, Amount, and Period into the appropriate fields. The Date field can be adjusted if necessary, and it is

Journal	Auto	Date	02/24/2005	Vendor	1773	TRIO Software Corporation
Description	Credit					56 Banair Rd.
Memo #	98765					
Amount		100.00				
Period	02			Bangor		ME 04401
		Remaining Amount	0.00			
General gove / Administrati - Services / Data process						
Account	1099	Proj	Amount			
E 25-01-20-08		D				100.00
						0.00
						0.00

possible to search for a vendor by entering the letter "S" in the Vendor Number field. Once that information has been entered, enter the account(s) that should have the credit applied to them, as well as the amount(s) of the credit. The total of all of the line item credits should total the Amount entered at the top of the screen. Once done, select *File > Save F12* to save the entered information.

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- **Post the Credit Memo Journal.** Once all data is entered for a credit memo journal, select **3. Posting** to post the journal. The journal will show as a type AC, the same as an Accounts Payable Corrections journal. If changes need to be made to the journal before it is posted, this can be done by selecting **1. Data Entry > 8. Credit Memos** and searching for the Journal Number, Vendor Number, Vendor Name, Description, or Credit Memo Number to be edited. Once a Credit Memo journal has been posted, the information in it can only be changed by doing a Credit Memo Correction. When the journal posts, the system will Credit the accounts entered in the journal by the inputted amounts and it will Debit the Credit Memos account by the total entered.

Using a Credit Memo

Credits Memos will automatically be used during the Accounts Payable process. If a vendor has an outstanding Credit Memo, that amount will automatically be applied towards the invoice(s) being paid. The following is the important information to keep in mind about this process:

- The Warrant Preview step is no longer optional. It has always been recommended to do this step, but now this process is required as the Credit Memos get assigned when this step is run. If the Preview has been run, but the A/P journal is then edited, this step must be done again.
- Credit Memos are kept track of on a fund-by-fund basis. So, if a Credit Memo for a vendor has been applied to fund 2, but the vendor is currently being paid for an item out of fund 1, the Credit Memo will not be applied. Credit Memos do not interact with Due To/Due Froms, if they are used.
- Once the A/P Process has been run through, any Credit Memo entries will Credit the Credit Memos Receivable account. The A/P journal entries will Debit the entered accounts as normal, and any amount not covered by the Credit Memos will Credit the Cash Account.

Credit Memo Corrections

Once a Credit Memo journal has been posted, the only way to change the entered information is through **Credit Memo Corrections**. To do a correction, select **1. Data Entry > 9. Credit Memo Corrections**. The top section of the screen will show a list of all Vendors with unused Credit Memos, along with the Credit Memo Description, Number, unused Credit Memo amount, and the amount of any pending A/P entries. Selecting a vendor will cause the list of detailed Credit Memo entries for that vendor to display in the bottom section of the window. To make a correction to an item, double-click on the entry in the bottom section. The available options are to Delete a Line Item, Change an Account Number, or Change the Amount of a Credit Memo. Select the appropriate change and enter the desired information, if necessary. Changing the amount of a Credit Memo for a vendor that has already had some of the Credit Memo used will cause the remaining amount to be increased or decreased accordingly. Selecting *File > Save & Exit* will save the changes and create a correcting journal to be posted. Once the journal is posted, the changes will affect the appropriate accounts.

The screenshot shows the 'Credit Memos' window. At the top, there is a 'Period' dropdown menu set to '2'. Below this is a table with columns: Vdr #, Vendor Name, Description, Memo #, Amount, and Pending A / P. The table contains one entry: 1773 TRIO Software Corporation, Credit, 98765, 100.00, 0.00. Below the table is a section titled 'Update Choices' with four buttons: 'Delete Line Item - Update Accounting', 'Change Account', 'Change Amount', and 'Return to List'. At the bottom, there is a 'Details' section with a table showing: Description (Credit Memo), Account (E 25-01-20-08), Project, and Amount (100.00).