WRITE-OFF BAD DEBTS AND FINANCE CHARGES

Summary:
There are Bad Debt Accounts that you want to write-off to the Bad Debt GL Account.
There are Finance Charge transactions on customer accounts that you want to write-off and charge back to the Finance Charge Income Account.

Solution:
Both of these situations can be handled by setting up special link codes in AR.   When the transactions are entered, the journal entry will be AR/Bad Debt Expense or AR/Finance Charge Income.

Instructions:

1.   Go to *Link Code File Maintenance* (AR, Release to General Ledger, Link codes, option 1).

    Click <New> and enter a special link code number like 98 or 97. The Description will be 'Bad Debt Write Off' or 'Finance Charge Write Off'. Enter the AR account and the Bad Debt expense or Finance Charge account in the <u>GL Sales </u>field. You may enter the suspense account in all other fields, or the same accounts that are in Link Code 1.

2.   Go to *Add Invoices* (on the AR main menu). Enter the date and batch number for the write-offs. (Use a unique batch number like a Saturday or Sunday or 20120995).

    Default Description: <u>Bad Debt</u> or <u>FC Writeoff</u>.
    Default GL Link Code: Enter the new one for Bad Debt or Finance Charge Writeoffs
    Use Last Customer 'N'
    Omit Sales Tax 'A'
    'Y' Enter Invoices

    Enter a unique invoice number (up to 8 characters - like WOACMBRI - 'WO' for write-off, 'ACMBRI' being the customer code)
    Type will be Charge
    Enter the customer number
    Subtotal: Enter the amount as a credit (-1000.00).
    Verify the transaction, especially fields Subtotal and Total (fields 11 and 15). Both should have the same amount. There should be nothing or 0.00 is Disc, Taxable, and Tax fields.

    Press **C** to Continue. The credit updates to the customer file.

    Note: If errors are found after the transaction is posted, use the *Change Invoices* option to cancel the credit memo. Go back to 'Add Invoices' to reenter it.

3.   Go to *Payment Entry* to apply the credit to the appropriate invoices using the 'M' Apply
Credit Memo option. Batch number does not matter.

Note: If customer is no longer needed in the customer file, do not delete the customer record until after
month end. If you do not want to delete the customer, you may mark the record using the 'Hold' code
field. The invoices will be in the invoice register and you may access the customer information using the
Full Customer Ledger Listing.

Additional Solutions:

I. Enter a credit memo through Invoicing in Fuel Inventory. This option will give you a printed
document for your files, but it will be included under misc in the Sales Analysis.

> Set up a miscellaneous (Stock Code M) item in Inventory File Maintenance. Call it 'BD' for
> Bad Debt, or 'WO' for Write Off, or something like that. Department number will default to
> 9999, enter the GL account for Bad Debts, and be sure the taxable field is set to N.

> Enter an invoice (Jobber, Sales Invoice Entry, Enter Invoices). Enter one line item. Use the
> item number you just set up, quantity will be -1 and enter the amount to be written off. The line
> total will be negative creating a credit memo. Then go to Accounts Receivable, payment entry,
> and apply the credit to the open invoices.

II. Discount the invoice or invoices through Payment Entry/Cash Receipts.

> The key to linking the transaction to the correct General Ledger account number is in the
> *Release to General Ledger, Link Codes* option in Accounts Receivable. If you use Link
> Code 1, change the 'Discount Taken' account temporarily to the Bad Debt account. Or, you
> may set up a special link code specifically for writing off bad debts.

> Go to AR, Payment Entry, Enter Customer Payment on Account. Display the customer
> record. Select the line to be discounted. Enter the invoice amount in the 'discount' field. The
> debit side of the transaction will go to the account in the *GL Discounts Taken* field of
> whichever Link Code you use and the amount will appear in the 'discount' column of the
> Payment Report/Cash Receipt Register. There is no good audit trail when this method is used.