

## Refunding Customers – Raising a debit memo

If you need to issue a refund to a customer who has paid their invoice, you will need to follow the procedure outlined below. A **credit memo** will need to be raised, then a **debit memo**, and finally an **'invoice'** (effectively the debit memo) will need to be processed in Accounts Payable to enable the refund to be paid to the customer.

**Step 1:** Create a credit memo in the normal way, using the data from the original invoice. Ensure you use the **same** General Ledger (GL) code as the original invoice and reference the original invoice number and details. See <u>here</u> for guidance on raising a credit memo.

Transactions (Ca	mbrid	ge Univ	versity : Gl	BP)				
Transaction						_		
So	urce	Manua	al Invoice				_	Date
Nun	nber		1185861				D	GL Date
C	lass	Credit	Memo			•	_	Currency
Т	PD Cr	Credit Memo			Document Num			
Reference								Transaction
Main	Mor	re	Notes Commitm		tment	nent Reference Informa		
C.	Ship T	0					Bill	То

Tip: The credit memo can be previewed from the transaction screen

**Step 2**: Complete and print the credit memo. You will need to send this to the customer once the refund has been processed and sent to their bank account. This is a requirement of HMRC and is good business practice. In any correspondence with the customer, ensure it is clear they will receive a cash refund accompanying the credit note, and the credit note is not to be used against future purchases.

See <u>here</u> for guidance on printing the credit memo.

**Step 3:** Create a **debit memo** for the same value as the credit memo, remember to use positive amounts.

Navigate:	Transactions > Transactions
Source:	Manual Invoice
Class:	Debit Memo
Туре:	xx Ext Debit Memo (where xx is the department code)
Reference:	This is an optional field and free text. Select an option or 'cancel' to enter information that you feel may be helpful to you/your department.
Bill To:	Enter the customer. Tip: enter the customer number in the Number and tab to automatically complete the rest of the details.



Transactions (Cambrid)	dge University : GBP)		
Transaction			
Source	Manual Invoice		Date
Number			GL Date
Class	Debit Memo	*	Currency
Туре	PD Ext Debit Memo		Document Num
Reference	Refunding credit note	1185861	Transaction
Main Mo	ore Notes	Commitme	nt Reference Information
Ship	То		Bill To
Name			UNIVERSITY OF EAS
Number			13634

Step 4: In the More tab, enter the salesperson and update the Remit To address.

Tip: Save the transaction after entering the Salesperson, and the Remit To address should automatically update.

Main More		
Operatin	Territory	
Print C	Salesperson	PD: Plant Sciences Accounts.
Pril	Purchase Orde	
	Number	
Defau	Revision	
Agre	Date	
Original Tran	Remit To	
Cross Ref	Address	University of Cambridge
Dispute Ar		Department of Plant Sciences
Dispute		Cambridge, Cambridgeshire CB2 3EA U
Special Instr		
Corr		
Line Items	Sales C	redits Incomplete

Next, open the line items screen. For each line complete:

## **Description:**

This is a free text field where you enter the details of the product or service or any other reference you choose to enter. Your department may have specific rules but generally should include 'refunding' and the original invoice number and credit note number.



- **UOM:** Unit of measure, this is an optional field and chose appropriately.
- **Quantity:** Either this field or the Unit Price field must be a **positive** figure.
- Unit Price: Value of product or service, for a debit note this should be a **positive** figure.

**Tax classification:** Debit memos **must not** include any VAT. Process the total amount to be refunded, including any VAT previously charged, then select EX - Exempt.

OL	Lines (Cambridge University) - UNIVERSITY OF EAST ANGLIA, [New]											
					Transaction			Lines		Tax	Freight	
			Total					120.00				
	;											
	Main		Sales Or	der	Tax Exemption	Rule	s	Ship To	Information	More		
	Num	lt e me		Dec	ariation		LIOM		Quantitu	Linit Drice	( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( )	nt Tay Classification
	Num	item		Des	scription		UOW		Quantity	Unit Price	Amou	ni Tax Classification
	1			REFUNDING OVERCHARGE				1	120	120.	00 EX - Exempt	

Step 5: Select distributions.

Change the dropdown to Accounts for All Lines and update the Revenue line.

Use the same cost centre and source of funds as the original invoice but use the transaction code LKMD.

C	Distribution	is (Cambridge	e University)				
-	Accounts	For All Lines		<b>*</b>			
	Trans	Detail					Distribution
	Line	Line	Class	GL Account	GL Date	%	Amount []
			Receivable	U.00.0000.0000.UBAA.0000	01-DEC-2023	100.0000	120.00
	1		Revenue	U.PD.PDCP.GAAA.LKMD.0000	01-DEC-2023	100.0000	120.00
	1	1	Tax	U.00.0000.0000.VCCA.0000	01-DEC-2023	100.0000	0.00



Step 6: Close the screens and return to the Transactions screen as in step 1. Complete the debit memo using the button in the bottom right and make a note of the number now displayed in the top left.

Transactions (Cambrid)	dge University : GBP)	
Transaction		
Source	Manual Invoice	1.00
Number	1211413	J
Class	Debit Memo 👻	
Туре	PD Ext Debit Memo	1
Reference	Refunding credit note 1185861	1.00
		Refresh
Main Mo	ore Notes Commitment	
Ship	То	
Name		
Number		
Number		
Address	N	
Contact		
Commit	ment	
Payment	Term 30 Days NET	
Due	Date 31-DEC-2023	
		Select Instrument
Line Items	Тах	Complete



**Step 7:** Apply the credit memo to the debit memo via the transaction summary screen. From the **Transactions Summary**, recall the credit memo transaction using the torch icon in the toolbar.



## Select the applications button.

<mark>O</mark> Tr	ansactions Summary (Cambridge	University : GBP) - UNIVERSITY OF	F EAST ANGLIA, 1185861		_ 🗆 ×
ø	)				
	Source	Operating Unit	Legal Entity Name	Number	Bill To Customer
	Manual Invoice	Cambridge University	Cambridge University	1185861	UNIVERSITY OF EAST AND
				1	
	L 	0000000000			
	Applications	A <u>dj</u> ust	Credit	Сору То	Incomplete
	Installments	Overview	(	New	Open

You will see this screen with details of the credit memo (1). The credit memo has already been linked to the original invoice (2). Link the credit and debit memos together by entering the debit memo number in a new line in the **Apply To** field (3). Press the **Tab** key to pull through the debit memo details. Select **Save** in the toolbar and the tick boxes should tick.

Applicatio	ons 1185861 1									
	Customer Name	UNIVERSITY C	F EAST ANGLIA		Unapplied 0.00					
	Customer Numbe	13634								
	Location	RH - NR4 7TJ								
	Amount	GBP	(120.0	00)						
				Excha	nge Gain/Los	s	0.00			
- Applicatio	ons								✓	
Apply S	Saved Apply To 9	Installment	Apply Date	Amount Applied	Discount	Balance Due	Customer I	GL Date	Reversal G	
	1185023	1	01-DEC-2023	120.00		0.00	13634	01-DEC-2023		P
	1211413	1	01-DEC-2023	0.00		120.00	13634	01-DEC-2023		
	3									

**Step 8:** Use the debit memo as the source document for inputting into AP to request the refund. Refer to <u>Processing a Debit Memo</u> for guidance.