Refund a Payment Applied to an Invoice

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When a customer's payment that was applied to a specific invoice must be refunded to a credit card or bank account, there are several steps that must be completed to be able to make the refund.

- The payment must first be removed from the invoice by using a negative payment batch.
- A positive payment batch is created to move the reversed payment into your EFT Refund G/L account.
- A credit memo is created using your EFT Refund invoice item, which is linked to the G/L account of where the positive payment was applied.
- The Credit Memo is transferred to an EFT Refund.

Follow the steps below and on the following pages.

1. From the SedonaOffice main menu, navigate to the Accounts Receivable module and select the Payment Processing option.

2. The Payment Processing Batches list will be displayed. You will be creating two payment batches. Click the New button to start a new payment batch.

3. Enter a description and in the Tape Total field, enter the negative amount of the payment you will be removing from the paid invoice. Click the Save button when finished.

4. You will be returned to the Payment Processing Batches list. Click the New button to create a second payment batch. Enter a description and in the Tape Total field, enter the positive amount of the payment you will be removing from the paid invoice. Click the Save button when finished.

5. You will be returned to the Payment Processing Batches list. You should see both the negative payment batch and the positive payment batch you just created within the list. Double-click on the negative payment batch.

6. The Enter Payments form will be displayed. At the upper left, enter the customer number for the payment reversal. In the Amount field, enter a negative value for the payment being reversed from the invoice. In the Payment Method field, select the original method of payment. You may type in a brief note in the memo field for tracking purposes later.

On the Invoices tab, locate the invoice to which the payment was previously applied. In the payment column, type in the negative amount of the payment. When finished, click the Save button.

7. You will be returned to the Payment Processing Batches list. Double-click on the positive payment batch.

8. The Payment Processing form will be displayed. At the upper left, enter the customer number for the payment. In

the Amount field, enter a positive value for the payment. You may type in a brief note in the memo field for tracking purposes later.

On the Other tab, check the box to the left of Miscellaneous. In the GL Account field, enter your EFT Refund G/L account (this is a liability type account). Select the appropriate category, typically G & A. The amount field should automatically fill with the amount entered in the header of the payment record. When finished, click the Save button.

9. You will be returned to the Payment Processing Batches list. Check the Ready box to the left of both of your payment batches, then click the Deposit button at the bottom of the form.

10. The Make Deposit form will be displayed. Select a bank account from the drop-down list. Type in a description, and then check the box to the left of your negative and positive payment batches. Click the Save button when finished.

11. The deposit report will be displayed in preview mode. The Deposit Total amount should be zero. You may print to paper or save the report electronically if desired. Close out of the report when finished.

Up to this point, you have successfully removed the payment from the invoice. This was accomplished with the negative payment batch. This invoice is now open and may have payments applied to it. If you do not intend to collect on this invoice, you may credit it off.

You now have funds “parked” in the EFT Refund G/L account. This was accomplished with the posting of the positive payment batch.

The next step is to create a credit memo on the customer’s account using your invoice item that points to the EFT Refund G/L account. After the credit memo is saved, you will convert that credit memo into an EFT refund to the customer.

12. Open the customer record where you will enter the credit memo. On the customer tree, highlight Credit Memos, right-click and select the New Credit Memo option.

13. The Credit Memo form will be displayed. Select the appropriate Category, typically G & A. On the Items tab, select your EFT Refund item code. Enter a Qty of 1 and type in the amount that is being refunded. If the item code was setup correctly, no tax should be calculated on the credit memo. At the lower left, select the credit memo Description, and the Credit Reason. You may type in a brief note into the Memo field for future reference. When finished, click the Save button.

14. We now have a credit memo that we can convert into an EFT Refund. Open the customer record, and in the Active pane under Open Credits, highlight the Credit Memo that you saved in the prior step, right-click and select the Refund to CC/ACH option.

15. The Select Payment Type form will be displayed. Type in the Refund Amount. From the drop-down list, select either the bank account or credit card that will be refunded. When finished, click the Refund button at bottom of the form.

16. A confirmation message will be displayed. Click the Yes button to proceed.

A second message will be displayed indicating the EFT Refund was successfully posted to the EFT Processing. Click the OK button to close the message box.

If you open the EFT Processing form, on the Refunded tab, you will see your refund transaction.