How to handle a bounced check

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On occasion, you will receive a notice that a customer payment has insufficient funds (NSF). You have a few options on how to deal with the payment.

If the deposit containing the bounced check has been reconciled, you will need to perform a negative payment batch.

Negative payment batches are used when a payment was applied to the incorrect invoice or the incorrect customer account the accounting period of the batch is closed and/or the batch has already been cleared using the Bank Reconciliation process (in G/L module).

In the situation where a payment was applied to the incorrect customer or was applied to the incorrect invoice, a negative payment batch is created to reverse the payment and a separate regular payment batch is created to re-enter the payment correctly. Both batches are deposited at the same time having a net effect of zero on the bank account balance.
 Follow the steps below to process a Negative Payment Batch.
Navigate to the Main Application menu tree and select the Accounts Receivable / Payment Processing menu option.

1. Creating the Negative Payment Batch

2. Create the Payment Batch Header – The Payment Processing Batches form will be displayed. Click the New button located at the lower right of the form to set up the Negative payment batch.

3. Enter Batch Header Information – The Batch Information form will be displayed. Enter the Batch Date, Description, and the Tape Total; a negative value must be entered in this field. Click the Save button when finished.

4. Create the Payment Batch Header – Click the New button located at the lower right of the form to set up the Positive payment batch.

5. Enter Batch Header Information – The Batch Information form will be displayed. Enter the Batch Date, Description, and the Tape Total; a positive value must be entered in this field. Click the Save button when finished.

6. You will be returned to the Payment Processing Batches list. Double-click on the Negative Payment batch to enter a reversing payment.

7. In the Payment Header, enter the customer number, a negative value in the amount field, and the original check number (optional).

8. In the center of the form, all paid (or partially paid) invoices will be listed. Locate the invoice for which you want to reverse the payment application. In the Payment column, type in the amount to reverse; this must be a negative value.

When finished, click on the Save button at the lower right of the form. You will be returned to the Payment Processing Batches list.

9. Double-click on the Positive Payment batch. Enter the payment information and apply it to the appropriate invoice or other application method. When finished, click on the Save button at the lower right.


10. Once both the Negative and Positive Payments have been entered, mark both batches as Ready to deposit.

11. Click on the Deposit button located at the lower right.
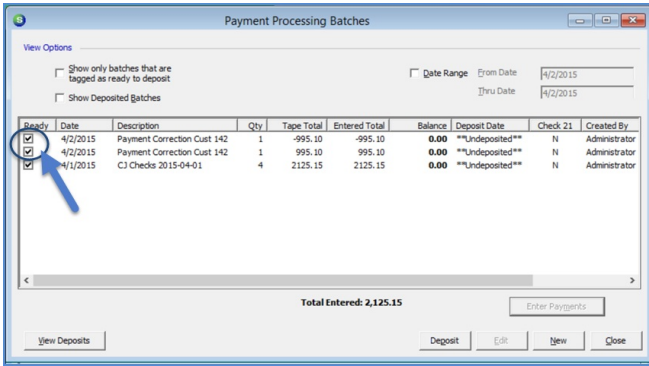
12. The Make Deposit form will be displayed. Fill in the required fields in the header area then check the box to the left of both the Negative and Positive Payment Batches. When the Deposit Report appears on the screen the bottom-line total should show as zero.
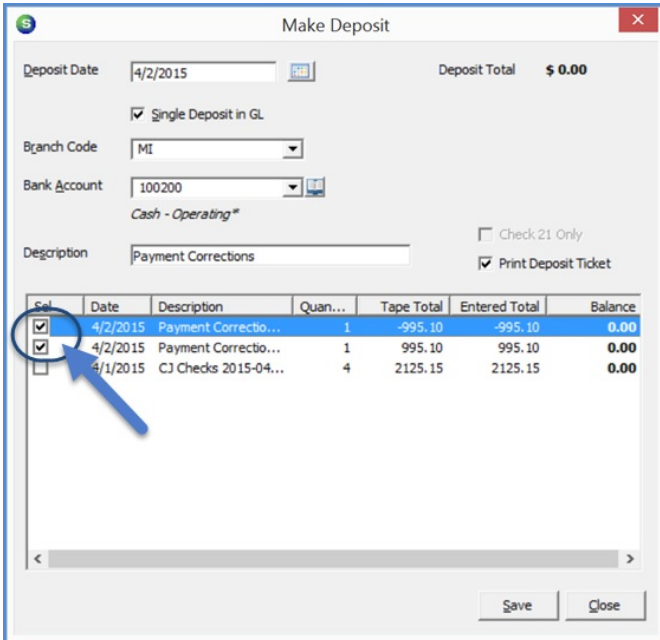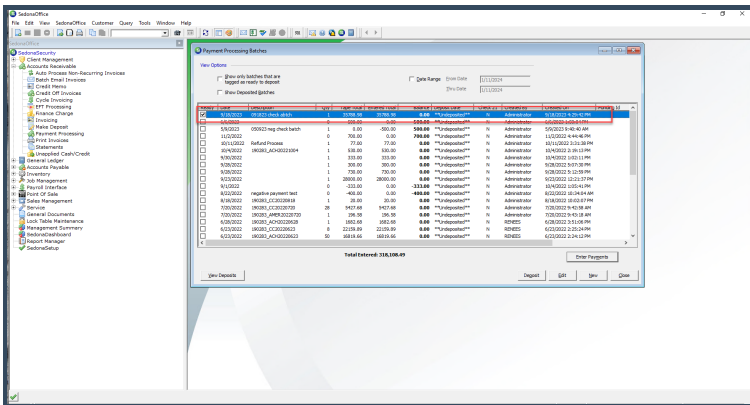

If the deposit containing the bounced check has not been reconciled, you can reverse the batch. Navigate to the payment processing batches screen and choose the view deposit button.
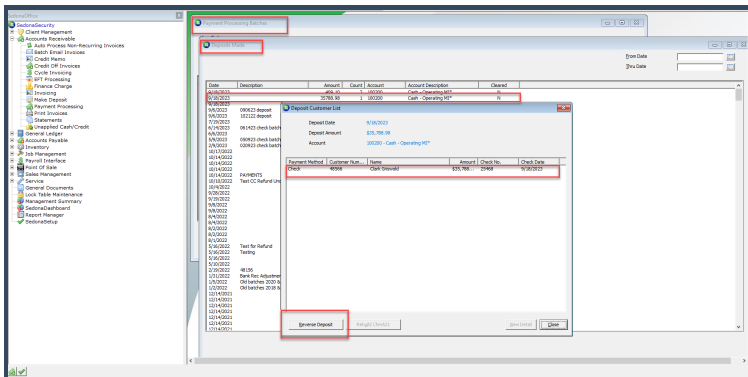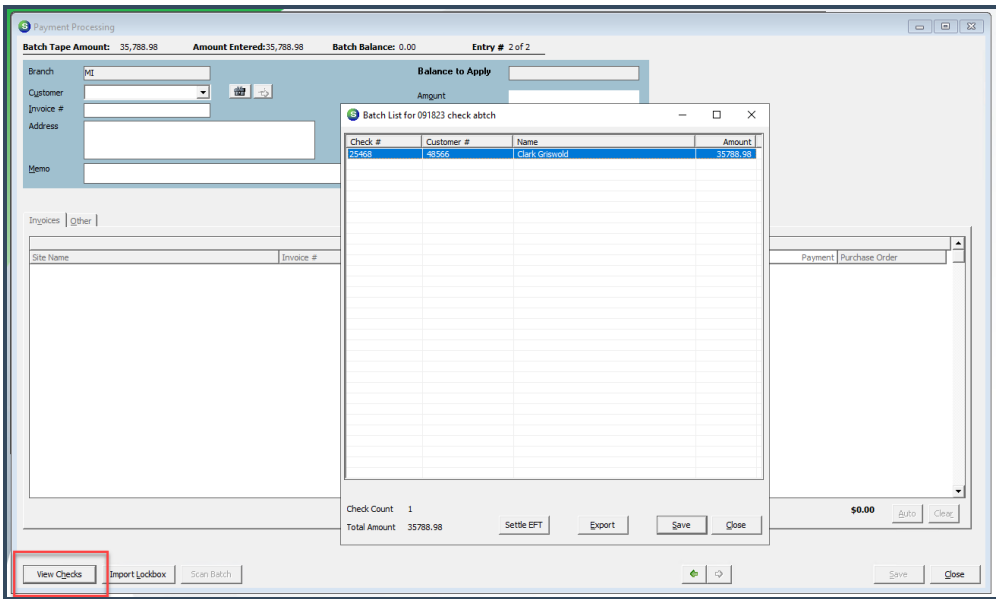

1. Select Yes.
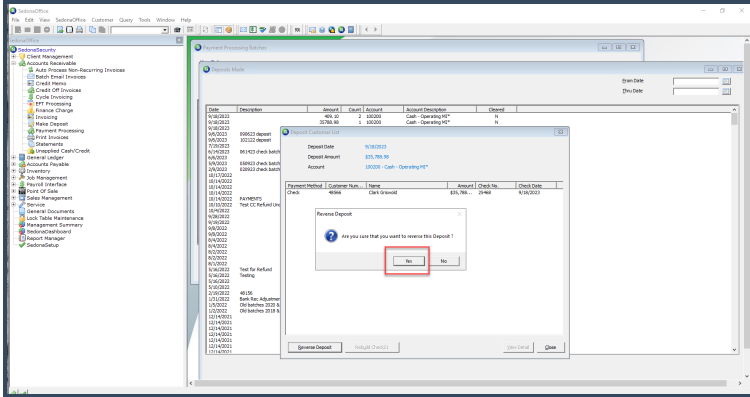
2. Double-click on the batch you wish to make adjustments in.

3. Click View Checks. Double-click on the payment you wish to adjust. You then delete the payment by choosing the delete button from the top ribbon; and then edit the deposit amount.

If you want to charge the customer for bank fees you can make a Misc Invoice with an item code of bank fees.

Instructions are listed in this link: Miscellaneous Invoice Form Definitions | SedonaOffice Knowledge Base (knowledgeowl.com)