

# Creating and Applying a Debit Memo

Intro video A Debit Memo - also sometimes called a Charge Back - is an AP invoice that represents an amount to offset an invoice or payment. You send it to the supplier to let them know that you are expecting a credit.

Or, when you return materials to a supplier, a Debit memo is a record of the amount of the return. You use it as a placeholder until you receive the correct invoice or a credit memo.

## Objectives

In this course we

- Create a Debit Memo to record the difference in what we should be charged vs. what is on the invoice.
- And then, we explore Applying a Debit Memo to an invoice.

## Create a Debit Memo

In our example, you have entered an invoice from a supplier and the charge is \$175 per hour but your contract has \$165 per hour.

The supplier agrees that the invoice is incorrect. But it'll be a few days before you receive a credit memo.

You want to pay the correct amount now so that you get your early payment discount.

Create a Debit Memo for the difference.

Start with a new group in AP invoice entry.

Add a New Debit Memo.

Enter the supplier's name

Enter an invoice number - this can be any number or identifier you choose.

And then enter the amount - \$100.

It's a good idea to add a description, in case you forget why you did this or someone else is looking at it later.

Enter the invoice date...

and Tap Save.

Add a new miscellaneous line.

You could add 1 entry at \$100 or, to be precise, 10 hours at \$10.

Notice that the amount is a positive number. That is correct, since this is a debit memo and represents a positive value to you.

Tap Save.

Look at the Line Totals and verify the amounts.

Check the Edit List to verify your work and see which GL accounts are being credited and debited.

If everything looks correct go ahead and post.

Let's look at the tracker. We have the invoice and the debit memo.

## Apply a Debit Memo

You won't always apply a demo to an invoice right away. It could be that you don't discover the difference in the amounts until you have already paid the invoice so the debit memo would be something you would apply later to another invoice. Or in a scenario where you returned materials, it could be a placeholder until you receive the invoice from the supplier.

But let's apply this debit memo to the invoice now. The balance will be the correct amount.

Use Apply Debit Memo/Prepayment to apply a single debit memo to one or more invoices. Kinetic enforces some rules here.

You can only apply debit memos to an invoice or invoices from the same supplier, and only up to the amount of the debit memo or the invoice, whichever is less.

From the landing page, select the Debit Memo you created and enter the amount you want to apply. In this case, the entire \$100.

Tap Save.

In the Applied Invoice card, tap New.

Right-click in the invoice field and use Search to locate the invoice. Note that only invoices for this supplier appear in the search.

Select the invoice and tap OK.

Review the Balance and Invoice Balance fields.

Tap Save. Then select the Apply Debit Memo/Prepayments button.

Go back to the Supplier Tracker and open the Invoice. It now shows a balance of \$1650. Nicely done!

## Recap

In this course we

- Created a Debit Memo to record the difference in what we should have been charged vs. what we were invoiced.
- And then, we applied that Debit Memo to the incorrect invoice.

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