

Customer AR Check Returned Due to Insufficient Funds

Overview

This document explains one method for handling an Accounts Receivable transaction in which the customer's check does not clear the bank due to insufficient funds. The check payment can be unapplied so that the invoices paid with the "bad check" become open/unpaid. The original check payment can be "reversed." The reversal (negative check payment) will be reflected in the current day's business and will reduce the check deposit amount on the Daily Close that processes the negative check payment.

1. Select **Accounts Receivable** from Main Menu and then **Transaction**.
2. If prompted, enter printer# for Audit.
3. **Id:** Enter Customer ID (or press <Enter> to **Name** field to enter partial name).
4. The A/R Transactions Review and Payment screen by default displays PAYMENT mode (see upper right corner of screen) showing only unpaid or partially paid transactions. Press **TAB key** to view **PAID** transactions. (After pressing TAB, the word PAID displays in upper right corner.)
5. The PO/Chk# column displays the check number. Look for the 'P' Type Payment Transaction for the "Bad Check." Enter **L#** (line number) of the payment transaction for the "Bad Check" that needs to be unapplied and reversed and press **ENTER** key.
6. Press **F2** to **Un-Apply**. Message displays: "Are you sure you want to un-apply this and related transactions? (Y or N)? – Y
7. The screen will still be displaying **PAID** transactions (the word **PAID** will still display in upper right corner). Press **TAB key** and **REVIEW** will display in upper right corner. Press **TAB key again so that PAYMENT displays in upper right corner**.
8. Transactions that had been paid with the original check payment are now in an unpaid OPEN status. The original Payment Transaction ('P' Type) also is now an Open transaction. At this point, you have unapplied the payment from the transactions; the customer's account balance has not changed. The next step is to reverse the original "bad check" payment. Continue with the following steps.
9. To reverse the open payment, enter the **L#** (line #) of payment transaction (that is now in an Open status). Press **F10** to select it; **F3**=Apply; **P**=Payment Entry; **S**=Selected Transactions. The Payment Entry Box displays.
10. **Check Number** - The same check # as the original payment may be entered. Some users type "REV" or "RV" after the check# indicating a reversal. Rather than the check number, some users enter a brief description such as RETURNCK. The check number field is an alpha numeric eight character field, meaning numbers and letters are accepted.
11. **Total on Account** - Press <Enter>. The amount will default to a negative amount.

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12. **Payment Amount** - If there was no prompt pay discount on original payment, press <Enter> to make Payment Amt same as "Total on Account." **If there was a prompt pay discount on original payment, manually type in payment amount as a negative. Be sure to enter payment amount as a negative.**
13. If there was a **Discount Amount** on the original payment, the discount will display automatically as a negative.
14. **Receive Method** - Enter same Receive Method that was used on original. For a check payment, this is most likely Receive Method 2.
15. Now that the check payment has been reversed, the customer's Account Balance will reflect an increase.
16. The negative check payment will reduce the current day's "deposit" amount when the Daily Close processes it.
17. If your policy is to charge a **FEE for the Returned Check**, there are a couple of ways to handle the Fee.

A Point of Sale order could be entered and the returned check fee could be entered in the "Other Charges" field on the closing screen of the sales order. An order heading note could be entered on the invoice to explain the fee charged. After the order is closed, the invoice can be mailed to the customer. The invoice in the amount of the fee will be posted to Accounts Receivable when the next Daily Close is run.

Another option is to create an 'A' type "debit" transaction in Accounts Receivable for the amount of the Returned Check Fee using the "Payments" program from the Accounts Receivable Menu. An 'A' type debit transactions posts immediately to the customer's account and increases the account balance. NOTE: An 'A' type may be used to post the Returned Check Fee if you do NOT use 'A' types to enter line items in Point of Sale.

18. NOTE: If your Tag-n-Trak software is set up to create General Ledger distribution, you can check which G/L account number will be used for posting the Check Returned Fee. From Main Menu, select #6 Closing Routines menu and then #7 GL Posting Table.

Select 1 – Closing Summary Posting.

If you used an 'A' type debit transaction to post the Returned Check Fee, then ORDER TYPE 'A' will display immediately. Refer to the CHART number shown in "Order Total."

If you used the "Other Charges" field on an 'L' type order for the Check Returned Fee, then PAGE DOWN until you view ORDER TYPE 'L' and refer to the CHART number in the "Other Chrgs" field.