SedonaOffice
The #1 Financial Software for Security Companies

Document Overview

When a customer payment is returned due to non-sufficient funds, your company may want to invoice the customer for bank charges incurred by your company as well as re-invoice the customer. This process will place the balance due from the customer back into your Accounts Receivable and also reduce the balance in your bank account. You will see this item when you process your bank reconciliation.

This document explains how to handle customer checks returned for non-sufficient payment when the customer's check was already reconciled on your bank statement. If the check was not yet reconciled on your bank statement, you would use the Negative Payment Batch process. Please refer to the reference document on that topic.

This document covers several different NSF situations; each one uses a different process, each of which is described in this document.

- NSF check was completely applied to one or more invoices.

- NSF check was completely applied to invoices and late fees.

- NSF check was partially applied to one or more invoices and the remainder to unapplied cash.

- NSF check has not been applied to any invoices; saved as unapplied cash or an advance deposit.

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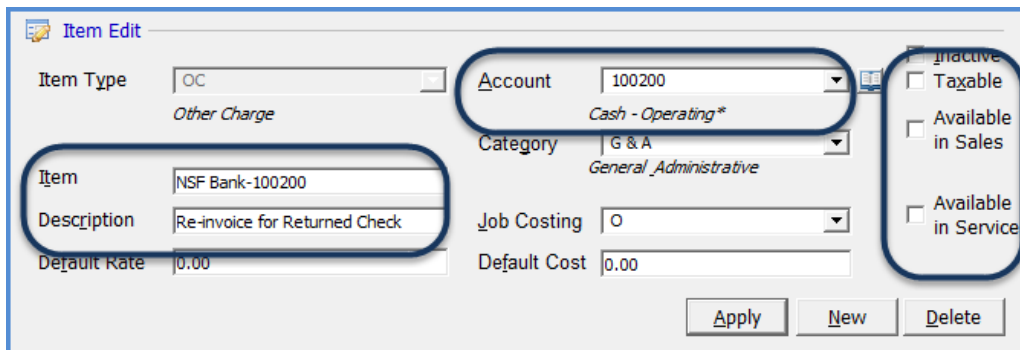The #1 Financial Software for Security Companies

Setup

You will need to create two or three new Invoice Items and an Invoice Description for NSF fees in SedonaSetup. If your company is not assessing late fees, then you will only need to create two new Invoice Items.

Invoice Item Setup

This first Invoice Item will be used when creating a miscellaneous Invoice to re-bill the customer for the original invoice. This will reduce the balance in your bank account for the amount of the NSF check and re-invoice the customer for the original invoice amount.

Create the first Invoice Item labeled NSF Bank followed by the Bank Account GL number. In the description field enter Re-invoice for Returned Check. In the account field select the G/L account associated with the Bank account normally used for customer deposits. Make certain not to check the Taxable, Available for Sales or Available in Service checkboxes.
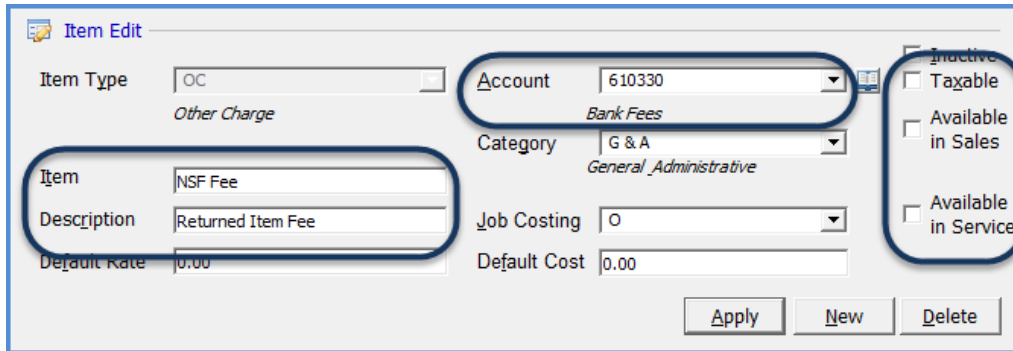
If your company will be charging the customer an NSF fee for the returned check, you will need to create a second Invoice Item for this purpose.

Create the new Invoice Item and label it NSF Fee or whatever description you choose for the item. In the account field select the desired income account. If NSF fees are taxable, check the Taxable checkbox. Do <u>not</u> check the Available for Sales or Available in Service checkboxes.

In the example below, we have selected the Bank Fees expense account since our company is charged a fee for NSF checks and we want to offset that expense by charging the customer for this amount.
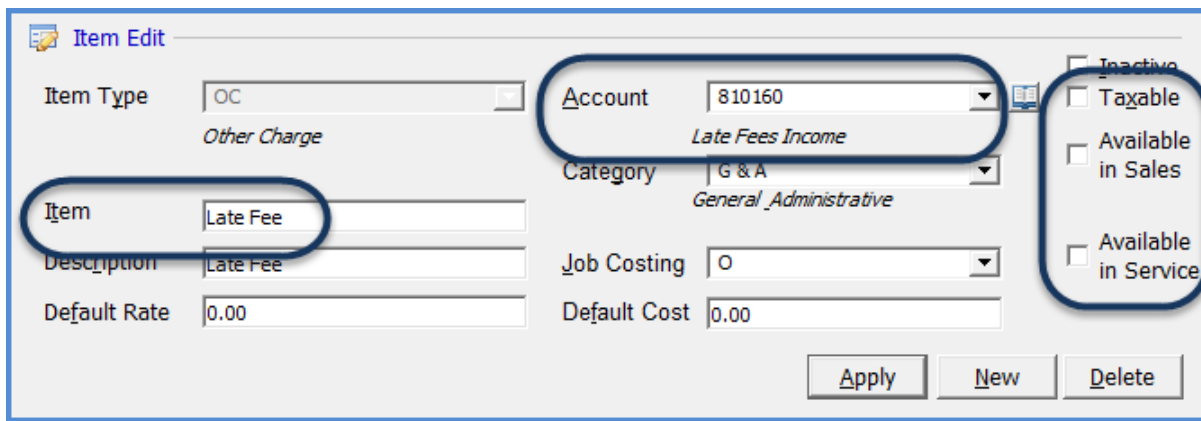
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If your company assesses and collects Late Fees from your customers, then you will need to set up an Invoice Item that will be used to reverse a payment that was previously applied to the customer's Late Fees.

Create the new Invoice Item and label it Late Fee Reversal or whatever description you choose for the item. In the account field select your company's Customer Refund account. This account number is found in SedonaSetup (GL Account Defaults for Accounts Payable). Do not check the Taxable, Available for Sales or Available in Service checkboxes.

Invoice Description Setup
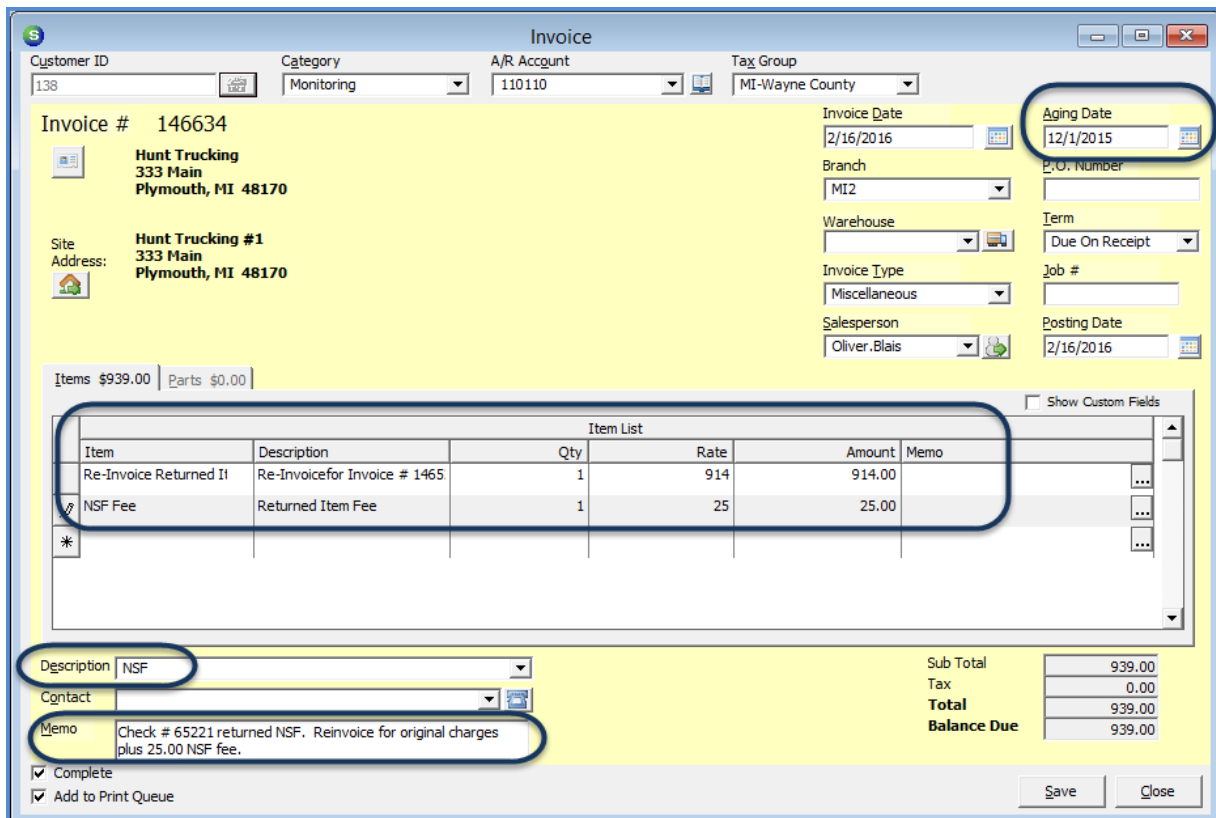
In SedonaSetup, create an Invoice Description labeled NSF.

Functionality & Process

NSF Check Completely Applied to Invoices

1. Navigate to the customer record, highlight Invoices from the customer tree, right-click to create a new invoice.

2. Select the Invoice Item NSF Bank-xxx. You may edit the description on this invoice line to include the original invoice number. Enter the total amount of the check that was returned.

3. On line two of the invoice, select Invoice Item NSF Fee. Enter the amount of the fee you are charging to the customer. Skip this step if you will not be charging your customer and NSF fee.

4. Select the Invoice Description of NSF.

5. In the Aging Date field you may enter the aging date of the original invoice to which the NSF payment was applied. When finished, click the *Save* button to post the invoice.
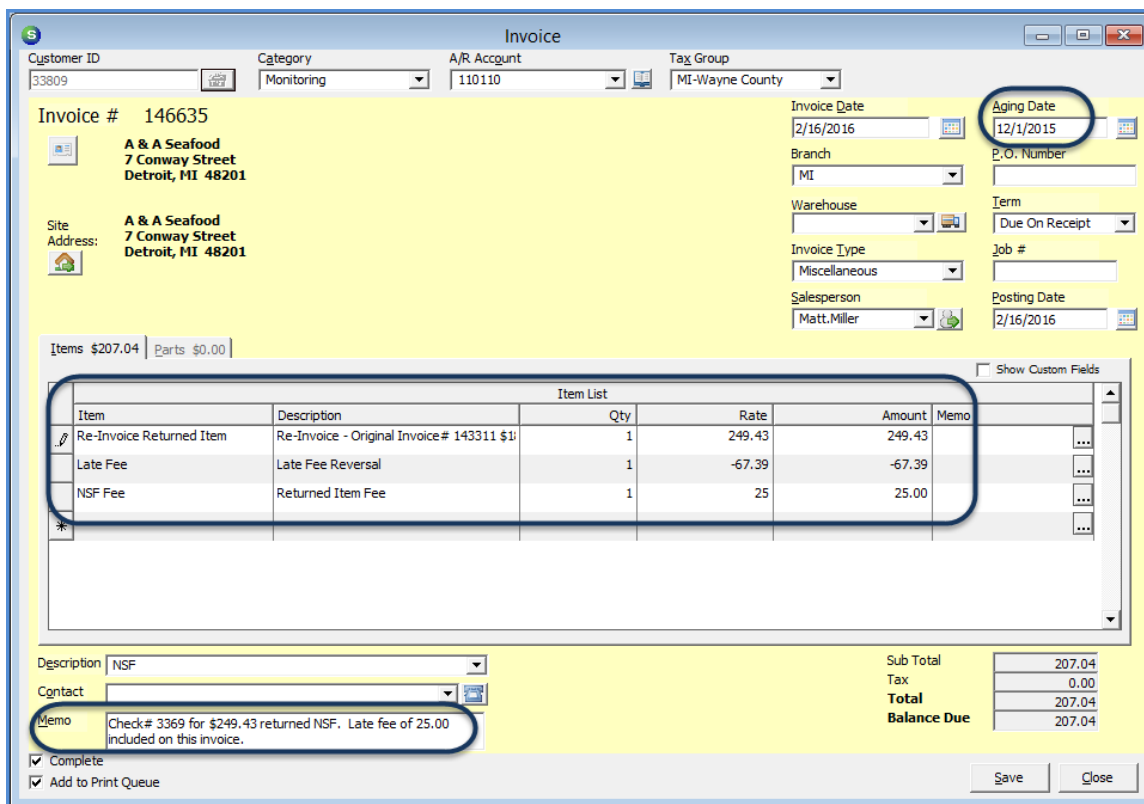
NSF Check Applied to Invoices and Late Fees

In this situation the NSF check had been applied to an invoice and to late fees. Then end result of this process will credit the bank account for the amount of the NSF check, reverse amounts previously applied to Late Fees, re-invoice for the original invoice amount and an NSF Fee.

1. Navigate to the customer record, highlight Invoices from the customer tree, right-click to create a new invoice.

2. Select the Invoice Item NSF Bank-xxx. You may edit the description on this invoice line to include the original invoice number. Enter the total amount of the check that was returned.

3. On line two of the invoice, select the Late Fee Invoice Item. In the Rate field, enter a negative amount for the amount that previously applied to Late Fees.

4. On line three of the invoice, select the Invoice Item NSF Fee. Enter the amount of the fee you are charging to the customer. Skip this step if you will not be charging your customer and NSF fee.

5. Select the Invoice Description of NSF.

6. In the Aging Date field you may enter the aging date of the original invoice to which the NSF payment was applied. When finished, click the *Save* button to post the invoice.
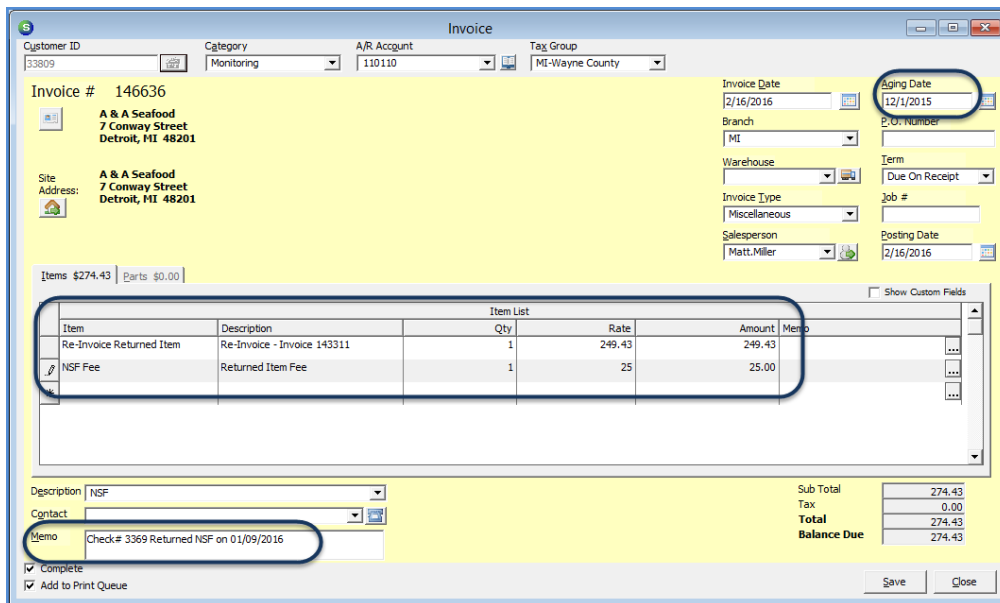

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NSF Check Applied to Invoices and Unapplied Cash or Advance Deposit

In this situation the NSF check had been applied to an invoice and the remainder to unapplied cash. Then end result of this process will credit the bank account for the amount of the NSF check, re-invoice for the original invoice amount and an NSF Fee, and remove the unapplied cash on the customer's account.

This same process is used if the NSF check had been applied to an invoice and the remainder as an advance deposit.

1. Navigate to the customer record, highlight Invoices from the customer tree, right-click to create a new invoice.

2. Select the Invoice Item NSF Bank-xxx. You may edit the description on this invoice line to include the original invoice number. Enter the total amount of the check that was returned.

3. On line two of the invoice, select the Invoice Item NSF Fee. Enter the amount of the fee you are charging to the customer. Skip this step if you will not be charging your customer and NSF fee.

4. Select the Invoice Description of NSF.

5. In the Aging Date field you may enter the aging date of the original invoice to which the NSF payment was applied. When finished, click the *Save* button to post the invoice.

6. Lastly, apply the unapplied cash or advance deposit to the miscellaneous invoice you just saved. Once this has been applied, the invoice amount should total the original invoice amount plus an NSF fee if you opted to charge that type of fee to the customer.

NSF Check Applied to Unapplied Cash or Advance Deposit

In this situation the NSF check had been to unapplied cash or an advance deposit. Then end result of this process will credit the bank account for the amount of the NSF check, remove the unapplied cash on the customer's account, and invoice the customer for an NSF fee.

1. Navigate to the customer record, highlight Invoices from the customer tree, right-click to create a new invoice.

2. Select the Invoice Item NSF Bank-xxx. Enter the total amount of the check that was returned.

3. On line two of the invoice, select the Invoice Item NSF Fee. Enter the amount of the fee you are charging to the customer. Skip this step if you will not be charging your customer and NSF fee.

4. Select the Invoice Description of NSF. When finished, click the *Save* button to post the invoice.

5. Lastly, apply the unapplied cash or advance deposit to the miscellaneous invoice you just saved. Once this has been applied, the invoice balance should total just the NSF fee if you opted to charge that type of fee to the customer, otherwise the invoice will be paid off with the unapplied cash or advance deposit.

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