

QuickBooks® Online Newsletter

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FROM THE OFFICES

FORTUNE ACCOUNTING

1825 ALLENTOWN RD

LIMA OH 45805

419-516-4435

EMAIL: staff@fortuneaccounting.com

WEBSITE: www.fortuneaccounting.com

What Is a Vendor Credit, and How Do You Record One?

Whether you're getting a vendor credit for a refund or a return, you can record it in QuickBooks Online.

When you're dealing with your company's vendors, you're probably accustomed to money flowing in one direction: theirs. Maybe you send them purchase orders and they send you invoices. Or they send you bills and you pay them. Or you walk into a store and buy something your business needs.

Sometimes, though, vendors owe *you* money. Probably the most common scenario is a return of merchandise, products that you've sent back to the supplier for any of a variety of reasons. You may be issued a credit of some kind simply because you've been a loyal customer, and a vendor wants to reward you. You might also get a rebate for an item you bought.

In these cases, you'll enter a **Vendor Credit** in QuickBooks Online, which you can apply the next time you buy something from that supplier. Usually, the process is pretty straightforward, but sometimes situations arise that may make it hard for you to know how to record a vendor credit accurately. We can help if this happens.

Simple Steps

Let's start with a simple example. Let's say you received a shipment of pens that you'd planned to use as promotional items for your salespeople. The ink on some of the pens had gotten smudged, so your company email address printed on them was illegible. The supplier issued you a credit of \$50.00 for future purchases, and sent you a reference number to use.

Vendor Credit #PC 873510-15

Promotion City

Mailing address

Promotion City
One Beach Road
Cape Coral, FL 33904

Payment date

08/04/2017

▼ Account details

#	ACCOUNT	DESCRIPTION	AMOUNT
+	1 Promotional	Spoiled pens	50.00

*It's easy to complete a **Vendor Credit** form in QuickBooks Online for a simple credit. But other situations are more complicated.*

Here's how it would work. Click the + (**plus**) sign in the upper right corner of the screen and select **Vendors | Vendor Credit**. A screen like the partial one pictured above would appear. These are the fields you would need to complete:

Vendor – Click the down arrow in the field in the upper left corner and select the correct vendor, or + **Add New**.

Payment date – Change the default date if it's not correct.

Ref no. – Enter a reference number if applicable.

Under **Account details**, click in the field under **Account**, and open the drop-down list by clicking the down arrow on the right. Select the account you used when you created the original expense. Enter a **Description** and the **Amount** of the credit.

You can add a **Memo** in the box at the bottom of the screen if you'd like, and select any **Attachments** to include from your file directories. Otherwise, click **Save and close** or **Save and new**.

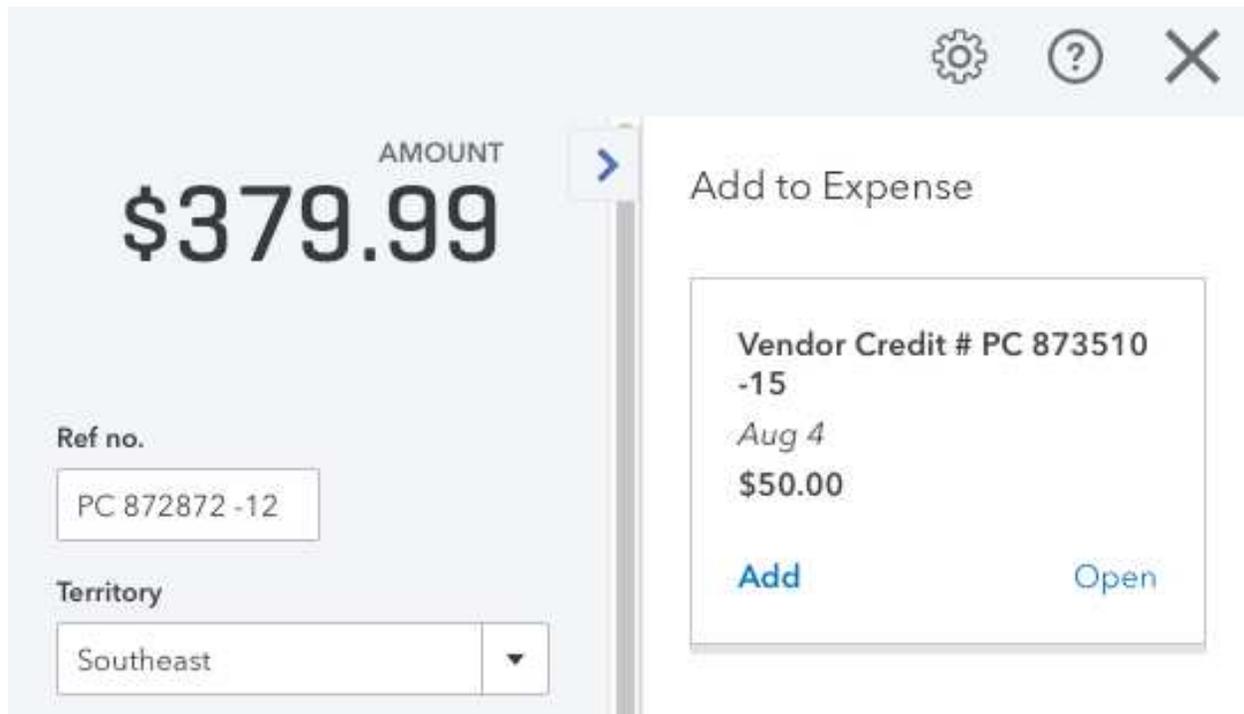
Additional Input

There's much more to the **Vendor Credit** screen that you didn't need to consider for this example. The row where you entered **Account**, **Description**, and **Amount** contains several additional fields that you may need to complete in some cases. They are **Billable**, **Markup %**, **Tax**, **Customer**, and **Class**. If you're not sure when these fields are required, ask us to go over these concepts with you.

There's also another section under **Account Details** you may need to address: **Item Details** (click the arrow to open if necessary). You would only enter information here if you're returning items to a vendor. Fields displayed there include **Product/Service**, **Qty** (quantity), **Rate**, and **Sales Amt** (amount). We don't recommend that you do this the first time on your own; let us help.

Using Your Credit

How do you redeem this credit? QuickBooks Online reminds you to use it.



*QuickBooks Online records your **Vendor Credits** and reminds you that they're there when you go to pay that vendor again.*

The next time you enter a transaction that involves—or will involve—sending that vendor some money, you'll see a record of that credit to the right of the **Check** or **Expense** screen, for example. In the image above, a small box has opened as soon as the vendor's name was selected. You can **Add** that credit to the current transaction or **Open** it if you want to see the original screen.

Not everyone uses **Vendor Credits**. Some businesses find workarounds. But we recommend you at least understand when and how they're used so your bookkeeping is accurate and precise. We'd be happy to spend some time with you going over your financial relationship with vendors, and how QuickBooks Online helps you document it.