



Article # 1169

Technical Note: How to Reverse a Sales Invoice Created in a Prior Period

Difficulty Level: Intermediate AccountMate User

**Version(s) Affected: AccountMate Version 7 for SQL and Express
AccountMate Version 6.5 for SQL and MSDE
AccountMate Version 6.5 for LAN**

Module(s) Affected: AR, RA

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DESCRIPTION

A sales invoice, whether outstanding or fully paid, can no longer be amended using the Amend Invoice function if it was created in a prior period. This is because journal entries related to the invoice were already posted in the GL module when the period was closed.

To reverse or amend this type of invoice, you must perform procedures other than the amend option in the Create Invoice function. This Technical Note discusses the options you can use to reverse sales invoices created in a prior period, and the effects each option has on the customer and GL Account balances.

SOLUTION

A. Invoice Date and Create Date

You are allowed to amend or void a sales invoice with an invoice date that belongs to a prior period for as long as it is created in the current period. Likewise, an invoice that was created in a prior period but with invoice date in a current or future period can also be amended or voided. These transactions have not been posted into the GL module.

B. Reversing the Invoice

There are different ways to reverse a sales invoice in AccountMate. Discussed below are some of the alternative ways besides voiding or amending an invoice through the Create Invoice function.

1. Applying a Sales Return

Creating a sales return will increase the customer's open credit, thereby decreasing its overall balance; however, it does not reverse the sales invoice.

To reverse, apply the sales return to the sales invoice through the Apply

Payment function.

AccountMate allows you to create a sales return that you can relate to an invoice (Create Sales Return with Invoice #) or without relating to an invoice (Create Sales Return without Invoice #).

2. Applying Full Adjustment

Applying full adjustment to an invoice will decrease the customer's outstanding balance and remove the invoice from the list of outstanding customer invoices. Note that the journal entry for the adjustment (see C-2) does not affect inventory balances because there is really no inventory returned on this transaction.

To reverse a sales invoice using this procedure, follow these steps:

- a. Access the Apply Payment function.
- b. Select the desired invoice.
- c. Double click the italicized Adjustment header.
- d. Enter the entire invoice amount in the Adj Amt field.
- e. Define the desired GL Account ID to be used in the transaction.
- f. Close the window and Save.

3. Applying the Credit Invoice generated from the RMA transaction (Applies to AccountMate Version 6.5)

The user has the option to generate a credit invoice when an RMA transaction is created if the Restock and Credit return action is used. This will increase the customer's open credit balance, thereby decreasing its overall balance. You can also require the system to make reference to the sales invoice when creating an RMA transaction by marking the Require AR Invoice # for all Line Items checkbox in the RMA Options tab of the RA Module Setup function.

To reverse, apply the credit invoice to the sales invoice through the Apply Payment function.

C. Journal Entries Generated from Reversing an Invoice

When an invoice is reversed, journal entries are generated. Shown below are the journal entries that will be generated for each option discussed above:

1. Sales Return

Entry to record the sales return:

DR Sales Returns xxx
DR Inventory xxx
CR Accounts Receivable xxx
CR Sales Discount/Adjustment reversals xxx
CR Cost of Goods Sold reversal xxx

Entry to record price adjustments (if any):

DR/CR Inventory xxx
DR/CR Cost Adjustments xxx

Entry when you apply the open credit (sales return) to the invoice:

DR Accounts Receivable – Sales Returns xxx
CR Accounts Receivable – Invoice xxx

2. Applying an Adjustment

Entry to record the adjustment:

DR Adjustment (User-defined GL Account ID) xxx
CR Accounts Receivable xxx

3. Creating an RMA transaction

JE Entry to record the RMA transaction:
None

Entry to record the credit invoice upon completion of the RMA transaction:

DR Sales Returns xxx
DR Inventory xxx
DR Freight expense xxx
CR Accounts Receivable xxx
CR Cost of Goods Sold xxx

Entry to record the application of credit (RMA credit invoice) to the invoice:

DR Accounts Receivable – RMA Credit Invoice xxx
CR Accounts Receivable – Invoice xxx

In order to prevent data corruption, transactions that affect the GL module can no longer be amended after they are posted. Performing period-end closing will cause the system to post journal entries into GL for transactions (i.e., sales invoices) dated up to the period being closed.

AccountMate provides alternative procedures for the user to reverse this type of invoice. After the reversal, a new invoice may then be created to replace the old one.

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