Understanding Adjustment Invoices

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This guide explains adjustment invoices and how to use them to adjust invoices that have been opened. It is intended for advanced users.

Invoices create general ledger (i.e. accounting) entries when they are opened. Editing an invoice that has been opened would, therefore, require changing accounting entries that may have already appeared in financial reports. For this reason, aACE does *not* allow users to edit invoices once they have been opened; they can only be edited while they are in a Pending status. (Note: This same rule applies to other transactions that generate general ledger entries, such as purchases, disbursements, etc.)

However, some business cases require changes to be made to an invoice after it has been opened. Adjustment invoices fill this need. They do not carry their own balance, but instead affect the balance on the invoice they are adjusting (i.e. the 'parent' invoice). And most importantly, they help preserve a clear audit trail of all changes. Even if adjustment invoices are created on different dates by different users, each change can be easily reviewed.

Adjustment invoices can be used to:

- Record a price adjustment
- Record a credit for a customer (e.g. process a return or an order cancellation)
- Print a credit memo

When you create an adjustment invoice, the default state is for aACE to initially generate a full reversal of the parent invoice. Then you can edit the adjustment to only change the values you want updated.

Note: Adjustment invoices *cannot* be opened in a closed <u>accounting period</u>

(https://aace5.knowledgeowl.com/help/period-management-preferences). If you need to adjust an invoice that is in a closed period, there are two options. One, you can create the adjustment invoice and manually change the record date to an open period. Or two, you can request your controller to re-open the period, then create the adjustment invoice. Your choice depends on when the changes need to be reflected in the books. You may need to consult with your controller to choose the best option.

Examples of Using an Adjustment Invoice

Fully Reversing an Invoice

Suppose a customer is unable to pay for product they recently ordered. You determine that you will not be receiving payment and that the best way to resolve the situation is to simply reverse the outstanding invoice.

					,				01 2	
Invo	ice Details						Notices !	Email	ls 🞽 🛛 🛛	Docs
Bill To			=" *	Description		🔁 Payment Co	omments			
Customer (B	SIII To) >	Contact >								
Shea Towr	nship School	Julia Delaney								
Recur Trans	action >	Order >								
		50089 Shea T	ownship School	Additional Info						
Cust PO #	Billing Terms	Invoice Due	Pmt Expected	FedEx Ground						
	Net 30	12/18/20	12/18/20							
1 > W	S-001	ŀ	King Lear	* > 50089	10	14.08	0.00	140.80	DEF	×
	s (Payments)	Adjustme	ents Refunds			Subtotal Adjustment Total	:	140.80 0.00 140.80	0	
Receipt			a second D of	Memo	Amount	Shipping	5.99	0.00		
Receipt		Date P	ayment ker		^	Tax	DEF	0.00	Exempt	

Your A/R rep locates the open invoice for that order:

At the detail view, she uses the Actions menu to create a credit/adjustment invoice. (Note: She could also create an adjustment invoice by clicking the Plus icon on the Adjustments tab.) The adjustment invoice in its default state fully reverses the values from the original invoice and provides a link to that invoice in the footer:

•					Invo	ices					
Record: 2	2 of 2							Nev	v 🖶 Edit 🖋 Delei	te 🗶 🛛 Print	Actions 7
Invoic	e: 501:	13	Credit//	Adjust In	v #5011	.1		1	1/18/20	P	ENDING 🧲
Adjustr	nent Details								Notices 🤑	Emails	Docs (
Bill To			=" *	Description				Payment	Comments		
Customer (Bil	ll To) >	Contact >									
Shea Town	ship School	Julia Delaney	Q,								
Recur Transa	ction >	Order >									
		50089 Shea To	ownship School	Additional In	fo						
Cust PO #	Billing Terms	Invoice Due	Pmt Expected								
1 > WS	e Item Code 5-001	K	escription ing Lear		order ★ > 50089		Quantity -10	14.08	0.00	-140.80 D	EF X
1 > WS	5-001	K م	ing Lear		★ > 50089		-10	14.08	0.00	-140.80 D	EF X
								Subtotal		-140.80	3
								Adjustme	nt	0.00	
								Iotal	-5.00	-140.80	
								 Tax 	DEF	0.00	Exempt
								Grand To	tal	140.80	
i 🖈 De	ept AI-A/P	Q, Assigne	ed To Alexis Kohn	Q Tracking Status		Adj Invoice >	50111 Shea Tov	wnship School District	>	Cance	al Save

With the new, fully reversed adjustment, the A/R rep could edit the items or the quantities to reflect the appropriate entry. For this example, the invoice needs to be reversed in its entirety, no changes are required. She clicks Save and aACE displays a message summarizing how the adjustment invoice will affect its parent invoice:

000	Message
Open this adjust Invoice #50111 v	ment for -140.80? The adjusted balance of vill be 0.00.
	Not Yet Open

The message highlights that the balance of the parent invoice will be reduced to zero. She clicks Open, then aACE processes and closes both the adjustment invoice and the parent invoice. The order record's Billing tab shows the invoicing history and zero balance:

		· ·					
Sales Or	der Ma	anagement Job Costs & Ap	provals		Notices 🧧	Emails 🗹	Docs
Overview	Billing	Procurement Fulfillment	Shipping				
nvoices				$ \land $			
Invoice	Date	Title	Bill Terms	Grand Total	Balance Pmt Exp Tracking Status		Status
> 50111	11/18/20	Shea Township School District	Net 30	140.80	0.00 12/18/20	*	0
> 50113	11/18/20	Credit/Adjust Inv #50111	Credit/Adjustment	-140.80	0.00 11/18/20	*	• •
				0.00	0.00		
r ogress Bil Jate	Invoice Title	Invoid	e Description		Item Desc A	amt/Pct Invoice	×
					=		

Note: For more info about handling this kind of situation, see our guide on <u>writing off bad</u> <u>debt (https://aace5.knowledgeowl.com/help/writing-off-bad-debt)</u>.

Partially Reversing an Invoice

Suppose a customer sends in a rush order. A \$20 charge for same-day shipment is added; however, other factors slow the order down slightly. When the customer receives the invoice, they dispute the rush charge, but agree to pay half the amount since the order did arrive earlier than normal. The rush charge can be modified using an adjustment invoice.

Your A/R rep locates the open invoice for that order:

nvoi	ce: 501	43 Ulys	ees S. Gra	nt Middl	e School 03/	04/2021				OPE	N (
Invo	pice Details							Notices	🔒 Emai	ls 🞽	Doc
ill To			= *	Description	I		🛨 Payment	Comments			
Customer (B	Bill To) >	Contact >									
Jlysees S.	. Grant Middle	Rayna Black									
Recur Trans	saction >	Order >									
		50241 Ulysee	s S. Grant Middle	Additional	Info						
Cust PO #	Billing Terms	Invoice Due	Pmt Expected	Rush fee \$2	0 applied						
	Net 30	04/03/21	04/03/21	FedEx Expre	ess Saver						
1 > T	B-LIT102		The Complete Works o	f Shakespeare	* > 50241	20	104.99	0.00	2,099.80	OUT	ж
2 > R	USH		Billing Adjustment		* > 50241	1	20.00	0.00	20.00	OUT	×
							Subtotal		2,119.80	~	
Receipt	ts (Payments)	Adjustm	ents Refunds				Subtotal Adjustme Total	ent	2,119.80 0.00 2,119.80	0	
Receipt	ts (Payments)	Adjustm Date I	ents Refunds	Memo		Amount	Subtotal Adjustme Total Shipping Tax	ent 14.99 OUT	2,119.80 0.00 2,119.80 16.49 0.00	Exemption	
Receipt	ts (Payments)	Adjustm Date I	ents Refunds	Memo		Amount	Subtotal Adjustmo Total Shipping Tax Grand To	14.99 OUT	2,119.80 0.00 2,119.80 16.49 0.00 2,136.29	 Exemption 	t

At the detail view, she uses the Actions menu to create a credit/adjustment invoice:

					Invoices						
Record	rd: 2 of 2						N	ew 🖶 🛛 Edit 🖋 D	elete 🗶 🛛 P	rint 📇 🛛 Act	tions
[nvo	oice: 501	52	Credit//	Adjust Ir	אר #50143		(03/03/21		PENDIN	IG 🤇
Adjus	istment Details							Notices	🤥 Ema	ails <mark></mark> 🛛 I	Docs
Bill To			=* *	Description			💿 Payment	Comments			
Customer	r (Bill To) >	Contact >									
Ulysees S	S. Grant	Rayna Black	Q,								
Recur Trar	ansaction >	Order >									
		50241 Ulyse	es S. Grant Middle	Additional 1	Info						
Cust PO #	# Billing Terms	Invoice Due	Pmt Expected								
	Credit/Adjust	03/03/21	03/03/21								
Q	Line Item Code		Description		Order	Quantity	Unit Price	Unit Adj	Total	Tax Profile	×
٩	Line Item Code		Description		Order	Quantity	Unit Price	Unit Adj	Total	Tax Profile	×
2 >	Line Item Code TB-LIT102 RUSH		Description The Complete Works of Billing Adjustment	of Shakespeare	Order ★ > 50241 ★ > 50241	Quantity -20 -1	Unit Price 104.99 20.00	Unit Adj 0.00 0.00	Total -2,099.80 -20.00	Tax Profile OUT OUT	× × ×
1 > 2 >	Line Item Code TB-LIT102 RUSH	Q	Description The Complete Works of Billing Adjustment	of Shakespeare	Order ★ > 50241 ★ > 50241	Quantity -20 -1	Unit Price 104.99 20.00	Unit Adj 0.00 0.00	Total -2,099.80 -20.00	Tax Profile OUT OUT	×××
	Line Item Code TB-LIT102 RUSH	Q	Description The Complete Works of Billing Adjustment	of Shakespeare	0rder ★ > 50241 ★ > 50241	Quantity -20 -1	Unit Price 104.99 20.00 Subtota	Unit Adj 0.00 0.00	Total -2,099.80 -20.00	Tax Profile OUT OUT	×××
New @ Cat @ Deck @ Deck @ Work@ Actions @ Invoice: 50152 Credit/Adjust Inv #50143 03/03/21 PENDING @ Adjustment Details Notces @ Enails @ Decc Image: Single: Rayne Black Rayne Black											
	Line Item Code TB-LIT102 RUSH	Q	Description The Complete Works of Billing Adjustment	of Shakespeare	0rder ★ > 50241 ★ > 50241	Quantity -20 -1	Unit Price 104.99 20.00 Subtota Adjustrr Total Shippin	Unit Adj 0.00 0.00	Total -2,099.80 -20.00 -2,119.80 0.00 -2,119.80 -16.49	Tax Profile OUT OUT	×××
	Line Item Code TB-LT102 RUSH	Q	Description The Complete Works of Billing Adjustment	of Shakespeare	Order オ > 50241 オ > 50241	Quantity -20 -1	Unit Price 104.99 20.00 Subtota Adjustr Total Shipping Q Tax	Unit Adj 0.00 0.	Total -2,099.80 -20.00 -2,119.80 0.00 -2,119.80 -16.49 0.00	Tax Profile OUT OUT OUT CUT CUT	* *
	Line Item Code TB-LT102 RUSH	Q	Description The Complete Works of Billing Adjustment	of Shakespeare	Order オ > 50241 オ > 50241	Quantity -20 -1	Unit Price 104.99 20.00 Subtota Adjustrr Total Shipping Gand T	Unit Adj 0.00 0.	Total -2,099.80 -20.00 -20.00 -2,119.80 0.00 -2,119.80 -16.49 0.00 -2,136.29	Tax Profile OUT OUT CUT CUT CUT CUT CUT CUT CUT CUT CUT C	***
	ILERITOR CODE TB-LIT102 RUSH	٩	Description The Complete Works of Billing Adjustment	of Shakespeare	Order オ > 50241 オ > 50241	Quantity -20 -1	Unit Price 104.99 20.00 Subtota Adjustr Total Shippin Grand T	Unit Adj 0.00 0.00 1 1 9 -14.99 OUT Total	Total -2,099.80 -20.00 -2,119.80 -2,119.80 -2,119.80 -16.49 0.00 -2,136.29	Tax Profile OUT OUT C C C C C C C C C C C C C C C C C C C	***

On the adjustment, she edits the items and quantities to reflect the appropriate credit entry. For this example, only part of the rush charge needs to be reversed. She clicks the Delete icon (*****) to remove the textbooks, then also clears the Shipping values. The Unit Price on the invoice item cannot be modified (see below for details), so she updates the Quantity from -1 to -.5:

					Invoices							
Record: 2												
Invoic	e: 5015	52	Credit/	Adjust In	v #50143			03	/03/21		PENDING	i 🔵
Adjustr	nent Details								Notices !	Emails	s 🔛 🛛 Do	ocs (
Bill To			= *	Description				Payment Co	mments			
Customer (Bil	To) >	Contact >										
Ulysees S. (Grant	Rayna Black	Q									
Recur Transa	ction >	Order >										
		50241 Ulysee	s S. Grant Middle	Additional Ir	ıfo							
Cust PO #	Billing Terms	Invoice Due	Pmt Expected									
	Credit/Adjust	03/03/21	03/03/21									
1 > RU	ISH		Billing Adjustment		★ > 50241	(-0.5	20.00	0.00	-10.00		e
1 - KU	50	Q	billing Aujustment		x > 30241		-0.3	20.00	0.00	-10.00		•
							\bigcirc					
								Subtotal		-10.00	2	
								Adjustment		0.00	2	
								Total	0.00	-10.00		
								Shipping	0.00 OUT	0.00	Exempt	
								Grand Total		-10.00	Literige	

When she clicks Save, aACE displays a message summarizing how the adjustment invoice will affect the parent invoice:

	Message
Open this a Invoice #50	djustment for 19.00? The adjusted balance of 143 will be 2,126.29.
	Not Yet Open

The message highlights that the balance of the parent invoice will be reduced by \$10.00. She clicks Open, then aACE processes and closes the adjustment invoice. The order record's Billing tab shows the invoicing history and balance:

Color C 1								
Sales Ord	er Ma	anagement Job Costs & Ap	provals			Notices 😣	Emails 🔛	Docs
Overview	Billing	Procurement Fulfillment	Shipping					
nvoices				\frown				
Invoice	Date	Title	Bill Terms	Grand Total	Balance Pmt Exp	Tracking Status		Status
> 50143	03/04/21	Ulysees S. Grant Middle School	Net 30	2,136.29	2,126.29 04/03/21	Sent via Email	*	
> 50152	03/03/21	Credit/Adjust Inv #50143	Credit/Adjustment	-10.00	0.00 03/03/21		*	
				2,126.29	2,126.29			
				\smile				
rogress Billin	ng	Invoic	e Description		Item	Desc Amt/P	rt Invoice	~
		11100	e beschpeen		Ξ	, Anger		

Changing Quantities vs Changing Prices

While you can edit quantities on an invoice that has been opened, aACE does *not* allow users to directly edit prices for lines tied to the parent invoice. This constraint helps keep records clear and reporting accurate.

For example, suppose the last unit of an item was sold for \$80, but was damaged en route and a reduced price of \$60 was negotiated. The parent invoice would show Quantity '1' and Unit Price '\$80'. The A/R rep might create various adjustment invoices affecting *both* the quantity and price, but they would not match the reality:

Adjusted Qty	Adjusted Price	Reporting Impact
-1	\$20	The net quantity on the sale is zero; the revenue is \$60.
1	-\$20	The net quantity on the sale is two; the revenue is \$60.

Neither of these results are accurate. We need the records to match the reality — one unit sold for \$80 and then granted a \$20 credit. This is of critical importance for keeping sales reports reliable because many organizations use these reports to guide their decision-making.

When you adjust an invoice, the best method for handling updated values or new charges (e.g. damaged goods, a restocking fee, etc) is usually to add a new line using a line item code specifically for that charge. This allows you to control both quantity and price.

Suppose a customer bought a textbook for \$60.00. When the customer received it, they saw that it was damaged, so they demanded a price reduction of -\$20.00. The customer service rep created an adjustment invoice which initially fully reversed the invoice. She removed the textbook from the adjustment invoice, added the appropriate line item code for the rebate, set the adjustment item Unit Price to -\$20.00, then cleared the shipping and tax values:

					Invoices					
Record:	25 of 25						Ne	w 🖶 Edit 🖋 Deleti	e 🗶 🛛 Print i	Actions
Invoi	<mark>ce:</mark> 5018	34	Credit/A	djust In	v #50183		(3/26/21	PE	NDING
Adjust	tment Details							Notices 🔒	Emails	Doc:
Bill To			=" *	Description			• Payment	Comments		
Customer (E	Bill To) >	Contact >		Discount for	damaged textbook					
Lewiston H	High School	Ernest Chang	Q							
Recur Trans	saction >	Order >								
		50253 Lewisto	on High School	Additional I	nfo					
Cust PO #	Billing Terms	Invoice Due	Pmt Expected							
	Credit/Adjust	03/26/21	03/26/21							
1 > D	G	م ت	Damaged Goods Rebate		* > 50253	1	-20.00	0.00	-20.00 OU	л 🗙
		-								
							Subtotal Adjustm	ent	-20.00 C	
							Subtotal Adjustm Total	ent a ao	-20.00 C 0.00 C -20.00	
							Subtotal Adjustm Total Shipping Q Tax	ent	-20.00 (2) 0.00 (2) -20.00 0.00 0.00	Exempt
							Subtotal Adjustm Total Shipping Q Tax Grand T	ent 0.00 007 017	-20.00 (2) 0.00 (2) -20.00 0.00 (2) -20.00	Exempt

When she opened the adjustment invoice, the balance on the parent invoice was reduced accordingly. The order's Billing tab shows the invoice history:

Sales	rder M	nagement lob Costs &		-		Notices (Emails X	Dee	
Sales U	ruer Mo	Jub Costs a	Approvais			Nouces 😗		DOC	5 (6
Overview	Billing	Procurement Fulfillment	Shipping						×
nvoices									
> 50183	03/25/21	Lewiston High School	Net 30	106.58	86.58 04/24/21	To Be Sent	*	Status	^
> 50184	03/26/21	Credit/Adjust Inv #50183	Credit/Adjustment	-20.00	0.00 03/26/21		*	0	
									~
				86.58	86.58				~
rogress Bi	Iling Invoice Title	Invol	ce Description	86.58	86.58 Item (Desc Amt/Pc	t Invoice	×	×

Voiding an Invoice

Voiding an invoice can resolve some situations easily. For example, suppose you wanted to fully reverse an invoice (as described above) with fewer steps. Or perhaps a large number of changes needed to be made to an invoice and it would just be easier to recreate it.

When you void an invoice (Actions > Void Invoice), aACE automatically creates and opens an adjustment invoice that *fully reverses* the parent invoice.

Voiding and Replacing an Invoice

Suppose a customer requires a large number of changes on an invoice, but does not want to alter your invoice number that they have already entered in their system. aACE enables you to handle this easily.

At the invoice detail view, click Admin Actions (🕋) > Void and Replace Invoice. This feature automatically completes several actions:

- Adds the suffix 'V' to the original invoice ID (e.g. invoice #12345 becomes #12345V)
- Voids the original invoice
- Duplicates the original invoice
- Transfers the original invoice ID to the duplicate invoice

• Leaves the duplicate invoice in Pending status where you can make changes

The order Billing tab will display the invoicing history, including the original invoice with the 'V' suffix, the voiding adjustment invoice, and the new, duplicated invoice:

					,	-,,					
Sales O	rder M	lanagement	Job Costs & /	Approvals					Notices 😣	Emails 🞽	Docs (
Overview	Billing	Procurement	Fulfillment	Shipping							
voices											
Invoice	Date	Title		Bill Terms	Grand	i Total	Balance P	mt Exp	Tracking Status		Status
50165V	03/16/21	Susan Anderso	n Elementary Scho	ool Net 30	2,0	99.79	0.00 0	4/15/21		*	0
50166	03/16/21	Void Inv #501	65	Credit/Adj	stment -2,0	99.79	0.00 0	3/16/21		*	
50165	03/16/21	Susan Anderso	n Elementary Sch	ool Net 30	2,0	99.79	0.00 0	4/15/21		*	
						0.00	0.00				
ogress Bi	lling						0.00				
ate	Invoice Title		Invoid	e Description				Item	Desc Amt/	Pct Invoice	×
								3			1

Correcting Errors

After you adjust an invoice, you might realize you made a mistake. There are two general ways of correcting an adjustment invoice: void the adjustment so you can start over or adjust the adjustment.

Voiding an Adjustment Invoice

This is often the best solution because it keeps the adjustment requirements simple, rather than creating a new record to modify a second record in order to modify a third record.

Suppose that in the example used above, where a -\$20.00 credit should have been applied to an invoice for a damaged textbook, instead the A/R rep accidentally created an adjustment for \$20.00, increasing the invoice balance. After she recognizes the error, she locates the order again and reviews the Billing tab:

ler Ma	anagement Job Costs	& Approvals			Notices 🖖	Emails 🔛	Docs
Billing	Procurement Fulfillme	ent Shipping					:
Date	Title	Bill Terms	Grand Total	Balance Pmt Exp	Tracking Status		Status
03/24/21	Lewiston High School	Net 30	106.58	126.58 04/23/21	To Be Sent	*	
03/25/21	Credit/Adjust Inv #50185	Credit/Adjustment	20.00	0.00 03/25/21		*	
			126.58	126.58			
Invoice Title	Ir	voice Description		Item	Desc Amt/P	ct Invoice	×
	er Mi Billing Date 03/24/21 03/25/21	Billing Procurement Job Costs Billing Procurement Fulfillme Date Title 03/24/21 Lewiston High School 03/25/21 Credit/Adjust Inv #50185	Billing Procurement Fulfillment Shipping Date Title Bill Terms 03/24/21 Lewiston High School Net 30 03/25/21 Credit/Adjust Inv #50185 Credit/Adjustment	Billing Procurement Fulfillment Shipping Date Title Bill Terms Grand Total 03/24/21 Lewiston High School Net 30 106.58 03/25/21 Credit/Adjust Inv #50185 Credit/Adjustment 20.00 Invoice Title Invoice Description	Billing Procurement Fulfillment Shipping Date Title Bill Terms Grand Total Balance Pmt Exp 03/24/21 Lewiston High School Net 30 106.58 126.58 04/23/21 03/25/21 Credit/Adjust Inv #50185 Credit/Adjustment 20.00 0.00 03/25/21 Invoice Description Item I	Billing Procurement Fulfillment Shipping Date Title Bill Terms Grand Total Balance Pmt Exp Tracking Status 03/24/21 Lewiston High School Net 30 106.58 126.58 04/23/21 To Be Sent 03/25/21 Credit/Adjust Inv #50185 Credit/Adjustment 20.00 0.00 03/25/21 Invoice Title Invoice Title Invoice Description Item Desc Amt/P	Grad Total Balance Pmt Exp Tracking Status 03/24/21 Lewiston High School Net 30 106.58 126.58 04/23/21 To Be Sent * 03/25/21 Credit/Adjust Inv #50185 Credit/Adjustment 20.00 0.00 03/25/21 *

She clicks the goto link for the incorrect adjustment invoice. At the adjustment invoice detail view, she clicks Actions > Void Invoice. aACE prompts for a reversal date, then completely reverses the adjustment, returning the order to its initial values:

Salas Or	der Ma	in a contraction of the contraction	Approvale			Nations	Empile	Door
Sales Or	der Ma	inagement Job Costs a	& Approvais			Notices 😝	Emails M	Docs
Overview	Billing	Procurement Fulfillmer	nt Shipping					
nvoices								
Invoice	Date	Title	Bill Terms	Grand Total	Balance Pmt Exp	Tracking Status		Status
> 50185	03/24/21	Lewiston High School	Net 30	106.58	106.58 04/23/21	To Be Sent	*	
> 50186	03/25/21	Credit/Adjust Inv #50185	Credit/Adjustment	20.00	0.00 03/25/21		*	
> 50187	03/25/21	Void Adj #50186	Credit/Adjustment	-20.00	0.00 03/25/21		*	
				106.58	106.58			
rogress Bil	ling							
Date	Invoice Title	Inv	oice Description		Item	Desc Amt/	Pct Invoice	×

At this point, the A/R rep can create the proper adjustment for the parent invoice.

Voiding Multiple Adjustment Invoices

If there are multiple adjustment invoices that you need to void, you can take care of them at one time from the invoice list view. Remove any invoices that don't need to be reversed, then click Actions > Void Invoices in List.

Adjusting an Adjustment

At times, it may be simple to create a second adjustment. Before you begin, make sure you have a clear understanding of what the end result should look like. To get a clearer picture of the data, you can review the LICs on the invoices:

- 1. At the Invoices module list view, filter the list to show the original invoice and the current adjustment invoice(s).
- 2. Click the footer link for **Related Records** > **Invoice Items**.
- 3. At the Invoice Items module, click the **Line Item Code** column to sub-summarize the list.

aACE displays the net quantities and values for each LIC included on the invoices. This can help you discern what changes are needed to correct the situation.

Using an earlier example again, suppose a textbook was sold, but was damaged en route. A - \$20.00 credit should have been applied to the invoice, but instead \$20.00 was *added* to the total. When the A/R rep recognizes the error, she can search the Invoices module for the needed Order number, then review the Invoice Items module to see where things stand:

						Invoice Items								۵
🔷 Record: 2	of 2								New 🖶	Edit 🖋	Delete 🗙	Print 🖶	Actions 🖈	
Invoic	e Items	Control Inc.	line There Gode											
	e nems	Sorted by	Line Item Code											
Line Item Co	de O Cor	le Type	Description	Order	Invoice	Invoice Date	Customer O	Quantity	Unit Price	Unit Adi	Tota	I Toy Sta	tue	1
DG Damaged	Goods Rebate	ie Type	Description	order	Invoice	Invoice Date	customer	Quantity	onicrite	onic Auj	100	1 110 500	cus	-
> DG	Mis	c	Damaged Goods	* > 50254	> 50186	03/25/21	Lewiston High	1	20.00	0.00	20.0	CLOSE	- - -	
DG Damaged Goo	ods Rebate		-					1			20.0)		-
TB-LIT102 The	e Complete Wo	rks of Sha	kespeare											
> TB-LIT102	Tex	tbook	The Complete	* > 50254	> 50185	03/24/21	Lewiston High	1	99.99	0.00	99.9	9 OPEN	🛛 🕂 - 🕞	-
TB-LIT102 The C	omplete Works of	Shakespeare	2					1			99.9	Ð		
List Totals								2			119.9	9		
Show All R	Related Records	,												

This shows that to reach the end goal of a -\$20.00 deduction on the textbook invoice, she must create an adjustment invoice for -\$40.00. Half that amount will balance out the mistaken adjustment, then the other half will reduce the original invoice as agreed. At the original invoice, she creates a new adjustment invoice for -\$40.00.

•				Invoices				_		_
Record: 3 of 3						N	ew 🖶 🛛 Edit 🔗 Delet	te 🗶 🛛 Pr	int 🖶 🛛 Acti	ions ;
Invoice: 501	88	Credit/A	Adjust In	ıv #50185		(03/25/21		PENDING	g 🤇
Adjustment Details							Notices !	Emai	ls 🞽 🛛 🖸	ocs
Bill To		=" *	Description			🕒 Payment	t Comments			
Customer (Bill To) >	Contact >		Correcting mi	istake on first adjustment						
Lewiston High School	Ernest Chang	Q								
Recur Transaction >	Order >									
	50254 Lewiston	h High School	Additional I	nfo						
Cust PO # Billing Terms	Invoice Due	Pmt Expected								
Ust PO # Billing Terms Credit/Adjust Novoice Items Une Item Code	03/25/21	Pmt Expected 03/25/21		Order	Quantity	Unit Price	Unit Adj	Total	Tax Profile	×
Aust PO # Billing Terms Credit/Adjust Credit/Adjust Une Item Code 1 > ADJ	03/25/21	Print Expected 03/25/21 escription lling Adjustment		0rder ★ > 50254	Quantity 1	Unit Price -40.00	Unit Adj 0.00	Total -40.00	Tax Profile OUT	×××
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After she saves and opens the adjustment invoice, she can verify things are correct at the order's Billing tab.

Note: If repeated adjustment invoices do *not* result in the changes you wanted, it may be best to void all the adjustments for a fresh start (see above) or to get help from your aACE partner. Re-adjusting invoices over and over can make an issue even harder to resolve.

Positive Adjustments

New charges can be added using an adjustment (e.g. a restocking fee).

Suppose a customer returns a unit that must be restocked. As described above, your A/R rep locates the open invoice and creates a credit/adjustment invoice. She edits the initial items and quantities, then adds a new line for an Adjustment LIC. She assigns this LIC a Unit Price equal to the restocking fee, saves the adjustment invoice, and opens it.

Handling Negative Balances After an Adjustment

Adjusting an invoice downward may result in a negative balance if the customer has already paid the invoice. You can handle this balance in three ways:

- Leave it as a <u>credit for future transactions</u> (https://aace5.knowledgeowl.com/help/applying-a-customer-credit-to-aninvoice)
- Issue a refund (https://aace5.knowledgeowl.com/help/processing-refunds-for-customer-payments)
- <u>Move the payment to another existing invoice (https://aace5.knowledgeowl.com/help/moving-a-customer-payment-from-one-invoice-to-another)</u> (or a portion of it)

Guidelines for Adjustment Invoices

To set up the adjustment invoice, it's often helpful to consider what the net value needs to be. In other words, the original order was the starting point, while subsequent changes to the order create a new end point — the adjustment invoice is the difference between the start and the end point.

Often you can identify the needed changes by going to the Orders module's Management view and reviewing the Overview tab. This may include values or quantities in the Invoiced column that need to match another value, such as the Shipped column. For example, suppose a customer ordered 20 units. The order was fully shipped and invoiced. But then three units were returned. The Shipped column would then show seventeen. Therefore, the net quantity of invoiced units should be seventeen, which means the adjustment invoice should show -3 units.

Events that Auto-generate an Adjustment Invoice

You can configure aACE system preferences to automatically generate a credit/adjustment invoice for certain situations, including:

- Receiving a return shipment
- Voiding an order or invoice
- Clicking the Request Refund link during the order process

In addition, your Billing preferences can help adapt this automatic functionality to your business policies (e.g. leaving auto-generated invoices pending).