

Issuing a Customer Credit

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This guide defines customer credits and explains how to create a standalone credit memo. It is intended for intermediate users.

A 'customer credit' in aACE is *any* invoice with a negative balance. A credit might occur because of a return, an overpayment, an order cancellation, etc. The customer can apply the credit as a [payment against other open invoices](http://aace5.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice) or they can request that it be [refunded](https://aace5.knowledgeowl.com/help/processing-refunds-for-customer-payments).

You can generate a customer credit in various ways:

- [Create an adjustment invoice](https://aace5.knowledgeowl.com/help/understanding-adjustment-invoices) (e.g. for returned product)
- [Process an overpayment](https://aace5.knowledgeowl.com/help/processing-customer-overpayments)
- Create a standalone credit memo (see below)

Issuing a Standalone Credit Memo

A standalone credit memo is not linked to any other transaction. It is a negative invoice created as a direct incentive for a specific customer.

Suppose that a long-time customer heard of a promotion you were offering, but they hadn't been able to participate in. When they asked about the deal, your team agreed that it was appropriate to reward them for their loyalty.

The A/R rep would go to the Invoices module and create a new invoice. She would specify the customer, note the reason for the credit, and use the appropriate line item code to enter the credit amount as a negative number:

Record: 28 of 28 Invoices New Edit Delete Print Actions

Invoice: 50225 **Cognitio** **05/04/21** **PENDING**

Invoice Details Notices Emails Docs

Bill To
 Customer (Bill To) > **Cognitio** Contact > **Samuel Johnson**
 Recur Transaction > Order >
 Cust PO # Billing Terms Invoice Due Pmt. Expected
 Net 30 **06/03/21** **06/03/21**

Description
 Credit memo to extend Bargain Days promotion

Payment Comments

Additional Info


Invoice Items

Line	Item Code	Description	Order	Quantity	Unit Price	Unit Adj	Total	Tax Profile
1	REW	Customer Reward		1	-250.00	0.00	-250.00	OUT

Subtotal: -250.00
 Adjustment: 0.00
 Total: -250.00
 Shipping: 0.00
 Tax: OUT 0.00
 Grand Total: -250.00

Dept: AI-A/R Assigned To: Alexis Kohn Tracking Status: Cancel Save

She saves and opens the invoice. When she prints the invoice to send a copy to the customer, the negative Grand Total prompts aACE to display the record as a credit memo:



aACME Education Solutions
 1238 Broadway, New York, NY 10001 (555) 418-9777

CREDIT MEMO
 Cognitio

Invoice # 50225
Date 05/04/21
Billing Terms Net 30
Date Due 06/03/21

Bill To
 Samuel Johnson
 Cognitio
 92347 South Polaris Dr.
 Portland, OR 97035

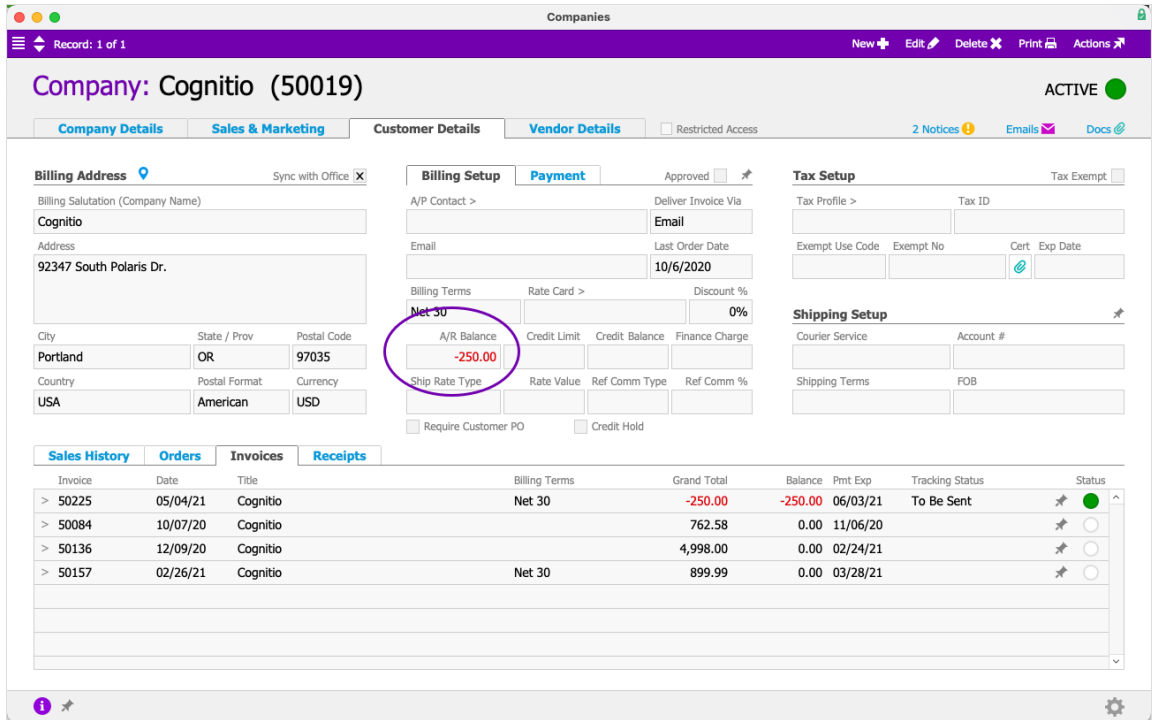
Description
 Credit memo to extend Bargain Days promotion

Invoice Items

Code	Description	Qty	Unit Price	Total
REW	Customer Reward	1	-250.00	-250.00

Subtotal -250.00
Shipping 0.00
Tax 0.00
Grand Total -250.00
Credits/Adjs 0.00
Receipts 0.00
Refunds 0.00
Balance -250.00

The reward credit also shows up as an A/R Balance on the customer's company record. This can help your sales staff to remind customers when they have a [credit to apply on subsequent orders](https://aace5.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice#ApplyCustomerCreditDuringPayment) (<https://aace5.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice#ApplyCustomerCreditDuringPayment>).



Credit Memos Isolated vs Integrated

Some business software solutions isolate credit memos from other invoices. However, we've found that presenting credits alongside other invoices and in aging reports produces better results. This integrated view gives a more complete picture to aid with decision-making. We also believe that a customer's A/R balance should tie out with the balance of their open invoices. For these reasons, aACE does not feature a separate module for credit memos.