

Processing Refunds for Vendor Purchases

Last Modified on 08/16/2022 11:26 am EDT

This guide explains how to account for a refund from a vendor. It is intended for general users.

After you [return items to a vendor](https://aace5.knowledgeowl.com/help/returning-shipments-to-vendors) (https://aace5.knowledgeowl.com/help/returning-shipments-to-vendors), you may need to create a refund record in order to receive refunds for purchases made with cash or checks. (Purchases made with a credit card should be [refunded by creating a new, negative disbursement](http://aace5.knowledgeowl.com/help/processing-refunds-for-vendors-purchases-made-on-a-credit-cards) (http://aace5.knowledgeowl.com/help/processing-refunds-for-vendors-purchases-made-on-a-credit-cards).)

Be sure to follow your company's policies for returns and refunds, as well as the vendor's policies.

Note: If the [refund is for a customer payment](https://aace5.knowledgeowl.com/help/processing-refunds-for-customer-payments) (https://aace5.knowledgeowl.com/help/processing-refunds-for-customer-payments), the process requires different steps.

Processing Refunds

You can process a refund from a vendor at the Purchases, Receipts, or Disbursements modules.

Vendor Refunds from the Purchases Module

Vendor refunds are typically booked against the parent purchase record. When you start at the original purchase record, it becomes the parent record so you can easily track the other related transactions.

1. Navigate from **Main Menu > Accts Payable > Purchases**.
2. Use the [Quick Search](http://aace5.knowledgeowl.com/help/using-the-quick-search-bar) (http://aace5.knowledgeowl.com/help/using-the-quick-search-bar) bar to locate the desired purchase record.
3. On that record's detail view, click the **Refunds** view and click the **New (+)** icon.
4. On the new refund receipt, enter the details:
 - Payment Info Section — Change the refund Amount to a negative value and specify the Payment Method.
 - Bank Info Section — Confirm the GL Account the refund will be deposited into and the date of the deposit.
 - Purchases Section — Change the purchase Amount to a negative value.

Receipt: 50281 **Refund for damaged product** **12/30/21** **PENDING**

Refund Details Notices Emails Docs

Payment Info **Bank Info**

Company > Art Supplies, Inc. Amount: **-75.00** Bank Account > 1120 Undeposited Funds - Cash/Checks

Pmt Method: CREDIT/ADJ Reference #: Vendor Credit Card: Deposit On: 12/30/21 Deposit Status: Batch: Bank Rec Status > Reconciled:

Purchases

Purchase	Date	Vendor Inv #	Vendor Inv Date	Total	Balance	Amount	Adjustment	Total
1 > 50239	12/30/21	614133	12/30/21	75.00	0.00	-75.00	0.00	-75.00

Total Allocated: **-75.00** Out of Balance: **0.00**

Office: AI Pmt Taken By: Quinn Bell Cancel Save

5. Click **Save**, then **Post**.

The purchase record's Refunds view displays the refund.

Purchase: 50239 Art Supplies, Inc. 12/30/2021 **OPEN**

Purchase Details Notices Emails Docs

Vendor **Description** **Payment Comments**

Vendor > Art Supplies, Inc. Contact > Rosie Yen Additional Info

Recur Transaction > Vendor Inv # 614133 Inv Date 12/30/21

Pur Order > 50244 Payment Terms Net 30 Payment Due 01/29/22 Pmt Expected 01/29/22

Purchase Items

Line Item Code	GL Acct	Description	Purchase Order	Job	Dept	Qty	Unit Cost	Total	Freight
1 > TECH-F2	1301	Electronic Whiteboard Eraser	50244		AI-A/P	1	75.00	75.00	0.00

Disbursements **Adjustments** **Refunds**

Receipt	Date	Memo	Amount
> 50281	12/30/21	Refund for damaged product	-75.00

Subtotal: 75.00 Freight: 0.00 Shipping Exp: 0.00 Tax: 0% Total: **75.00**
 Balance: **-75.00 (100%)** Sugg Disc: 0.00 Use Tax: 0.00

Dept: AI-A/P Assigned To: Denise James Tracking Status: Settings

The company record's Vendor Details tab also displays the refund value as a negative amount in the A/P Balance field. (Note: If there are other open purchases for this company, the refund amount might be hidden by the payable amounts.)

Company: Art Supplies, Inc. (ARTSUP) ACTIVE

Vendor Details Restricted Access 2 Notices | Emails | Docs

Payee Address Sync with Billing Sync with Office

Billing Salutation (Company Name): Art Supplies, Inc.
 Address: 5467 13 Mile Rd.
 City: Detroit, State / Prov: MI, Postal Code: 48204
 Country: American, Currency: USD

Vendor Setup Approved

A/R Contact: Deliver PO Via: Email:
 Email: Last Purchase Date: 12/30/2021
 Payment Terms: **Net 30** Check Memo (Acct. #): Default Pmt Method:
 A/P Balance: **-75.00** Credit Limit: Credit Balance: **0.00**
 Default Template: Free Shipping Type: Free Shipping:

Vendor Tax Setup Use Tax: 1099 Box #
 Tax ID: W-9 Form: W-9 Exp Date:

Shipping Setup

Courier Service: Account #:
 Shipping Terms: FOB:
 Only allow drop shipments Do not allow drop shipments

Line Item Code	Product Code	GL Account	Last Purchase	Date	Total
> PACK-CUST Packaging (Custom;		> 5001 Uncategorized Cost of Sales	> 50176 Art Supplies, Inc.	07/09/21	3.00
> PAINT-SC Set of Standard Colors			> 50183 Art Supplies, Inc.	07/23/21	8.00
> TECH-F2 Electronic Whiteboard Eraser			> 50239 Art Supplies, Inc.	12/30/21	75.00

Vendor Refunds from the Receipts Module

1. Navigate from **Main Menu > Accts Receivable > Receipts**, then click **New > Refund**.
2. On the new receipt record, enter the purchase number and other refund information (as outlined above).

Receipt: 50039 **LearnWright Refund PUR50043** **01/26/18** PENDING

Refund Details Notices | Emails | Docs

Payment Info

Company: LearnWright Inc. Amount: 8,900.00
 Pmt Method: CHECK, Check #: 16554, Bank Account:

Bank Info

Bank Account: 1120 Undeposited Funds - Cash/Checks
 Deposit On: 01/26/18, Deposit Status: , Batch: , Bank Rec Status: , Reconciled:

Purchase	Date	Vendor Inv #	Vendor Inv Date	Total	Balance	Amount	Adjustment	Total
4 > 50043	01/26/18	231	01/26/18	8,900.00	-8,900.00	8,900.00	0.00	8,900.00

Total Allocated: **8,900.00**
 Out of Balance: 0.00

Office: AI, Pmt Taken By: Caitlin Nascher Cancel Save

3. Click **Save and Post**.

Vendor Refunds from the Disbursements Module

1. Navigate from **Main Menu > Accts Payable > Disbursements**, then click **New > Refund**.
2. On the new receipt record, enter the refund information (see above), including the original purchase number(s) and amounts this refund will cover.
3. Click **Save and Post**.

Best Practices for Vendor Refunds

We recommend that you make all the needed entries and adjustments so all your records in aACE reflect reality. This will help ensure your accounting / inventory balances remain accurate. Keep these guidelines in mind:

1. [Log return shipments to the vendor](http://aace5.knowledgeowl.com/help/returning-shipments-to-vendors) (<http://aace5.knowledgeowl.com/help/returning-shipments-to-vendors>) so your inventory balances stay accurate.
2. [Create the necessary purchase adjustments](http://aace5.knowledgeowl.com/help/working-with-purchases#PurchaseAdjustments) (<http://aace5.knowledgeowl.com/help/working-with-purchases#PurchaseAdjustments>) so the entire transaction balances (e.g. to account for credit coming from your vendor) because these entries affect accounting as realized expenses.
3. [Update the related PO\(s\)](http://aace5.knowledgeowl.com/help/adjusting-purchase-orders#CreateEditPO) (<http://aace5.knowledgeowl.com/help/adjusting-purchase-orders#CreateEditPO>) so anticipated expenses are accurate and your totals for inventory-on-order are correct.

Note: After updating these records, it is also possible to hold the refund as a [credit to apply to a purchase later](http://aace5.knowledgeowl.com/help/applying-a-vendor-credit-to-a-purchase) (<http://aace5.knowledgeowl.com/help/applying-a-vendor-credit-to-a-purchase>).
