

# Issuing a Customer Credit

Last Modified on 06/01/2023 3:49 pm EDT

This guide defines customer credits and explains how to create a standalone credit memo. It is intended for advanced 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](https://aace6.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice) or they can request that it be [refunded](https://aace6.knowledgeowl.com/help/processing-refunds-for-customer-payments).

You can generate a customer credit in various ways:

- [Create an adjustment invoice](https://aace6.knowledgeowl.com/help/understanding-adjustment-invoices) (e.g. for returned product)
- [Process an overpayment](https://aace6.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 recently ended 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 representative would go to the Invoices module and create a new invoice. They would specify the customer, note the reason for the credit, and use the appropriate LIC to enter the credit amount as a negative number:

**Invoice: 60055**    **Montboro School District - REW**    **06/01/23**    **PENDING**

**Invoice Details**    Notices    Tasks    Emails    Docs

**Bill To**  
Montboro School District  
Erica Dawson  
1498 Lakeshore Drive  
Montboro, CO 80508

Order >    Customer PO #  
Billing Terms: **Net 30**  
Invoice Due: 07/01/23    Pmtmt Expected: 07/01/23

**Description**  
Credit memo to extend Spring 2023 promotion.

**Additional Info**

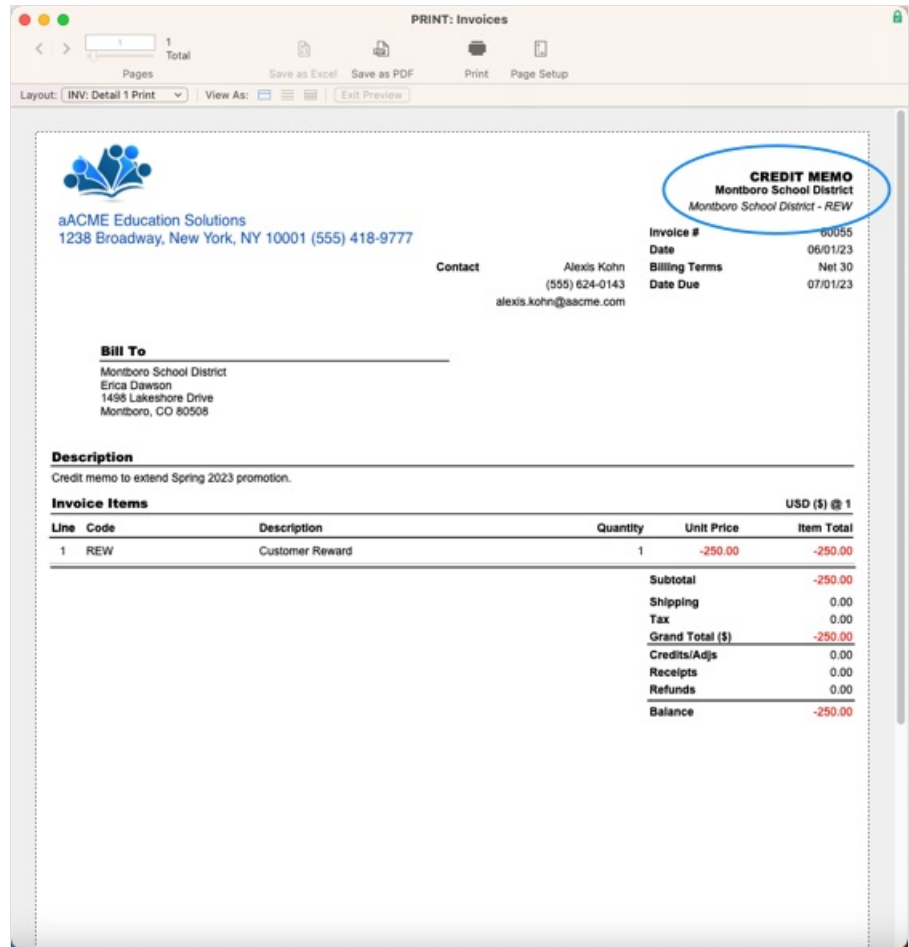
**Payment Comments**

| Code | Description     | Order | Quantity | Unit Price | Unit Adj | Total   | Tax Profile |
|------|-----------------|-------|----------|------------|----------|---------|-------------|
| 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-AR    Asgn To: AK    Tracking Status:    Recur Transaction >    Cancel    Save

The A/R rep saves and opens the invoice. When they print the invoice to send a copy to the customer, the negative Grand Total prompts aACE to display the record as a credit memo:



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://aace6.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice#ApplyCustomerCreditDuringPayment) (<https://aace6.knowledgeowl.com/help/applying-a-customer-credit-to-an-invoice#ApplyCustomerCreditDuringPayment>).

The screenshot shows a software interface for a company named 'Montboro School District (MSD)'. The interface includes several tabs: 'Company Details', 'Sales & Marketing', 'Customer Details', 'Vendor Details', and 'Finance & Accounting'. The 'Finance & Accounting' tab is active, showing a 'Current Billing' section with a circled '-250.00' A/R Balance. Below this, there is a table with columns for Invoice, Date, Title, Billing Terms, Grand Total, Balance, Pmt Exp, Tracking Status, and Status. The table contains several rows of invoice data, including one with a Grand Total of -250.00 and a Balance of -250.00.

| Invoice | Date     | Title                          | Billing Terms | Grand Total | Balance | Pmt Exp  | Tracking Status | Status |
|---------|----------|--------------------------------|---------------|-------------|---------|----------|-----------------|--------|
| > 60055 | 06/01/23 | Montboro School District - REW | Net 30        | -250.00     | -250.00 | 07/01/23 | To Be Sent      | 🟢      |
| > 60017 | 05/11/23 | Montboro School District       | Net 30        | 8,737.50    | 0.00    | 06/10/23 |                 | 🟡      |
| > 60004 | 05/03/23 | Montboro School District       | Net 15        | 2,240.00    | 0.00    | 05/18/23 |                 | 🟡      |
| > 50499 | 02/24/23 | Montboro School District       | Net 30        | 51,000.00   | 0.00    | 03/26/23 |                 | 🟡      |
| > 50496 | 01/13/23 | Technology Promotional         | Net 30        | 47,375.34   | 0.00    | 02/24/23 |                 | 🟡      |
| > 50254 | 07/09/21 | Montboro School District       |               | 2,343.00    | 0.00    | 08/09/21 |                 | 🟡      |
| > 50237 | 05/14/21 | Montboro School District       |               | 12,837.50   | 0.00    | 06/13/21 |                 | 🟡      |

## 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.