

Title of document	How to write off bad debts in Sales Accounts
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Date Created	08/03/2016

Version Control:

Version	0.2
Last Edited by	Huma Mahmood-Khan
Date	07/08/2023

Purpose

This procedure has been created to detail the methods through which a user can write off bad debts in Sales Accounts.

Scope

This procedure applies to all Lineal Software Solutions staff, as well as any prospective customers or clients who intend to utilise SQLWorks within their business environment. The procedure is aimed at the end user, who will be operating the SQLWorks client for the first time.

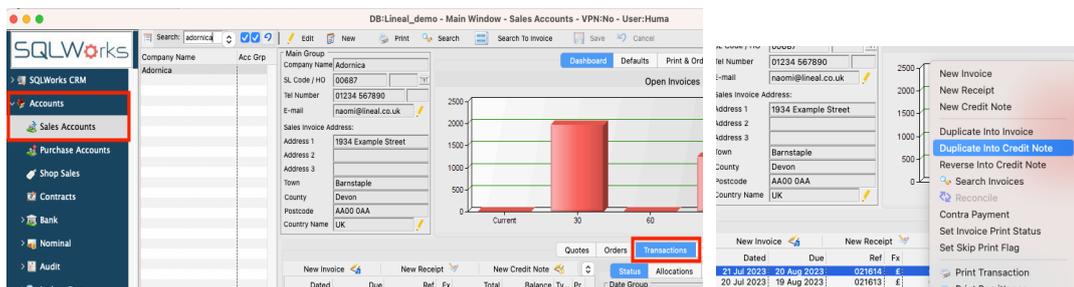
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Procedure

How to write of a bad debt in Sales Accounts

1. When a customer has failed to pay a sales accounts invoice and you have decided to write off this debt, a credit note needs to be raised on SQLWorks and reconciled against that invoice, using the 'Bad Debtors' Nominal Code.
2. Go to 'Sales Accounts' on the side navigation bar under the heading 'Accounts', select the Company's on the list and click on the 'Transactions' tab.



3. Click on the invoice that needs to be written off. Right click and select 'Duplicate into Credit Note', which opens the Sales Transaction dialog box. Click 'No' to the prompt asking if you want to re-price the transaction. Make a note of the VAT inclusive credit note total, which should reflect the Balance on the original invoice.
4. If your invoice has more than one line, you will need to click the red minus buttons to remove unwanted lines. Only one line is allowed for the Bad Debt account.

Prd Code	Desc	Unit Descr	Quantity	Amount	VAT C	VAT	Total	Dept	Anl	Nominal	
1	2021-BIKE_NEW	Premium Bike Assembly 2021	Each	1	500.00	6	100.00	600.00	MISC	000	160
2		Extra Item (Blue Paint)		1	75.00	6	15.00	90.00	MISC	000	160

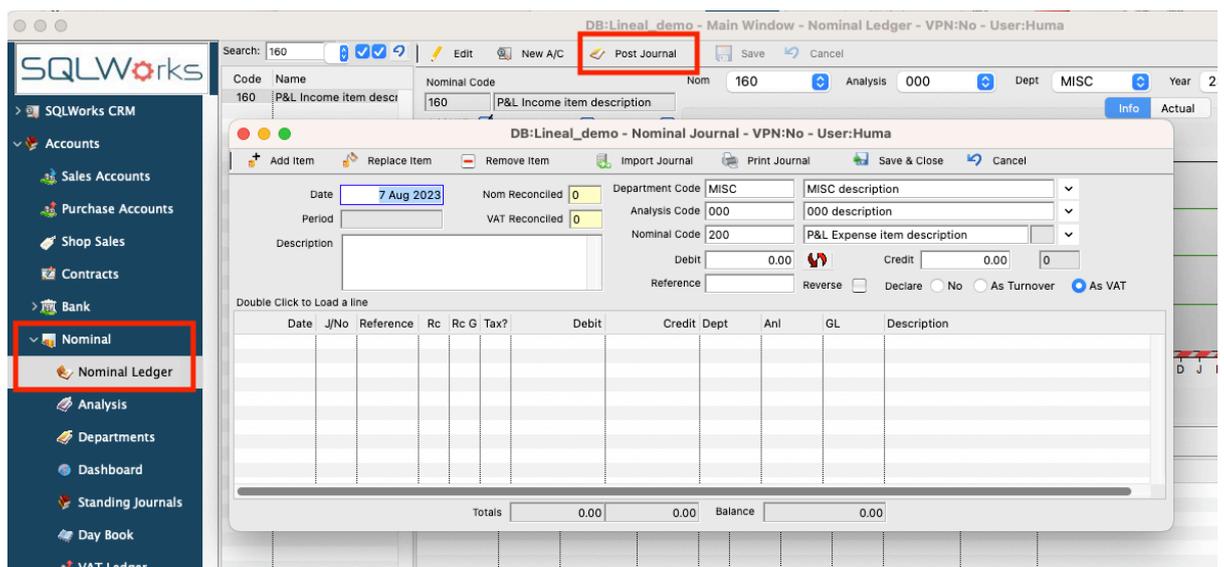
5. You can change the text if required and will need to type the original VAT inclusive invoice total, in the Gross Amount box, because the next step will zero the VAT.
6. Use the drop down arrow in the 'Nom' field on the right hand side to change the nominal code to 'Bad Debtors A/C'. Click OK to the warning that the VAT code is set to zero. Double check that the credit note Balance reflects the total bad debt on the original invoice.

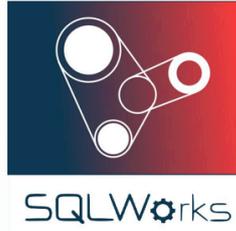
7. Click 'Save & Close' to save the credit note.

8. Right click the credit note on the transactions list and select 'Reconcile'. You can then type the full amount in the 'Allocate' field of the invoice containing the bad debt, or type 'A' to automatically insert the full amount in the Allocate box. There should be no amount remaining.

9. The debt has now been sent to the Bad Debtor's Nominal code for your account records and has been removed as an outstanding invoice from Sales Accounts.

10. If there is VAT to be reclaimed this can be done via a vatable journal from the Nominal Ledger. To navigate your way to the Nominal Ledger go to the SQLWorks Navbar and click on 'Accounts', then click on 'Nominal', then select 'Nominal Ledger'. Select the correct nominal code from the table below the search bar, click the 'Post Journal' button on the tool bar and setup a two line journal between bad debt and your debtors VAT code. When adding the debtors VAT line tick the 'Declare as VAT' option to ensure this amount will be picked up in the calculation of the next VAT quarter.





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