

RECORDING SUPPLIER REBATE CHEQUES

Instead of giving you a credit on your account, your supplier has sent you an actual cheque. The money needs to end up in the bank, and you would like to use the funds as a reduction to *Cost of Goods Sold*.

Recording a rebate cheque is a **two-step process**:

- record the receipt of the rebate cheque
- record what the rebate is for (or what it will be applied to)

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Rebate Cheque Overview

When you receive a cheque from a supplier, even if you don't know exactly what it's for until later (when you receive more details from the supplier on a purchase invoice, for example), you'll enter it as a **non-inventory purchase** on a *Purchase Invoice*.

A rebate cheque is *technically* a charge. Imagine if one day a supplier just decided to write you a cheque; you would actually owe them for the amount of that cheque. It would be like you were "buying cash" from them, which would need to be repaid later. The balance on the supplier's account would look like you "owe" them for the amount of the rebate cheque until you specify what it's for. It's not like a usual credit that a supplier applies to your account, because funds are coming to you directly and going into your bank account, not just showing up as a credit line on your statement of account.

Purchase Invoice #1: Record Receipt of the Cheque

Create a **Purchase Invoice** and add a non-inventory purchase for the positive amount of the cheque and select the general ledger account for bank receipts.

Supplier: My Chemical Supplier (0076) Find Add

Invoice Date: Dec 08, 2015 Reference Number: PI-151208-01

Due Date: Jan 08, 2016 Location: Edmonton

Comments: chemical rebate cheque

Totals

Total Non-Inventory:	\$0.00
Total Inventory:	\$0.00
Total Cost Adjustments:	\$0.00
Total Taxes:	\$0.00
Total Purchase Invoice:	\$0.00

Non-Inventory Purchases | Inventory Purchases | Cost Adjustments | Taxes and Fees

Add Non-Inventory Row

Update Exit

GL Account: 11111 - Clearing Account Add

Description: Clearing Account

Quantity: 1

Unit Price: \$500.00

Line Total: \$500.00

GST Applies

Other Tax

Taxes Included

Gross Total: \$500.00

reconcilable GL account: clearing account, bank account, or one suggested by your accountant

1 cheque from supplier

the POSITIVE amount of the cheque

Non-Inventory Subtotal: \$0.00

Note: If you are using a **holding** or **clearing account** instead of a bank account, you would later make a **Bank Deposit** to move the funds into your bank account when you physically deposit the cheque.

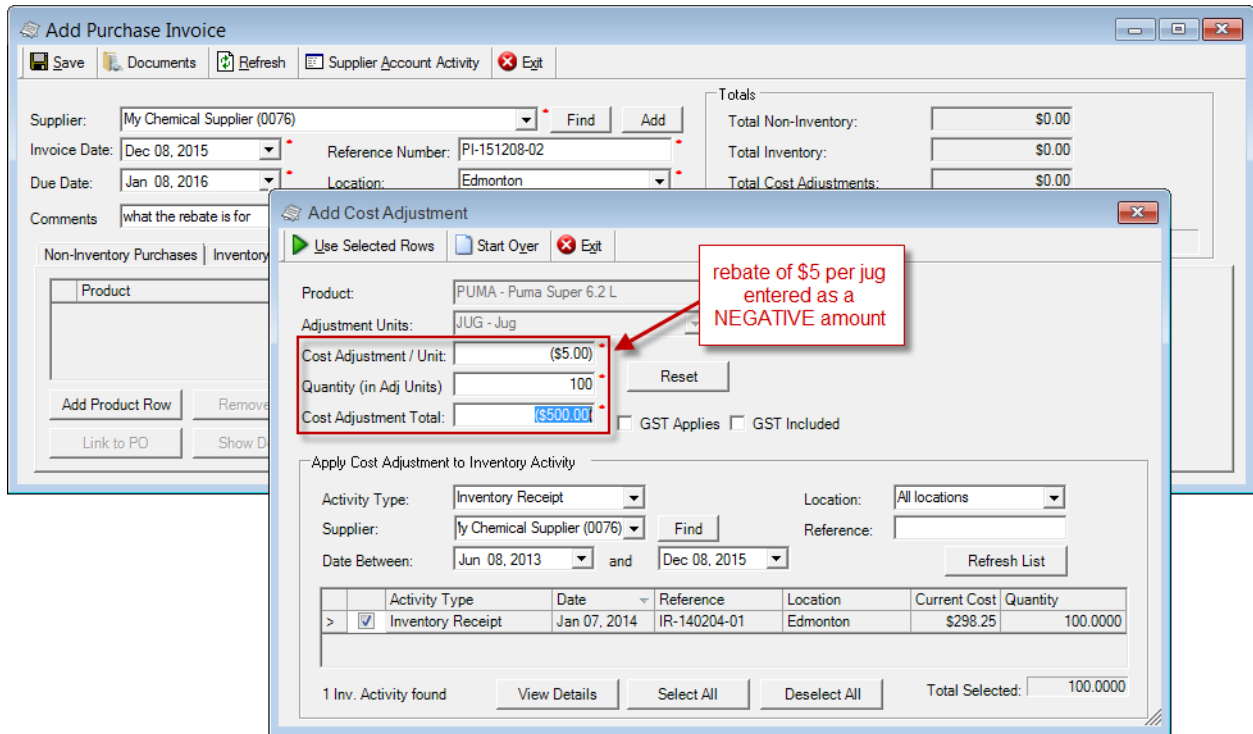
Purchase Invoice #2: Record What the Cheque is For

When the details as to what the rebate cheque was for are known, you have two options.

- Option 1:** record the rebate as a **Cost Adjustment** so that *product* margins are more accurate
- Option 2:** record the rebate as a **general reduction to Cost of Goods Sold** so that the *overall* margin reflects the reduced cost

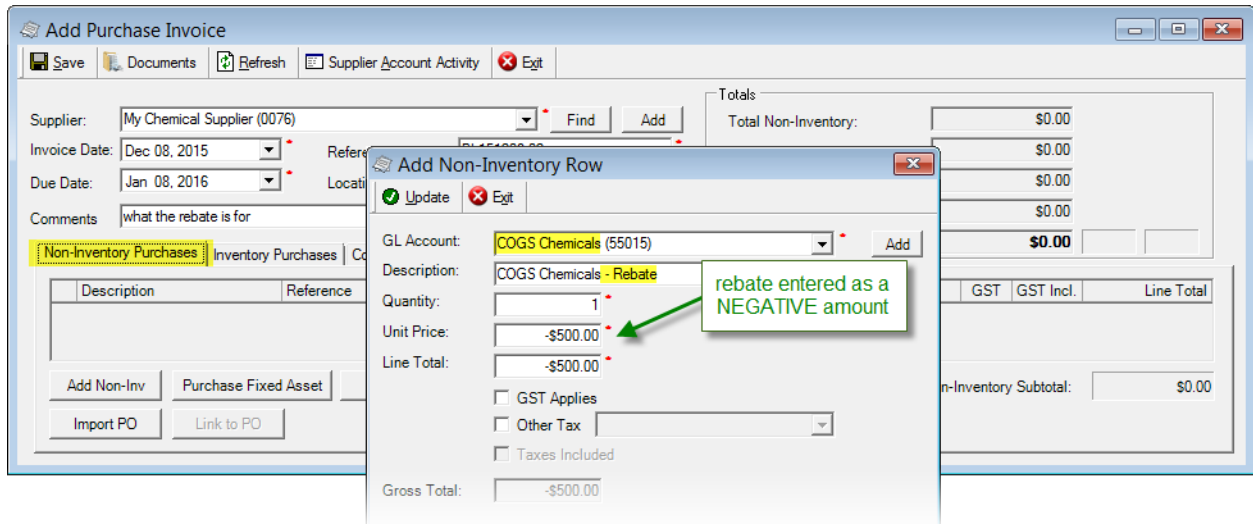
If you're using **Option 1**:

Create a new *Purchase Invoice*. Enter the *cost adjustments* as you normally would, as a negative amount.



If you're using **Option 2**:

Create a new *Purchase Invoice*. Enter a *non-inventory purchase* as you normally would with a negative amount and select the COGS account.



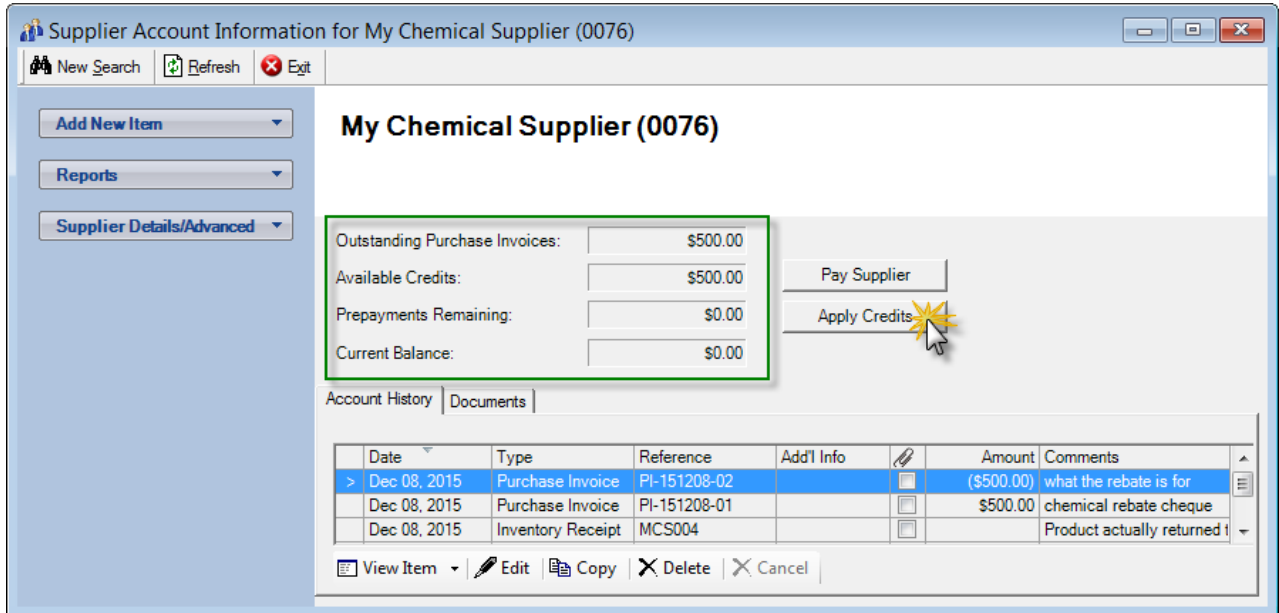
The **net effect** to the supplier's account of both purchase invoices is **\$0**. To make it easier to remember, think of it this way:

You're paying back the cash you owe them (the cheque)

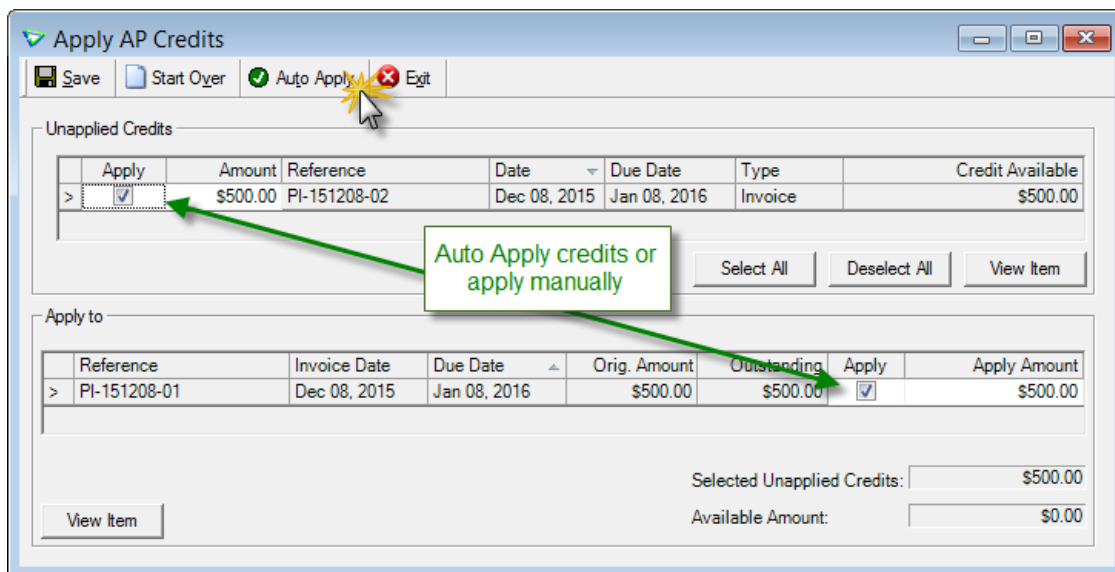
with the refund they owe you (for the product).

Apply the Credit to the Cheque

Although the net effect of the two Purchase Invoices is \$0, the PI for the rebate cheque is still outstanding and there is an unapplied credit for the cost adjustment. Open the supplier's account and click the **Apply Credits** button.



Apply the credit from “what the rebate was for” to “pay off” the charge from the rebate cheque.



The credit is applied, and the purchase is no longer outstanding.

My Chemical Supplier (0076)

Outstanding Purchase Invoices: \$0.00
 Available Credits: \$0.00
 Prepayments Remaining: \$0.00
 Current Balance: \$0.00

Buttons: Pay Supplier, Apply Credits

Date	Type	Reference	Add'l Info	Amount	Comments
> Dec 08, 2015	Purchase Invoice	PI-151208-02		(\$500.00)	what the rebate is for
Dec 08, 2015	Purchase Invoice	PI-151208-01		\$500.00	chemical rebate cheque
Dec 08, 2015	Inventory Receipt	MCS004			Product actually returned

Reports

Supplier Activity

The supplier's account shows the two transactions with a net effect of \$0.

agré **Tronia Testing Inc.**
Supplier Account Activity
 From Feb 04, 2013

My Chemical Supplier (0076)

Current Charges: \$0.00
 Unapplied Credits: \$0.00
 Payment Remaining: \$0.00
 Net Balance: \$0.00

Annotations:
 - "the rebate cheque" points to the \$500.00 credit in the table.
 - "the cost adjustment or non-inv purchase" points to the (\$500.00) debit in the table.

Date	Type	Reference	Due Date	Current Charges	Credits/Prepayments	Original Amount	Running Balance
Feb 04, 2013	Balance Forward	Balance Forward				0.00	0.00
Feb 04, 2014	Purchase Invoice	PI-140204-01	Mar 04, 2014			500.00	500.00
Feb 04, 2014	Purchase Invoice	PI-140204-02	Mar 04, 2014			(500.00)	0.00

Cost History (if you followed Option 1)

The cost of the product will reflect the value of the adjustment.

agre Tronia Testing Inc.
Inventory Cost History
Edmonton All Details Jan 01, 2014

Puma Super 6.2 L (PUMA) - Jug

Last Cost: \$298.25 Last Date: Jan 07, 2014 Remaining: 98.00
Estimated Cost: \$298.25 Update Last Cost:
Average Cost: \$298.25

Date	Reference	Quantity	Remaining	Base Cost	Adjusted Cost	Details
Jan 07, 2014	IR-140204-01	100.00	98.00	\$303.25	\$298.25	Details

rebate has reduced the cost (cost adjusted DOWN)