

How To Handle Bad Checks

Unfortunately, with the downturn in the economy, there has been an increase of customers who are writing bad checks in order to purchase the merchandise they desire. Outlined below is our recommendation on how to handle bad checks, as well as how to keep your accounting books balanced. This process is the same for both our Mac and Windows customers.

1. Once it has been brought to your attention that a customer has written a bad check, create a new Working Invoice with the customer's name attached.
2. Add a new line item on the invoice with transaction type "P" (for payment on account). In the Price column, enter the amount of the bad check as a negative number. When posted, this will move the amount they owe to "on account." You may want to add a comment line with reference to the bad check.

3. Click the Pay button and select the "Other 1" payment method so that it does not affect any of your daily deposit bank accounts.
4. When the accounting department runs a Sales Journal, they will see the payment for a negative amount charged through the "Other 1" method. Upon reviewing the bank statement, they will be able to match the negative "Other 1" amount to the bank finance charges accrued from the bad check.
5. At this point, the balanced owed has been moved to "on account." You can print a

statement at the end of the month and send it to the customer, showing them the amount they owe. If desired, you can charge them a finance fee each month that they are past due.