



# Dishonoured Customer Cheques

## Support Note

For MYOB BusinessBasics, MYOB FirstEdge, MYOB Accounting V15, MYOB Accounting Plus V15, MYOB Premier V9, MYOB Premier Enterprise V3 and AccountEdge V5.

### Introduction

Accounting for a dishonoured cheque is as simple as recording a withdrawal. However, additional steps are required if the cheque was deposited using the Prepare Bank Deposit function. This support note explains the steps required in this case.

## How to account for a dishonoured customer cheque

On your bank statement, a dishonoured customer cheque will be represented as a withdrawal from your cheque account. This withdrawal is easily recorded in your MYOB program by simply reversing the customer payment.

## How is a dishonoured customer cheque reversed?

There are three steps to reversing a customer payment.

### Step 1: Set MYOB's Security Preference

The ability to reverse or delete transactions is determined by a Security Preference. To set this preference for reversing transactions, go to the **Setup** menu, choose **Preferences** and click the **Security** tab. Mark the **Transactions Can't Be Changed; They Must Be Reversed** option.

### Step 2: Locate the transaction

1. From the **Accounts** command centre click **Transaction Journal**.
2. Click the **Receipts** tab.
3. Enter the date of the customer payment in the **From** and **To** date fields, then press the <tab> key on your keyboard to display the search results.
4. Identify the customer payment to be reversed.

### Step 3: Reverse the transaction

1. Open the transaction by clicking its zoom arrow.
2. Go to the **Edit** menu and choose **Reverse Transaction**.
3. Once MYOB has created the reversal, check the transaction details then click **Record**.

The window below shows the reversing of a **Receive Money** transaction.



Deposit to Account: 1-1110    General Cheque Account    Balance ⇄: \$78,891.32     Tax Inclusive

Payor ⇄: Cash Sales    ID #: CR000057  
Amount Received: -\$120.00    Date: 16/10/03  
Payment Method: Cheque      
Memo: Reversal; CR000056; 16/10/03

Acct #	Name	Amount	Job	Tax
4-1100	Sales - Spring Water	-\$120.00		GST
Total Allocated:		-\$120.00		
Tax ⇄:		-\$10.91		
Total Received:		-\$120.00		
Out of Balance:		\$0.00		

  

Note the negative amount. This will result in a withdrawal from your cheque account, which will coincide with your bank statement.

If the customer payment was entered using **Receive Payments**, then the invoice it was applied to will be returned to its previous status.

## How is a dishonoured customer cheque reversed if it was entered using prepare bank deposit?

Where the customer payment was grouped with **Undeposited Funds**, it becomes part of a consolidated deposit. Therefore, once the customer payment has been reversed as per the steps outlined above, it will need to be 'deposited' using **Prepare Bank Deposit**.

After recording the reversal, open **Prepare Bank Deposit**, place a check mark in the **Deposit** field against the reversal and then click **Record**.

The window below shows a reversal in the **Prepare Bank Deposit** window. Note that the **Amount** is a negative (-\$360.50), which will result in a withdrawal rather than a deposit.

Deposit to Account: 1-1110    General Cheque Account    Balance ⇄: \$78,771.32

Select Receipts by: All Methods    ID #: CR000057  
Memo: Bank Deposit    Date: 16/10/03

ID #	Date	Name	Payment Method	Amount	Deposit
⇄ CR000056	16/10/03	Reversal: CR000054; A-Z Station	Cash	-\$360.50	x

Number of Deposits Included: 1    Total Deposit Amount: -\$360.50

## How do I account for the bank fees?

It is customary that the customer reimburse the supplier for the bank fees associated with a dishonoured cheque. Therefore the following two steps are used to account for the bank fees.

### Step 1 – Record the dishonour fee

The dishonour fee will appear on your bank statement and is entered using **Spend Money**. Open **Spend Money**, change the **Cheque No** to Fee and allocate the transaction to your bank fees expense (6-xxxx) ledger account.

This will result in a debit posting to the expense account

## Step 2 – Record the reimbursement

The reimbursement can be entered using **Receive Money** or **Receive Payments**.

**Receive Money** - Open **Receive Money** and allocate the receipt to the same expense account used to record the dishonoured cheque fee.

**Receive Payments** – Create a sales invoice for the customer, allocating it to the same expense account used to record the dishonoured cheque fee. Open **Receive Payments** and apply the payment to the invoice.

Both of the above methods will result in a credit posting to the expense account, which will offset the debit posting recorded in Step 1.

## What will I do if I have already lodged my BAS?

Usually, this will only affect you if you report your BAS on a cash basis. However, the reversal needs to be dated in the current BAS reporting period, resulting in an adjustment in that period. When the customer reissues the payment, it too needs to be recorded and reported in the current period, and will offset the reversal.

If you report your GST on an accruals basis, you will only be required to adjust the GST if the sale is to be written off as a bad debt. For information on writing off bad debts, please refer to our support note titled *0535 Bad Debts*.

**Disclaimer:** This information is of a generic nature. For specific advice regarding your particular circumstances please seek assistance from your Accountant, the Australian Taxation Office or your IT Consultant as appropriate.