
ACCOUNTS RECIEVABLE (DEBTOR REFUNDS)

SUMMARY

Quite often, a client may request additional money be added to the contract price of a project so the money is paid by the bank via the set claim stages and can then be refunded directly to the client on completion of the project. This money "refunded" to the client can be used on landscaping, curtains or whatever without taking out a separate personal loan. This scenario is great for the client can be difficult for the builder to balance on his books and still show a correct 'actual' profit figure on the 'Project Profit Summary'.

Another scenario this can be used for is when a dispute has occurred at the end of a project after all owing money has been paid and the builder agrees to refund the debtor part of the contract price as a settlement of the dispute. The contract price needs to reflect the refund as does the project profit summary.

The builder's records need to show;

- Income and expenses balancing
- The bank account reconciliation including the payment refunded to the client
- Actual profit on the project excluding the additional money refunded to the client
- Zero balance to claim on the project after the refund has been given considering the contract price is, in theory higher than the total amount received once the refund has been given.
- An audit trail of the events that have transpired

EXAMPLE:

In this example we will be using a contract price of \$260,000 and we will be refunding the client \$10,000.

Creating the variation

Once all of the project's claim stages have been claimed and the entire contract price is fully receipted, we will need to create a negative variation to reduce the contract price by the refund amount. Create a new variation and add in a negative figure in the total field at the bottom of the variation. Depending on the situation, you can also use the variation costing section to alter the BOQ/Budget.

The variation description has been named 'Refund to Client' in this example, this can say whatever is appropriate. Fill in the variation and authorization text with the required details.

Remember to enter 'Approved By' text for this variation to be 'authorised' on the next screen.

In the total price field, add in the negative figure of -10,000. This will in turn reduce the contract amount by that figure.

Save and close the variation. This will now take you to the variation summary. The negative variation you have just created will now need to be 'Authorised' in order to claim and receipt the variation.

Once you have authorized the variation, you will now be able to claim it. Go to the project summary, highlight the project and click on the 'variations' tab at the bottom of the summary. Your variation will now appear waiting to be claimed. Highlight the variation and click the 'Claim' button to claim the negative variation. Save and close. The variation will now appear in a 'fully claimed' status in the summary.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [Project Variation - Mod]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects

Variation Details

Project: **Demo - Finalised for Variations**

Product: Eastbury 147 [Zample John, Julia] - 10/3/2009

Request No: []

Requested By: John and Julia Zample on 10/09/2009

Description: Refund to Client

Variation Text: Refund to the client for the value of \$10,000 as agreed

Authorisation Text: PRACTICAL EFFECT OF VARIATION ON [] Variation Cgting

Builders Approval to Carry Out Variation

Approved By: JS on 10/09/2009

Comments: []

Costing

Cost Price: \$0.00

Markup: \$9,090.91

Retail Price: (\$9,090.91)

GST Code: [IG] GST Taxable Income

GST Rate: 10.00 %

GST Amount: (\$909.09)

Total Price: (\$10,000.00)

Authorisation Details

Authorised No: 0

Authorised Date: 31/03/2010

Include Variation History on order

Save & Close Save & New Print Preview Close

Creating the 'Contra-bank Account'

A contra-bank account will now need to be created for the variation to be receipted into. The contra-bank account is essentially a "dummy" bank account that will be used to move the correct dollar values to the correct bank account via a general ledger journal later in this process.

It is recommended that the contra-bank account be created under Liabilities in your General Ledger, but you can place it under Assets or anywhere else your accountant recommends placing it. In this example we will call the contra-bank account the 'Client Refund Account'. This can be named anything that is appropriate.

Got to Accounting>General Ledger>Chart of Accounts and highlight the Current Liabilities sub header. Click the 'New' button to create your 'client refund account'.

Make sure the account is marked as a 'Postable Bank Account'.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - (Account)

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments

Save Close

Chart of Accounts for Sample Builders Pty Ltd

- 2.0000 - Liabilities
 - 2.1000 - Current Liabilities
 - New Record

Type

Grouping Account (Not Postable) Postable GL Account

Postable Bank Account

Details | Account |

Classification: Current Liability

Account Code: 2.1003

Description: Client Refund Account

Def GST Code (Acq): [N/A] Not Applicable

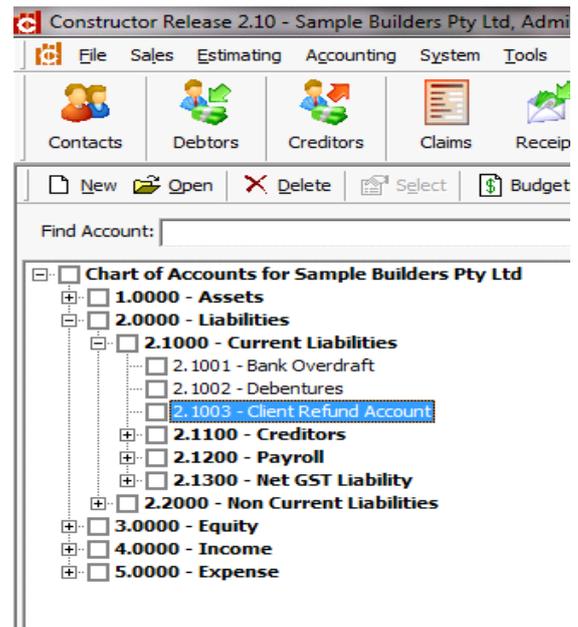
Def GST Code (Supp): [N/A] Not Applicable

Enter the appropriate Account Code and Description.

The default GST codes for acquisition and supply should both be set to N/A.

Save and close the new account. Now back in the Chart of Accounts, move the account into the preferred position using the arrows on the right hand side of the screen.

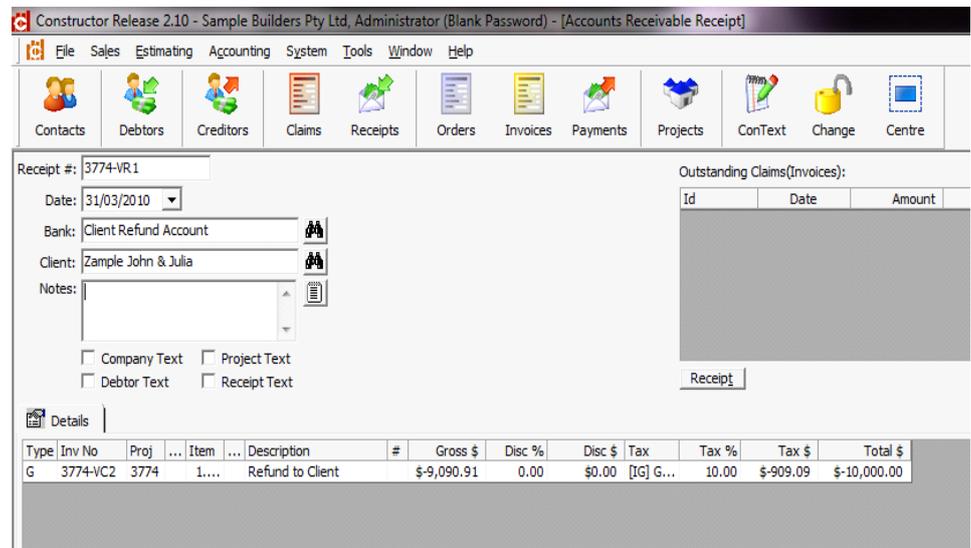
Once in position, click 'Save' and close the Chart of Accounts.



Receipting the Variation

You can now receipt the variation claimed earlier. In the same area as we claimed the variation earlier, we can now receipt it. Highlight the claimed variation and click the 'receipt' button. Click 'yes' to the next message box to view the receipt. The default bank account will be currently displaying in the bank account field. Delete that bank account and insert the 'client refund account' that was just created. The receipt should appear like this;

Receipting this receipt gives us the desired outcome in our Trade Debtors account, which the two transactions, the claim and the receipt have cancelled each other out and there is no value change to the trade debtors account. By highlighting the transaction and clicking the 'DR/CR Journal' button, we can view the transaction journals.





Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [Accounts Receivable Receipts Summary]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects ConText Change Centre

New Open Delete Schedule Select All Journal Close

Project Id: Invoice Id: Date: ALL

Bank A/C:

Receipts

Id	Date	Debtor(Client)	Net Amount
3774-VR1	31/03/2010	Zample John & Julia	\$-10,000.00
3774-PR2	31/03/2010	Zample John & Julia	\$260,000.00
00003993	31/03/2010	Zample John & Julia	\$9,350.00

Claim Journal

The GST collected and Sales accounts are cancelling the transaction amounts of the client refund that were collected during the claim stages.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [AR Invoice Journal - 3774-VR1]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects ConText Change Centre

Journal Id: 3774-VR1
Journal Date: 31/03/2010

Notes: Building/Residing (all funds/claims)

Details

Code	Account	Debit	Credit
2.1303	GST Collected		\$-900.00
4.1001	Sales - Residential Housing		\$-9,090.91
1.1201	Trade Debtors	\$-10,000.00	

Total: -10,000.00 -10,000.00
Out of Balance: 0.00

Server: conw004\CONSTRUCTOR Company: Sample Builders Pty Ltd User: Administrator (Blank Password)

Receipt Journal

Notice the trade debtor account balances cancel each other out in these two transactions.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [AR Receipt Journal - 3774-VR1]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects ConText Change Centre

Journal Id: 3774-VR1
Journal Date: 31/03/2010

Notes:

Details

Code	Account	Debit	Credit
1.1201	Trade Debtors	\$-10,000.00	
3.1003	Client Refund Account		\$-10,000.00

Total: -10,000.00 -10,000.00
Out of Balance: 0.00

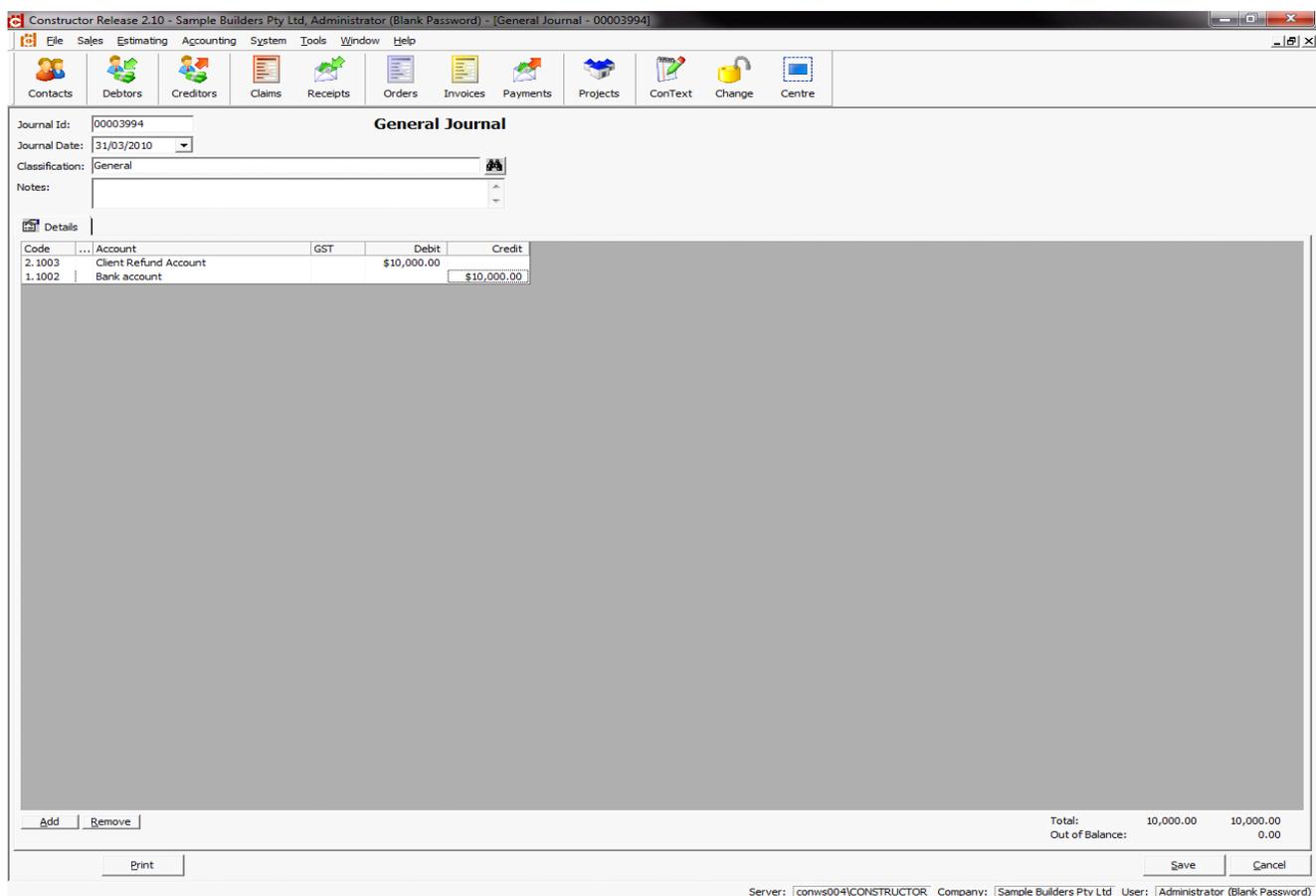
Server: conw004\CONSTRUCTOR Company: Sample Builders Pty Ltd User: Administrator (Blank Password)

Creating the Journal

A general ledger journal now needs to be created to move the transaction amount from the contra-account to the actual bank account the refund to the client is paid from. This payment will then appear in the bank accounts reconciliation.

Go to Accounting>General Ledger>General Journal and click the 'New' button to create a new journal.

Add in two detail lines, one line linking to the Client Refund Account with a \$10,000 positive debit and a second line linking the actual Bank Account with a \$10,000 positive credit. The journal should appear like;



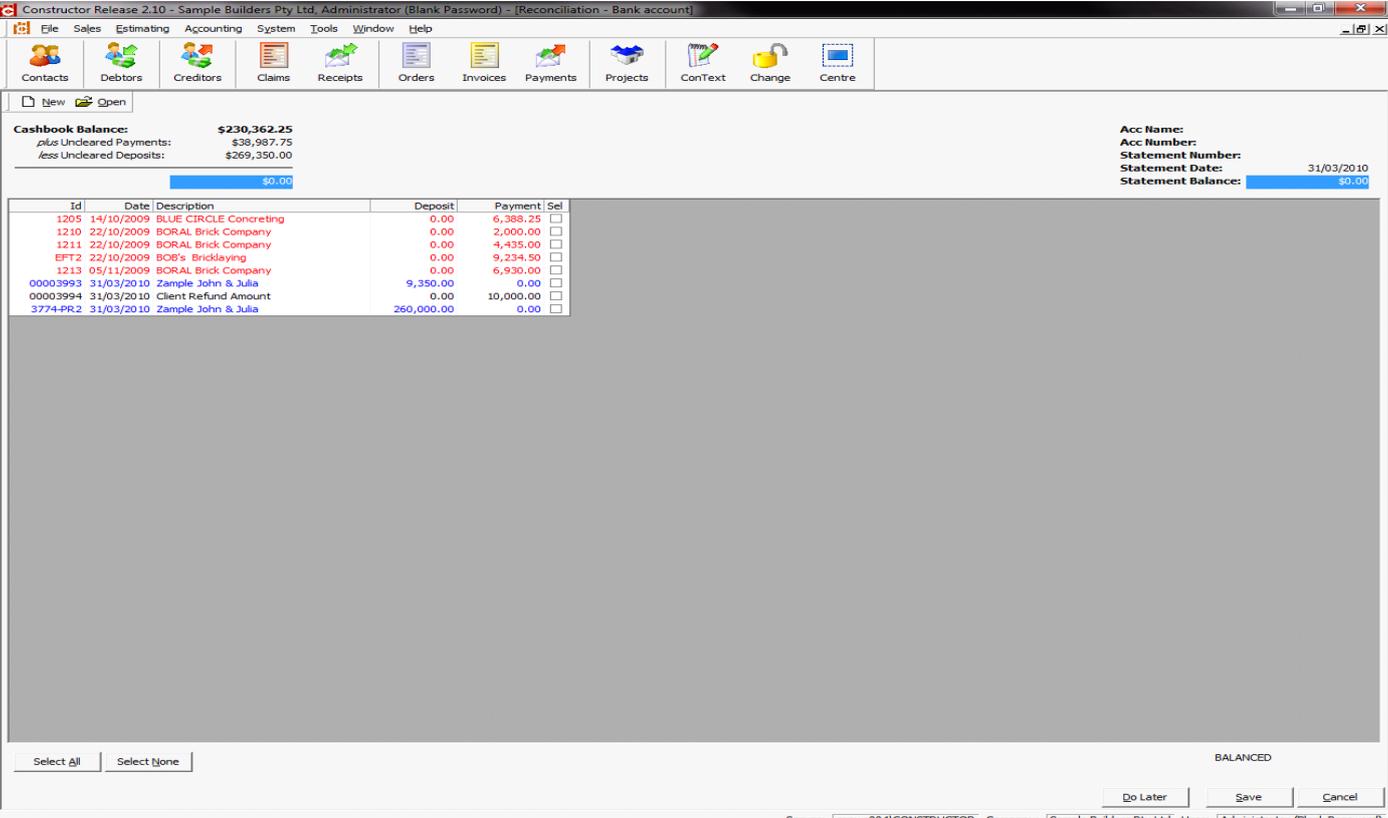
Journal Id: 00003994
 Journal Date: 31/03/2010
 Classification: General

Notes:

Code	Account	GST	Debit	Credit
2.1003	Client Refund Account		\$10,000.00	
1.1002	Bank account			\$10,000.00

Total: 10,000.00 10,000.00
 Out of Balance: 0.00

This journal cancels the Client Refund Account transaction and adds in a payment from the actual Bank Account. This payment will now appear in the Bank Account's reconciliation.



Cashbook Balance: \$230,362.25
 plus Uncleared Payments: \$38,987.75
 less Uncleared Deposits: \$269,350.00
\$0.00

Acc Name:
Acc Number:
Statement Number:
Statement Date: 31/03/2010
Statement Balance: \$0.00

Id	Date	Description	Deposit	Payment	Sel
1205	14/10/2009	BLUE CIRCLE Concreting	0.00	6,388.25	<input type="checkbox"/>
1210	22/10/2009	BORAL Brick Company	0.00	2,000.00	<input type="checkbox"/>
1211	22/10/2009	BORAL Brick Company	0.00	4,435.00	<input type="checkbox"/>
EFT2	22/10/2009	BOB's Bricklaying	0.00	9,234.50	<input type="checkbox"/>
1213	05/11/2009	BORAL Brick Company	0.00	6,930.00	<input type="checkbox"/>
00003993	31/03/2010	Zample John & Julia	9,350.00	0.00	<input type="checkbox"/>
00003994	31/03/2010	Client Refund Amount	0.00	10,000.00	<input type="checkbox"/>
3774-PR-2	31/03/2010	Zample John & Julia	260,000.00	0.00	<input type="checkbox"/>

Server: | conws004\CONSTRUCTOR Company: | Sample Builders Pty Ltd User: | Administrator (Blank Password)

This is the end of the process. Well done.

If a pre-printed cheque is required

For those wishing to create a pre-printed cheque or just wanting to create an actual payment using the normal payment process, this journal is slightly different. You would need to create another postable liability account. We will call this the "Refund Holding" account. Make sure this account is **not** marked as a postable bank account.

Instead of crediting the actual Bank Account within this journal, you would credit the Refund Holding account.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [General Journal - 00003994]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects ConText Change Centre

Journal Id: 00003994
 Journal Date: 31/03/2010
 Classification: General
 Notes: Client Refund Amount

General Journal

Details

Code	Account	GST	Debit	Credit
2.1004	Refund Holding			\$10,000.00
2.1003	Client Refund Account		\$10,000.00	

Add Remove

Total: 10,000.00 10,000.00
 Out of Balance: 0.00 0.00

Print Save Cancel

Server: | conws004\CONSTRUCTOR Company: | Sample Builders Pty Ltd User: | Administrator (Blank Password)

You could then create a sundry payment, payable from the actual Bank Account and the detail line linked to the Refund Holding Liability account.

Constructor Release 2.10 - Sample Builders Pty Ltd, Administrator (Blank Password) - [Accounts Payable Remittance]

File Sales Estimating Accounting System Tools Window Help

Contacts Debtors Creditors Claims Receipts Orders Invoices Payments Projects ConText Change Centre

Payment #: 1214 Payee: John Smith
 Date: 31/03/2010
 Bank Acc: Bank account
 Creditor:
 Notes: Refund to Client

Save & New
 Save & Close
 Close
 Print
 Preview

Details

#	Type	Item	Description	#	Gross \$	Disc \$	Tax	Tax %	Tax \$	Total \$	PU \$
1	G	2.1004	Refund H...		\$9,090.91	\$0.00	[NG] ...	10.00	\$909.09	\$10,000.00	\$0.00

Add Remove Allow selection of multiple rows

Gross:	\$9,090.91
Discount:	\$0.00
GST:	\$909.09
Net:	\$10,000.00

Server: | conws004\CONSTRUCTOR Company: | Sample Builders Pty Ltd User: | Administrator (Blank Password)

Once the payment is complete, a cheque can be printed as usual.