MU Extension
University of Missouri

**Recording Bad Checks
(Returned Checks)**

Occasionally, you may deposit a check from a customer only to discover that there were insufficient funds in the customer's bank account. Your Bank reverses the deposit and subtracts the amount from the Council's bank account.

Quickbooks does not have a reversing and correcting transaction function. You will need to create the reversing transaction, **using the same Class code and account number** as recorded in the original transaction.   This will offset the original deposit and is considered a Reduction of Income. *Note: Do NOT delete the original transaction!*

Type a Memo to explain why the reversing transaction was created. Both bookkeeper and CES must sign and date the Memo. File Memo with current year's financial reports.

1. Under the **Chart of Accounts**, double-click on the appropriate bank Account.
2. Enter the **date** of the reversing transaction.
3. In the **Payment** field, enter the amount.
4. Place a checkmark in the checkmark column.
5. In the **Account** field, select the same account number used in the original transaction.
6. In the **Memo** field, describe the transaction.
7. Click the **Splits button** at lower left of Register screen to open the splits screen.
8. In the second **Memo** field, describe the transaction.
9. Enter the same **Class Code** used in the original transaction.
10. Click the **RECORD button** at lower right of Register screen.

Here is Sample Reversing Transaction

12/26/2000	Number	Hawxby, Keith (c)			40.00	✓	Deposit
	CHK	0100 · Student Fees:0110 · Non-Credi	Bad Check-Business Program				

Account	Amount	Memo	Customer:Job		Class
0100 · Student Fees:0110 · Non-	40.00	Bad Check-Business.Progra			3000-Education ar

Here is the Sample Original Transaction

12/01/2000	Number	Hawxby, Keith (c)		Payment		40.00
	DEP	0100 · Student Fees:0110 · Non-Credi	Business Program Wrksp			

Account	Amount	Memo	Customer:Job		Class
0100 · Student Fees:0110 · N	40.00	Business Program Worksho			3000-Education