

# Credit and Refunds to your Chart of Accounts

Last Modified on 04/16/2025 11:51 am MDT

Farmbrite's accounting is generally set up to track income and expenses separately, with transactions being associated with specific categories in your [Chart of Accounts](#). Overall, if you are paying someone else for materials or services you'll record that as an expense, and if someone is paying you it would be recorded as income. These transactions are separated into positive and negative buckets based on the type; income increases your running revenue total, while expenses decrease it. Farmbrite's Tax Summary and Profit and Loss Statement reports tally that income and expense and show you the totals per category, and an overall. That's all pretty straightforward and basic, but we also know that unique situations can happen that you'll need to account for as well. Take these for example:

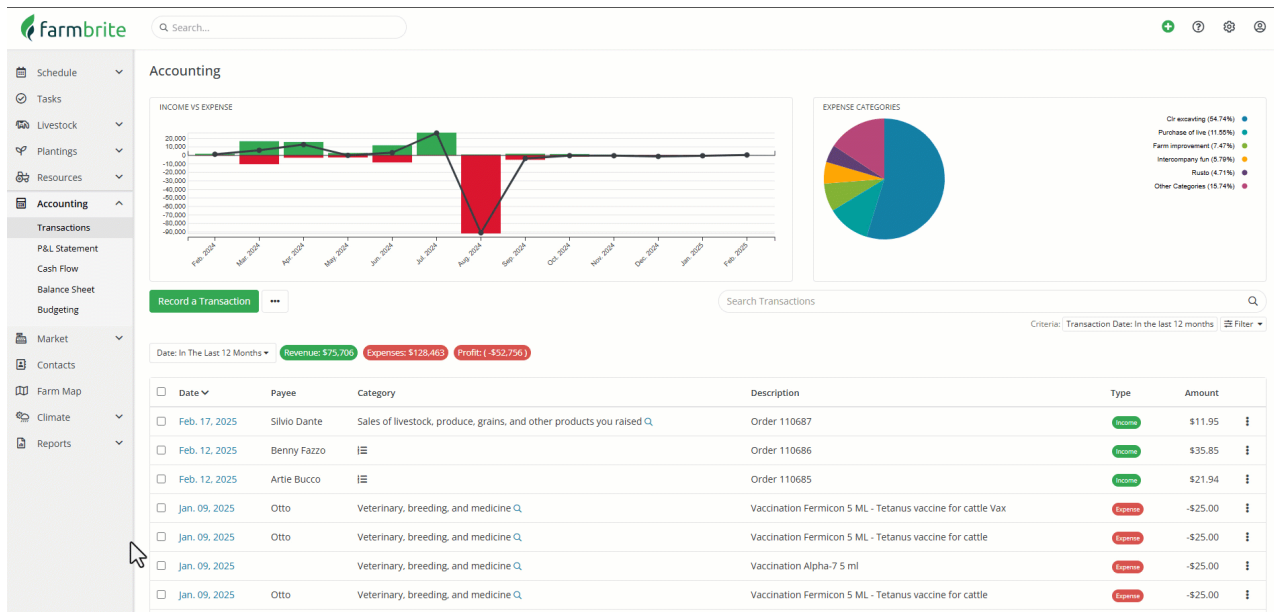
- You record income paid to you by a customer from a market order, but an item is returned and you issue a refund.
- You record an expense for something you bought, but you need to return the item for a refund, or the seller gave you an additional credit after the payment was processed.

In both of these instances you'd likely want to retain the history of the original transaction, but also need to offset it's income or expense to properly account for the change. It would be necessary to allocate and assign the credits/refunds to the same bucket and category the original was entered under to track the change and rightly account for it.

**To do this, you can create a new transaction with a negative amount as income or expense.**

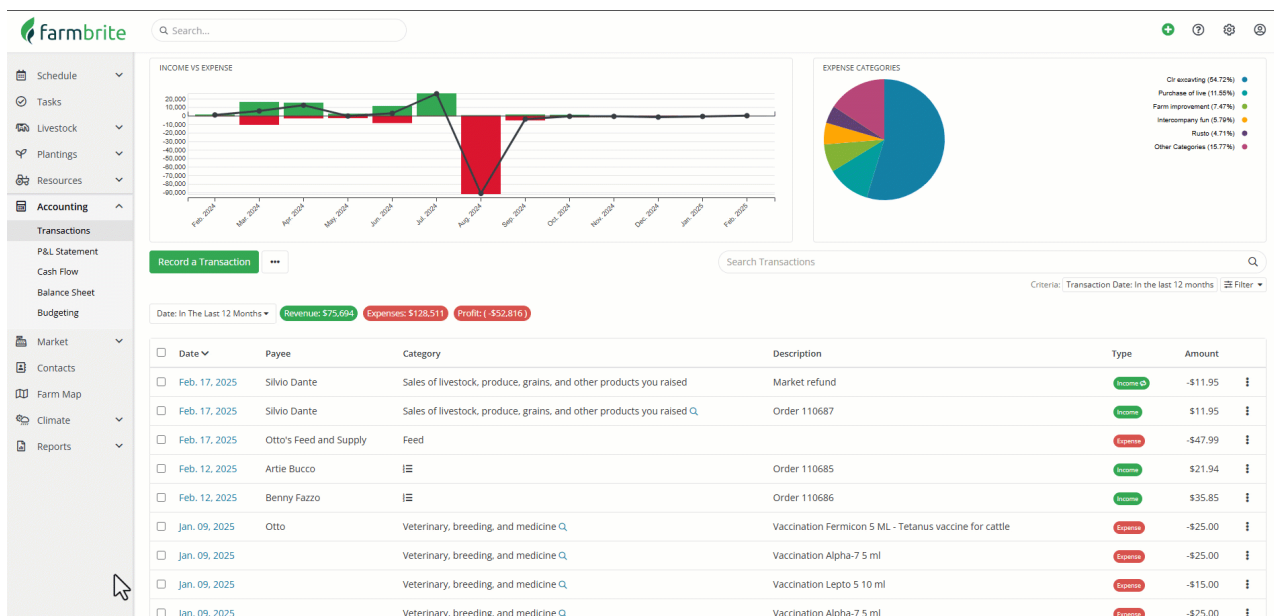
## Reversing Income

In our example below, we had a returned order that we needed to refund. We want to retain the original history for the order, but now need to give money back to our customer and recognize that in our accounting reports. The original transaction should be retained (don't delete it!) and we'll add a new income transaction for a negative amount to offset the positive income from the previous transaction. You'll see the tag "Reversed" when you supply the negative number, indicating that you are reversing previous income.



## Crediting Expenses

The process for crediting an expense is nearly identical to the one outlined above. In our example below, we had to return some supplies we bought back to the store and received a refund. We want to retain the original history for the order, but now got our money back for the product, and need to recognize that in our accounting reports. The original transaction should be retained (don't delete it!) and we'll add a new expense transaction for a negative amount to offset the original expense from the previous transaction. You'll see the tag "Reversed" when you supply the negative number, indicating that you are reversing a previous expense.



In both cases, these "negative amount" transactions will offset the original, and leave you with a zero net profit/expense on your reports. Reach out to us if you need any additional assistance with these!

*Farmbrite recommends that you work with an accounting professional for any questions specific to your business accounting. They can help ensure compliance with your local laws and offer advice on how to best*

*account for your business needs.*

---