

Credit notes and debit notes

Accounting and finance

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Credit notes and debit notes

Reverse or reduce an invoice for returns, discounts and corrections, without deleting anything.

Intermediate · About 10 minutes · Version 1.0 · Updated 17 November 2026

Overview

A **credit note** reduces what a customer owes you. A **debit note** reduces what you owe a supplier. They keep your records honest when goods are returned, you give a discount after invoicing, or a price was wrong.

Steps

Issue a credit note to a customer

1. Open the submitted **Sales Invoice**.
2. Click **Create**, then **Return / Credit Note**.
3. A new invoice opens with **Is Return (Credit Note)** ticked and the items shown as negative quantities.
4. Edit the quantities to include only what is being returned or credited.
5. Click **Save**, then **Submit**.
6. The original invoice now shows the credit. If the customer has already paid, you can refund them with a Payment Entry, or leave the credit against future invoices.

Debit note to a supplier

1. Open the submitted **Purchase Invoice**.
2. Click **Create**, then **Return / Debit Note**.
3. Adjust the quantities and submit.

Practical example

Baraka Supplies returns 10 damaged iron sheets that cost KES 1,250 each. The accountant creates a credit note for 10 sheets, KES 12,500. The customer's balance drops by 12,500, and, if the return updates stock, the sheets are added back to the warehouse.

Important notes

- Do not delete or edit an invoice to reduce it. Use a credit note, so the original and the correction are both on record.
- If **Update Stock** was on the original, the return also returns the goods to stock.

Common mistakes

- Creating a new positive invoice with a negative rate instead of a proper return.
- Returning more than was originally invoiced.

Next steps

Read Recording supplier bills.

Related documentation

- Creating a sales invoice
- Recording supplier bills
- Sales returns and customer refunds
- Purchase returns and debit notes