

How to discount issued invoice and apply the credit to a later invoice

 This question comes up somewhat frequently here at the Projector support desk. You have an initial invoice that the client likely paid. Then at some point you decide that the client overpaid on that invoice. What you want to do is take a portion of that initial payment and apply it as a credit on a later invoice. There are a few ways to address this, each with their own pluses and minuses.

Before getting into the solutions below, you may want to review our [Creating Credit Memos](#) help page for a full introduction on how this works, as well as details on how your operational data may be affected by making changes to invoices only to satisfy the AR department's requirements.

The solutions below are ordered by what we consider "best practice," with the most optimal choice at the top.

Void & Reissue

This is the recommended method by Projector. What we are doing here is getting all the invoicing fixed in Projector, and handling any monetary issues outside of Projector as purely AR issues. The reason we recommend this is because incorrect invoices affect your operational data. Or in other words, invoices should accurately reflect who or what earned that revenue. Looking across an entire project the invoice changes may be small, but when you start looking at resource profitability by week, it could be large!

1. Note the original invoice # as a reference
2. Void the original invoice (but don't delete!)
3. Remove or adjust any incorrectly billed items
4. On the [notes](#) tab log the original invoice #, the amount the client overpaid, and the invoice # or draft invoice # that a credit will be applied to
5. Reissue the invoice - you may want to renumber the invoice to something like INV00011-R1 to indicate it is reissue #1. This will be a hint to you that something atypical happened here.
6. Have the client short pay the second invoice
 - a. Optionally make a note in the client message that it should be short paid by \$X
 - b. Optionally call your client's AP department to ensure that they know about the short pay

Prepayment

This is the second best method and also corrects for your operational data. It is a better solution than the previous suggestion if you aren't allowed to void the original invoice. What we do here is issue a credit against the original invoice to fix the operational data. Then we generate a prepayment invoice that reflects the original overpayment. Finally, we apply that prepayment to the followup invoice which gives the client a nice line item about their credit.

Before we get into the details though, this method **ONLY** works if the credit is being transferred to an invoice that is billed at the same level. For example, you bill at the project level, and both invoices are for the same project. Or you bill at the PO level, and both invoices are for the same PO. This restriction is in place because credits can't be transferred between levels. If you need a temporary workaround to get the prepayment over, see [How to transfer prepayment](#).

1. Issue a [credit memo](#) against the original invoice for the credit amount. You can optionally send this to the client if they need proof of the credit.
2. Create a [prepayment](#) for the overpayment amount using a milestone
3. On the second invoice, apply that prepayment from the [Invoice tab](#)

Short Pay

This method is similar to the previous one, but foregoes the prepayment and your second invoice will have no line item showing a credit.

1. Leave the original invoice alone
2. Issue a credit memo against the original invoice for the credit amount. You can optionally send this to the client if they need proof of the credit.
3. Have the client short pay the second invoice
 - a. Optionally make a note in the client message that it should be short paid by \$X
 - b. Optionally call your client's AP department to ensure that they know about the short pay



Write Down

In this case you write down billable items on the second invoice to reflect the needed credit. In terms of operational data, you will see revenue earned and assigned based on the original invoice, but destroyed on the second invoice. This could affect an individual's performance metrics though. For example, if Jim did the work on the original invoice, he gets credit for it revenue wise. If Sally gets her time written down on the second invoice, she is the one that gets hurt! This method is similar to the previous one, except that the second invoice is accurate according to the clients point of view, with a credit and accurate amount displayed.

1. On the second invoice use a write down adjustment to discount the needed amount for time or expenses. If this is a fixed price invoice, you can reduce the milestone amount, or apply a negative milestone.
2. If this is a T&M/NTE invoice, you'll likely want to choose one of our discount invoice templates, like A200D. This provides a line item for the discounts which your client may be expecting to see.
3. Optionally make a note in the client message about why the invoice was discounted