

## Surcharging General Ledger Accounting Recommendations

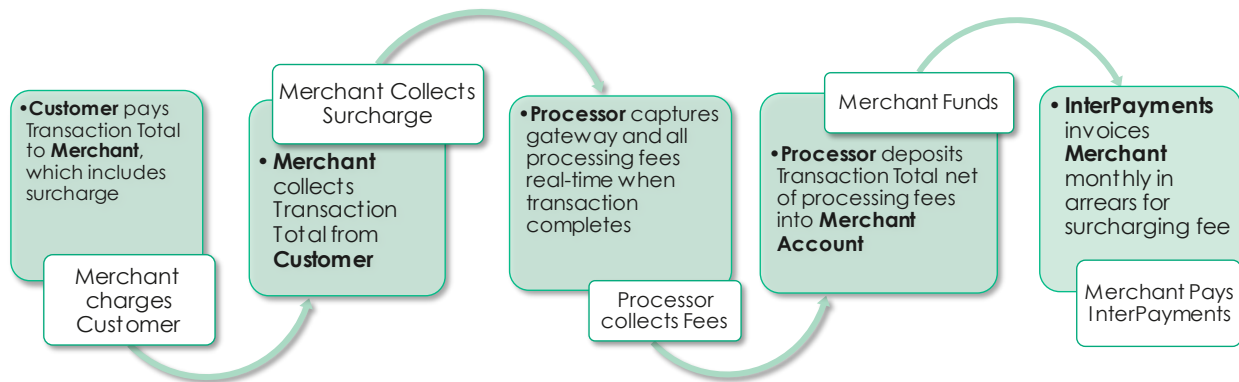
*Please note: InterPayments is not a certified accounting specialist. We recommend you speak with your accountant before implementing any accounting advice.*

For enterprise merchants, surcharging may introduce an additional general ledger line item. This guide will highlight and recommend ideas for how surcharging impacts your accounting.

### ❑ Primer on Surcharging Cash Flow Process

Once a customer authorizes a transaction, 3 cash flow steps ensue:

Stage	Details	Card Status
Customer authorizes transaction	Surcharge is included in the total transaction amount	Authorized and/or Captured
Payment processed	Processor automatically collects all interchange, gateway, and other processing fees and deposits remaining funds into merchant's account	Complete/Sale
(OPTIONAL – see below) Refund	Merchant refunds customer the surcharge amount pro rata of the refunded transaction total	N/A
(InterPayments fee)	InterPayments invoices merchant monthly	N/A



**Refunds.** If a Credit Note or refund occurs, merchant refunds customer the surcharge amount a pro rata of the refunded transaction total. Example: If 75% of the transaction total is refunded, then 75% of the surcharge amount is refunded

Refunds are calculated by the merchant in one of two ways:

- (i) Merchant stores and recalls the surcharge amount associated with the transaction ID; OR
- (ii) Merchant calling InterPayments' Refund API with the relevant transaction ID.

#### ☐ General Ledger Journal Entries

To account for the surcharge, Merchant may either store the surcharge associated with each Transaction ID on its own servers OR call the InterPayments API with the Transaction ID to retrieve each transaction's surcharge amount.

The basic surcharge general ledger is as follows.

##### **AUTHORIZED SALE OF PRODUCT**

Debit	Accounts Receivable (customer product purchase)
Credit	Inventory

Debit	Accounts Receivable (Surcharge Amount)
Credit	Credit Card Processing Fees Payable

##### **COMPLETED SALE OF PRODUCT (CASH RECEIVED IN MERCHANT ACCOUNT)**

Debit	Cash
Credit	Accounts Receivable

Debit	Credit Card Processing Fees Payable
Credit	Cash

*\*Note: Merchant's processor will automatically collect the surcharge in its invoicing process.*

#### ☐ Surcharge impact on Income and Sales Taxes

The surcharge is deductible for Income Tax purposes.

The Surcharge amount on taxable products is subject to Sales & Use Tax in most U.S. states. Please refer to InterPayments' Sales Tax and Surcharge Recommendations document. *\*InterPayments recommends merchants to calculate the Sales Tax AFTER the surcharge amount is added. See below.*

#### ☐ Credit Note "refunds"

If a refund of any type occurs, such as a credit note, merchant refunds customer the surcharge amount a pro rata of the refunded transaction total.