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# Surcharging General Ledger Accounting Recommendations

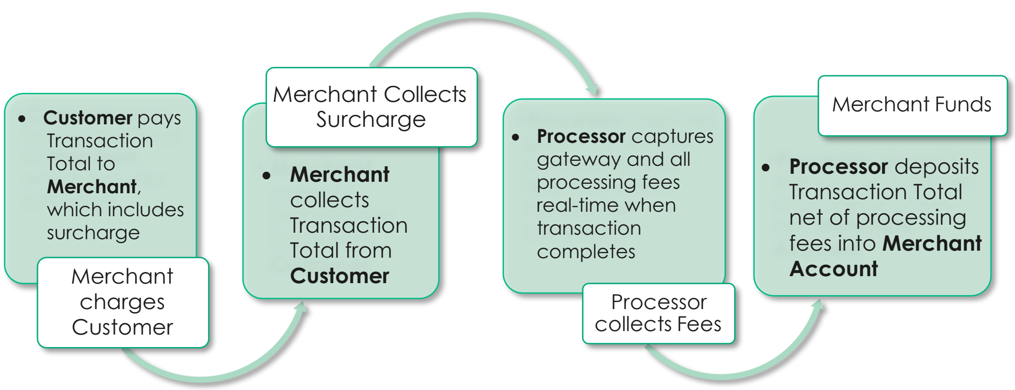
*Please note: InterPayments is not a certified accounting specialist. We recommend you speak with your accountant before implementing any accounting advice.*

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, 2 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 |




***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 via the following:

(i) Merchant stores and recalls the surcharge amount associated with the transaction ID

❑ General Ledger Journal Entries

To account for the surcharge, Merchant may store the surcharge associated with each Transaction ID on InterPayments' servers.

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
Credit Payable 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.