Purchase Return

Goods purchased are returned for various reasons, mostly for quality fail/ defect. \\Return can of three types:

- Exchange/Replace [Usually no monetary transactions are involved, Vendors replaces the faulty piece] [1)]
- Return [When vendor fails to replace the faulty piece, monetary settlements are made and goods are returned]
- Discount [Procuring party keeps the goods but comes to a mutual monetary settlements as compensation]

- Approve
- POST to GL
- Settlement

APPROVE (Purchase Return)

When Purchase return is approved, the TRADE CREDITORS – control A/C's sub account's (Supplier) credit available will be added the returned amount.

POST (Purchase Return)

When Purchase Return is posted to GL, the following accounting entries should be created.

GL Interface Type/[Account]	Account Usage	Sub-account	Currency	Dr	Cr	Notes
Returns	Ledger		Base		Standard Cost	
Inventory/Accruals	Ledger		Base		Standard Cost	
TRADE CREDITORS/Accounts Payable	AP	Supplier	Prime	(Purchase Price-Discount) + Tax		
Accrued Purchases-Agents	Ledger		Prime	(PurchasePrice-Discount)*Commission%/100		
Accrued Purchases-Sundries	Ledger		Base	AdditionalCost		
Purchase Commission	Ledger		Prime		(Purchase Price-Discount)*Commission%/100	
Purchase Discount	Ledger		Prime	Discount		
GST-Input TAX	Tax		Prime		(PurchasePrice-Discount)*TaxRate/100	Incase of Import Taxes/Duties Payable Contra Should be Used
Purchase Variance	Ledger		Base		()Purchase Price*Exchange Rate)+Additional Cost-Standard Cost	

SETTLEMENT Purchase Return

Once the Purchase return is settled, Trade creditor – control A/C's sub account's (Supplier) credit available will deduct the settled amount of money and the following accounting entries are created.

GL Interface Type/[Account]	Account Usage	Sub-account	Currency	Dr	Cr	Notes
CASH AT BANK	Bank		Prime	(PurchasePrice-Discount) + Tax		
TRADE CREDITORS - CONTROL A/C	AP	Supplier	Prime		(PurchasePrice-Discount) + Tax	

1)

Only Stock position of the item and Inventory/Accruals in accounts should be taken in consideration in my opinion