

Purchase Return

Goods purchased are returned for various reasons, mostly for quality fail/ defective piece.

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 returned to the Supplier]
- Discount [Procuring party keeps the goods but comes to a mutual monetary settlements with the Supplier as compensation]

Actions Involved in Purchase Return are:

- Create
- Approve
- Issue Debit Note [Post to GL]

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 |
|----------------------------------|---------------|-------------|----------|--|--|---|
| 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 | |

POST (Discount)

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

| GL Interface Type/[Account] | Account Usage | Sub-account | Currency | Dr | Cr | Notes |
|---|---------------|-------------|----------|---------------------------------|----------|-------|
| TRADE CREDITORS/Accounts Payable | AP | Supplier | Prime | (Purchase Price-Discount) + Tax | | |
| Purchase Discount | Ledger | | Base | | Discount | |

1)

Only Stock position in IM should be taken in consideration in my opinion. Replacement should be treated as an extension of GRN. Replacement transaction freezes the stock to be used until replacement arrives. Once replacement arrives, Receive is documented against the same GRN and stock is ready for taking.

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