

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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