# Purchase Return

Goods purchased are returned for various reasons, mostly for quality fail/ defective piece. Purchase Return Transaction can be entered with Ref. to any Confirmed GRN.
Return can of three types:

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* Return [When vendor fails to replace the faulty piece, monetary
settlements are made and goods returned to the Supplier]
* Exchange/Replace [Usually no monetary transactions are involved, Vendors
replaces the faulty piece] ((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.))
* 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]
- For Exchange: Receive Confirm [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 | | |

| GL Interface Type/[Account] | Account Usage | Sub-account | Currency | Dr | Cr | Notes |
|---|---|---|---|---|---|---|
| **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 | |

## Receive Confirm (Exchange)

For Exchange type returns, There should be NO monetary transactions. But for better clarity A voucher is created like Return on Issue DN. That Voucher is reversed when exchanged goods arrives by clicking Receive Confirm