



## **Purchasing:** **Goods Returns and Credit Memos**

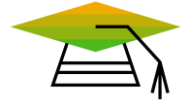
SAP Business One  
Version 10.0

PUBLIC

THE BEST RUN 

Welcome to the topic on goods returns and A/P credit memos.

## Objectives



At the end of this topic, you will be able to:

- Describe how and when to create a goods return or credit memo for purchases
- Use a Goods Return Request to streamline the process of returning items or receiving credit from a vendor

In this topic, we will look at the process for returning items and receiving credit from a vendor. We will discuss how and when you create a goods return or credit memo for purchases, and we use a Goods Return Request to streamline the process for returning items or receiving credit from a vendor.

## Business Scenario



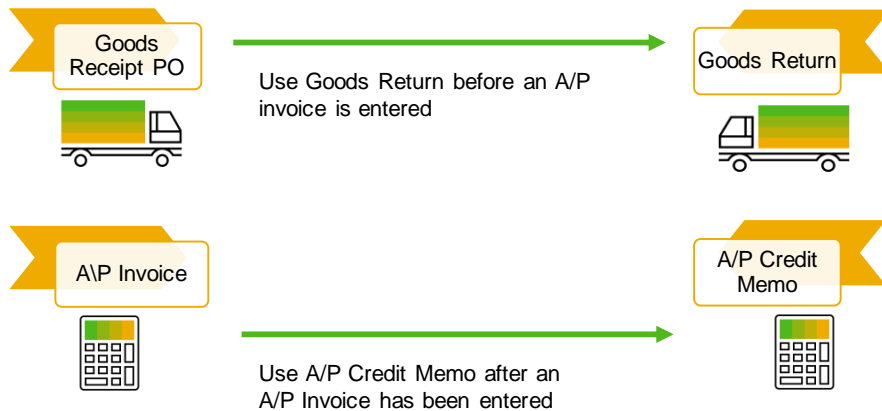
- Even when you receive everything exactly as ordered from a vendor you can discover that delivered goods do not meet your quality standards or were damaged in transit.
- You return these items to the vendor for credit either before or after you receive the invoice.
- Sometimes the shipment is correct and high quality but the invoice has an error. In those cases, you request a credit from the vendor.

Even when you receive everything exactly as ordered from a vendor you can discover that delivered goods do not meet your quality standards or were damaged in transit. You return these items to the vendor for credit either before or after you receive the invoice.

Sometimes the shipment is correct and high quality but the invoice has an error. In those cases, you request a credit from the vendor.

We will examine the options available in SAP Business One for returning poor quality items or damaged goods and for correcting a vendor's invoice.

## Goods return and credit memo

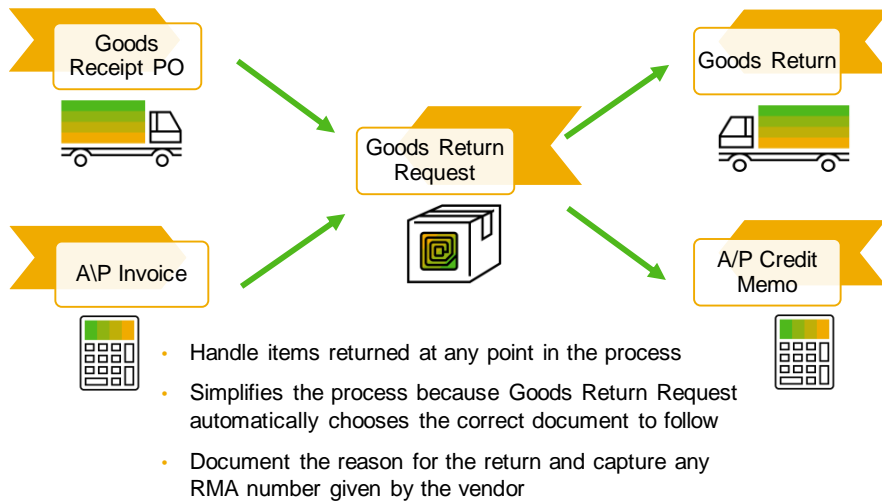


There are two main documents in SAP Business One that are designed to remove an item from inventory and give a credit in the general ledger.

The first is the Goods Return. The Goods Return is used when the issue is discovered after the goods are received into inventory but before an A/P invoice has been entered.

The second document is the A/P Credit Memo. The credit memo is used once an A/P invoice has been entered.

## Simplify the process with the Goods Return Request



© 2020 SAP SE or an SAP affiliate company. All rights reserved. | PUBLIC

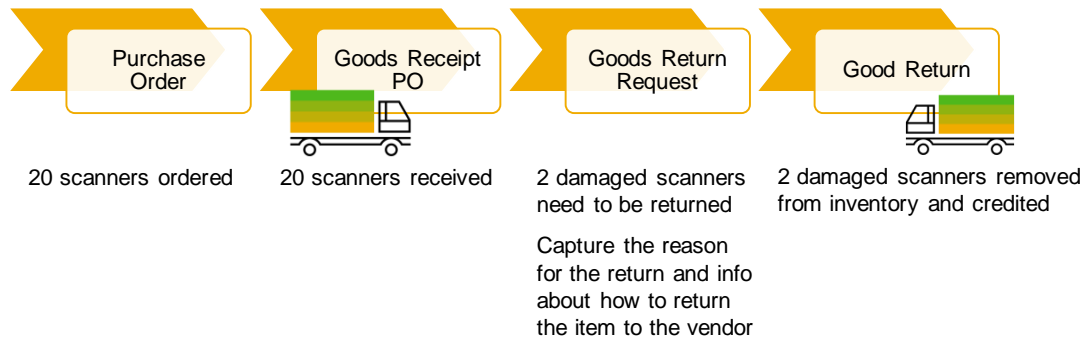
5

The Goods Return Request can help simplify the process for your employees. It is designed to handle items returned at any point in the purchasing process. A Goods Return Request can be created based on either a Goods Receipt PO or an A/P invoice.

Employees will not need to research the status of purchase to determine whether an A/P invoice has been entered. The Goods Return Request automatically chooses the correct document for posting the inventory movement and credit.

This optional document also allows you document the reason for the return or credit. If a vendor provides you with a return material authorization (RMA) number, you can record it here.

## Goods Returns



Imagine that we ordered 20 scanners.

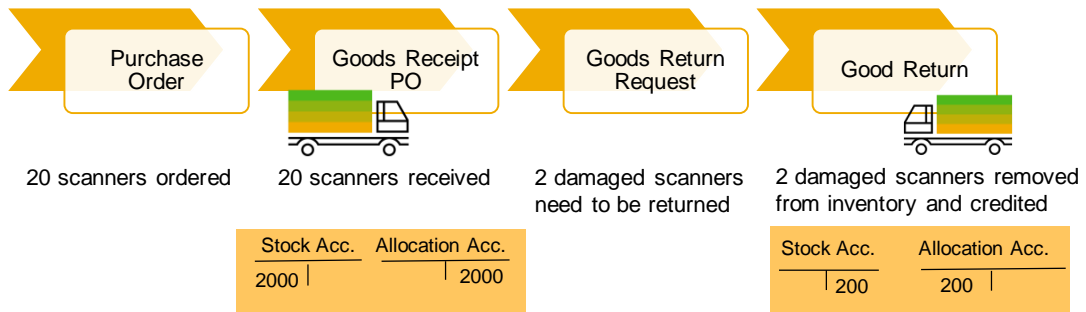
The vendor delivered all 20 and we received them on a Goods Receipt PO.

Then we discover that 2 were damaged in transit.

The receiving clerk can create a Goods Return Request to document the need to return the scanners to the vendor for credit. He can put in the reason we need to return the items. The clerk can contact the vendor and get instructions on how to send the item back to the vendor, perhaps including a return materials authorization (RMA) number to use when mailing back the item to the vendor.

Later when the item is removed from stock to be sent to the vendor, he copies the items to a Goods Return to record the removal of the scanners from inventory and to post the credit expected from the vendor.

## Goods Return Effect



<b>Warehouse</b> (Quantity)	<input checked="" type="checkbox"/>
<b>General Ledger</b> (Value)	<input checked="" type="checkbox"/>

Think of the Goods Return as the clearing document for a Goods Receipt PO. When you enter a goods returns, the goods are issued from the warehouse and the quantities are reduced.

If your company runs perpetual inventory, SAP Business One creates the relevant accounting postings to update the stock values as well.

If you return goods to a vendor to exchange and later receive a shipment, you can either enter a goods receipt PO without a reference to a purchase order in the system or duplicate one of the preceding documents. It is possible to open the purchase order when a return is made. This allows you to base the new delivery on the original purchase order.

Note that when a Goods Return is created without being based on a previous document, the value of a moving average item is the current item cost calculated for the item and not the unit price entered in the goods return document.

## Inventory Effect for Goods Return Request and Goods Returns

Before the goods receipt PO, there were 0 in stock.

	In Stock	Committed	Ordered	Available
GRPO 	20			20
Goods Return Request 	20	2		18
Goods Return 	18		*	18*

\* If there were a preceding purchase order and the configuration setting allowed reopening the purchase order, a quantity of 2 would be added to the Ordered column and the Available quantity would be increased by 2.

© 2020 SAP SE or an SAP affiliate company. All rights reserved. | PUBLIC

8

Let's look at an example of a Goods Receipt PO (without a preceding purchase order) for the 20 scanners. Before the Goods Receipt PO we had zero in stock.

Once the Goods Receipt PO for 20 scanners was made we have 20 in stock and 20 available.

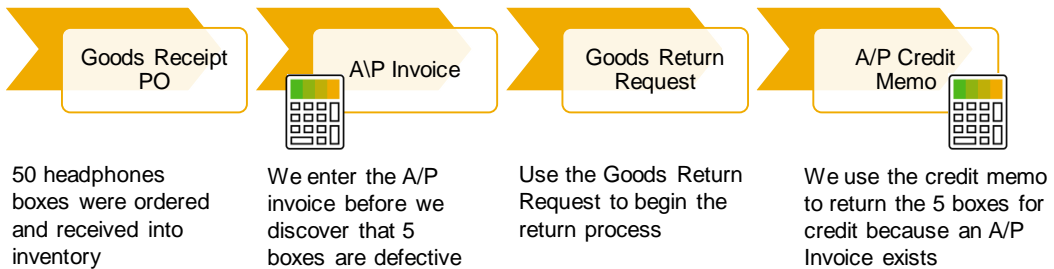
When the Goods Return Request is added, 2 scanners are added to Committed and subtracted from the Available stock. The Goods Return Request does not have any effect on accounting.

When the Goods Return Request is copied to a Goods Return, the 2 scanners are removed from stock and a posting is made that reverses the Goods Receipt PO posting.

If there had been a preceding purchase order and the setting was made to allow reopening the purchase order, a quantity of 2 would have been added to the Ordered column and the Available column would have been increased by 2.



## Credit Memo for Purchasing



Now let us imagine another scenario. We ordered 50 headphones boxes. The vendor delivered the items and the invoice.

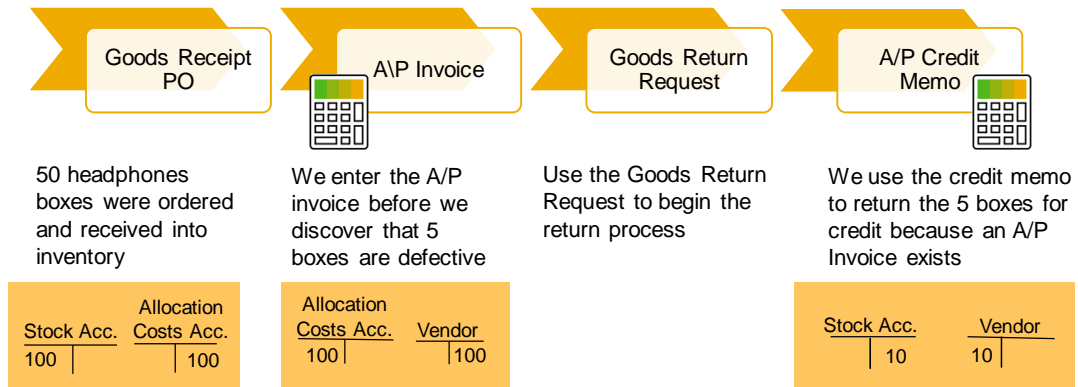
After we entered the A/P invoice into SAP Business One but had not yet paid the vendor, we discovered that 5 boxes were defective.

We use the Goods Return Request to begin the return process. Here we enter the reason for the return and any information from the vendor about how to return the product.

Since the invoice had already been created, the system creates an A/P Credit Memo from the Goods Return Request.

We cannot create a Goods Return with reference to the Goods Receipt PO since an A/P invoice already exists.

## Credit Memo for Purchasing



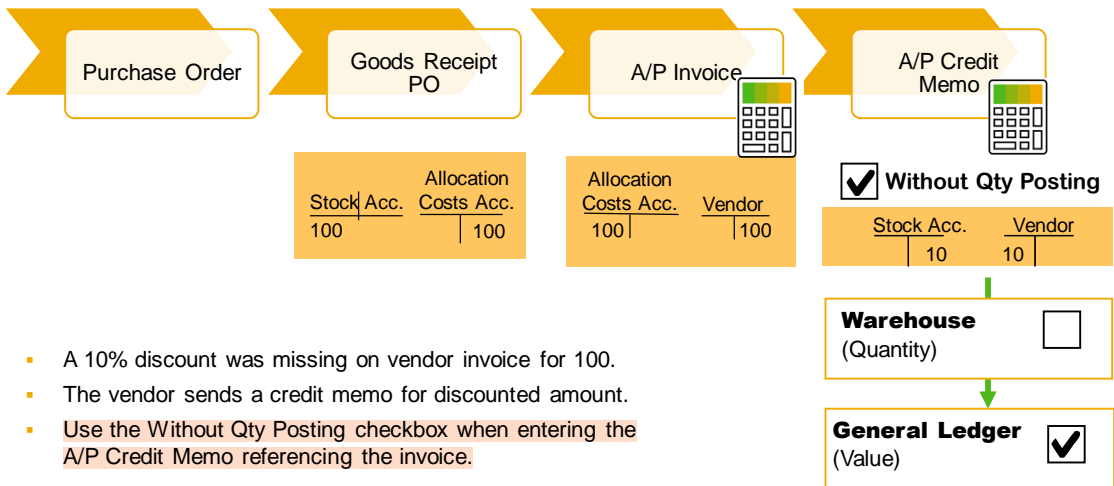
The A/P Credit Memo has the same effect as a Goods Return.

The credit memo updates the stock quantities and corrects the values in accounting.

Since in this case, we were able to create the credit memo by copying the items from Goods Return to the A/P Invoice, the system finds the same accounts that were used to post the invoice and posts a negative value to them.

However, in some cases, it may not be appropriate to copy items to a credit memo from an invoice. For example, if the credit was for a price difference rather than for returning items or if the credit referred to an A/P invoice that we had already paid.

## Credit Memo without reducing stock



There is also an option to create a credit memo without reducing stock accounts.

Perhaps your vendor is giving you credit for a missing discount on an item or refunding your purchase price.

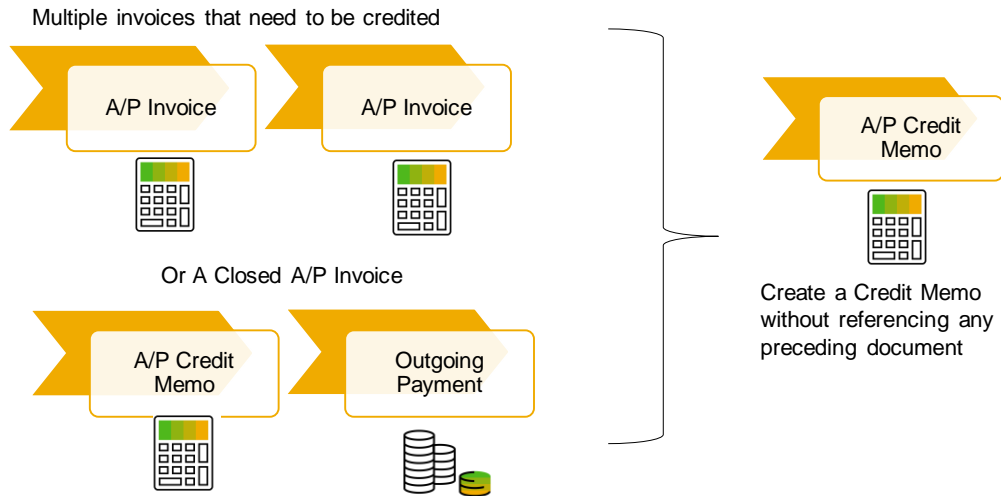
In those cases, you can select the checkbox "Without Qty Posting". This indicator allows you to create an item-type credit memo that affects only the price.

In the example in the graphic, a 10% discount was missing on the vendor invoice for 100, so an A/P invoice was created for 100 and a payment was made for the full amount.

When the issue is discovered, the vendor sends a credit memo for the discounted amount of 10.

The Without Qty Posting checkbox is used to create a credit memo in SAP Business One that does not reduce stock quantity but records the monetary change in the General Ledger.

## Creating a credit memo without reference



© 2020 SAP SE or an SAP affiliate company. All rights reserved. | PUBLIC

12

Sometimes a vendor is giving you a credit that relates to multiple invoices. Or you may need to create a credit for a closed invoice when you return items after you have paid for them.

In those situations, you create an A/P credit memo without reference.

As always, you can create a credit memo for a full amount or partial amount.

When you create a credit memo without copying from the original invoice, the credit memo reduces the total balance due to the vendor. The values in a journal entry created by an A/P credit memo created without a reference are based on the current value calculated for the returned items. This is why it is best to copy an invoice whenever possible.

## Cancellation

- A goods receipt PO is incorrectly entered.
- The user cancels the GRPO.
- A cancellation document is created automatically.
- The purchase order is reopened and used as a base document for a new GRPO.



Another option besides creating Goods Returns or Credit Memo documents is to cancel the original document.

Business One gives you the ability to cancel marketing documents such as a Goods Receipt PO or A/P invoice.

When you cancel a marketing document, a new 'cancellation' document is created during each cancellation procedure. Both the reversing and reversed documents are closed automatically and fully reconciled.

For example, a goods receipt PO is incorrectly entered. The user cancels the goods receipt PO and a cancellation document is created automatically.

The purchase order is re-opened after cancellation, and can be used as a base document to create a new goods receipt PO.

## Summary of options for returns and credit

Issues	Suggested Solutions
<b>Incorrect entry of Goods Receipt PO</b>	Cancel Goods Receipt PO Purchase Order reopens to create new GRPO
<b>Need to return item(s) received on a Goods Receipt PO but not yet invoiced</b>	Copy item(s) from GRPO to a Goods Return Request Then copy to Goods Return
<b>Need to return or credit item(s) invoiced on an A/P Invoice but yet not paid</b>	Copy item(s) to a Goods Return Request Then copy to an A/P Credit Memo If no stock movement is desired use <i>Without Qty posting</i>
<b>Need to return items that have already been invoiced and paid</b>	Create A/P Credit Memo without reference
<b>Need to return or credit items from multiple A/P invoices</b>	Create A/P Credit Memo without reference If no stock movement is desired use <i>Without Qty posting</i>

© 2020 SAP SE or an SAP affiliate company. All rights reserved. | PUBLIC

14

Here's a summary of options for returns and credits in purchasing.

- For incorrect entry of a Goods Receipt PO, you can cancel the document. The related purchasing order will reopen so you can create a new GRPO. The same is true if you incorrectly enter an invoice, you can cancel and reissue the invoice from the GRPO.
- If you need to return item(s) received on a Goods Receipt PO that is not yet invoiced, it is useful to copy to a Goods Return Request. The system will automatically suggest copying to a Goods Return.
- If you need to return item(s) that have been invoiced but not yet paid, it is useful to copy to a Goods Return Request. The system will automatically suggest copying to an A/P Credit Memo.
- Once an invoice has been paid, you can no longer reference it to create a Goods Return Request or A/P Credit Memo.
- Similarly, you cannot copy from multiple invoices to create a credit memo.

## Summary



Here are some key points:

- A Goods Return is used to return items received on a Goods Receipt PO.
- If you need to fully or partially reverse an A/P invoice, then use an A/P credit memo.
- To simplify the process, use a Goods Return Request. The system will automatically determine the appropriate correction document to use.
- A/P credit memos and goods return documents correct both quantities and values.
- To give a credit without an effect on inventory use the *Qty. Without Posting* checkbox.
- Whenever possible reference the original Goods Receipt PO or A/P invoice when correcting the problem.
- If the related A/P Invoice is closed or if the credit is related to multiple invoices, then create a credit memo without referencing a base document.

Here are some key points to take away:

- A Goods Return is used to return items received on a Goods Receipt PO.
- If you need to fully or partially reverse an A/P invoice, then use an A/P credit memo.
- To simplify the process, use a Goods Return Request. The system will automatically determine the appropriate correction document to use.
- A/P Credit Memos and Goods Return documents correct both quantities and values.
- To give a credit without an effect on inventory use the *Qty. Without Posting* checkbox.
- Whenever possible reference the original Goods Receipt PO or A/P Invoice when correcting the problem.
- If the related invoice is closed or if the credit is related to multiple invoices, then you must create a credit memo without referencing a base document.

© 2020 SAP SE or an SAP affiliate company. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP SE or an SAP affiliate company.

The information contained herein may be changed without prior notice. Some software products marketed by SAP SE and its distributors contain proprietary software components of other software vendors. National product specifications may vary.

These materials are provided by SAP SE or an SAP affiliate company for informational purposes only, without representation or warranty of any kind, and SAP or its affiliated companies shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP or SAP affiliate company products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

In particular, SAP SE or its affiliated companies have no obligation to pursue any course of business outlined in this document or any related presentation, or to develop or release any functionality mentioned therein. This document, or any related presentation, and SAP SE's or its affiliated companies' strategy and possible future developments, products, and platforms, directions, and functionality are all subject to change and may be changed by SAP SE or its affiliated companies at any time for any reason without notice. The information in this document is not a commitment, promise, or legal obligation to deliver any material, code, or functionality. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, and they should not be relied upon in making purchasing decisions.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries. All other product and service names mentioned are the trademarks of their respective companies.

See <http://global.sap.com/corporate-en/legal/copyright/index.epx> for additional trademark information and notices.