# Vendor Returns –Best Practices

Vendor Returns Setup

1. **Create a new customer account (Menu 12.2.2.1) for vendor returns.** Call it Johnstone Vendor Returns. If you have multiple branches that will be returning items set up a customer account for each branch. It is best to identify the branch location in the customer name (Ex: Johnstone Wloo Return*). ***No special setup needed or any special flags set. Simply setup like a normal customer.*

2. **Confirm Reason Code "100"** is setup in Menu 12.1.10 if you are going to use process described in 4b below. Make sure the effect qty is set to "Y".
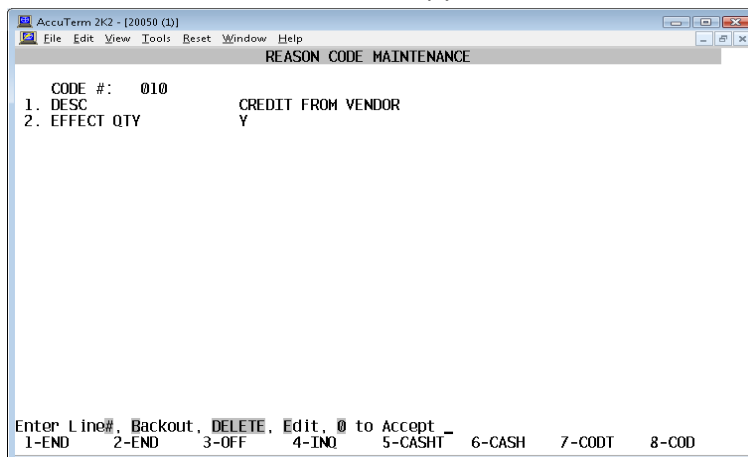
3. **General Ledger Considerations**
   a. M-12.1.7 –review fields 20, 21 and 22 for the RETURNS AR, RETURNS CLEARING and RETURNS EXPENSE G/L accounts.
      i. If needed, setup the new G/L accounts using M-12.4.3 and M-14.1.1 to set the opening balances to $0. Also, M-14.3.1 to add the new accounts into your balance sheet or income statement.

Vendor Returns Processing

4. **Process the item to be returned** using the account number set up in step 1. Below are a few different situations and the proper way to process.
   a. Item is currently in your inventory. (A customer returned it, you have given the customer credit, and it is now sitting in your inventory).
      i. Get the item into the Vendor Return program. This is done by going into Order Entry for the Return account and first billing the item then second credit the item using reason code "100 Vendor Returns". Billing the item removes it from your inventory and crediting the item puts the item into the Vendor Returns program. The total on this invoice should be $0 (so it does not affect a/r). See

example below.

```
AccuTerm 2K2 - [20050 (1)]
File  Edit  View  Tools  Reset  Window  Help
CUSTOMER 4701            PHONE 233-0525            OE CO 01 WHSE 001 ORD DATE 02/17
BUYER                    MULT 0.5100    SPECIAL INST:
BILL JOHNSTONE WAT RETURN          SHIP 1. JOHNSTONE WAT RETURN      ORDER NO
TO:  329 W 6TH ST                  TO:  2. 329 W 6TH ST             NEW
                                        3.                          REL
                                        4.                          001
     WATERLOO  IA  50701                5. WATERLOO        IA   50701
===========================================================SUBTOTAL >      0.00
     --ITEM NUMBER--  -------QUANTITIES-------  --------PRICING--------==========
LN     DESCRIPTION    ORDER INVCD  PICK    B/O    PRICE DISC%      DPRICE  TX PH RT
001                        1        1       0     9.68            9.68    Y  N
     032158-04 620 SPECIAL
002                       -1       -1       0     9.68            9.68    Y  N  N
     032158-04 620 SPECIAL             VENDOR RETURN CREDIT
003  ###############



 1-END     2-END     3-OFF     4-INQ     5-CASHT    6-CASH    7-CODT    8-COD
```

b. <u>Item is not in your inventory</u>. You may not want to give the customer credit for the item until you know if you are going to get credit and what the restock fees and freight charges will be.

   i. Get the item into Vendor Return program. This is done by going into Order Entry for the Return account and issuing credit for that item using reason code "100 Vendor Returns". THIS ACTUALLY PUTS A CREDIT ONTO THE VENDOR RETURNS A/R!!! This credit will later be reversed by an offsetting invoice when the credit has been received from the vendor. PUT ALL RELATED INFORMATION AS A MESSAGE LINE – it will be needed in the future. The price of the item should be changed to match the amount you want to issue to the customer. Be sure to include customer name, model and serial numbers, any RGA's etc. See example below.

```
AccuTerm 2K2 - [20050 (1)]
File  Edit  View  Tools  Reset  Window  Help
CUSTOMER 4701            PHONE 233-0525            OE CO 01 WHSE 001 ORD DATE 02/17
BUYER                    MULT 0.5100    SPECIAL INST:
BILL JOHNSTONE WAT RETURN          SHIP 1. JOHNSTONE WAT RETURN      ORDER NO
TO:  329 W 6TH ST                  TO:  2. 329 W 6TH ST             NEW
                                        3.                          REL
                                        4.                          001
     WATERLOO  IA  50701                5. WATERLOO        IA   50701
===========================================================SUBTOTAL >   -150.87
     --ITEM NUMBER--  ------QUANTITIES-------  --------PRICING--------==========
LN     DESCRIPTION    ORDER INVCD  PICK    B/O    PRICE DISC%      DPRICE  TX PH RT
001  NS720-055            -1       -1       0    150.87          150.87   Y  N  N
     720-055 RS HSI GAS VALVE           VENDOR RETURN CREDIT
002  M
     CREDIT KENS HTG #4209 WHEN WE GET CREDIT
003  M
     RESTOCK AND RETURN FREIGHT WILL APPLY
004  M
     KENS CREDIT SHOULD BE $150.87 LESS FRT & R/S
005  M
     PURCHASED 2/1/09 ON INV 303821.


Line#, Hdr, Add, INSert, ^-Scrl-up, v-scrl-dn, Backout, Notes, @ to accept:_
 1-END     2-END     3-OFF     4-INQ     5-CASHT    6-CASH    7-CODT    8-COD
```

5. **Print Menu 15.15** to see a list of all of the items that need to be returned to vendor(s).
6. **Create a Vendor Return Claim** form using Menu 15.16. If credit for this item will need to be given at a future date identify this on the claim with some uniform system. This should be discussed at the local level – one way is to type it in the comments section of the vendor return and then highlight it. We also highlight the claim number at the top so it does not get missed.
7. **When credit is received** it will be handled in one of the following two ways.
   a. If credit was already issued to customer clear the claim using Menu 15.23 (Menu 15.24 could be used if you received replacement product and need to put it in your inventory)
   b. If customer did not received credit follow the steps listed below.
      i. Clear the claim using Menu 15.23
      ii. Issue the customer credit on their specific account. Use reason code "010 Credit From Vendor. If freight applies or restock fees apply include them on the credit memo at this time. THIS RETURNS THE ITEM TO YOUR INVENTORY – YOU MUST DO THE NEXT STEP TO REMOVE IT FROM INVENTORY!!

      iii. Invoice Vendor Return Account set up in Step 1 for the item that was returned. The invoice should be for the exact amount the credit was issued for. THIS WILL CARRY THROUGH TO YOUR A/R and can be cleared off A/R through normal A/R procedures.

***NOTE – Best Practices for Warranty Procedures mimic the above procedures using a customer account called Johnstone Warranty. This enables the store to receive credit for the product before issuing the customer credit. It allows counter staff to remove damaged items from inventory, like a motor with a stuck shaft, and get it into the warranty process all with a paper trail. Best practices recommend no manual adjustments and this accomplishes that.