



# Buyback

## SUMMARY

Every year we get a chance to send back "dead" inventory to the Distribution Centers. We aren't given full credit, but partial credit. The credit shows up as a management invoice in our Corp packet.

We transmit our request and then Corp decides what they are or aren't going to take back. This is taken care of out in the warehouse. Then Corp transmits the accepted items in the form of a purchase order, which is then directly turned into an invoice (without us having to do any of the entering).

## PROCESS

- Corp is set up as customer 00000. Field 17 (Inv.sfer) in 12.2.2.3 is set to "1." This is so that the invoices will not show on the Invoice and Credit Memo Register and will not figure in the Gross Profit Report.
- Menu 19.7a & 7b are updated so that these transactions can be seen in the inventory history.
- Also, A/R is not created and the G/L is not automatically updated.
- Since the General Ledger is not automatically updated, you have to do a journal entry to relieve inventory. We credit inventory and debit "buyback expense". Then when we get the credit in from Corp, we credit buyback expense. The difference left in the account and gives us an idea of what expense we incurred (write off of dead inventory) as a result of the buyback.
- The sales analysis files are not updated so they do not show up in sales. This is important since we don't want to pay 1% to Corp on the buyback sales. However, there is a report at end of day that shows the amount shipped to the customer.
- An additional note along those same lines: the report that you get off at the end of the day that shows the invoices to customer 0000 at sell price. Obviously, we didn't want to relieve inventory with the sale dollar amount; we wanted to relieve it by average cost. So using the report that came off with day end, figure out the average cost per invoice by using the sell and the GP figures. This is the number that you want to relieve inventory by (with journal entry).
- There may be multiple invoices for the buyback. It usually doesn't happen on just one invoice. Usually all the invoices for the buyback are generated the same day; however, if not, just make sure to stay in contact with the warehouse so that you know whenever an invoice is generated. Normally it happens all within a few days.
- We have to pay freight to ship the returns back. When I get this freight bill, you can also take it to the buyback expense GL account as part of the buyback expense.