Welcome to the topic on handling returns and exchanges in the sales process.
In this topic, we will explore how to handle issues that arise from deliveries. We will process returned items, redeliver items, and see how we can use negative rows in a sales documents to handle partial credits and exchanges.
Business Example

To increase customer satisfaction, the company has a liberal policy for returning items for replacement, exchange, or credit.

When problems arise from the delivery, a Return document is used to give credit or to provide an option for redelivery from the original sales order.

Sometimes the customer wants to return an item to exchange it for a different item. In those cases, the option for negative rows on a sales document can be used to return an item and exchange it for another.
The two main correction documents for the sales process are the Return document and the A/R credit memo.

The Return document is used to process items returned from customers following a delivery.

The A/R credit memo (or credit note) is used to process returned items, once an A/R invoice has been issued.

Credit memos can also be created to give credit for amounts not connected to items.

Additionally, rows with credits can be entered directly on deliveries and invoices.

In this topic we will focus on Return document.
If a delivery is damaged or of poor quality, the customer returns the items to you. A Return allows you to reverse the effects of a delivery, either partially or fully. When you create the Return with reference to the delivery note, the system adds a reversed stock transaction to return the item to inventory.

Why would you need to use a return? For legal reasons, you cannot change or delete deliveries and customer invoices that have already been entered in the system. To correct these, you need to use a clearing document such as a Return or an A/R credit memo document.

If a delivery is returned before you create the A/R invoice for the customer, you can post the return delivery in the system. If an A/R invoice exists, you cannot use a Return.
In our business example, the customer ordered a quantity of 5 keyboards
We shipped the customer a quantity of 5
Because we were using perpetual inventory, the delivery created a journal entry for a credit to the stock account for the decrease in inventory value and a debit to the cost account to record the cost of goods sold
The customer asked to return the 5 keyboards
When the return is processed, a journal entry is created to record:
- A credit to the cost account for the full amount
- A debit to the sales returns account
Note that some customers use the regular stock account for returns rather than a sales returns account because they do not need to separate returned items from the general stock.
When you add a return document, the return document increases the quantity in the warehouse by the quantity of the returned item.

The system also creates a journal entry that posts the value of the returned goods to the debit side of a sales returns account and to the credit side of the cost account.

The value of the returned goods is not posted back to the original stock account in order to keep it separate from the value of the undamaged goods. The sales returns account and the cost account are retrieved from the Sales Returns field and the Cost Account field on the Inventory tab of the item master record.

Here is a tip: If you also want to manage the inventory of the damaged goods separately from the undamaged goods, you should define a special warehouse for the damaged goods and enter this warehouse in the return document.
A redelivery can be created from a sales order after items are returned.

An option exists to reopen the original sales order.

The open quantity of an item is increased in the sales order.

The option to allow redelivery can be chosen by a user or set to occur automatically.

Redelivery reduces the need for duplicate orders.

Subsequent deliveries are easier and more transparent.

Same functionality exists in purchasing.

A redelivery can be created from a sales order after items are returned.

An option exists to reopen the original sales order.

The open quantity of an item is increased in the sales order according to the quantity in the return document.

The option to allow redelivery can be chosen by a user or set to occur automatically.

One advantage is that redelivery reduces the need for duplicate orders.

Another advantage is that subsequent deliveries are easier and more transparent. You can view the connection between the documents in the relationship map.

The same functionality exists on the purchasing side for purchase orders and goods receipt POs. When you create a goods return, the purchase order can be reopened to receive replacement items on a goods receipt PO.
Let us look at a business example for redelivery.

The customer has ordered 10 laptops. The sales order was copied to a delivery for the 10 laptops. When the delivery was saved, the sales order was automatically closed. Since all 10 were delivered there is no open quantity on the sales order.

There was problem with 3 of the laptops. The delivery was referenced to create a Return for a quantity of 3. The user chooses to reopen the sales order so that the quantity of 3 can be redelivered.

A subsequent delivery is created from the original sales order. The open quantity of 3 is delivered, so the sales order is automatically closed and the open quantity on the sales order returns to 0.
To offer users the option of redelivery, the setting must be made in advance.

You can enable the functionality on the Document Settings window for sales orders. Choose the option to enable reopening of orders while creating returns based on orders.

An additional option is available to always allow the reopening of items in the original order. If this is chosen, then the sales order is always reopened. If left unchecked, a box will appear as the return is saved to ask if the user would like to reopen the items in the original order.
Negative rows have been an option since release 8.8.

Negative rows allow you to give credits directly on sales or purchasing documents.

Using negative rows you can make corrections directly in a marketing document without a using a separate credit memo.

The sales documents enabled for negative rows are: A/R Invoice, A/R credit memo, Delivery and Return.

Negative rows can also be added to marketing documents in the procurement process. The purchasing documents enabled for negative rows are: A/P invoice, A/P credit memo, Goods Receipt PO and Goods Return.

On most sales documents, like a delivery or A/R invoice, the negative row is a credit. However a negative row added to an A/R credit memo will actually be a debit line which charges the customer rather than credits the customer. That is because a positive total on a credit memo indicates a credit; therefore a negative amount on an A/R credit memo will indicate that the customer owes us.

Another good example of a use for a negative row is to give a customer credit for sending back packaging while they are ordering more items.

In most localizations, you can have a document with a negative amount. This can be useful in case the amount on the credit rows exceeds the amount on the debit rows in an A/R invoice.
Exchange example

- The customer orders 5 batteries
- The customer discovers the batteries are not the correct kind
- The customer wants to exchange batteries
- Create a delivery to ship out the correct batteries
- Add a negative row to return the incorrect batteries

- In our business example, our customer has ordered 5 batteries.
- The customer quickly realizes that the batteries are the wrong kind.
- The customer would like to exchange the incorrect batteries for the correct batteries.
- We can create a sales document, such as a delivery or an A/R invoice to ship out the correct batteries
- The same document can include a negative row (or credit row) to receive the returned batteries into stock and credit the customer.
Demo – Returns, Redeliveries and Exchanges
The Return document is used to process items returned from a customer after a delivery. It allows you to reverse the stock postings and any related accounting postings of a delivery either partially or fully.

An option exists to reopen the related sales order for redelivery when posting returns. Configuration for this option is set in document settings for the sales order.

Another option for correcting deliveries and managing exchanges is negative rows.

The sales documents enabled for negative rows are: A/R Invoice, A/R credit memo, Delivery and Return.

Several purchasing documents are also enabled for negative rows: A/P invoice, A/P credit memo, Goods Receipt PO and Goods Return.
You have completed the topic on returns and exchanges. Thank you for your time.