



Article # 1235

Technical Note: Understanding How AccountMate Computes Return Cost in the Return Authorization Module

Difficulty Level: Intermediate Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
AccountMate 6.5 for SQL and MSDE

Module(s) Affected: RA

Posting Date: 09/12/2007

DESCRIPTION

The AccountMate Return Authorization module helps you manage customer and vendor returns. Customer returns are handled by the Return Merchandise Authorization module while vendor returns are handled by the Return to Vendor Authorization module. AccountMate computes the related cost on these returns and the gain or loss arising from these transactions. This Technical Note explains how AccountMate computes return cost and the related gain or loss resulting from customer and vendor returns. This article does not discuss how to record customer or vendor returns. Refer to the Online Help or Electronic Manual for information on recording customer or vendor returns. In addition, this TechNote assumes that there is no special pricing feature in place.

SOLUTION

A. Customer Return Cost

1. Hierarchy of Return Cost

a. AR Invoice Unit Cost

AccountMate uses the inventory item's unit cost on the AR invoice as the return cost if you referenced an invoice number or copied the RMA entries from an invoice when recording the RMA transaction. To view the return cost that AccountMate will use during Create RMA click the Detail button below the line items grid. The value in the Unit Cost field in the Line Item Detail window will be the return cost.

Line Item Detail

Item #	Item #	Description	Specification	Return Code	Invoice #	Invoice Date	Warranty Date	Req Date	Warehouse	Revenue Code	Buyer	Commission	Purchaser	Taxable	U of M	RMA Qty	Receive Qty	Ship Qty	Complete Qty	Unit Cost	Unit Price	Ext. Price	Discount	Charges
BRACKET	BRACKET	Bracket Braces - Desk Unit		RPRSH	30045	08/30/07	08/30/08	08/30/07	MAIN	STDPROD		4	ACC1	☒	2PAK	5	0	0	0	187.22	1,500.00	7,500.00	0.00	0.00

Reason Code:

Item Remark: Includes screws

Buttons: Add, Delete, Shipments, Close

Figure 1-1 RMA Transaction – Line Item Detail Window

- b. Return Cost in Inventory Maintenance
- AccountMate uses the return cost defined in the inventory record if the returned item is directly entered in the Create RMA-> Line Items tab function and no invoice is referenced for the RMA. AccountMate uses the value entered in the Inventory Maintenance->Settings tab->Return Cost field as the return cost when recording customer returns. The cost is displayed in the RMA Transaction->Line Item Detail->Unit Cost field when you record the return.

Inventory Maintenance

Update Delete Copy Clear Close By Item #

Item # **BRACKET** Description **Bracket Braces - Desk Unit** Whse **MAIN**

Information Remark / Image NotePad Analysis **Settings** GL Accounts Item Spec

Status **Active**

Commission **4**

Max. Discount % **0.00%**

Weight **0.00**

Qty Decimals **0**

Cost Method **Average**

Standard Cost **0.00**

Return Cost **100.00**

Unit Price **1,500.00**

Last Finished Cost **0.00**

Last Sale Price **750.00** **08/30/07**

Last Repair Cost **0.00**

Last Received Cost **0.00**

Average Cost **93.61**

Profit Margin **-78.61** **-524.06%**

Lot Control

☐ Use Lot Control

☐ Print Lot # on Invoice

Kitting

☐ Kit Item

☐ Require Prebuild

☐ Use Kit #

☐ Customizable

Item Specification

☐ Use Specification

☐ Upsell by Specification

Spec. Type1

Spec. Type2 **Setup**

Minimum Price Type

☒ Percentage Above Cost **0.00**

☐ Fixed Amt Above Cost **0.00**

☐ Fixed Amount **0.00**

General

☒ Update On-hand

☒ Check On-hand

☐ Allow Negative Qty On-hand Updates

☒ Allow Negative Price

☒ Allow Negative Qty on Invoice

☒ Allow Discarding

☒ Allow Repairing

☐ Print Serial # on Invoice

☒ Taxable

Allow Overwrite

☒ Description

☒ Price

☒ Discount %

☒ Tax Status

☐ Weight

☒ Revenue Code

☐ Commission

Figure 1-2 Inventory Maintenance – Settings Tab

c. Average Cost

AccountMate uses the inventory item's average cost as the return cost if no return cost is defined in the inventory record. The average cost is used regardless of the cost method assigned to the inventory item. The cost is displayed in the Create RMA->Line Item Detail->Unit Cost field when you record the return.

Inventory Maintenance

Update Delete Copy Clear Close By Item #

Item # **BRACKET** Description **Bracket Braces - Desk Unit** Whse **MAIN**

Information Remark / Image NotePad Analysis **Settings** GL Accounts Item Spec

Status: Active
 Commission: 4
 Max. Discount %: 0.00%
 Weight: 0.00
 Qty Decimals: 0
 Cost Method: Average
 Standard Cost: 0.00
 Return Cost: 100.00
 Unit Price: 1,500.00
 Last Finished Cost: 0.00
 Last Sale Price: 750.00 08/30/07
 Last Repair Cost: 0.00
 Last Received Cost: 0.00
 Average Cost: 93.61
 Profit Margin: -78.61 -524.06%

Lot Control
☐ Use Lot Control
☐ Print Lot # on Invoice

Kitting
☐ Kit Item
☐ Require Prebuild
☐ Use Kit #
☐ Customizable

Item Specification
☐ Use Specification
☐ Upsell by Specification
 Spec. Type1
 Spec. Type2
 Setup

Minimum Price Type
☒ Percentage Above Cost 0.00
☐ Fixed Amt Above Cost 0.00
☐ Fixed Amount 0.00

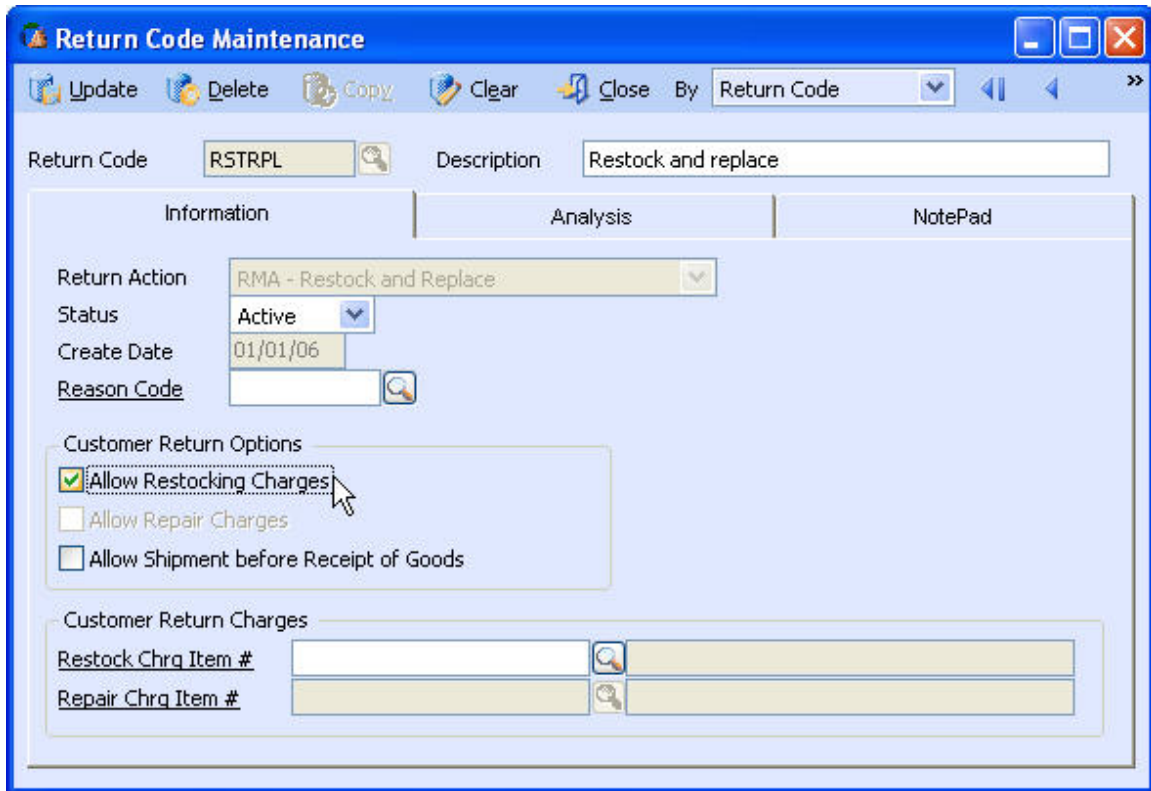
General
☒ Update On-hand
☒ Check On-hand
☐ Allow Negative Qty On-hand Updates
☒ Allow Negative Price
☒ Allow Negative Qty on Invoice
☒ Allow Discarding
☒ Allow Repairing
☐ Print Serial # on Invoice
☒ Taxable

Allow Overwrite
☒ Description
☒ Price
☒ Discount %
☒ Tax Status
☐ Weight
☒ Revenue Code
☐ Commission

Figure 1-3 Inventory Maintenance – Settings Tab

Note: You can amend the default value in the RMA Transaction->Line Item Detail->Unit Cost field if no AR invoice is referenced for the customer return; the new value will then be the return cost.

2. Other costs related to customer returns
 Return actions define the course(s) of action for each return code assigned to RMA transactions. Some return actions may have additional charges aside from the inventory item's return cost. In the Return Code Maintenance function, you can choose to allow restocking charges or repair charges.
 - a. Restocking charges
 You can mark the Allow Restocking Charges checkbox in the Return Code Maintenance function to include restocking charges for RMAs using a return code that has a Restock action.



The image shows a software window titled "Return Code Maintenance". At the top, there is a toolbar with icons for Update, Delete, Copy, Clear, and Close, followed by a "By" dropdown menu set to "Return Code". Below the toolbar, there are two input fields: "Return Code" with the value "RSTRPL" and a search icon, and "Description" with the value "Restock and replace". The main area of the window is divided into three tabs: "Information", "Analysis", and "NotePad". The "Information" tab is active and contains several fields: "Return Action" (a dropdown menu showing "RMA - Restock and Replace"), "Status" (a dropdown menu showing "Active"), "Create Date" (a date field showing "01/01/06"), and "Reason Code" (an empty field with a search icon). Below these fields is a section titled "Customer Return Options" containing three checkboxes: "Allow Restocking Charges" (checked), "Allow Repair Charges" (unchecked), and "Allow Shipment before Receipt of Goods" (unchecked). At the bottom of the "Information" tab is a section titled "Customer Return Charges" containing two rows: "Restock Chrg Item #" and "Repair Chrg Item #", each with an empty field and a search icon.

Figure 1-4 Return Code Maintenance Window

1. Minimum Restocking Amount
The minimum restocking amount is defined for each inventory item in the Inventory Maintenance->Information tab-> Min Rstk Amt field. AccountMate uses this amount as restocking fee if restocking charges are allowed and the computed restocking amount based on the restocking percentage rate is less than the value entered in this field.
2. Restocking Percentage
The restocking percentage rate is entered in the Inventory Maintenance->Information tab->Restocking % field. To compute restocking charges AccountMate applies this rate to the total extended price of the returned items.

Inventory Maintenance

Update Delete Copy Clear Close By Item #

Item # **BRACKET** Description **Bracket Braces - Desk Unit** Whse **MAIN**

Information Remark / Image NotePad Analysis Settings GL Accounts Item Spec

Inventory Type **Change Type**

Class **FURNITURE**

Product Line **CENTURY**

Buyer

U of M **EACH**

Barcode ID

Upsell Item ☐

Substitute Item #

Vendor #

Multi-Level Price ☐

Unit Price **1,500.00**

Special Price **0.00**

Start / End Date

Repair Charge **10.00**

Min Rstk Amt **100.00**

Restocking % **5.00%**

Qty Decimals **0**

Safety Stock **0**

Mfg Lead Time **0**

Reorder Point **500**

Reorder Qty **300**

On-order Qty **80**

In-transit Qty **0**

In-process Qty **0**

Allocated Qty **8**

Defective Qty **0**

On-hand Qty **209**

Booked Qty **0**

Available Qty **209**

Status **Active**

Create Date **01/01/06**

Cost Method **Average**

Kit Item ☐

Lot Control ☐

Used In

☒ Invoice / Sales Order

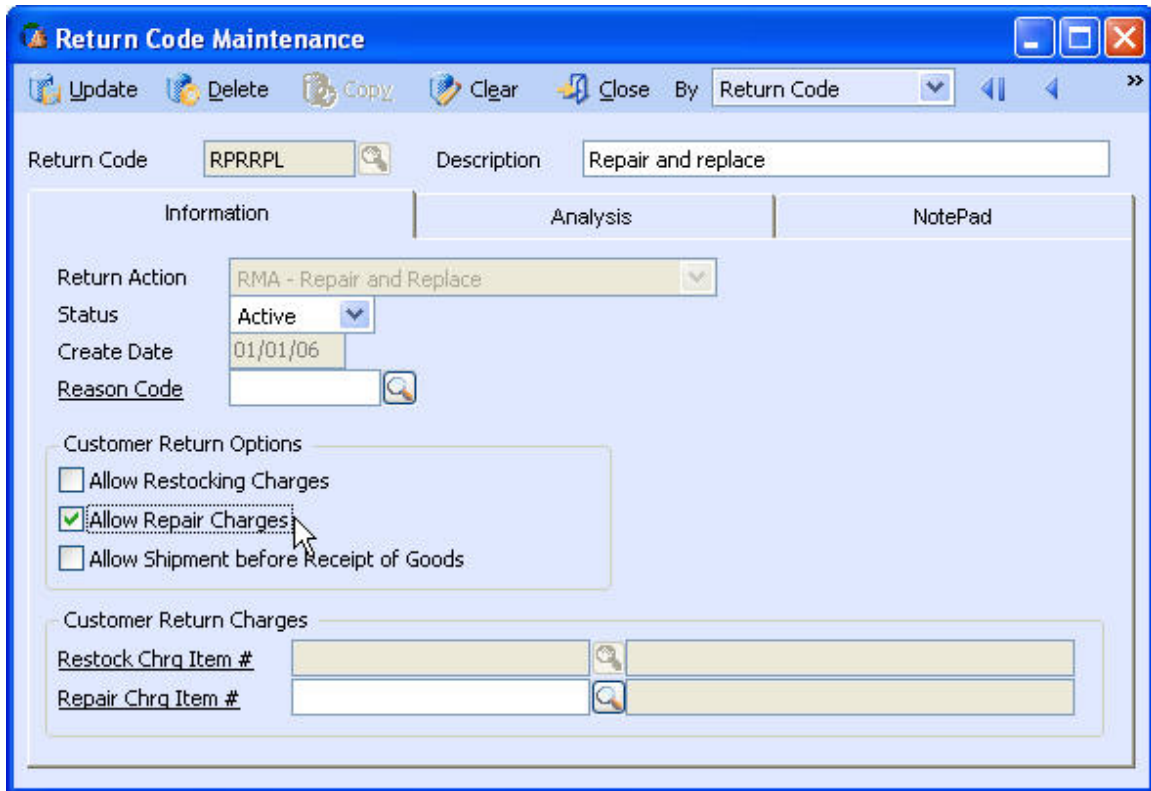
☒ Purchase Order

☒ Work Order **B.O.M.**

Figure 1-5 Inventory Maintenance – Information Tab

b. Repair Charges

You can mark the Allow Repair Charges checkbox in the Return Code Maintenance function if you wish to include repair charges for RMAs using a return code that has a Repair action.



The image shows a software window titled "Return Code Maintenance". At the top, there is a toolbar with icons for Update, Delete, Copy, Clear, and Close, followed by a "By" dropdown menu set to "Return Code". Below the toolbar, there are two input fields: "Return Code" with the value "RPRRPL" and a magnifying glass icon, and "Description" with the value "Repair and replace".

The main area of the window is divided into three tabs: "Information", "Analysis", and "NotePad". The "Information" tab is currently selected and contains the following fields:

- Return Action:** A dropdown menu showing "RMA - Repair and Replace".
- Status:** A dropdown menu showing "Active".
- Create Date:** A date field showing "01/01/06".
- Reason Code:** An empty text field with a magnifying glass icon.

Below these fields are two sections of checkboxes:

- Customer Return Options:**
 - ☐ Allow Restocking Charges
 - ☒ Allow Repair Charges (a mouse cursor is pointing at this checkbox)
 - ☐ Allow Shipment before Receipt of Goods
- Customer Return Charges:**
 - Restock Chrg Item #:** An empty text field with a magnifying glass icon.
 - Repair Chrg Item #:** An empty text field with a magnifying glass icon.

Figure 1-6 Return Code Maintenance Window

Repair Charge

The repair charge amount is defined for each inventory item in the Inventory Maintenance-> Information tab-> Repair Charge field. AccountMate charges this amount when a customer returns an item for repair.

Figure 1-7 Inventory Maintenance – Information Tab

Note: Restocking and repair charges are not posted to the Inventory GL Account ID; restocking charges are posted to the Sales Returns GL Account ID and repair charges are posted to the Repair Inventory GL Account ID.

3. Gain(Loss) from Ship RMA

AccountMate recognizes gain or loss when you ship RMAs. A gain or loss occurs if the inventory item's return cost is different from the shipped unit cost. To illustrate, assume the following:

Item # A

Return Cost in Inventory Maintenance: \$150

Actual cost of the item at the time of shipment: \$100 (this cost is dependent upon the inventory item's cost method)

Taking into consideration the return cost hierarchy and assuming that the return is not referenced to any AR invoice, the gain or loss will be computed using the following formula:

Gain(Loss) = Return Cost – Shipped Unit Cost

Gain(Loss) = \$150 – 100

Gain = \$50

In case the return code has a substitute action, the computation of the gain/loss is as follows:

Gain/Loss = Return Cost – Shipped Unit Cost of substitute item

Assuming that Item # B is a substitute for Item # A, and Item # B has an actual cost of \$180 at the time of shipment, the gain/loss computation is as follows:

Gain(Loss) = \$150 – 180

Loss = \$30

To view gains or losses from RMA shipments, generate the Ship RMA Gain(Loss) Report by accessing Reports->RMA/RTV Gain(Loss) Report.

08/30/07 06:31:23 PM		National Office Supply, Inc.			Page 1 of 1				
Printed By: Supervisor		Ship RMA Gain(Loss) Report							
		Return					Shipped		
<u>RMA #</u>	<u>Customer #</u>	<u>Ship Date</u>	<u>Item #</u>	<u>Ship Qty</u>	<u>Unit Cost</u>	<u>Return Cost</u>	<u>Unit Cost</u>	<u>Shipped Cost</u>	<u>Gain (Loss)</u>
20007	ACC1	08/30/07	A	1	150.00	150.00	100.00	100.00	50.00
20007: 1 Record(s)				Totalfor	20007 :	150.00		100.00	50.00
20008	ACC1	08/30/07	B	1	150.00	150.00	180.00	180.00	-30.00
20008: 1 Record(s)				Totalfor	20008 :	150.00		180.00	-30.00
Report: 2 Record(s)				Total For This Report :		300.00		280.00	20.00

Figure 1-8 Ship RMA Gain(Loss) Report

B. Vendor Return Cost

1. Hierarchy of Vendor Return Cost

a. PO Received Cost or RMA Return Cost

AccountMate uses the PO received cost if you copied the RTV line items from a purchase order or the RMA return cost if you copied the line item entries from RMA.

b. Return Cost in Inventory Maintenance

AccountMate uses the return cost defined in the inventory record if the returned item is directly entered in the RTV Transaction-> Line Items tab function. The inventory item's return cost is entered in the Inventory Maintenance->Settings tab->Return Cost field.

c. Zero

The default cost when there is no return cost defined for the inventory item in the inventory record is zero.

Note: You can change the default return cost, in which case the new value will be the return cost.

2. Gain(Loss) from RTV Transactions

AccountMate recognizes the gain or loss that arises from vendor returns. Each stage of the vendor return process (Ship RTV, Receive RTV, and Complete RTV) except Create RTV may result in a gain or loss.

a. Gain(Loss) from Ship RTV

A gain or loss occurs when shipping the item back to the vendor if there is a difference between the unit cost entered when recording the return (return cost) and the inventory item's actual cost at the time of shipment.

The actual cost takes into consideration the cost method assigned to the inventory item. If the inventory item is assigned the Average cost method, then the shipped unit cost is equal to the average cost of the item. If the inventory item is assigned the First-In First-Out (FIFO) cost method, then the shipped unit cost is equal to the cost of the oldest unit on hand.

To illustrate, assume that you have the following data:

Item # C
 Cost Method: FIFO
 Average Cost: \$150
 Cost of oldest inventory on-hand: \$130
 Return Cost: \$100
 Gain(Loss) = Return Cost – Actual Cost
 Gain(Loss) = \$100 – 130
 Loss = \$30

To view gain or loss from RTV shipments, generate the Ship RTV Gain(Loss) Report by accessing Reports->RMA/RTV Gain(Loss) Report.

08/30/07 06:40:00 PM		National Office Supply, Inc.				Page 1 of 1			
Printed By: Supervisor		Ship RTV Gain(Loss) Report							
<u>RTV #</u>	<u>Vendor #</u>	<u>Ship Date</u>	<u>Item #</u>	<u>Ship Qty</u>	<u>Unit Cost</u>	<u>Return Cost</u>	<u>Unit Cost</u>	<u>Shipped Cost</u>	<u>Gain (Loss)</u>
200006	AFF1	08/30/07	C	1	100.00	100.00	130.00	130.00	-30.00
200006: 1 Record(s)				Total for	200006 :	100.00		130.00	-30.00
Report: 1 Record(s)				Total For This Report :		100.00		130.00	-30.00

Figure 2-1 Ship RTV Gain(Loss) Report

b. Gain(Loss) from Receive RTV

A gain or loss occurs when receiving the item from the vendor if there is a difference between the unit cost entered during receipt and the recorded return cost.

To illustrate, let us use the preceding example and assume further that the RTV Receive cost is \$110.

Gain(Loss) = Receive Cost – Return Cost
 Gain(Loss) = \$110 – 100
 Gain = \$10

To view gain or loss from RTV receipts, generate the Receive RTV Gain(Loss) Report by accessing Reports->RMA/RTV Gain(Loss) Report.

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Receive RTV Gain(Loss) Report

<u>RTV #</u>	<u>Vendor #</u>	<u>Rec Date</u>	<u>Item #</u>	<u>Rec Qty</u>	<u>Unit Cost</u>	<u>Received Cost</u>	<u>Unit Cost</u>	<u>Return Cost</u>	<u>Gain (Loss)</u>
200006	AFF1	08/30/07	C	1	110.00	110.00	100.00	100.00	10.00
200006: 1 Record(s)				Total for	200006 :	110.00		100.00	10.00
Report: 1 Record(s)				Total For This Report :		110.00		100.00	10.00

Figure 2-2 Receive RTV Gain(Loss) Report

c. Gain(Loss) from Complete RTV

A gain or loss occurs when recording the vendor return as complete if there is a difference between the unit price entered during completion and the recorded return cost. This is applicable only for returns involving credit actions.

To illustrate, assume that you have the following data:

Item # D

Cost Method: Average

Average Cost: \$150

Unit Price entered during Complete RTV: \$200

Return Cost: \$160

Gain(Loss) = Complete Cost – Return Cost

Gain(Loss) = \$200 – 160

Gain = \$40

To view gain or loss from Complete RTV transaction, generate the Complete RTV Gain(Loss) Report by accessing Reports->RMA/RTV Gain(Loss) Report.

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Complete RTV Gain(Loss) Report

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<u>RTV #</u>	<u>Vendor #</u>	<u>Comp Date</u>	<u>Item #</u>	<u>Comp Qty</u>	<u>Unit Cost</u>	<u>Comp Cost</u>	<u>Unit Cost</u>	<u>Return Cost</u>	<u>Gain (Loss)</u>
200007	AFF1	08/30/07	D	1.00	200.00	200.00	160.00	160.00	40.00
200007: 1 Record(s)				Total for	200007 :	200.00		160.00	40.00
Report: 1 Record(s)				Total For This Report :		200.00		160.00	40.00

Figure 2-3 Complete RTV Gain(Loss) Report

Knowing how AccountMate computes return costs allows you to effectively manage and evaluate vendor and customer return transactions.

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