

Credit Memo Processing

Receiving a Credit Memo

If received by the department:

For any vendor credit memo delivered directly to your UAMS department, ensure the purchase order number is on the credit memo. Sign the memo to show approval and send it to Accounts Payable, Slot 545. Credits should not be used to reduce open invoices, including marking up an invoice to show the reduction.

If received by Accounts Payable (AP):

If any credit memo comes directly to AP, it is routed to the ordering department for the above review and approval.

Processing a Credit in SAP

Upon receipt of an approved credit memo in AP:

- 1) **Service orders (S orders):** Credit is entered/applied against the purchase order given; no goods receipt is involved.
- 2) **Regular purchase orders:**
 - a. Those with goods receipt: AP sends to Procurement to reverse the goods receipt entry then AP enters the credit.
 - b. Those without goods receipt: If payment has been made for the line item, the credit is entered.

Seeing the Credit in SAP

When any credit is entered into SAP, you can **immediately** see the credit using transaction ME23N. In the **Item** area, go to the **Purchase Order History** tab. You will see the reversal in the Goods Receipt area and the credit in the **Invoice receipt** area.

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Document Overview On | Print Preview | Messages | Personal Setting

Standard PO P274314504 Vendor 20094 JOHNSON & JOHNSON H... Doc. date 02-07-2007

Header

Item Overview

Item [1] #3 Knife Handle 115530

Material Data | Quantities/Weights | Delivery Schedule | Delivery | Invoice | Conditions | Account Assignment

S...	MvT	Material Do...	Item	Posting Date	Σ	Quantity	OUn	Σ	Amount in LC	Reference	L.cur	Σ	Qty in OPUn
GR	122	5000479622	1	04-12-2007		12-	EA		1,040.40-	118705	USD		12-
GR	101	5000464074	1	02-14-2007		12	EA		1,040.40	118705	USD		12
Tr.Ev. Goods receipt													
						0	EA		0.00		USD		0
IR-L		5106863528	1	04-16-2007		12-	EA		1,040.40-		USD		12-
IR-L		5106826314	1	02-23-2007		12	EA		1,040.40		USD		12
Tr.Ev. Invoice receipt													
						0	EA		0.00		USD		0

GR Reversal

\$1040.40 credit

You may also use transaction FBL1N to see the applied credit, but this transaction is viewed by Vendor, not by department.

Vendor Line Item Display

The screenshot shows the SAP Vendor Line Item Display interface. At the top, there is a toolbar with various icons. Below the toolbar, the vendor information is displayed: Vendor Code 20124, Company Code UAMS, Name J & J HEALTH CARE SYSTEM INC, and City ATLANTA. The main part of the screen is a table with the following columns: St, DocumentNo, Reference, Doc. Date, DD, Pstng Date, Net due dt, PayT, Amount in DC, and CI. The table contains 20 rows of data, with the last row highlighted in yellow and showing a total amount of 121,275.04. A callout box with a black border and white background points to the last row, containing the text "\$1040.40 Credit".

St	DocumentNo	Reference	Doc. Date	DD	Pstng Date	Net due dt	PayT	Amount in DC	CI
	5101234312	4092635201	04-03-2007		04-13-2007	04-28-2007	Z003	1,596.00-	
	5101234314	4092211501	04-03-2007		04-13-2007	04-28-2007	Z003	3,600.00-	
	5101234315	4092262401	04-03-2007		04-13-2007	04-28-2007	Z003	66.88-	
	5101234316	4092491201	04-03-2007		04-13-2007	04-28-2007	Z003	17,430.00-	
	5101234317	4090437601	04-02-2007		04-13-2007	04-27-2007	Z003	116.27-	
	5101234319	4089823701	03-28-2007		04-13-2007	04-22-2007	Z003	8,760.00-	
	5101234327	4089006202	03-28-2007		04-13-2007	04-22-2007	Z003	2,257.37-	
	5101234402	4092582901	04-04-2007		04-13-2007	04-29-2007	Z003	4,607.00-	
	5101234403	4093097701	04-04-2007		04-13-2007	04-29-2007	Z003	3,499.00-	
	5101234404	4090765201	03-29-2007		04-13-2007	04-23-2007	Z003	5,254.00-	
	5101234405	4090913201	03-29-2007		04-13-2007	04-23-2007	Z003	2,169.88-	
	5101234406	4091299001	03-30-2007		04-13-2007	04-24-2007	Z003	2,102.40-	
	5101234407	4091340501	03-30-2007		04-13-2007	04-24-2007	Z003	3,697.00-	
	5101234409	4088571103	03-29-2007		04-13-2007	04-23-2007	Z003	583.20-	
	5101234410	4090530201	03-29-2007		04-13-2007	04-23-2007	Z003	87.40-	
	5101234413	4090541101	03-29-2007		04-13-2007	04-23-2007	Z003	597.00-	
	5101234415	4090530101	03-29-2007		04-13-2007	04-23-2007	Z003	1,178.00-	
	5101234830	1970411000	03-21-2007		04-16-2007	03-21-2007	Z003	1,040.40-	
*								121,275.04-	

When invoices greater than the amount of the credit pending in SAP are posted, a payment will be released to the vendor. The remittance advice shows the invoices paid and the credits that were taken against specific purchase orders. This does not mean that the invoice(s) paid on that particularly payment were shorted, but that previous outstanding credits were taken. Invoices and credits stand alone.

Miscellaneous

1. To apply a credit, there must be an invoice for the item in SAP.
2. The credit entered must be the exact amount of the item on the purchase order line.
3. When the amount is reduced for things such as restock fees, etc., you will see where the credit was entered for the item amount, then a debit entered for the restock fee so that the reduced amount of the credit is taken in SAP. The debit entry will have an explanation in the text field, titled, "Restocking Fee," which also prints on the remittance advice.

How do we take credits when there is no open purchase order or we no longer do business with that vendor?

Accounts Payable **requests a refund check**. When the refund check is received in AP, AP makes a SAP credit entry against the appropriate purchase order, which credits the departmental expense account.

Important!!!

The most important thing to remember about credit memos is to send it to AP immediately with the proper purchase order notation and signature approval so the credits can be entered into SAP. If this is not done, unprocessed credits are subject to capture by the AP Recovery Auditors.