Processing Returns for Drop Shipped Inventory

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> This guide explains how handle a return for a drop shipped item. It is intended for intermediate users.

When an inventoried item is purchased, aACE debits the inventory account, then the COGS process subsequently credits the inventory account and debits the expense account. In contrast, when an order item is drop-shipped, it debits the expense account of the product. If a drop-shipped item is returned, you must manually put that inventory on the books with an adjustment:

1. Navigate from **Main Menu** > **Inventory** > **Inventory Adjustments.**
2. Click **New** > **Beg Balance**.
3. Create an inventory adjustment that:
   - Is dated as close as possible (considering closed periods) to the purchase associated with the PO. This is because the date of that purchase is when the expense hit the books.
   - Credits the product's expense account. This reverses the effect of the purchase. The inventory account will be debited automatically.
   - Contains a note explaining the adjustment.
4. Click **Save**.

These steps will reverse the expense of the purchase and add the inventory to your books, allowing the inventoried item to be sold or used in the future. (Read more about making inventory adjustments (http://aace5.knowledgeowl.com/help/making-inventory-adjustments).)