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Raajiv (Article) 11 July 2011

Dear Friends,

I want your opinion on a process followed by my client engaged in manufacturing sector:-

GRN (Goods Receipt Note) is prepared by them for all purchase of goods after which they are sent to quality dept for testing. I f quality dept rejects them then they are returned to the vendor and the GRN is cancelled.

My view is that GRN should be prepared only for those goods which are approved by the Quality Dept.

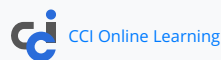
Please suggest your views.

Thanks.

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•• [Anjaly.P.A](#) (Article(CA Final)) [🕒 11 July 2011](#)

I think you are right.



•• [ROSHNI](#) (JHUYU) [🕒 11 July 2011](#)

GRN is to be prepared only for those goods which are accepted after necessary clearance from QC and other relevant departments. Until the inspection and acceptance are over they are treated as NSI (NON STOCK ITEM) which form part of third party goods lying in the godown. Of course the coverage of insurance is the other matter to be checked

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•• [Ravi Soman\(Ernst and Young\)](#) (Internship) [🕒 11 July 2011](#)

No.. generally GRN dept will be near the gate of entry of goods and as the term says it is the "Goods Received Note"... so no matter whether the goods are obsolete they are recorded in number of goods received originally before QC. even the client billing/ invoice will be on original quantity i.e. before inspection. a debit note is created for any goods that are rejected in the course of audit. It was the procedure followed in one of the cement manufacturing company for which i did purchase to pay audit.

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•• [Ayush Tripathi](#) (ca final) [🕒 11 July 2011](#)

True....that's a common problem with manufacturing entities. Many times Goods received are returned due to defective quality or any other reason. In such cases Debit note should be issued & Rajiv I tell u one thing , the real problem starts here.

Many a times Debit notes are not issued which creates problem in Ledger Scrutiny. Their late issue creates problem of proper accounting treatment.

Well these are after issues, but one thing is for sure, GRN is issued for all the goods received.

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•• [CA P KARTHIKA](#) (Chartered Accountant) [🕒 11 July 2011](#)

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Hi Mr. Raajiv,

Goods received note should be received and signed by the person authorised to receive, check such goods... So no harm when your client is following such activity..... Its an authentication for receipt of goods, even though Quality department rejects such goods, then GRN is cancelled so no where loopholes are found.... There should be effective internal control existence to prevent loopholes.... This practice is correct

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•• [sinnur satish balkrishna](#) (audit) [🕒 12 July 2011](#)

 Thank u.



•• [Raajiv](#) (Article) [🕒 13 July 2011](#)

Want to ask why Debit Notes are to be raised for rejection of goods when only GRN is prepared?

I feel Debit notes must be raised only when purchases are booked and then goods are rejected.

Please advice.



•• [Ankit Bansal](#) (Sr. TAX Accountant) [🕒 14 July 2011](#)

you r right, Debit note is not raised because purchase is not raised

It is conformed that party make a purchase on return basis so there is not requirement to raised the debit note.



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