

Refund Functionality in R12

In R12 Payments functionality has been separated out into a separate Application, so that the functionality previously in Accounts Payable (now called *Funds Disbursement*) and functionality previously in Accounts receivable (now called *Funds Capture*) is in one Application (which also includes all functionality previously in the iPayment Application).

One of the advantages of this is that Oracle have been able to introduce netting (see Appendix to this paper) but also that Refunds are now more easily handled in R12.

Customer Refunds

In 11i to process a customer refund, the following was necessary if a customer returned goods and wanted a refund:

- 1) Enter a credit memo (to reduce revenue and create amount owing to customer)
- 2) Enter a debit memo (to transfer the amount owed to the customer to a clearing account)
- 3) Create the Customer as a supplier (to allow a payment to be made to them)
- 4) In Payables, enter an invoice to the customer / supplier, using the clearing account (from step 2) as the the invoice distribution.
- 5) Issue the payment to the customer

In R12, this complex process is no longer necessary. Instead the following is required:

- 1) In the Receipts Application window, select the activity *Refund*.
A new tab *Refund Attribute* opens where you can enter the refund details required by Payables (e.g. customer name, Payment Method and where to send the refund).
- 2) When you save the receipt, Receivables sends a refund request to Payables
- 3) After you create a refund, you can view the refund status by selecting Refund Status in the Receipt Applications window.

For further details (including set up requirements) refer to Page 44 ff of the following presentation:

www.slideshare.net/OracleERP/oracle-r12-ar-enhancement-overview

and Customer Refund Integration in Oracle R12, by Dave Trch from <http://www.ncoaug.com>

Refunds from Suppliers

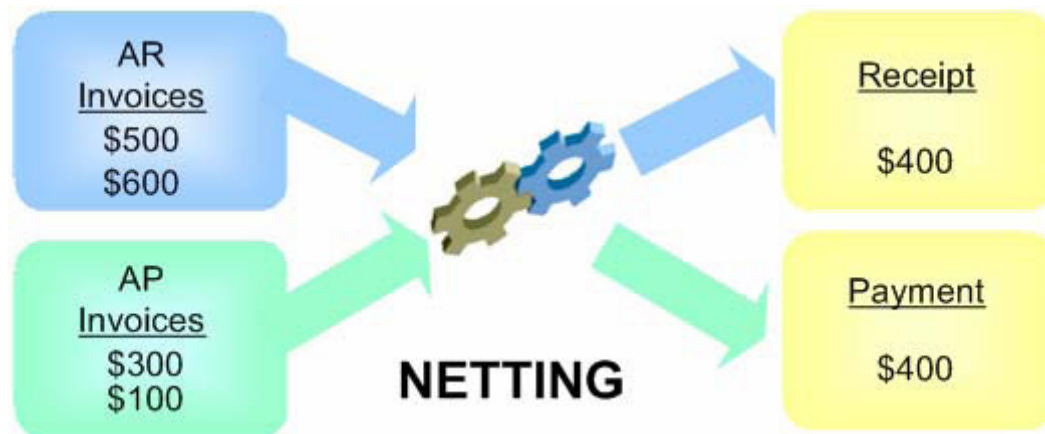
Similarly recording a supplier refund against open Payables invoices has also been simplified:

1. Navigate to the Payments window in the Payment Workbench. Enter a negative value in the Payment Amount field and enter other relevant information.
2. Click the Enter/Adjust Invoices button. The Select Invoices window opens.
4. Query the supplier's unpaid or partially paid invoices that are in the same payment currency as the refund currency.
5. Select any combination of positive and negative amount invoices.
6. For each invoice, enter the amount that you want to pay with the refund.

For completeness an overview of how Netting works is also included here:

Netting

The Payables and Receivables Netting feature enables the automatic netting of Payable and Receivable transactions within a business enterprise. You can predefine a netting agreement that incorporates the netting business rules and transaction criteria needed to run your tailored netting process. The netting process automatically creates the Payables payments and Receivables receipts required to clear a selected number of Payables and Receivables transactions.



Overview

1. Do system set up to enable Netting
2. Create Netting agreements for participating trading partners
3. Enter transactions into AP and AR as usual
4. At intervals create Netting batches (specifies which Netting agreement to use)
5. Review outcomes

Refer Chapter 5 Payables Guide

General Ledger Setup Prerequisites

- Define a netting control account.
- Define the exchange rate types if using multi-currency netting.

Cash Management Setup Prerequisites

- Define a netting bank account.
- Define the bank account at the legal entity level.
- Define the netting control account.
- Enable the Multi Receipt Currency check box for each netting bank account. This option lets you create receipts in foreign currencies.

Receivables Setup Prerequisites

- Before multiple customers are netted, you must set up a paying relationship for the customers.

- Associate the bank account used in the netting agreement with the AP/AR Netting receipt class.
- Enable the Allow Payment of Unrelated Transactions Receivables System Option.

Suggested Reference; [http://www.oracleappshub.com/account-payable/r12-setting-up-for-
apar-netting](http://www.oracleappshub.com/account-payable/r12-setting-up-for-apar-netting)

Netting Agreement

A netting agreement controls how a group of trading partners net Payables and Receivables transactions. You can create a netting agreement for each group of trading partners that agrees to net transactions. Netting agreements include the business rules that define the types of transactions that may be selected for netting, and which suppliers and customers can be netted.

Create a netting agreement:

1. Select the Netting Agreement tab.
2. In the Netting Agreements page, select the Create Agreement button.
3. In the Create Netting Agreement: Business Rules page, enter the required information and any needed optional information. The following fields are optional:
 - Trading Partner Reference - Enter any desired reference.
 - End Date - Enter a date. Leaving the field blank results in no term limit.
 - Trading Partner Approval Required - If you want to require approval by the trading partner, check the check box. Checking the check box displays the required Approver Name list of values and the No Response Action drop-down list. Each trading partner approver must have an email address defined.
 - No Response Action - You can choose from the following values:
 - Reject - Treat a non-response from the approver as a rejection and reject the batch.
 - Approve - Treat a non-response from the approver as if it was an approval.
4. In the Netting Preferences region, enter the required and optional criteria needed to create the desired netting agreement.
5. In the Payables Invoice Types region, if the Select only Invoices matched to Purchase Orders with Outsourced Assemblies drop-down list is displayed, select one of the following:
 - Yes - Only invoice lines that are matched to purchase order lines with outsourced assembly items are selected for netting.
 - No - Only invoice lines that are matched to purchase order lines with non-outsourced assembly items are selected for netting.
 - Disregard - Select all Payables invoices for netting without regard to outsourced assembly items.
6. Select the invoice type of the invoices that are available for netting. At least one invoice type must be selected.

7. In the Receivables Transaction Types region, select the transaction type of the invoices that are available for netting. At least one transaction type must be selected.

8. In the Trading Partners region, enter values for the trading partner priorities and select the suppliers and customers that are available for netting.

- The priority value determines the order in netting transactions. The customer transaction with the highest rank is netted first. If all customers have a priority of 1, then there is no priority for selecting transactions and they are ordered based on the Netting Order rule.

If you choose to prioritize the customers for netting, then the priority must be entered in sequence and as unique whole numbers, such as; 1, 2, and 3.

- Site - If you select a supplier but do not select a specific site, the application includes all the suppliers' sites for netting.
- Location - If you select a customer but do not select a specific location, the application includes all the customers' locations for netting.

Create Netting Batch

Receipts >Netting >Netting Batch

The screenshot displays the Oracle Netting application interface. At the top, there is a blue header with the Oracle logo and the word 'Netting'. Below the header, there are two tabs: 'Netting Batch' (selected) and 'Netting Agreement'. The main content area is titled 'Netting Batch' and contains a search section. The search section has a heading 'Search' and a sub-heading 'Please fill in search criteria values in at least one of the fields.' Below this, there are four input fields: 'Batch Number', 'Batch Name', 'Status' (a dropdown menu), and 'Netting Agreement'. There are 'Go' and 'Clear' buttons below the search fields. To the right of the search fields is an 'Advanced Search' button. Below the search section is a 'Create Batch' button. At the bottom of the search section is a table with the following columns: 'Batch Number', 'Batch Name', 'Operating Unit', 'Netting Agreement', 'Reckoning Currency', 'Settlement Date', 'Status', 'Update', 'View Report', and 'Action'. The table currently shows 'No search conducted.' in the first row. At the bottom of the page, there is a blue footer with 'Privacy Statement' on the left and 'Copyright (c) 2009, Oracle. All rights reserved.' on the right.

Query your netting batch and see the status as Complete. also click on view report icon on right side. click on run push button, you can see the final netting report.

3 concurrent request programs are generated

- Create Netting batch
- Settle netting batch
- Netting Data Extract

To Review

In Receivables query the AP/AR netting receipt.

Go to Tools >view Accounting, you can see Netting control account debited and receivable account credited.

In Payables and query your invoice number and click the tab view payments. You can see the payment details and copy the document number.

Query your copied payment document number. What you can see the payment type as Netting .

Click actions button and enable the check box create accounting .

Go to tools>view accounting .You can see the accounting entry

You may need to amend remittance advice or other documents which the trading partner receives to reflect these correctly