ASC X9 TR 42–2014

Core Adjustment Reason Codes

A Technical Report prepared by:
Accredited Standards Committee X9, Incorporated
Financial Industry Standards

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Foreword

When goods or services are purchased by a business, the buyer and seller usually agree on payment terms prior to the sale. The payment terms will define any payment discounts and criteria for authorized deductions and adjustments. For example, payment discounts may be offered for paying early, deductions may be offered for marketing promotions and adjustments may be defined for defective goods. When this business-to-business payment is made, the buyer provides remittance information that tells the seller what invoice is being paid and any deductions, discounts or adjustments taken. Suppliers typically have multiple customers and many reasons for granting discounts and adjustments for payments, invoices and/or line items in a purchase order. Buyers, too, have multiple suppliers and many reasons for seeking discounts and adjustments for payments, invoices and/or selected items in an invoice. Deductions are frequently identified in the remittance information by codes that specify the type of deduction, adjustment or discount.

Accredited Standards Committee (ASC) X12 created an electronic data interchange (EDI) standard code list, data element 426 Adjustment Reason Codes, for the definition of deduction, discount and adjustment codes. There are over 600 adjustment reason codes defined. These codes may be carried in an EDI message such as the X12 820 or STP 820 Remittance Advice or the X12 812 Credit/Debit Adjustment. The codes may also be included on a remittance document that is mailed or emailed to the supplier.

The 426 Adjustment Reason Code list includes little descriptive text defining the appropriate use of each code, and many codes have similar descriptions. Large corporations often define the codes that they will accept or provide and inform their trading partners of the codes through implementation guides. Different corporations often select different codes for the same type of deductions, or different corporations select the same code to mean different types of deduction. In either case, the result is that suppliers must support multiple deduction code lists unique to each customer businesses, and must either tailor their automated processes for each trading partner or must handle remittance data manually. Smaller corporations may not know which codes to use or may not use any codes at all.

Most businesses, especially small and mid-sized businesses, do not need to use the entire set of 426 adjustment reason codes. In addition, most businesses take similar types of deductions, discounts and adjustments.

In 2011, the Credit Research Foundation surveyed their constituents (primarily accounts receivable and credit professionals) on the use of discount, deduction and adjustment codes and found that the lack of standard code use led to inefficient processing of business-to-business payments. Thus, a team of business practitioners from the Remittance Coalition was formed to work with X9 to select a subset of the 426 adjustment reason codes that are most frequently used. As part of this effort, the team also developed more complete definitions for the use of the codes. This Technical Report includes that subset.

While the subset of 426 adjustment reason codes, "core adjustment reason codes" will be of greatest value to small and medium-sized businesses, larger businesses may also find value in the ASC X9 TR 42-2013 Core Deduction Code Technical Report.

Introduction

The codes in Table 2 of this Technical Report are reproduced with the permission of Accredited Standards Committee X12 from their data element 426 Adjustment Reason Codes. No other party may copy any part of this material or reproduce it in any form including on electronic retrieval

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Comments on the content of this document should be sent to: Attn: Executive Director, Accredited Standards Committee X9, Inc., 275 West Street, Suite 107, Annapolis, MD 21401.

In order to insure this technical report is up to date, it may be revised annually.

Published by:

At the time this standard was published, the X9 committee had the following members:
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At the time this standard was published, the X9C Corporate Banking Subcommittee had the following members:
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1. Document Purpose

The primary purpose of this Technical Report is to convey the developers' intentions for the use of adjustment reason code values in business-to-business transactions. This technical report is available in electronic form as an aid to improve the corporate purchase-to-pay process. It may be used by buyers to assist in selecting appropriate adjustment reason codes to explain deductions, discounts and adjustments taken for a purchase. It may also be used by sellers in reconciling payments received when deductions, discounts and adjustments are applied.

2. Version and Release

This Technical Report is referred to as Version 1, Release 1.

3. Purpose and Scope

This Technical Report contains the most commonly used adjustment reason codes for adjusting a business-to-business payment amount and provides an overview of how to use these codes in the exchange and processing of remittance information.

4. Normative References

The following referenced documents are indispensable for the application of this document. For date reference, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

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5. Terms and Definitions

For the purposes of this document, the following terms and definitions apply.

3.1   Adjustment reason code

A set of two characters used to identify the reason for altering a payment amount of a business-to-business payment.

6. Symbols and Abbreviated terms

The core deduction codes identified in Table 1 and 2 are selected from the ASC X12 426 Adjustment Reason Code standard, releases 4010 through 6040.

7. How to Use Core Adjustment Reason Code List

The Core Adjustment Reason Code list (Table 1) is a subset of the ASC X12 426 Adjustment Reason Code list and, thus, is fully compatible with ASC X12 EDI message transaction sets that use codes from the X12 426 Adjustment Reason Codes.

The user should be mindful of the remittance message format to exchange remittance information and adjustment reason codes. When trading partners exchange X12 EDI messages, they must know the version of the X12 EDI message transaction set that is accepted. In many cases, this

information is provided in an X12 implementation or usage guide that a corporation provides to identify their remittance processing requirements.

For use in X12 EDI remittance messages

If remittance information is exchanged using an X12 EDI message, both parties to the message must use the same release version of the X12 EDI transaction set and choose a core adjustment reason code available in that release. The preferred codes in the Core Adjustment Reason Code List (Table 1) are from the most current X12 version, 6040. If an earlier X12 EDI transaction set release version is used, the earlier version may not have included codes available in the 6040 release. If a trading partner is using a version earlier than 6040, the X12 Version Cross Reference Code List Table (Table 2) identifies an alternate code to use.

For use in other (non X12 EDI) remittance messages

If remittance information is exchanged using a non-X12 EDI message format or provided on a document exchanged via paper or e-mail, it is important that both parties understand the purpose of the adjustment reason code chosen. Table 1 provides a list of the core adjustment reason codes and a brief description/definition of each code.

8. **Updates to the Core Adjustment Reason Code List**

All requests for updates must be approved by ASC X9.

Table 1: Core Adjustment Reason Code List

Category	Adjustment Reason Code Purpose	Code	Code Definition / Description
Allowance	Advertising Allowance	71	Allowance for advertising funds, including cooperative advertisin1g
	Billback Allowance Deduction	GH	Allowance for agreement to "billback" vendor for multiple reasons, such as deviated billing or end-user agreement
	Competitive Allowance	77	Allowance other than those described, including trade discount, early buy, fixture, in-store, new product, or recovery
	Coupon Related	GB	Allowance for redeemed coupons
	Defective Allowance	82	Allowance for defective product
	Floor Stock Protection	95	Allowance for replenishing displays or shelves from stock
	Guarantee Fee	AF	Deduction for agreeing to guarantee a margin or fee
	Margin Contribution	RW	Allowance for agreeing to provide funding to assist customer in achieving certain profit margins with merchandise, includes any guarantees
	Mark Down Allowance	RX	Allowance for markdown funds

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Category	Adjustment Reason Code Purpose	Code	Code Definition / Description
	Market Development Fund Deduction	GC	Allowance for market development funds
	New Store Allowance	A3	Allowance for new stores
	Promotional Allowance	A8	Allowance for promoting the sale or merchandise, including promotions for flyers, new product, trade shows
	Slotting Charge	GE	Allowance for allocating shelf space to product
	Testing Charge	C6	Allowance /pass through of 3rd party quality testing by customer
	Truckload Allowance	MJ	Discount offered to customer for taking full truckload of product
	Unsalable Merchandise	GG	Also known as adjustable rate or swell allowance. Given to customer on certain products that can't be returned. Customer may destroy in field
	Warehouse Allowance	MK	Allowance for customer warehouse (e.g., new warehouse)
Billing	Covered by Credit Memo	CM	Deduction covered by existing credit memo, including overpayment
	Covered by Debit Memo	E2	Deduction covered by agreed upon debit, such as payment of invoice which was previously disputed
	Credit as Agreed	81	Deduction covered by agreed upon credit
	Discount	L2	Deduction associated with billing discount, including anticipation, cash discount, missing discount, terms of sale error
	Duplicate Billing	19	Vendor has submitted duplicate bill (invoice)
	Duplicate Payment	86	Duplicate payment
	Early Payment Allowance	90	Discount for early payment
	Evaluated Receipt Settlement (ERS) Delivery Charge	83	Evaluated receipt settlement shipment - does not require invoice - payment based on goods received
	Invoice Amount Does Not Match Account Analysis	IA	Error with vendor's billing (invoice), including duplicate shipment, cancelled invoice, cancelled order
	Payment	PT	Deduction associated with payment, including interest, overpayment, on account or partial payment, settlement of account, processing charge
	Total Order Not Received	75	Entire order billed was not received (full

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Category	Adjustment Reason Code Purpose	Code	Code Definition / Description
			invoice shortage)
Freight	Pickup Allowance	MB	Freight charge for empty truck to return once delivery has been made (backhaul)
	Shipping and Freight Charge	SF	Freight charge other than those listed, including freight allowance, incorrect delivery charge, freight on backorder
Miscellaneous	Miscellaneous Deductions	L7	Other deductions not covered by other reason codes
Non Compliance	Advanced Ship Notice Not Received	70	Advance Ship Notice (ASN - EDI 856) not received
	Bill of Lading Does Not Match 856 ASN	O1	Bill of Lading and 856 (ASN) do not contain the same information
	Handling Charge	97	Handling charges for errors and noncompliance, including handling for late ASN, unreadable ASN, shortages
	Hanger Charge	BI	Violations related to hangers, including wrong or missing hanger/size clip, poor quality hangers, product hung incorrectly
	Incorrect Product	07	Merchandise received is different from product said to have shipped and/or invoiced (substitution)
	Item not received	59	Merchandise ordered, and/or said to have shipped and/or invoiced not received (shortage)
	Label Placement	RV	Incorrect placement of label on carton
	Late Shipment of Goods	99	Shipment late as per customer's requirements
	Logistics Label - Incorrect Label Format	FY	Inaccurate labels, including wrong or missing PO # / product ID, not human readable, crushed label
	Logistics Label - Label Does Not Scan	GP	Label (barcode) cannot be read by an electronic scanner
	Not Shipped on Date Authorized	S3	Shipment early or late as per customer's requirements
	Overage	A5	Merchandise received in excess of what was ordered and/or said to have shipped
	Packing - Problem with Pack List	GX	Packing list (slip) errors or missing
	Packing Violations	A6	Packaging errors & violations, including excessive packaging, pins, size strips, failure to master pack, incorrect assortment, inaccurate cubing, wrinkling

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Category	Adjustment Reason Code Purpose	Code	Code Definition / Description
	Pallet/Container Charge Error	10	Errors or charges associated with pallets or containers
	Paper Bill of Lading Non Standard VICS Format	KE	Bill of lading errors, including incorrect weight, missing PO#, missing department #
	Purchase Order Number Incorrect on Invoice	MG	Errors related to purchase orders, including multiple PO #s on invoice, missing / incorrect PO # on invoice
	Quantity Contested	06	Quantity received is different than quantity said to have shipped and/or invoiced (shortage)
	Receiving Discrepancy	RD	Discrepancy between the goods received and what was expected to be received
	Required Documents Missing	44	Packing Slip, BOL, POD or other documents missing
	Routing Violation	B8	Deduction associated with routing not in compliance with customer's routing guide, including failure to consolidate, missing/late 204, incorrect carrier
	Ship Notice - Carton Content does not Match ASN	EU	Advance ship notice (ASN - EDI 856) carton count or contents do not match goods received, missing BOL info, serial shipping container code doesn't match
	Ship Notice - Received Late	F2	Advance ship notice (ASN - EDI 856) received late (e.g., after shipment was received or other customer specific timing)
	Ticketing Error	C8	Errors related to ticketing, including missing / inaccurate information, inaccurate placement, tickets not attached
	Transportation Issue	TI	Transportation issues, including carrier detained, missed delivery appt., volume / weight break
Post Audit	Post Audit	L1	Deductions taken 1 year or more after shipment - may be for various reasons
Pricing	Contract Price Error	Q6	Pricing discrepancy related to a contract, including freight surcharge, mark up, starting price, volume discount, price change
	Extension Error	03	Pricing discrepancy resulting from inaccurate invoice calculations
	Invoice Price Protection	E5	Pricing discrepancy related to price protection given
	Pricing Error	01	Pricing discrepancy not related to a contract, price protection or volume discount, including competitive price,

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Category	Adjustment Reason Code Purpose	Code	Code Definition / Description
			opportunity buy
	Volume Discount	D5	Pricing discrepancy related to a volume discount
Rebates	Rebate	B2	Rebate
Returns/Refused	Difference On Returns	RG	Discrepancy between quantity/price of goods returned and deduction taken by customer
	Freight Inbound Return Merchandise	K8	Inbound freight associated with returns
	Freight Outbound Return Merchandise	K9	Outbound freight associated with returns
	Item Not Accepted - Damaged	04	Merchandise refused due to damages
	Item Not Accepted - Quality	05	Merchandise refused due to quality issues
	Return Merchandise Charge	K4	Customer charges associated with returns or refusals (e.g., handling fees). Does not include freight associated with returns
	Returned Material	RM	Merchandise returned for reasons other than damages or quality, including authorized return, discontinued product, dating, discontinued, overstock
	Returns - Damage	11	Merchandise returned (or destroyed in field) due to damages or otherwise unsalable
	Returns - Promotion	14	Merchandise returned due to promotional agreement (accommodation return)
	Returns - Quality	12	Merchandise returned due to quality issues
	Returns - Recall	15	Merchandise returned due to product recall
	Stock Balance	C4	Returns authorized to reset inventory levels and/or prepare for new merchandise

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Table 2: ASC X12 Cross Reference Core Adjustment Reason Code List

	If your EDI version is … map the core list codes to the following code								
	Proposed Codes	006040	005040	005020	005010	004050	004050	004030	004020	004010
Pricing Error	01	01	01	01	01	01	01	01	01	01
Extension Error	03	03	03	03	03	03	03	03	03	03
Item Not Accepted - Damaged	04	04	04	04	04	04	04	04	04	04
Item Not Accepted - Quality	05	05	05	05	05	05	05	05	05	05
Quantity Contested	06	06	06	06	06	06	06	06	06	06
Incorrect Product	07	07	07	07	07	07	07	07	07	07
Pallet/Container Charge Error	10	10	10	10	10	10	10	10	10	10
Returns - Damage	11	11	11	11	11	11	11	11	11	11
Returns - Quality	12	12	12	12	12	12	12	12	12	12
Returns - Promotion	14	14	14	14	14	14	14	14	14	14
Returns - Recall	15	15	15	15	15	15	15	15	15	15
Duplicate Billing	19	19	19	19	19	19	19	19	19	19
Required Documents Missing	44	44	44	44	44	44	44	44	44	44
Item not received	59	59	59	59	59	59	59	59	59	59
Advanced Ship Notice Not Received	70	70	70	70	70	70	70	70	70	70
Advertising Allowance	71	71	71	71	71	71	71	71	71	71

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	If your EDI version is … map the core list codes to the following code								
Proposed Codes	006040	005040	005020	005010	004050	004050	004030	004020	004010
Total Order Not Received	75	75	75	75	75	75	75	75	75
Competitive Allowance	77	77	77	77	77	77	77	77	77
Credit as Agreed	81	81	81	81	81	81	81	81	81
Defective Allowance	82	82	82	82	82	82	82	82	82
Evaluated Receipt Settlement (ERS) Delivery Charge	83	83	83	83	83	83	83	83	83
Duplicate Payment	86	86	86	86	86	86	86	86	86
Early Payment Allowance	90	90	90	90	90	90	90	90	90
Floor Stock Protection	95	95	95	95	95	95	95	95	95
Handling Charge	97	97	97	97	97	97	97	97	97
Late Shipment of Goods	99	99	99	99	99	99	99	99	99
New Store Allowance	A3	A3	A3	A3	A3	A3	A3	A3	A3
Overage	A5	A5	A5	A5	A5	A5	A5	A5	A5
Packing Violations	A6	A6	A6	A6	A6	A6	A6	A6	A6
Promotional Allowance	A8	A8	A8	A8	A8	A8	A8	A8	A8
Guarantee Fee	AF	AF	AF	AF	AF	AF	AF	AF	AF
Rebate	B2	B2	B2	B2	B2	B2	B2	B2	B2
Routing Violation	B8	B8	B8	B8	B8	B8	B8	B8	B8
Hanger	BI	BI	BI	BI	BI	BI	BI	BI	BI

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	If your EDI version is … map the core list codes to the following code								
	Proposed Codes	006040	005040	005020	005010	004050	004050	004030	004020	004010
Charge Stock Balance	C4	C4	C4	C4	C4	C4	C4	C4	C4	C4
Testing Charge	C6	C6	C6	C6	C6	C6	C6	C6	C6	C6
Ticketing Error	C8	C8	C8	C8	C8	C8	C8	C8	C8	C8
Covered by Credit Memo	CM	CM	CM	CM	CM	CM	CM	CM	CM	CM
Volume Discount	D5	D5	D5	D5	D5	D5	D5	D5	D5	D5
Covered By Debit Memo	E2	E2	E2	E2	E2	E2	E2	E2	E2	E2
Invoice Price Protection	E5	E5	E5	E5	E5	E5	E5	E5	E5	E5
Ship Notice - Carton Content does not Match Ship Notice	EU	EU	EU	EU	RD	RD	RD	RD	RD	RD
Ship Notice - Received Late	F2	F2	F2	F2	44	44	44	44	44	44
Logistics Label - Incorrect Label Format	FY	FY	FY	FY	A6	A6	A6	A6	A6	A6
Coupon Related	GB	GB	GB	GB	GB	GB	GB	GB	GB	GB
Market Development Fund Deduction	GC	GC	GC	GC	GC	GC	GC	GC	GC	GC
Slotting Charge	GE	GE	GE	GE	GE	GE	GE	GE	GE	GE
Unsalable Merchandise	GG	GG	GG	GG	GG	GG	GG	GG	GG	GG
Billback Allowance Deduction	GH	GH	GH	GH	GH	GH	GH	GH	GH	GH
Logistics Label - Label Does Not Scan	GP	GP	GP	GP	A6	A6	A6	A6	A6	A6

	If your EDI version is … map the core list codes to the following code								
Proposed Codes	006040	005040	005020	005010	004050	004050	004030	004020	004010
Packing - Problem with Pack List — **GX**	GX	GX	GX	A6	A6	A6	A6	A6	A6
Invoice Amount Does Not Match Account Analysis Statement — **IA**	IA	IA	IA	IA	IA	IA	IA	IA	IA
Return Merchandise Charge — **K4**	K4	K4	97	97	97	97	97	97	97
Freight Inbound Return Merchandise — **K8**	K8	K8	SF	SF	SF	SF	SF	SF	SF
Freight Outbound Return Merchandise — **K9**	K9	K9	SF	SF	SF	SF	SF	SF	SF
Paper Bill of Lading Non Standard VICS Format — **KE**	KE	KE	44	44	44	44	44	44	44
Audit … — **L1**	L1	L1	L1	L1	L1	L1	L1	L1	L1
Discount … — **L2**	L2	L2	L2	L2	L2	L2	L2	L2	L2
Miscellaneous Deductions … — **L7**	L7	L7	L7	L7	L7	L7	L7	L7	L7
Pickup Allowance — **MB**	MB	MB	MB	MB	MB	MB	MB	MB	SF
Purchase Order Number Incorrect on Invoice — **MG**	MG	MG	MG	MG	MG	MG	MG	MG	L7
Truckload Allowance — **MJ**	MJ	MJ	MJ	MJ	MJ	MJ	MJ	MJ	SF
Warehouse Allowance — **MK**	MK	MK	MK	MK	MK	MK	MK	MK	A8
Bill of Lading Does Not Match 856 Advance Ship	O1	O1	O1	44	44	44	44	44	44

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	If your EDI version is … map the core list codes to the following code								
Proposed Codes	006040	005040	005020	005010	004050	004050	004030	004020	004010
Notice (ASN)	O1								
Payment	PT	PT	PT	PT	PT	PT	PT	PT	PT	PT
Contract Price Error	Q6	Q6	01	01	01	01	01	01	01	01
Receiving Discrepancy	RD	RD	RD	RD	RD	RD	RD	RD	RD	RD
Difference On Returns	RG	RG	RG	RG	RG	RG	RG	RG	RG	L7
Returned Material	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Label Placement	RV	RV	RV	RV	RV	RV	RV	RV	RV	A6
Margin Contribution	RW	RW	RW	RW	RW	RW	RW	RW	RW	AF
Mark Down Allowance	RX	RX	RX	RX	RX	RX	RX	RX	RX	77
Not Shipped on Date Authorized	S3	S3	S3	99	99	99	99	99	99	99
Shipping and Freight Charge	SF	SF	SF	SF	SF	SF	SF	SF	SF	SF
Transportation Issue	TI	TI	TI	TI	TI	TI	TI	TI	B8	B8

Legend:

(green)	Proposed code is supported in all EDI versions since 004010
(red)	Proposed code is NOT supported in all EDI versions since 004010
(light green)	Adjustment reason code to use is same as proposed code
(light red)	Adjustment reason code to use is NOT same as proposed code