Understanding Accrued Inventory

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This guide explains how to work with accrued inventory. It is intended for advanced users.

As soon as you receive a shipment of inventoried items, aACE processes the receipt of goods to make the items available for outgoing orders. However, your team may enter the vendor's corresponding invoice at a later date. To properly reflect the value of the inventory that has been received, but has not yet been entered as a payable, aACE can make a temporary entry to the Accrued Inventory account — a liability account in the general ledger created for this purpose.

Example of Accrued Inventory

This guide follows a transaction through the system to see how it affects inventory records and GL accounts.

Items Ordered

Suppose that aACME Education <u>creates and opens a purchase order</u> (http://aace6.knowledgeowl.com/help/entering-purchase-orders) for 100 lab notebooks at \$2.50 each:

Purchase Order: 6	50005 McG	Sullicuddy N	AcGuire-Hall			05/09	9/23	0	DPEN
Purchase Order Details	Management					Notices 😣	Tasks 🗹	Emails 🔛	Docs
endor		* Ship To	End Customer		*	Comments	s and Next S	iteps	
endor > 📋	Vendor Reference	Ship To >	Blind 🗌 💼 🤇	Ship Type	Expected Date 🖈				
IcGullicuddy McGuire-Hall		aACME Educ	ation Solutions, Inc.	Complete	TBD 🗖				
imon Bradford 82 West 38th Street Iew York, NY 10018	Required By	Mark Jenning 1238 Broadw New York, N	gs vay Y 10001	Inventory Bir	n				
	Payment Terms			Shipping Ter	ms				
	Net 30								
Iscription		Additional I	info			Next Step		Next S	Step Date
PO Items RFQ Management	nt	Additional I	r Job		Deot	Next Step	Unit Cost	Next 5	Step Date
PO Items RFQ Management Code De 1 > NTBK-011 Lai	nt scription b Notebooks / Journals	Additional I	r Job		Dept AI	Next Step Case Quantity 100	Unit Cost 2.50	Next 5	Step Data Iotal 30
PO Items RFQ Managemen Code De 1 > NTBK-011 La Purchasing Receiving archase Order Type Priority	nt scription b Notebooks / Journals	Additional I	r Job	Exch	Dept AI ange Rate	Case Quantity 100 Subtot Shipp Tax Total	Unit Cost 2.50	Next 5	5tep Date otal 3€ .00 3 [™] .00 .00 .00 .00

At the Inventory Lots module, search for the LIC, then click the Lot number. aACE displays the entry that has been made to Inventory: 100 notebooks on order. At this point, aACME Education has neither received nor purchased any of the notebooks, resulting in a zero liability.

Record: 11 of 11 Inventory Lot: 6002 Purchase Inventory Lot General Info Transaction ID > Date PO-60005 Ofdered Purchased Ordered Purchased Purchased Remaining Accrued Inventory	26 NTBK-01	1 Code > NTBK-011 Each Value .50 250.00	Code Description Lab Notebooks / Journals Ordered / Received	New I Edit I Delete 30	Print Actions X OPEN Emails Docs Track by Mir Let
Inventory Lot: 6002 Purchase Inventory Lot General Info Transaction ID > Date PO-60005 05/09/23 Ordered / Purchased Purchased Purchased Remaining Accrued Inventory	26 NTBK-01	1 Code > NTBK-011 Each Value .50 250.00	Code Description Lab Notebooks / Journals Ordered / Received	Notices Tasks Serialized Reference #(s)	OPEN Emails Docs Track by Mir Lot
Purchase Inventory Lot General Info Transaction ID > Doce PO-60005 05/09/23 Ordered / Purchased Purchased Remaining Accrued Inventory	Office > AI	Code > NTBK-011 Each Value .50 250.00	Code Description Lab Notebooks / Journals Ordered / Received	Notices	Emails Docs 🔮
General Info Transaction ID > Date PO-60005 05/09/23 Ordered / Purchased Ordered Purchased Remaining Accrued Inventory	Office > AI	Code > NTBK-011 Each Value .50 250.00	Code Description Lab Notebooks / Journals Ordered / Received	Serialized	Track by Mfr Lot
Transaction ID > Date PO-60005 05/09/23 Ordered / Purchased Purchased Remaining Accrued Inventory	Office > AI Quantity III Quantity III Quantity IIII QUANTITY III QUANTITY IIII QUANTITY IIII QUANTITY IIII QUANTITY III QUANTITY III QUANTITY IIII QUANTITYI III	Code > NTBK-011	Code Description Lab Notebooks / Journals Ordered / Received	Reference #(s)	
PO-60005 05/09/23 Ordered / Purchased Purchased Remaining Accrued Inventory	AI Quantity 100 2	NTBK-011 Each Value .50 250.00	Lab Notebooks / Journals Ordered / Received		
Ordered / Purchased Ordered Purchased Purchased Remaining Accrued Inventory	Quantity 100 2	Each Value	Ordered / Received		
Ordered Purchased Purchased Remaining Accrued Inventory	Quantity 100 2	Each Value .50 250.00		Quantity	
Ordered Purchased Purchased Remaining Accrued Inventory	(100) 2	.50 250.00		-Comord	Value
Purchased Purchased Remaining Accrued Inventory			Ordered	100	250.00
Purchased Remaining Accrued Inventory		0.00 0.00	Received	0	0.00
Accrued Inventory	100	250.00	Received Remaining	100	250.00
			Current Inventory		
	Quantity	Value		Quantity	Value
Received	0	0.00	Received	0	0.00
Purchased	0	0.00	Used	0	0.00
Accrued Inventory	0	0.00	Current Inventory	0	0.00
Inventory COGS			Note: The Est Unit Cost	is used until the Act Unit Cost is final (i.e. the	e related PO is closed).
Usage ID Trans ID	Trans Date	Reference #(s)		Quantity Est Unit Cost	Total Cost
					v
			Used	0	0.00

Items Received

For this example, aACME Education receives a partial shipment

(http://aace6.knowledgeowl.com/help/receiving-shipments-from-vendors) of ten notebooks:

		*	Shipment Info	D			Purchased	Descrip	tion			
Ô 9	Shipment Ty	/pe	Carrier	Carrier Se	rvice		Account #					
	Incoming		USPS	First-Cla	ss Mail							
	Ship Terms	Ship Point	Carrier Tracking (PRO) #	Packing Lis		Delivery Date					
						Ø	05/09/23					
		Declared Value	Weight	L	W	н	Shipping Cost	Package	Туре	Package	e IDs	
Descr	iption Notebooks /	lournale	Order		Purchase	Order	(Quantity 10	Weight B	in MH-1R	Ref #	(s) 🖄
								\smile				
	Descr Lab	Shipment Ty Incoming Ship Terms Description Lab Notebooks /	Shipment Type Incoming Ship Terms Ship Point Declared Value Description Lab Notebooks / Journals	* Shipment Info Incoming Carrier Ship Terms Ship Point Declared Value Weight Description Order Lab Notebooks / Journals *	Incoming Shipment Info Shipment Type Carrier Carrier Se Incoming USPS Ship Terms Ship Point Declared Value Weight U 0	Incoming Shipment Info Incoming Garrier Carrier Service Incoming Garrier Tracking (PRO) # Ship Terms Declared Value Declared Value Weight U 0	Shipment Info Incoming Carrier Ship Terms Ship Point Declared Value Weight USP Weight Description Order Purchase Order Lab Notebooks / Journals *	Shipment Info Purchased Incoming Shipment Trype Carrier Carrier Service Account # Ship Terms Ship Point USPS First-Class Mail Declared Value @ 05/09/23 Declared Value @ 0 Description Order Purchase Order Lab Notebooks / Journals # > 60005	Shipment Info Purchased Incoming Carrier Carrier Service Account # Ship Terms Ship Point USPS First-Class Mail Declared Value @ 05/09/23 Declared Value Weight W H Shipping Cost 0 0.000	Shipment Info Purchased Incoming Carrier Carrier Service Account # Ship Terms Ship Point USPS First-Class Mail Declared Value Carrier Tracking (PRO) # Packing List # Delevery Date Weight L W H Shipping Cost Description Order Purchase Order Quantity Lab Notebooks / Journals Image: Account # 10 0	* Shipment Info Purchased Incoming Carrier Carrier Service Acount # Incoming First-Class Mail Delvery Date Ship Terms Ship Point @ 05/09/23 Declared Value Weight L W Description Order Purchase Order Quantity Description Order Purchase Order Quantity Use Notebooks / Journals # > 60005 0 0	Shipment Info Purchased Carrier Carrier Service Account # Incoming Ship Terms Ship Point Ship Terms Ship Point O Declared Value Weight L W Methods O O Description Order Purchase Order Quantity Weight Ein Ref # Lab Notebooks / Journals The course Output

aACE updates the Inventory Lots module to show that they have received ten units (i.e. assets worth \$25.00) that are now available for customer orders. However, aACME has *not* received an invoice from the vendor, so zero units have been purchased:

Purchase invento	ry Lot					Notices ()	Tasks 🔽 Emails 🎽 Doc
ieneral Info	Data	Office >	Cuda 5		Pada Bassistian	Defece	Serialized Track by Mfr Lot
PO-60005	05/09/23	AI	NTBK-011		Lab Notebooks / Journals	Kereren	ue #(s)
						\frown	
Prdered / Purchased		Quantity	Each	Malua	Ordered / Received		105
Ordered		100	2.50	250.00	Ordered	100	250.0
Purchased		0	2.50	0.00	Received	10	25.0
Purchased Remaining		100		250.00	Received Remaining	90	225.0
ccrued Inventory				\frown	Current Inventory	\smile	
		Quantity		Value		Quantity	Valu
Received		10		25.00	Received	10	25.0
Purchased		0		0.00	Used	0	0.0
Accrued Inventory		10		25.00	Current Inventory	10	25.0
				\smile	Note: The Fet Unit Co	st is used until the Act Unit Co	st is final (i.e. the related PO is closed)
nventory COGS					HOLE. THE ESCOURCES		or is in an free the reacter i o is creach.

The General Ledger also reflects these balances. From the PO, click Admin Actions (🔹) > Go to Related General Ledger Entries.

For this example, the Textbook Inventory account shows the *debit* entry value of \$25.00 for the received notebooks. To accurately reflect the liability, the Accrued Inventory account carries the balancing *credit* value of \$25.00 for goods not yet purchased:

• • •					Gen	eral Ledger							
3) 🗏 🖨 Re	cord: 1 of 2								New 💠 🛛 Edit 🖋	Delete 🗶 🛛	Print 📾	Actions 🛪	
Cono	ral Lodgor												
Gene	a Leuyer	Sorted by Accou	nt ID										
Account	Transaction ID	Date	Office	Dent	Code	Order	PO.	Debit	Credit	Debit Balance	Statue	Q	1.
307 Text	tbook Inventory	Date	onice	Dept	code of	order	10	Debit	crear	Depre Datance	Juntas		_
1307	> PO-60005	\$ 05/09/23	AI	AI	> NTBK-011		> 60005	25.00		25.00	OPEN	R	- 1
107 Textbo	ok Inventory							25.00		25.00)		
104 Accr	ued Inventory								\sim				
2104	> PO-60005	\$ 05/09/23	AI	AI	> NTBK-011		> 60005		25.00	25.00 CR	OPEN	R (- 1
04 Accrue	d Inventory								25.00	25.00 CR			
st Totals								25.00	25.00	0.00)		

Items Purchased

aACME Education has received an invoice from the vendor, and can now processes the purchase record for the ten received notebooks. (Note: If needed, they could also record any transportation charges in the +Freight column, helping to track the <u>landed cost</u> (<u>http://aace6.knowledgeowl.com/help/configuring-landed-cost</u>) for the notebooks.)

🗧 ≑ Record: 1 of 1					New 🖶 🛛 Edit 🖋	Delete 🗶 Print 📾 Actions 🤉
Purchase: 60009	McGulli	cuddy Mc	Guire-Hall		05/09/2	3 OPEN
Purchase Details					Notices 😣 🛛 Ta	sks 🗹 Emails 🎦 Docs (
endor		×	Description		Payment Cor	nments
iendor >	Vendor Inv #	Inv Date				
CGullicuddy McGuire-Hall	3495 🥝	05/09/23				
amon Bradford 82 West 38th Street	Payment Terms	Pur Order >				
lew York, NY 10018	Net 30	60005	Additional Info			
	Payment Due	Pmnt Expected				
	06/08/23	06/08/23				
Code G	I. Acct Description		Purchase Order Job	Department	Quantity Unit Cost	Total Freight
Code G 1 > NTBK-011 1	iL Acct Description 307 Lab Notet	oooks / Journals	Purchase Order Job	Department (Quantity Unit Cost 10 2.50	Total Freight 25.00 0.00 ₹
Code G 1 > NTBK-011 1 Disbursements Adjustme	IL Acct Description 307 Lab Notes Ints Refunds	oooks / Journals	Purchase Order Job	Department (Quantity 10 2.50 Subtotal Freight Shipoing Exp	Total Freight 25.00 0.00 ₹ 25.00 0.00 0.00 0.00
Code G 1 > NTBK-011 1 Disbursements Adjustme Disbursement Date	IL Acct Description 307 Lab Notes Ints Refunds Memo	oooks / Journals	Purchase Order Job	Department AI	Quantity 10 2.50 Subtotal Freight Shipping Exp Tax 0%	Total Freight 25.00 0.00 承 25.00 0.00 25.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00
Code G 1 > NTBK-011 1 Disbursements Adjustment Disbursement Date	Act Description 307 Lab Notes nts Refunds Memo	oooks / Journals	Purchase Order Job Solution Payment Ref	Amount	Quantity 10 2.50 Subtotal Freight Shipping Exp Tax 0% Total	Total Freight 25.00 0.00 承 25.00 0.00 0.00 25.00 0.00 0.00 0.00 0.00 0.00 0.00 25.00
Code G 1 > NTBK-011 1 Disbursements Adjustme Disbursement Date	al. Acct Description 307 Lab Notes ants Refunds Memo	oooks / Journals	Purchase Order Job	Amount	Quantity 10 2.50 Subtotal Freight Shipping Exp Tax 0% Total Balance	Total Freight 25.00 0.00 承 25.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 25.00 100%
Code G 1 > NTBK-011 1 Disbursements Adjustme Disbursement Date	al. Acct Description 307 Lab Notes ants Refunds Memo	oooks / Journals	Purchase Order Job	Ariount	Quantity 10 2.50 Subtotal Freight Shipping Exp Tax 0% Total Balance Sugg Disc	Total Freight 25.00 0.00 ₹ 25.00 0.00 ₹ 25.00 0.00 ₹ 25.00 0.00 ₹ 25.00 0.00 ₹ 25.00 0.00 ₹ 25.00 100% ₹

aACE updates the Inventory Lots module from this purchase, noting that the liability has moved from Accrued Inventory to the Accounts Payable account.

P									
Purchase Inventor	y Lot					Notices 😣	Tasks 🔽	Emails 🔛	Doc
ieneral Info							Serialized	Track by	y Mfr Lot
Fransaction ID >	Date	Office >	Code >		Code Description	Refere	nce #(s)		
PO-60005	05/09/23	AI	NTBK-01	11	Lab Notebooks / Journals				
redered / Durchared					Ordered / Persived				
ruereu / Purchaseu		Ouantity	Each	Value	ordered / Received	Ouantity			Valu
Ordered		100	2.50	250.00	Ordered	100			250.0
Purchased		10	2.50	25.00	Received	10			25.0
Purchased Remaining		90		225.00	Received Remaining	90			225.0
ccrued Inventory		\frown			Current Inventory				
		Quantity		Value		Quantity			Valu
Received		10		25.00	Received	10			25.0
Purchased		10		25.00	Used	0			0.0
Accrued Inventory		•		0.00	Current Inventory	10			25.0
nventory COGS		-			Note: The Est Unit Co	ost is used until the Act Unit C	ost is final (i.e. th	e related PO is	s closed)
Usage ID Tr	ans ID	Trans Da	te Reference #	*(s)		Quantity	Est Unit Cost	Тс	otal Cost

Navigate back to the General Ledger and locate the related records. It now shows the three pairs of entries that kept aACME's accounts balanced throughout the transactions:

- Entries for the accrual (highlighted in green ovals) These represent goods received, but not yet paid for. They increase both the inventory asset account and accrued inventory liability account.
- 2. Entries for the purchase (highlighted in purple rounded-boxes) These increase both the inventory asset account and accounts payable liability account.
- 3. Entries reversing the PO (highlighted in red boxes) The previous entries were temporary values pending the purchase of the goods, so these entries reverse the initial set.

						Ge	neral Ledger								6
🕲 🗏 💠 Re	cord: 1 of 6									New 🖶 🛛 Edit d	🖻 Delete 🗶 🛛 F	rrint 📾	Action	5 7	
Gene	ral Ledger	Sor	ted by Accour	nt ID											
0			5/9/2023											Q,	•
🖦 Account	Transaction ID		Date	Office	Dept	Code 🤍	Order	PO	Debit	Credit	Debit Balance	Status			
1307 Text	tbook Inventory								\sim						
> 1307	> PO-60005	Å	05/09/23	AI	AI	> NTBK-011		> 60005	25.00	2	25.00	OPEN	۲	r,	-
> 1307	> PUR-60009	A	05/09/23	AI	AI	> NTBK-011		> 60005	25.00)	25.00	OPEN	۲	ñ	-
> 1307	> PO-60005	A	05/09/23	AI	AI	> NTBK-011		> 60005		25.00	25.00 CR	OPEN	۲	R	-
1307 Textbo	ok Inventory								50.00	25.00	25.00				
2101 Acco	ounts Payable														
> 2101	> PUR-60009	A	05/09/23	AI	AI			> 60005		25.00	25.00 CR	OPEN	•	۳ĸ	-
2101 Accoun	its Payable									25.00	25.00 CR				
2104 Accr	ued Inventory														
> 2104	> PO-60005	A	05/09/23	AI	AI	> NTBK-011		> 60005		25.00	25.00 CR	OPEN	۲	R,	-
> 2104	> PO-60005	A	05/09/23	AI	AI	> NTBK-011		> 60005	25.00		25.00	OPEN	۲	r,	-
2104 Accrue	d Inventory	_							25.00	25.00	0.00				
List Totals		_							75.00	75.00	0.00				
Show All	Constrain to B/S Account	nts	Constrain t	to I/S Account	ts Cons	strain to Inventoried Iten	ns Omit Inventorie	d Items	More Finds 💌 🛛 Re	alated Records 💌				¢	

Summary

The accrued inventory balance reflects the value of the difference between goods received and goods purchased. For POs where the quantity purchased *matches* the quantity received, the balance in the Accrued Inventory account will be zero.

Additionally, if you manually close a partially filled PO, you tell aACE that no additional purchasing is going to occur. aACE will then zero out any remaining accrued inventory balances.

Configuring Accrued Inventory Settings

To activate the Accrued Inventory feature, navigate from Main Menu > Accounting > Accounting Preferences > Chart of Accounts. At the Balance Sheet Accounts tab, click Edit. From the Liabilities section, click the Accrued Inventory dropdown list and select the correct account. Click Save.

Cha	rt of Accounts Accounting Settings Billing & Payment Term	S	Code De	signations	Currency Conversion	Period Manag	jement	
Assets			Liabilitie	15				
Undeposi	ited Funds - Cash/Checks >	_	Accounts	Payable (A/P) >				
1120	Undeposited Funds - Cash/Checks		2101	Accounts Payal	ole			
Undeposi	ited Funds - Credit Card >		Commissio	ons Payable >				
1121	Undeposited Funds - MC/Visa		2106	Commissions P	ayable			
Undeposi	ited Funds - Debit Card >		Accrued In	wentory >				
1123	Undeposited Funds - Debit Card		2104					
Undeposi	ited Funds - ACH >		1801 Un	ategorized Other	Assets			
1124	Undeposited Funds - E-Check		1805 Inv 1810 Ver	entory Trades				
Default D	Sisbursement (Bill Payment) Account >		2101 Acc	ounts Payable				
1115	Cash Checking (AI)		2102 Cu	tomer Deposits				
Merchant	t Bank Account >		2104 Acc	rued Inventory				
1115	Cash Checking (AI)		2106 Cor	mmissions Payable	1			
Accounts	Receivable (A/R) >		2151 Kat	ie C - AMEX				
1202	Accounts Receivable		3999	Current Year E	arnings			
Default Is	nventory Account >		Retained I	Earnings >				
1301	Uncategorized Inventory		3900	Retained Earni	ngs			

To deactivate Accrued Inventory, clear the selection from this dropdown list and click Save.