

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 [creates and opens a purchase order](#) (<http://aace6.knowledgeowl.com/help/entering-purchase-orders>) for 100 lab notebooks at \$2.50 each:

Purchase Order: 60005 | McGullicuddy McGuire-Hall 05/09/23 OPEN

Vendor: McGullicuddy McGuire-Hall, 382 West 38th Street, New York, NY 10018. **Payment Terms:** Net 30.

Ship To: aACME Education Solutions, Inc., Mark Jennings, 1238 Broadway, New York, NY 10001. **Ship Type:** Complete. **Expected Date:** TBD.

Code	Description	Order	Job	Dept	Case	Quantity	Unit Cost	Total
1 > NTBK-011	Lab Notebooks / Journals			AI		100	2.50	250.00

Summary: Subtotal: 250.00, Shipping: 0.00, Tax: 0.00, Total: 250.00. Payment Due: 250.00.

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.

Inventory Lot: 60026 | NTBK-011 OPEN

General Info: Transaction ID: PO-60005, Date: 05/09/23, Office: AI, Code: NTBK-011, Description: Lab Notebooks / Journals.

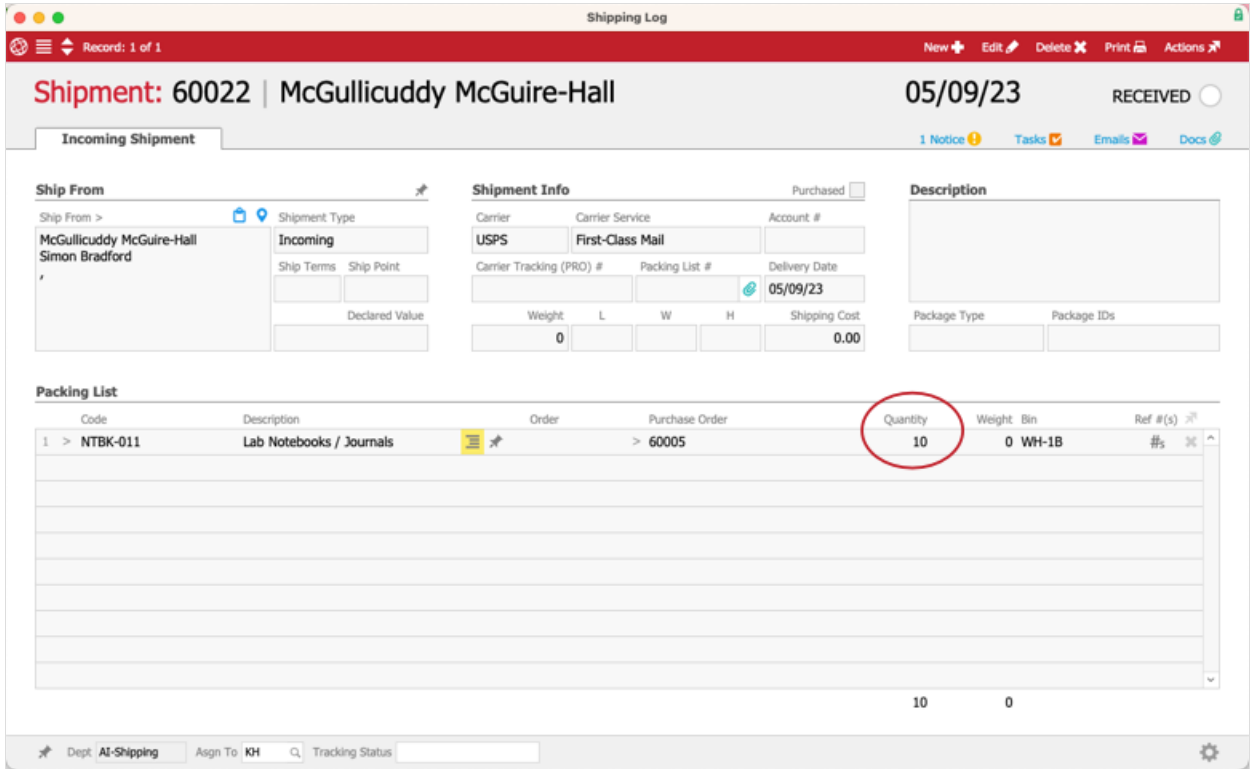
Ordered / Purchased			Ordered / Received		
	Quantity	Value		Quantity	Value
Ordered	100	250.00	Ordered	100	250.00
Purchased	0	0.00	Received	0	0.00
Purchased Remaining	100	250.00	Received Remaining	100	250.00

Accrued Inventory			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

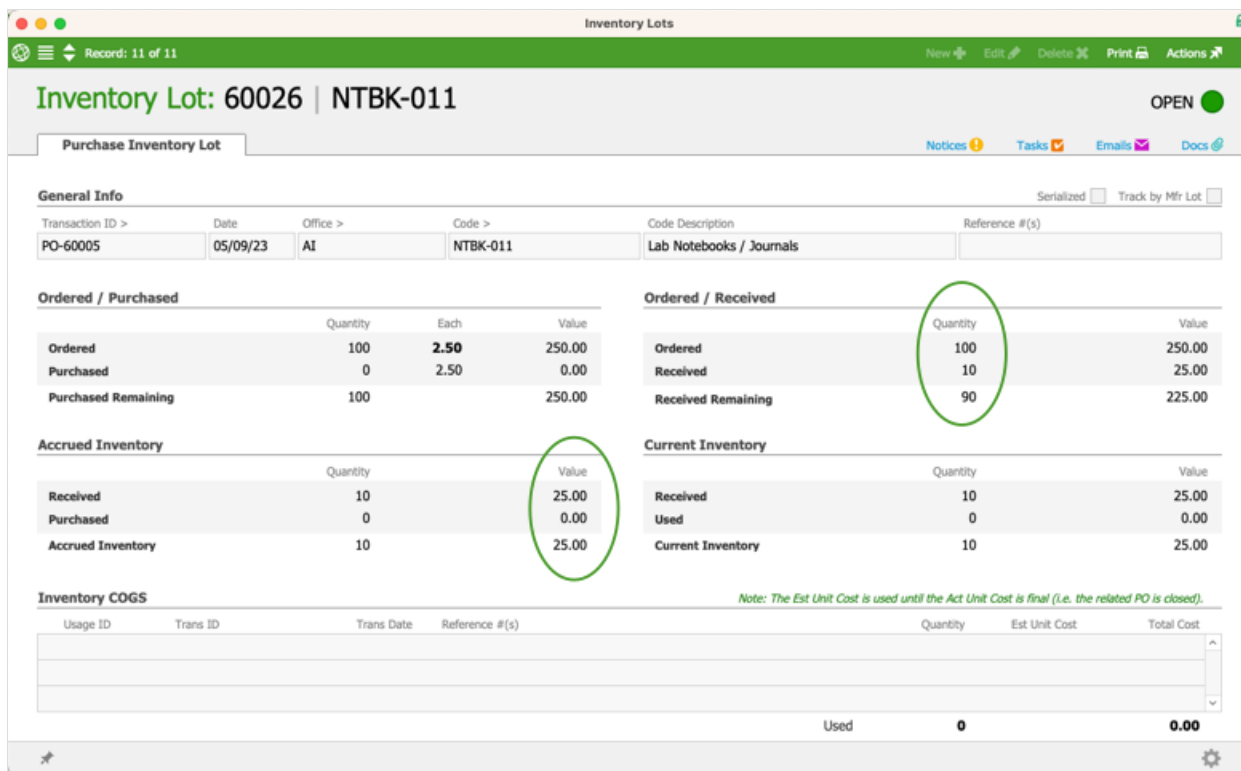
Inventory COGS: Used: 0, Total Cost: 0.00.


Items Received

For this example, aACME Education [receives a partial shipment](http://aace6.knowledgeowl.com/help/receiving-shipments-from-vendors) of ten notebooks:



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:



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:

General Ledger											
Record: 1 of 2											
General Ledger <small>Sorted by Account ID</small>											
Account	Transaction ID	Date	Office	Dept	Code	Order	PO	Debit	Credit	Debit Balance	Status
1307 Textbook Inventory											
> 1307	> PO-60005	05/09/23	AI	AI	> NTBK-011	>	60005	25.00		25.00	OPEN
1307 Textbook Inventory								25.00		25.00	
2104 Accrued Inventory											
> 2104	> PO-60005	05/09/23	AI	AI	> NTBK-011	>	60005		25.00	25.00	CR OPEN
2104 Accrued Inventory									25.00	25.00	CR
List Totals								25.00	25.00	0.00	

Items Purchased

aACME Education has received an invoice from the vendor, and can now process 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 [landed cost](http://aace6.knowledgeowl.com/help/configuring-landed-cost) (<http://aace6.knowledgeowl.com/help/configuring-landed-cost>) for the notebooks.)

Purchases

Record: 1 of 1

New Edit Delete Print Actions

Purchase: 60009 | McGullicuddy McGuire-Hall **05/09/23** OPEN

Notices Tasks Emails Docs

Purchase Details

Vendor

Vendor > McGullicuddy McGuire-Hall
Simon Bradford
382 West 38th Street
New York, NY 10018

Vendor Inv # 3495 Inv Date 05/09/23

Payment Terms Net 30 Pur Order > 60005

Payment Due 06/08/23 Pmnt Expected 06/08/23

Description

Additional Info

Payment Comments

Purchase Items

Code	GL Acct	Description	Purchase Order	Job	Department	Quantity	Unit Cost	Total	Freight
1 > NTBK-011	1307	Lab Notebooks / Journals	> 60005		AI	10	2.50	25.00	0.00

Subtotal 25.00 0.00
Freight 0.00
Shipping Exp 0.00
Tax 0% 0.00
Total 25.00
Balance 25.00 100%
Sugg Disc 0.00
Use Tax 0.00

Disbursements Adjustments Refunds

Disbursement	Date	Memo	Payment Ref	Amount

Dept: AI Asgn To: DJ Tracking Status: Recur Transaction >

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

Inventory Lots

Record: 11 of 11

New Edit Delete Print Actions

Inventory Lot: 60026 | NTBK-011 OPEN

Notices Tasks Emails Docs

Purchase Inventory Lot

General Info

Serialized Track by Mfr Lot

Transaction ID >	Date	Office >	Code >	Code Description	Reference #(s)
PO-60005	05/09/23	AI	NTBK-011	Lab Notebooks / Journals	

Ordered / Purchased

	Quantity	Each	Value
Ordered	100	2.50	250.00
Purchased	10	2.50	25.00
Purchased Remaining	90		225.00

Ordered / Received

	Quantity	Value
Ordered	100	250.00
Received	10	25.00
Received Remaining	90	225.00

Accrued Inventory

	Quantity	Value
Received	10	25.00
Purchased	10	25.00
Accrued Inventory	0	0.00

Current Inventory

	Quantity	Value
Received	10	25.00
Used	0	0.00
Current Inventory	10	25.00

Inventory COGS

Note: The Est Unit Cost is used until the Act Unit Cost is final (i.e. the related PO is closed).

Usage ID	Trans ID	Trans Date	Reference #(s)	Quantity	Est Unit Cost	Total Cost
Used				0		0.00

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:

1. 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.

Account	Transaction ID	Date	Office	Dept	Code	Order	PO	Debit	Credit	Debit Balance	Status
1307 Textbook Inventory											
> 1307	> PO-60005	05/09/23	AI	AI	> NTBK-011	> 60005		25.00		25.00	OPEN
> 1307	> PUR-60009	05/09/23	AI	AI	> NTBK-011	> 60005	25.00			25.00	OPEN
> 1307	> PO-60005	05/09/23	AI	AI	> NTBK-011	> 60005			25.00	25.00	CR OPEN
1307 Textbook Inventory								50.00	25.00	25.00	
2101 Accounts Payable											
> 2101	> PUR-60009	05/09/23	AI	AI		> 60005			25.00	25.00	CR OPEN
2101 Accounts Payable									25.00	25.00	CR
2104 Accrued Inventory											
> 2104	> PO-60005	05/09/23	AI	AI	> NTBK-011	> 60005		25.00		25.00	CR OPEN
> 2104	> PO-60005	05/09/23	AI	AI	> NTBK-011	> 60005	25.00			25.00	OPEN
2104 Accrued Inventory								25.00	25.00	0.00	
List Totals								75.00	75.00	0.00	

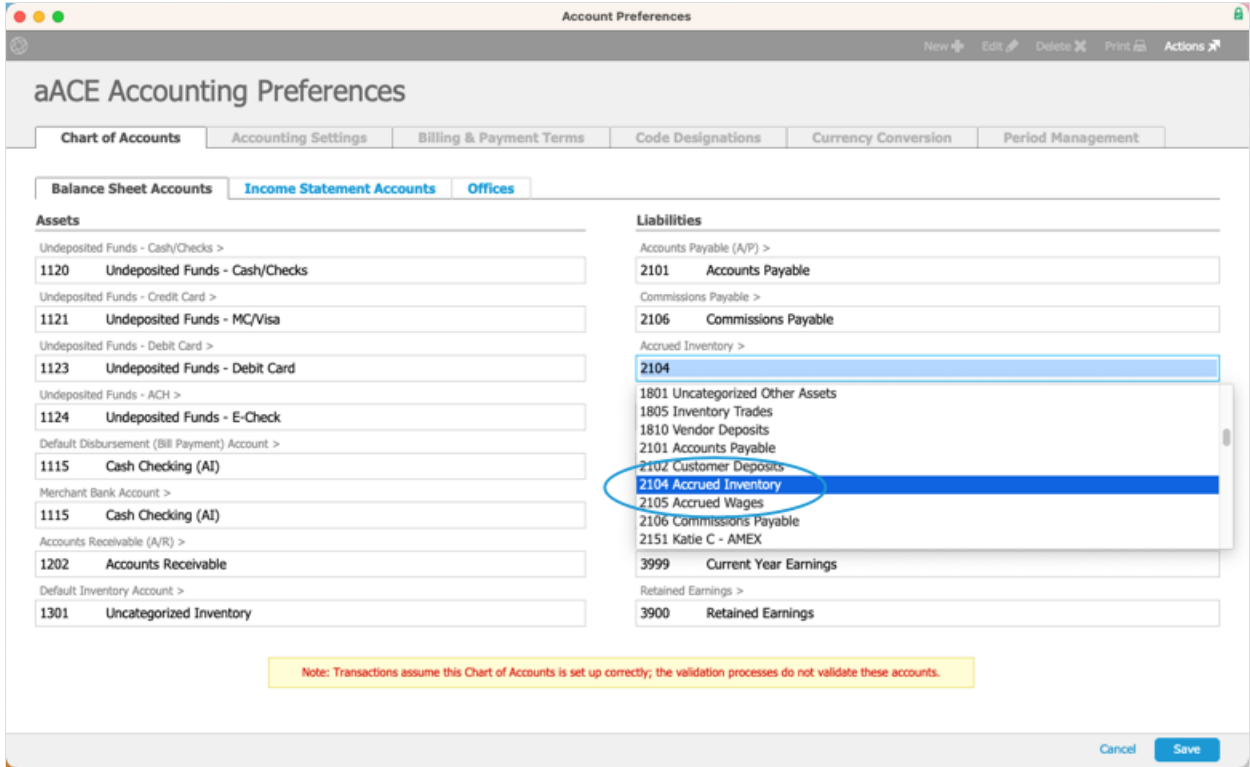
Summary

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.



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