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:

rurchase Oru	er: 00		Guilleuday	/ McGuire-Hal	I		05/09	1/25	0	PEN
Purchase Order Detai	ils	Management					Notices 😣	Tasks 🗹	Emails 🔀	Docs
endor			* Ship	To End Customer		*	Comment:	s and Next S	steps	
/endor >	Ô 9	Vendor Reference	Ship To >	Blind 📃 📋	Ship Type	Expected Date 🖈				
CGullicuddy McGuire-Hall				Education Solutions, Inc.	Complete	TBD 🗆				
imon Bradford 82 West 38th Street		Required By	Mark Je 1238 Br	padway	Inventory B	in				
ew York, NY 10018		Design and Thermo	New Yor	k, NY 10001	China ina Ta					
		Payment Terms Net 30			Shipping Ter	rms				
	agement									
	nagement Descri	ption		Order Job		Dept	Case Quantity	Unit Cost	То	tal X
	Descri	^{iption} łotebooks / Journals		Order Job		Dept AI	Cases Quantity 100	Unit Cost 2.50		tal 30
PO Items RFQ Man Code	Descri Lab N	otebooks / Journals			Exd			2.50		₩ 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: 60002 Purchase Inventory Lot General Info Transaction ID > Date PO-60005 Ofdered Purchased Ordered Purchased Purchased Remaining Accrued Inventory	Office > AI Quantity I 100 2	1 Code > NTBK-011 Each Value .50 250.00	Code Description Lab Notebooks / Journals Ordered / Received	New 🖗 Edit 🖋 Delete 🛠 Notices 🕘 Tasks 🗹 Serialized Reference #(s)	OPEN Emails Docs Track by Mfr Let
Purchase Inventory Lot General Info Transaction ID > Date PO-60005 05/09/23 Ordered / Purchased Ordered Purchased Remaining Accrued Inventory	Office > AI Quantity I 100 2	Code > NTBK-011 Each Value	Lab Notebooks / Journals	Serialized Reference #(s)	Emails Docs 🖗
General Info Transaction ID > Date PO-60005 05/09/23 Ordered / Purchased Ordered Purchased Remaining Accrued Inventory	AI Quantity I 100 2	NTBK-011 Each Value	Lab Notebooks / Journals	Serialized Reference #(s)	Track by Mfr Lot
Transaction ID > Dete PO-60005 05/09/23 Ordered / Purchased Purchased Remaining Accrued Inventory	AI Quantity I 100 2	NTBK-011 Each Value	Lab Notebooks / Journals	Reference #(s)	
PO-60005 05/09/23 Ordered / Purchased Ordered Purchased Remaining Accrued Inventory	AI Quantity I 100 2	NTBK-011 Each Value	Lab Notebooks / Journals		
Ordered / Purchased Ordered Purchased Purchased Remaining Accrued Inventory	Quantity 100 2	Each Value			
Ordered Purchased Purchased Remaining Accrued Inventory	100 2		Ordered / Received		
Purchased Purchased Remaining Accrued Inventory	100 2			Quantity	
Purchased Purchased Remaining Accrued Inventory		.50 250.00		-Comord	Value
Purchased Remaining Accrued Inventory			Ordered	100	250.00
Accrued Inventory		0.00 0.00	Received	0	0.00
	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:

Ship From			*	Shipment Info	,			Purchased	Descriptio	on			
Ship From >	Ô 9	Shipment Ty		Carrier	Carrier S	ervice		Account #					
McGullicuddy McGuire-Hall		Incoming		USPS	First-Cla	iss Mail							
Simon Bradford		Ship Terms	Ship Point	Carrier Tracking (F	PRO) #	Packing Lis	t#	Delivery Date 05/09/23					
			Declared Value	Weight 0	L	W	н	Shipping Cost 0.00	Package Ty	pe	Package I	Ds	
Code 1 > NTBK-011		ription Notebooks /		Order		Purchase > 60005	Order	(Quantity 10	Weight Bin		Ref #(s) #s	77 32

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 Invent	ory Lot					Notices 🧧	Tasks 🔽	Emails M Docs
General Info							Serialized	d 📃 Track by Mfr Lot
Transaction ID >	Date	Office >	Code >		Code Description	Ref	ference #(s)	
PO-60005	05/09/23	AI	NTBK-011		Lab Notebooks / Journals			
Ordered / Purchased	1				Ordered / Received	\bigcap		
		Quantity	Each	Value		Quantity		Value
Ordered		100	2.50	250.00	Ordered	100		250.00
Purchased		0	2.50	0.00	Received	10		25.00
Purchased Remaining		100		250.00	Received Remaining	90		225.00
Accrued Inventory				\bigcirc	Current Inventory			
		Quantity		Value		Quantity		Value
Received		10		25.00	Received	10		25.00
Purchased		0		0.00	Used	0		0.00
Accrued Inventory		10		25.00	Current Inventory	10		25.00
Inventory COGS				\smile	Note: The Est Unit	Cost is used until the Act Un	it Cost is final (i.e. ti	he related PO is closed).
Usage ID	Trans ID	Trans Date	Reference #(s)			Quantity	Est Unit Cost	Total Cost

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:

••					Gene	ral Ledger							
🗏 🖨 Re	cord: 1 of 2								New 🖶 🛛 Edit 🍠	Delete 🗶 🛛 P	rint 📾	Actions 🛪	•
Gene	ral Ledger	Sorted by Acco	unt ID										
												٩	•
Account	Transaction ID	Date	Office	Dept	Code Q	Order	PO	Debit	Credit	Debit Balance	Status		_
	book Inventory							\frown					
1307	> PO-60005	* 05/09/23	AI	AI	> NTBK-011		> 60005	25.00)	25.00	OPEN	۳ 🔴	
07 Textboo	ok Inventory							25.00		25.00			
04 Accr	ued Inventory								\bigcirc				
2104	> PO-60005	\$ 05/09/23	AI	AI	> NTBK-011		> 60005		25.00	25.00 CR	OPEN	۳ 🔴	
04 Accrued	d Inventory								25.00	25.00 CR			
t Totals								25.00	25.00	0.00			-
					train to Inventoried Items				ated Records 💌			Ċ	

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	- coit g	Delete 🗙	Print 🗟 🗛	ctions ;
Purchase: 600	009	McGull	icuddy Mc	Guire-Hall		05	5/09/23	3	OP	EN 🌔
Purchase Details	1					Notic	ces 🔒 🛛 Tas	iks 🗹 🛛 E	mails 📉	Docs
endor			*	Description		👥 P	ayment Com	nments		
/endor >	\$	Vendor Inv #	Inv Date							
CGullicuddy McGuire-Hall		3495	9 05/09/23							
imon 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							
urchase Items Code	GL A		n	Purchase Order Job	Department	Quantity	Unit Cost	Total	Freight	t
Code 1 > NTBK-011	GL A 1307	cct Descriptio	n abooks / Journals	Purchase Order Job	Department AI	Quantity 10	Unit Cost 2.50	Total 25.00	-	
Code		cct Descriptio							-	
Code 1 > NTBK-011	1307	cct Descriptio	ebooks / Journals				2.50 total		0.00	۴ (
Code 1 > NTBK-011 Disbursements Ad;	1307	cct Descriptio 7 Lab Note	ebooks / Journals	₩ > 60005	AI	10 Subi Freig	2.50 total	25.00 25.00 0.00 0.00	0.00	۴ (
Code 1 > NTBK-011 Disbursements Ad;	1307	cct Descriptio	ebooks / Journals			10 Subt Freig Ship Tax	2.50 total ght pping Exp 0%	25.00 25.00 0.00	0.00	۳ _۲ (
Code 1 > NTBK-011	1307	cct Descriptio 7 Lab Note	ebooks / Journals	₩ > 60005	AI	10 Subl Freig Ship Tax Tota Bala	2.50 total ght pping Exp 0% al	25.00 25.00 0.00 0.00 25.00	0.00	۳ _۲ (

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

Purchase Inventor	y Lot					Notices 😣	Tasks 🔽	Emails 🔛	Dec
General Info							Serialized	Track b	y Mfr Lot
Transaction ID >	Date	Office >	Code >		Code Description	Refere	nce #(s)		
PO-60005	05/09/23	AI	NTBK-01	1	Lab Notebooks / Journals				
					Ordered (Bereived				
Ordered / Purchased		Quantity	Each	Value	Ordered / Received	Quantity			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)
	ans ID	Trans Dat	e Reference #	(s)		Quantity	Est Unit Cost	Т	otal Cost
Usage ID Tr	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:

- 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	eneral Ledger							
🕽 🗮 🖨 Rec	cord: 1 of 6								1	iew 🖶 🛛 Edit 🖋	Delete 🗶 🛛	Print 🖶	Actions	*
Gene	ral Ledger	Sor	ted by Accou	at ID										
5		0.001	5/9/2023											2
Account	Transaction ID		Date	Office	Dept	Code 🧠	Order	PO	Debit	Credit	Debit Balance	Status		
307 Text	book Inventory								-					
> 1307	> PO-60005	A	05/09/23	AI	AI	> NTBK-011	>	60005	25.00		25.00	OPEN	,	л.
> 1307	> PUR-60009	A	05/09/23	AI	AI	> NTBK-011	>	60005	25.00		25.00	OPEN)	а.
> 1307	> PO-60005	*	05/09/23	AI	AI	> NTBK-011	>	60005		25.00	25.00 CR	OPEN	,	л. 15
1307 Textboo	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	,	л т,
101 Account	ts 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	- O 🦻	л.
> 2104	> PO-60005	A	05/09/23	AI	AI	> NTBK-011	>	60005	25.00		25.00	OPEN	9	л.
2104 Accrued	d Inventory								25.00	25.00	0.00			
ist Totals									75.00	75.00	0.00			
Show All	Constrain to B/S Accou	nts	Constrain	to I/S Accourt	ts Cons	train to Inventoried Iter	ms Omit Inventoried	Items Mo	re Finds 🔻 🛛 Relati	ed Records 💌				Ċ۶

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.

	rt of Accounts Accounting Settings Billing & Payment Term	S	Code De	signations	Currency Conversion	Period Manag	gement	
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 >			ategorized Other	Assets			
1124	Undeposited Funds - E-Check			entory Trades Idor Deposits				
Default D	Sisbursement (Bill Payment) Account >			ounts Payable				
1115	Cash Checking (AI)			tomer Deposits				
Merchant	t Bank Account >			rued Inventory rued Wages				
1115	Cash Checking (AI)			missions Payable	2			
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.