

Using Inventory Adjustments to Resolve Unallocated Inventory Usage

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This guide explains how to correct unallocated inventory usage through inventory adjustments. It is intended for advanced users.

You can resolve [unallocated inventory usage](https://aace6.knowledgeowl.com/help/understanding-unallocated-inventory-usage) (<https://aace6.knowledgeowl.com/help/understanding-unallocated-inventory-usage>) by [creating inventory adjustments](https://aace6.knowledgeowl.com/help/making-inventory-adjustments) (<https://aace6.knowledgeowl.com/help/making-inventory-adjustments>). These adjustments create inventory lots where positive usage can be allocated, allowing the negative usage (i.e. the return) to be given back to that inventory lot.

For example, suppose we have a product with two unallocated usage records which net to zero (e.g. +2 and -2). To correct this, we need to create a lot for two units, while also writing off two units. This doesn't affect the overall balance – we start with zero units and we end with zero units – but instead it provides an inventory lot record that can be used to allocate the inventory usage using the COGS give-back loop ([see below for details](https://aace6.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage#InvAdjustAndGiveBackLoop) (<https://aace6.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage#InvAdjustAndGiveBackLoop>)). This example would be reflected in the system as:

- *Manually create a beginning balance entry for 2 units (Lot = 2 units)*
- Usage +2 units (Lot = 0 units) *Positive usage is allocated
- Usage -2 units (Lot = 2 units) *Negative usage is allocated
- *Usage +2 units (Lot = 0 units)*

Note: Italics highlights the records resulting from our two-line beginning balance entry.

Resolving Unallocated Inventory Usage

With the above in mind, use the following instructions to resolve net positive, net negative, or net zero unallocated inventory usage:

Net Positive

Net positive usage values typically correspond to a negative total inventory balance.

The solution is to create a [beginning balance adjustment](https://aace6.knowledgeowl.com/help/making-inventory-adjustments) (<https://aace6.knowledgeowl.com/help/making-inventory-adjustments>) that will drive the balance to the correct value. For example, if you count -20, but the balance reflected in aACE is 50, then you should create a beginning balance adjustment

for 70 units.

In this screenshot, the net unallocated value is positive (+60). You would need to create a beginning balance adjustment of at least 60 units to clear the unallocated inventory usage.

The screenshot shows an 'Inventory Usage' report for 'J'Apprends: I Learn French Teacher's Manual'. The table lists two transactions with a total unallocated value of 60, which is circled in green.

Usage	Code	Transaction ID	Date	Office	Order	Ref #(s)	Quantity	~ COGS	Unallocated	Accrued COGS	Status	
TM-FRNCH3 J'Apprends: I Learn French Teacher's Manual												
>	60003	> TM-FRNCH3	> SHIP-60002	07/18/22	AI	> 60011	Order #60011	50	3,749.50	50	3,749.50	OPEN
>	60072	> TM-FRNCH3	> SHIP-60072	07/22/22	AI	> 60064	Order #60064	10	749.90	10	749.90	OPEN
							60	4,499.40	60	4,499.40		
List Totals							60	4,499.40	60	4,499.40		

Net Negative

Net negative usage values typically correspond to a positive total inventory balance.

The solution is to create a single [beginning balance adjustment](https://aace6.knowledgeowl.com/help/making-inventory-adjustments) with two lines:

1. A positive quantity that writes the inventory "on to the books"
2. A negative quantity that writes the inventory "off of the books"

Enter the highest absolute quantity value as the quantity for *both* lines. Posting this dual-entry adjustment allows the inventory give-back loop to kick in and properly clear the usage ([see below for details](http://aace6.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage#InvAdjustAndGiveBackLoop)).

In this screenshot, the net unallocated inventory usage is negative (-17). However, you would enter 20 for the inventory adjustment, since it is the highest absolute value of the set (20 > 17 > 3).

The screenshot shows an 'Inventory Usage' report for 'Shakespeare's Comedies'. The table lists two transactions with a total unallocated value of -17, which is circled in green.

Usage	Code	Transaction ID	Date	Office	Order	Ref #(s)	Quantity	~ COGS	Unallocated	Accrued COGS	Status	
TB-LIT104 Shakespeare's Comedies												
>	60145	> TB-LIT104	> SHIP-60210	08/08/22	AI	> 60204	Order #60204	-20	-799.80	-20	-799.80	OPEN
>	60146	> TB-LIT104	> SHIP-60211	08/08/22	AI	> 60205	Order #60205	3	119.97	3	119.97	OPEN
							-17	-679.83	-17	-679.83		
List Totals							-17	-679.83	-17	-679.83		

Net Zero

Net zero usage values typically occur when there are both positive and negative usage records that sum to zero.

The solution for net zero unallocated usage is to create a [beginning balance adjustment](https://aace6.knowledgeowl.com/help/making-inventory-adjustments) with two lines, the same as for net negative (see above).

In this screenshot, the net unallocated inventory usage is zero. You would use 125 for both lines of the inventory adjustment.

The screenshot shows an 'Inventory Usage' report with the following data:

Usage	Code	Transaction ID	Date	Office	Order	Ref #(s)	Quantity	~ COGS	Unallocated	Accrued COGS	Status	
TM-FRNCH3 J'Apprends: I Learn French Teacher's Manual												
>	60003	> TM-FRNCH3	> SHIP-60002	07/18/22	AI	> 60011	Order #60011	50	3,749.50	50	3,749.50	OPEN
>	60030	> TM-FRNCH3	> INVTRYADJ-60001	07/21/22				75	5,624.25	75	5,624.25	OPEN
>	60031	> TM-FRNCH3	> INVTRYADJ-60002	07/21/22				-125	-9,373.75	-125	-9,373.75	OPEN
TM-FRNCH3 J'Apprends: I Learn French Teacher's Manual							0	0.00	0	0.00		
List Totals							0	0.00	0	0.00		

Allocate the Unallocated Inventory Usage

After creating the needed inventory adjustments, run the [COGS Reconciliation process](https://aace6.knowledgeowl.com/help/understanding-the-cogs-reconciliation-process#ManuallyRunCOGS) again. This will allocate the unallocated inventory usage to the newly created inventory lots.

Inventory Adjustments and the Give-Back Loop

The COGS Reconciliation process allocates inventory usage to inventory lots, but can only allocate up to the inventory lot's give-back limit – its current Used balance. This means the reconciliation process must often be handled in give-back loops until the unallocated inventory usage has been allocated to the greatest extent possible.

To be efficient when creating inventory adjustments for resolving unallocated usage, you should use the largest relevant quantity. This results in fewer iterations of the loop and a quicker overall process. However, the adjustment quantity should be kept relevant to the usage list so you can avoid unusual accounting entries.

For example, suppose we have the following net zero unallocated usage list: +2 units, +4 units, +4 units, -10 units, +3 units, and -3 units. The Quantity that would generate the fewest number of loops is the sum of the positive values (i.e. 13). This would allow all of the positive usage to be allocated in a single loop, and then be returned in the next loop (i.e. two loops). In contrast, using a quantity of "1" would result in many more loops as the give-back loop returns and re-uses one unit each time. Using a number that is larger than necessary (e.g. 50) would not result in fewer loops, but would create larger accounting entries than necessary. We recommend using only the largest quantity relevant to the usage list.
