Overview of Inventory Adjustments

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> This guide provides an overview of the Inventory Adjustments module. It is intended for advanced users.

Inventory adjustments are integrated with cost of goods sold (COGS) tracking, meaning each entry automatically tells the system that inventory levels have changed. aACE will update related accounting and inventory records based on adjustments.

When [adjusting inventory quantities](https://aace6.knowledgeowl.com/help/making-inventory-adjustments) (https://aace6.knowledgeowl.com/help/making-inventory-adjustments), be sure to use the correct adjustment type. There are several types of inventory adjustments in aACE:

- [Count](#) — Accounts for inventoried items that were mis-counted, returned, etc.
- [Loss](#) — Accounts for inventoried items that are damaged, missing, etc.
- [Transfer](#) — Tracks the movement of inventory between various locations / offices
- [Assembly](#) — Implies the building of additional product, creating more inventory
- [Division](#) — Splits an existing inventoried item into additional items
- [Beginning Balance](#) — Adds inventory where none previously existed in the system

Inventory adjustments are made at the Inventory Adjustments module. To access this module, navigate from Main Menu > Inventory > Inventory Adjustments.

Note: The sections in this guide will not repeat previously stated information for an adjustment's detail view layout unless there are differences between adjustment types.
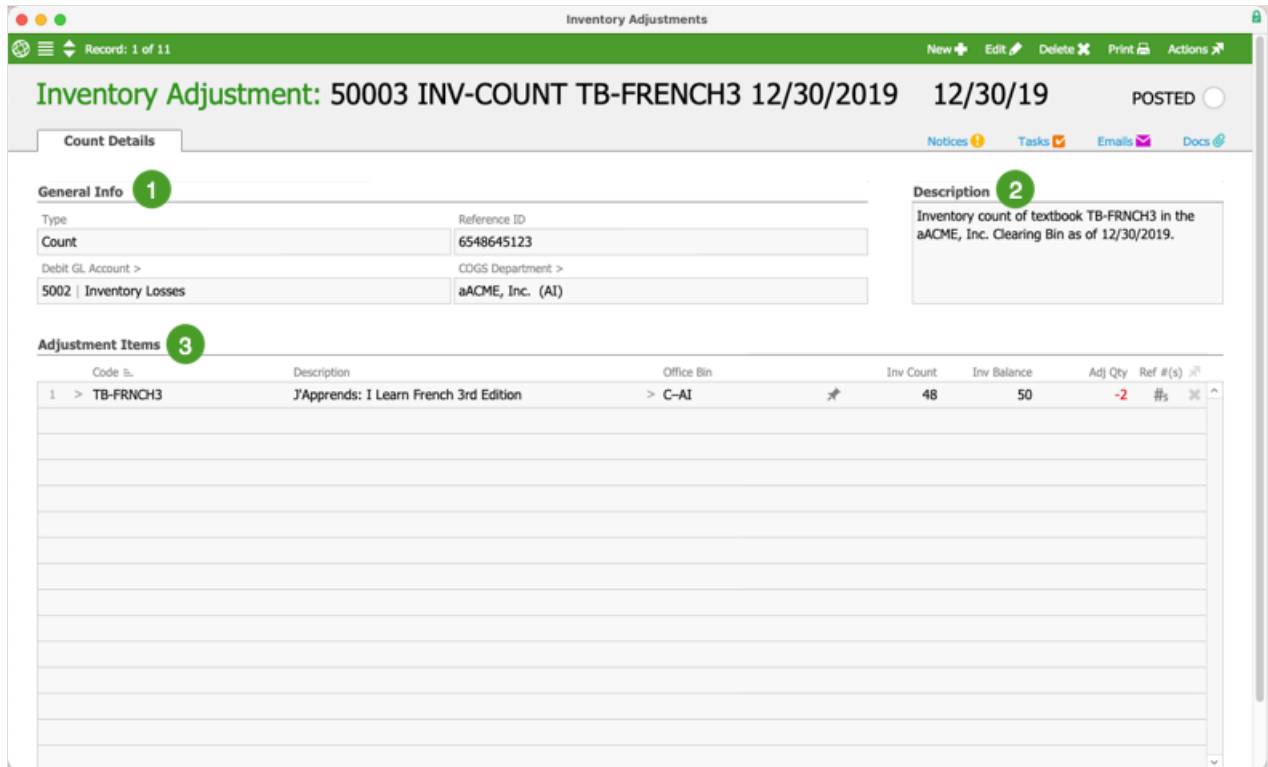
Count and Loss Adjustments

Count and loss adjustment records have similar layouts but are used for different purposes.

Count Adjustments

Count adjustments are for updating the balance of inventory that *currently* exists in the system. Typically a count adjustment is made when a team member has counted the units on hand to compare against current system records. If the count was uploaded using the [aACE Inventory Counter app](http://aace6.knowledgeowl.com/help/using-the-aace-inventory-counter-app) (http://aace6.knowledgeowl.com/help/using-the-aace-inventory-counter-app), aACE automatically creates a Count adjustment and logs the user who submitted the info. The adjustment

generates inventory usage records, which will impact the income statement.

Count adjustments are also appropriate for internal 'transfers' (i.e. product moving between locations *within* the same office). Count adjustments that increase the item quantity are accounted for in aACE as a product return that reverses an inventory usage or creates unallocated inventory usage. For this reason, [inventory adjustments for lot-tracked or serialized items](http://aace6.knowledgeowl.com/help/handling-returns-and-inventory-adjustments-for-lot-tracked-and-serialized-items) require additional validations and constraints.

1. General Info

The General Info section includes important details about the count adjustment. This section lists the adjustment type, a record reference ID (if applicable), the debit GL account, and the COGS department (if applicable). aACE also provides Go-To links (>) for the GL account and COGS department.

2. Description

You can describe the reason for the count or loss adjustment by using the Description text field. This field is located on all adjustment types.
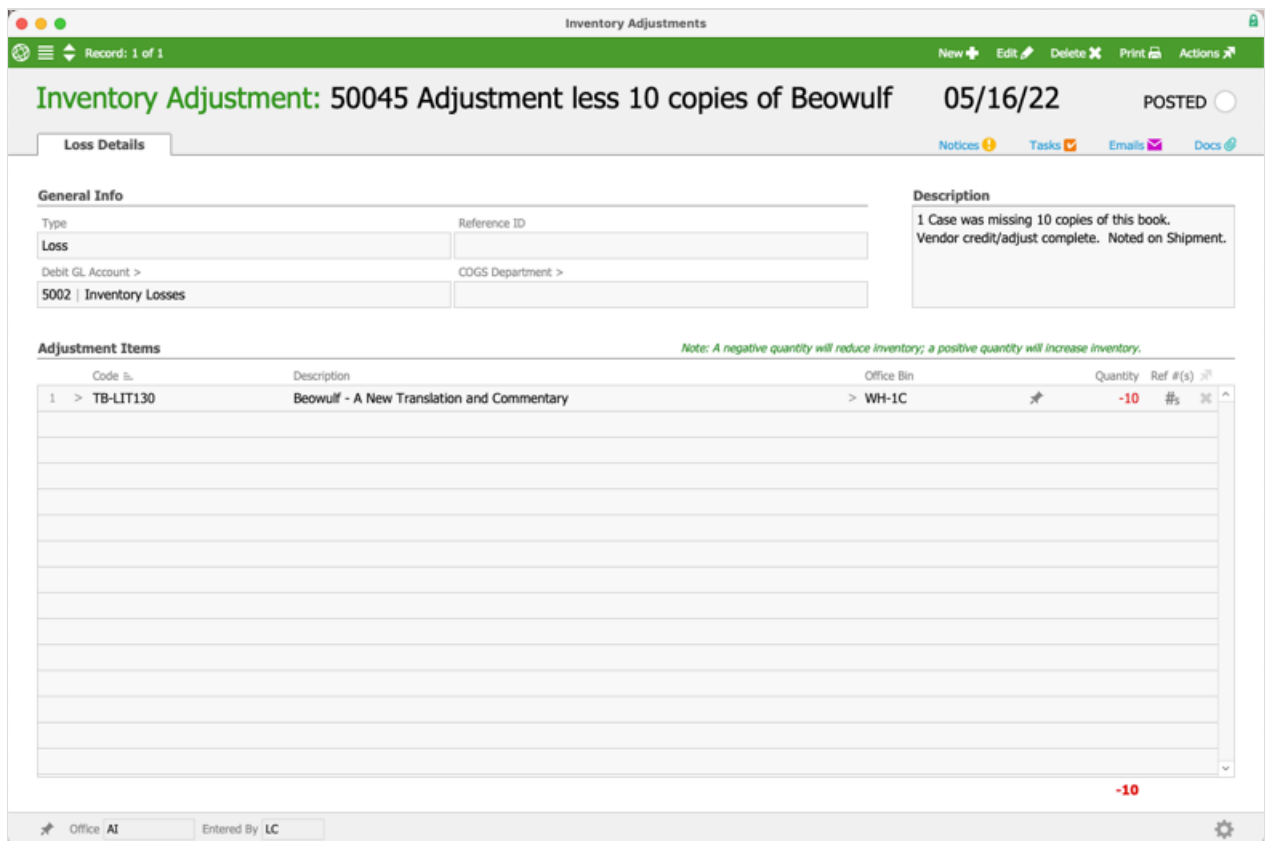
3. Adjustment Items

You can add the line item codes (LICs) involved in the adjustment in the Adjustment Items section. Each line in the Adjustment Items section includes several fields: an LIC field, a description of the code, the office bin, inventory count, inventory balance, and the adjustment quantity. You can click the Go-To links (>) for the LIC or office bin to view those related records.

You can enter either positive or negative quantities in the Inv Count field for various purposes. For more information, please refer to our guide Using Inventory Adjustments to Resolve Unallocated Inventory Usage (https://aace6.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage).

Loss Adjustments

Loss adjustments are for updating existing inventory balances (as with Count adjustments).

You can add the LICs involved in the adjustment in the Adjustment Items section. Each line in the Adjustment Items section includes several fields: an LIC field, a description of the code, the office bin, and the quantity.

A system note on the loss adjustment record clarifies that a negative quantity in the Quantity field will reduce inventory, while a positive quantity in the same field will increase inventory.

Transfer Adjustments

Transfer adjustments are for moving inventory between two locations. These locations can be separate offices or inventory bins within the same office.

1. General Info

You can view the adjustment type and record reference ID (if applicable) in the General Info section.

2. Adjustment Items

You can add the LICs involved in the adjustment in the Adjustment Items section. Each line in the Adjustment Items section includes several fields: an LIC field, a description of the

code, the quantity, the office bin where the inventory is coming from, and the office bin where the inventory is going to.

Assembly and Division Adjustments

Like count and loss adjustments, assembly and division adjustments have a similar record layout but are used for different purposes.

Assembly Adjustments

Assembly adjustments imply building additional product, thus creating inventory and an inventory lot record.
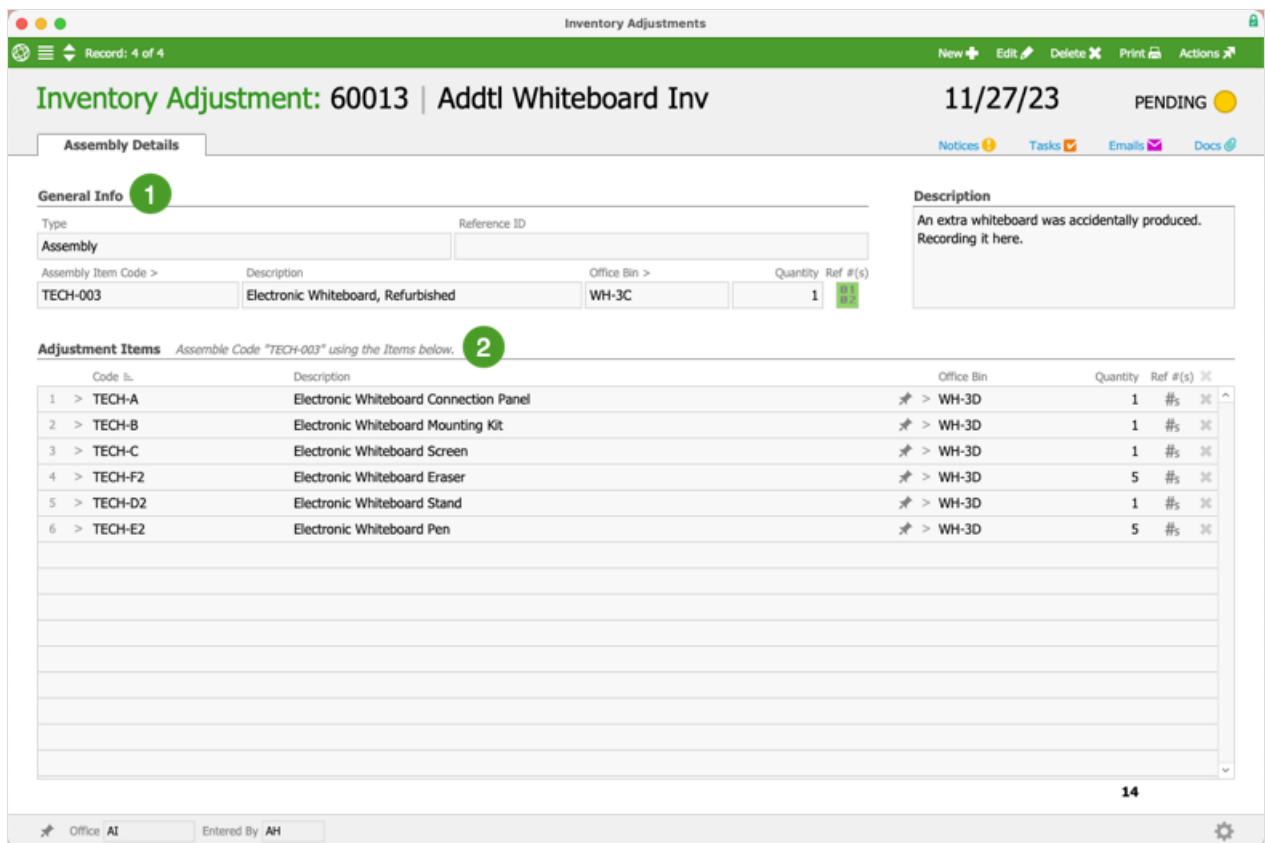
1. General Info

An assembly adjustment's General Info section displays an overview of the adjustment and its related LIC. You can view the adjustment type, a record reference ID (if applicable), the assembly LIC and its description, the office bin for the LIC, the quantity of the LIC, and

manufacturer lot or serial numbers (if applicable).
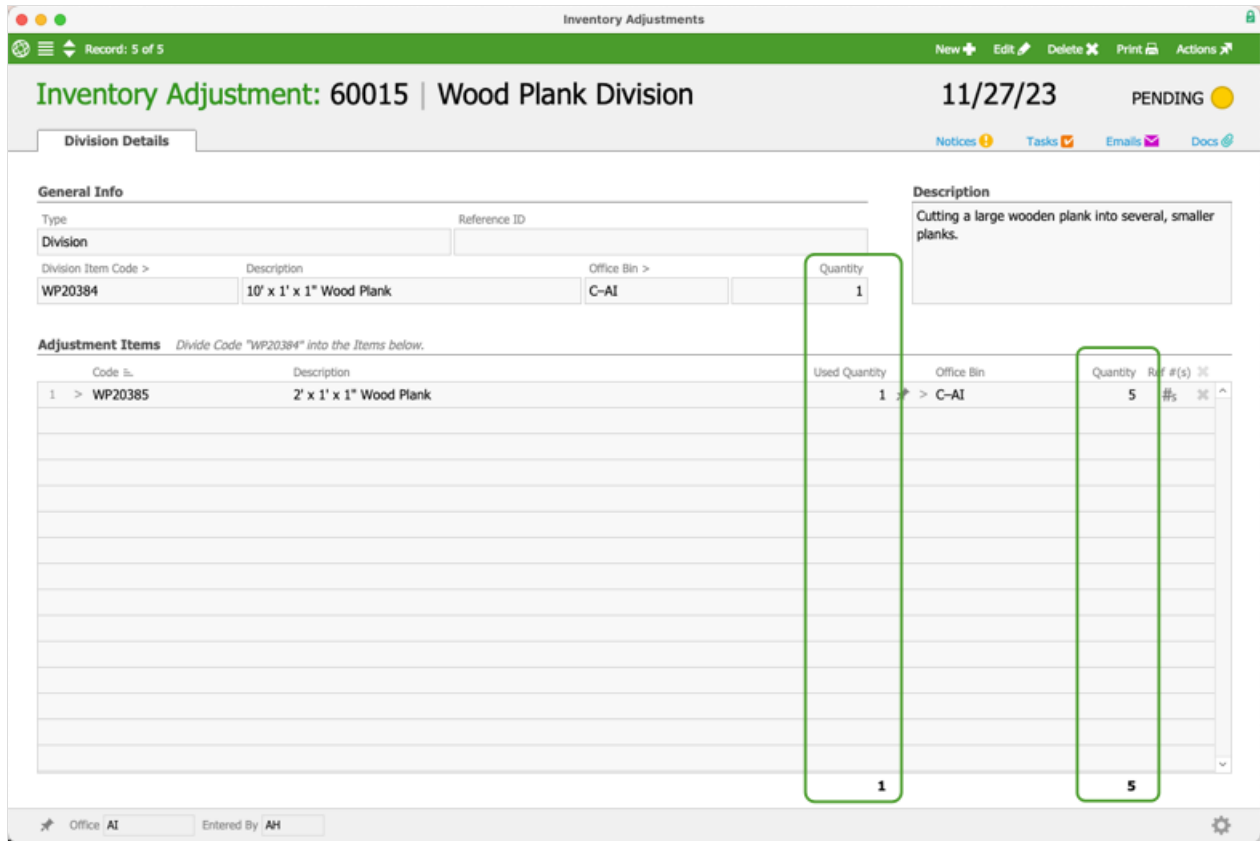
2. Adjustment Items

The Adjustment Items section is comprised of the inventoried item LICs that make up the assembly item. It is important to note that when an LIC is selected for the assembly adjustment, aACE does *not* auto-populate the Adjustment Items section. This gives you the ability to manually add other LIC items that make up the assembly.

Each line in the Adjustment Items section includes several fields: an LIC field, a description of the code, the LIC's office bin, and the quantity.

Division Adjustments

Division adjustments allow you to divide an existing inventoried item into additional items. The adjustment creates inventory and inventory lot records.

When you create a division adjustment, the Quantity total in the General Info section must equal the total of the Used Quantity columns, while the Quantity column in the Adjustment Items records the number of units made from the starting item.

The Adjustment Items section for division adjustments holds the LICs that are *a result* of the division adjustment. For example, if a team member is cutting a large wood board into smaller boards, the Adjustment Items section would include the LIC for the smaller wood boards. The large wood board LIC would be specified in the General Info section.

Each LIC in the Adjustment Items section includes details such as the LIC's description, used quantity, office bin, and quantity.

Beginning Balance Adjustments

Beginning Balance adjustments are for adding inventory where none existed in the system before. Typically this happens as part of implementing your aACE system or for resolving unallocated inventory usage (http://aace6.knowledgeowl.com/help/resolving-unallocated-inventory-usage).

These adjustments are usually assigned to an Opening Equity or expense-related GL account. Beginning Balance adjustments should debit an account that is *not* an asset account. The adjustment generates inventory lot records and affects value on the balance sheet.

Beginning balance adjustments *cannot* be used to reverse usage.
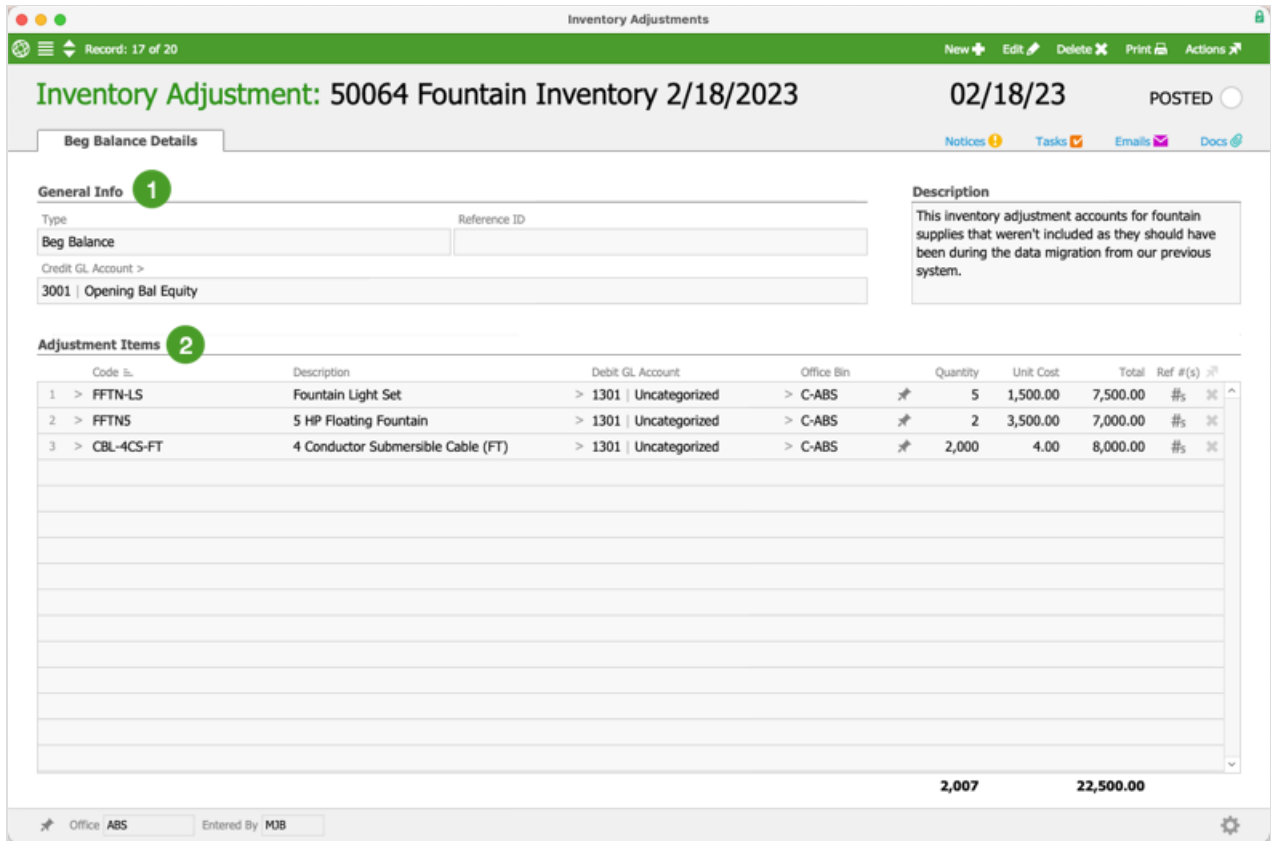
1. General Info

You can review the adjustment's type, record reference ID (if applicable), and the specified credit GL account in the General Info section of a beginning balance adjustment.

2. Adjustment Items

The LICs in Adjustment Items are new items you want to add to your aACE system. You can view the LIC, LIC's description, debit GL account, office bin, quantity, unit cost, and total in this section. You can click the Go-To links (>) for the LICs, debit GL accounts, and office bins to view those related records.