

RECONCILE INVENTORY TO G/L

In a perfect world, the Value of Inventory Report would show the same dollar figure as the Inventory in the G/L. There are many events that occur on a daily basis that must post to the G/L in order for this to happen. Listed below are some of these events and how they are posted to the G/L. We will talk about a “reconciliation spreadsheet” that can be used each month to match these by starting with columns for the Value of Inventory (including specials) and the Inventory Acct.

The purpose of the chart below is to show which transactions that affect inventory are automatically posted to the G/L inventory, and the menu options where these are setup or posted or the reports where the information is located. That is followed by a more detailed explanation of the transactions that are not automatically posted to the G/L.

On a daily basis, when vendor invoices are posted in A/P for inventory they increase the Inventory in the G/L. Also, when the Daily A/R Invoice Register is updated, the Inventory in the G/L is reduced by the cost of goods sold.

Transactions	Setup / Posting / Report	Automatic Posting?
Purchase Orders	POP – Enter Vendor Invoices A/P – Invoice Entry Register and Update	Yes
Customer Invoices	GLX – A/R to G/L Interface Maint	Yes
Transfers	GLX – Transfer G/L Interface Maint EOD – Daily Transfer Register	Yes
Inventory Adjustments	INC – On Hand Adjustments Report	No
Annual Physical Inventory	INC – Value of Inventory Report	No
MRVs	MRV – Open Merchandise Returned Report #4 MRVs Shipped but not Credited MRV – Credits Discrepancies Report	No
Cancelled Specials	OPR – Cancelled Specials Received Report	No
Returns not put in stock	OPR – Returned Goods Not Returned to Stock	No
Vendor Rebates	REB – Email Rebate Claim Files	No

Transfers

Transfers between branches started posting to the G/L daily in Release 7E of Harvest. Clients with a software release before Release 7E, should print the Monthly Transfers Report and make Journal Entries to adjust the inventory.

Inventory Adjustments Report

As Inventory Adjustments are done, they do not automatically post to the G/L. When operators do adjustments throughout the month, they must enter a reason code, and this

report gives totals at the end by reason code. These should be reviewed and determine if journal entries should be posted to adjust the Inventory in the G/L.

Note: The adjustment reasons are entered under letter "V" in the Tables File (S/M). These should be edited to cover different circumstances for the adjustments and those making adjustments should choose the appropriate reasons code (not just the default).

Annual Physical Inventory – No entries are automatically posted to the inventory, so print a Value of Inventory before and after rolling the inventory counts. The difference in these two reports captures the change in the value of inventory.

Purchase Order Status Report: When purchase orders are received the value of inventory is increased. The G/L is not increased until the vendor invoice is posted. This report shows purchase orders that have been received (value added to inventory), but the vendor invoice has not been posted yet. Therefore, the P.O. Status Report (PRP) should be printed at month end and used to reconcile the Value of Inventory to the Inventory Acct. It shows the dollars that have been received on each open p.o., and dollars that have been billed, and the difference. The total of this difference represents inventory that has been received into stock, and thus will be included on the Value of Inventory Report, but has not been posted to the Inventory Acct. This figure should be added to the Inventory Acct in a reconciliation spreadsheet.

Merchandise Returns to Vendor

When these are shipped, they reduce the value of the inventory (if the items have been flagged to come out of inventory), but they do not post to the G/L when the shipping is done. When the credit is received from the vendor, it is posted against the MRV and then posted in the A/P system. At this point the G/L inventory is reduced. If there are discrepancies, as show on the Discrepancy Report, that can be used to make postings to the G/L depending upon the reason for the discrepancies and the amounts.

This parallels the receiving of inventory in the sense that the Value of Inventory is increased when inventory is received, but the General Ledger is not updated until the invoice is posted from the vendor. You may wish to print the Open Merchandise Returns Report (#4 MRV's shipped but not credited) each month to account for that inventory which has been shipped but not credited, just like you print the P.O. Status Report each month.

Cancelled specials

When specials are received and the invoice is posted in A/P, they increase the value of Inventory in the G/L. When it is cancelled on the customer order, it must either be returned to the manufacturer or put into stock. If it is returned to the vendor, then the G/L is posted when the credit is entered in A/P. If it is put into stock, then it will be on the Inventory Adjustment Report, which should be printed monthly and posted to the G/L.

Note: the cancellation reason codes are entered under letter "E" in the Tables File (S/M). These should be edited to cover different circumstances for canceling specials.

Returns not put in Stock

When customers return items and the salesperson indicates that it is not going back to stock, this is tracked on the "Returned Goods not Returned to Stock Report". The items do not increase the value of inventory, but the cost of the items is posted to the G/L inventory when the daily Invoice Register is updated. Therefore, the "Returned Goods not Returned to Stock Report" should be reviewed periodically to account for this merchandise and whether it is being returned to the vendor for credit or if a manual posting should be done to the G/L.

Note: the Return reason codes are entered under letter "B" in the Tables File (S/M). These should be edited to cover different circumstances for the return of items and salespeople should choose the appropriate reasons code (not just the default).

Vendor Rebates

Rebates are submitted after the month is completed, so they should be used in the calculation to reconcile. This figure should be subtracted from the Inventory Acct in a reconciliation spreadsheet. When vendor invoices are posted they are for the full replacement cost of rebate items, and when these are sold to customers, they are sold at a lower cost of goods sold. When the rebates are submitted, they account for the difference between the rebate cost and the replacement cost.

Other events to consider

When Trade Service Updates or Vendor Pricing Updates are done they update the replacement cost on the Value of Inventory, but do not post to the Inventory Acct. If you use the Weighted Average Cost or the Last Cost Paid columns on the Value of Inventory Report, this does not apply. Only the replacement cost is updated, so the Replacement Cost on the Value of Inventory changes when pricing updates are done.