



**INVENTORY
ACCRUAL
AND
COST TRACKING**

**OPTIONS FOR INVENTORY COSTING AND
VISIBILITY IN MDS-NX**

INVENTORY ACCRUAL

What is an accrual?

When you voucher an invoice or bill, the liability is recorded in the general ledger; when you receive a product or inventory, it is recorded in the general ledger. At the end of each period we need to make sure that expenses are recorded for all goods and services you have received during the period.

In order to be compliant with GAAP (Generally Accepted Accounting principles), a company must include in its financial statements all expenses that are incurred during the year, as well as all income earned during the year. This requires that we process 'accruals' for payables and receivables that are outstanding at the end of a period or at minimum end of year.

AUTOMATED VS MANUAL

- ✓ **Automated (Standard Option for MDS) - Updates the accrual account based upon the purchase orders at the end of the period and creates an auto reversing journal entry each period. No manual entries needed.**
- ✓ **Manual (Simple Option) – The amount in the inventory received but not vouchered (1410) account is your accrual amount. At the end of the period if a vendor invoices you at a higher or lower cost than what you had received it at, you would need to manually record a journal entry to bring the inventory received but not vouchered back to zero. **The offset account in the journal entry is up to you.****
- ✓ **Both are simple and easy to use for those who want more control the simple entry allows you to have full visibility and make your own decisions on accruals.**

PARAMETER AND GENERAL LEDGER CONTROL

- ✓ If PARAMETER UPDATE.RCPTS.GLA is set to Y then the 'Simple Accrual Method' is in place. And all transactions for receipts and receipts adjustments (POR & PRA) will update to the GL.
- ✓ Accrual general ledger number should have description setup as 'Inventory Received but not Vouchered'. (Example 01-1410)
- ✓ Default general ledger code for inventory vendors would be the accrual general ledger (1410) – And when you voucher the inventory to pay a vendor it will come out of the 'Inventory Received but not Vouchered' account.
- ✓ At the end of the accounting period the amount open in the 1410 account is the 'Accrual' for the goods you have not paid for.

GENERAL LEDGER CONTROL

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File Edit Settings Reset Tools Mode Standard Functions Special Functions Refresh Dashboard Help

Customer Service Purchasing Warehouse Sales Analysis Sales Management Accounting Menu File Maintenance Utility Menu Optional Systems Quick Search

Application

GENERAL LEDGER CONTROL

CODE 001

1.A/R G/L NO	01-1200	19.INVENTORY G/L NO	01-1400
2.SALES G/L NO	01-3333	20.INV ACCRUAL G/L NO	01-1410
3.RTNS G/L NO	01-8888	21.INV PUR PRC VAR G/L	01-7190
4.COST GOODS SOLD G/L	01-5000	22.INVENT SUSP G/L NO	01-7190
5.FRT G/L NO	01-5220	23.FREIGHT IN G/L NO	01-5210
6.DISC G/L NO	01-4500	24.CONS INV G/L NO	01-7190
7.MISC CHARGES G/L NO	01-9020	25.CHARGE BACK G/L NO	01-1000
8.VEND RET G/L NO	01-1290	26.SERV LAB G/L NO	01-6140
9.RESTCK CH G/L NO	01-5090	27.INV. RAW G/L NO	01-6140
10.SERVICE CHG G/L NO	01-9010	28.INV. INT G/L NO	
11.CC BANK UPD G/L NO	01-7160	29.FIRST CST G/L NO	
12.DS FRT G/L NO	01-5230	30.OCEAN FRT G/L NO	
13.DS MISC G/L NO	01-9020	31.INV. INS G/L NO	
14.P/I VAR. G/L NO	01-5080	32.INV. DUTY G/L NO	
15.REBATES REC. G/L NO	01-5110	33.INV. BROK G/L NO	
16.ACCRUAL for A/R G/L	01-6140	34.INLND FRT G/L NO	
17.ACCRUAL for SLS G/L	01-1025		
18.ACCRUAL for COGS G/L	01-6400		

Please make a selection, OK/END to Save, or Cancel

Help Ok/End Insert Delete Prev Next Inquiry Cancel Off Popup Duplicate

The Systems House Operator:igs Ready. 8/21/2017 15:24 CAP NUM SCRL

ACCRUAL JOURNAL ENTRY

BASE.12 - [rs6000d.tshinc.com-BASE.12-GLJE.INQ011\$1]

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Application

G/L J/E Inquiry

Co# 01 Base Medical Supply Found 2

J/E# 004252

Refer#

Period 1707

Date 07/31/17

Src IN

Desc INVENTORY REC -WHS#001

Ln#	G/L#	G/L Description	Job#	Amount
1	01-1400	INVENTORY REC -WHS#001		2550.00
2	01-1410	INVENTORY REC -WHS#001		-2550.00
3				
4				
5				
6				
7				
8				
9				
Totals				0.00

Enter 'END' to END this Inquiry

Help Ok/End Insert Delete Prev Next Inquiry Cancel Off Popup Duplicate

The Systems House Operator:gs Ready. 8/21/2017 15:21 CAP NUM SCRL

COST CHANGE TRACKING

What is the cost change tracker? Book Value Vs On hand Inventory Value

When you update costs in the product master manually or via an upload the inventory value report, and inventory value on the Executive Inquiry will change. However there is no audit trail in the General ledger for this change. By turning on the cost change tracker you will see a transaction for every cost change to a product.

Book inventory is the cost of inventory on hand, as stated in an organization's accounting records IE the MDS General Ledger .The unhand inventory value is the sum of the unhand inventory based on the costs in the product master.

Differences between book inventory and actual inventory can have a number of causes.

UNDERSTANDING INVENTORY DISCREPANCIES

*Differences are not always a bad thing... Understanding **Inventory Valuation Methods***

When assigning costs to inventory G/L COGS you have multiple options:

COST OF GOODS SOLD TO UPDATE TO GL AND VARIOUS INVENTORY FUNCTIONS AND REPORTS

- 1 = STANDARD COST PM(5) – (Manually entered into Product Master)
- 2 = LAST COST PAID PM(6) - (Calculated from parameter)
- 3 = AVERAGE COST PM(55) – (Calculated based on On hand Inventory and parameter)
- 4 = SHOW COST PM(84) – (Calculate from other cost with load factor or manual override)

RECEIVING COST INDICATOR

- 0-COST NOT ENTERED Time of Receipt – Take cost from last PO
- 1-NO AVG CST, USE ENTERED COST
- 2-NO AVG CST, USE ENTERED COST/QTY
- 3-AVG CST, USE ENTERED COST
- 4-AVG CST, USE ENTERED COST/QTY

Whichever method you choose will affect the inventory valuation recorded at the end of the reporting period.

HOWEVER IT WILL NOT ALWAYS MATCH TO ONHAND INVENTORY VALUE

UNDERSTANDING INVENTORY DISCREPANCIES

*Differences are not always a bad thing... Understanding **Inventory Valuation Methods***

Inventory valuation is important for the following reasons:

Impact on cost of goods sold. If you record a higher valuation in ending inventory, this leaves less expense to be charged to the cost of goods sold, and vice versa. Thus, inventory valuation has a major impact on reported profit levels.

Loan ratios. If an entity has been issued a loan by a lender, the agreement may include a restriction on the allowable proportions of current assets to [current liabilities](#). If the entity cannot meet the target ratio, the lender can call the loan. Since inventory is frequently the largest component of this current ratio, the inventory valuation can be critical.

Income taxes. The choice of cost-flow method used can increase or reduce the amount of [income taxes](#) paid. The LIFO method is commonly used in periods of rising prices to reduce income taxes paid.

UNDERSTANDING INVENTORY DISCREPANCIES

Differences between book inventory and actual inventory can have a number of causes.

The Book Value of Inventory in the General Ledger is the beginning balance of the Inventory account at the start of a fiscal year, plus or minus the activity from each month/day. Now that we understand this impacts how our profits are viewed and the taxes we will be paying, we can understand why we don't always want them to match.

Here is an example where inventory will not match up **using last cost paid**

Date	Transaction	Tnx Cost	On hand	On hand Value	Book/GL Value
Mar 1 st	Beginning Inventory 60 units @ \$15.00	\$900.00	60	\$900.00	\$900.00
Mar 5 th	Purchase 140 units @ \$15.50	\$2,170.00	200	\$3,100.00	\$3070.00
Mar 14 th	Sale 190 units @ \$15.50	\$2,945.00	10	\$155.00	\$125.00
Mar 27 th	Purchase 70 units @ \$16.00	\$1,120.00	80	\$1,280.00	\$1,245.00
Mar 29 th	Sale 30 units @ \$16.00	\$480.00	50	\$800.00	\$765.00
Mar 30 th	Ending Inventory 50 units @ \$16.00	\$800.00	50	\$800.00	\$765.00

UNDERSTANDING INVENTORY DISCREPANCIES

Differences between book inventory and actual inventory can have a number of causes.

The Book Value of Inventory in the General Ledger is the beginning balance of the Inventory account at the start of a fiscal year, plus or minus the activity from each month/day. Now that we understand this impacts how our profits are viewed and the taxes we will be paying, we can understand why we don't always want them to match.

Here is an example where inventory will not match up **using average cost**

Date	Transaction	AVG Cost	Tnx Cost	On hand	On hand Value	Book/GL Value
Mar 1 st	Beginning Inventory 60 units @ \$15.00	\$15.00	\$900.00	60	\$900.00	\$900.00
Mar 5 th	Purchase 140 units @ \$15.50	\$15.35	\$2,170.00	200	\$3,070.00	\$3,070.00
Mar 14 th	Sale 190 units @ \$15.35	\$15.35	\$2,916.50	10	\$153.50	\$153.50
Mar 27 th	Purchase 70 units @ \$16.00	\$15.92	\$1,120.00	80	\$1,273.60	\$1,273.50
Mar 29 th	Sale 30 units @ \$15.92	\$15.92	\$477.60	50	\$796.00	\$795.90
Mar 30 th	Ending Inventory 50 units @ \$15.92	\$15.92	\$796.00	50	\$796.00	\$795.90

UNDERSTANDING INVENTORY DISCREPANCIES

Differences between book inventory and actual inventory can have a number of causes.

The Book Value of Inventory in the General Ledger is the beginning balance of the Inventory account at the start of a fiscal year, plus or minus the activity from each month/day. Now that we understand this impacts how our profits are viewed and the taxes we will be paying, we can understand why we don't always want them to match.

Here is an example where inventory will not match up **using standard cost**

** Manually updated cost on the 27th*

Date	Transaction	STD Cost	Tnx Cost	On hand	On hand Value	Book/GL Value
Mar 1 st	Beginning Inventory 60 units @ \$15.00	\$15.00	\$900.00	60	\$900.00	\$900.00
Mar 5 th	Purchase 140 units @ \$15.50	\$15.00	\$2,170.00	200	\$3,000.00	\$3,070.00
Mar 14 th	Sale 190 units @ \$15.00	\$15.00	\$2,850.00	10	\$150.00	\$220.00
Mar 27 th	Purchase 70 units @ \$16.00	\$16.00*	\$1,120.00	80	\$1,280.00	\$1,340.00
Mar 29 th	Sale 30 units @ \$16.00	\$16.00	\$480.00	50	\$800.00	\$860.00
Mar 30 th	Ending Inventory 50 units @ \$16.00	\$16.00	\$800.00	50	\$800.00	\$860.00

COST CHANGE TRACKING

By turning on the cost change tracker you will see a transaction for every cost change to a product. The system will automatically create an Inventory Adjustment transaction to move all the inventory in at the new cost and out at the old cost. The offset for the transaction is based on the Inventory Reason Code you will setup in the PARAMETER COST.CHANGE.GLA

Inventory Transaction History by Product											
Product#		12770		COST CHANGE ITEM							
Warehouse or ALL		ALL	EOM OH	0	CUR OH	58	Start	06/26/12	End	06/27/12	
Ln#	Customer/Vendor Number	Date	Tnx	Release/Ref	Qty	Price	Um				
	Customer/Vendor Name	Oper	DS	Whs	P/O#/ReasCd	Sell	St	Cost	GP%		
8	N/A	06/26/12	ADJ			10		/ EA			
		gms	777	01 CODE - 0		EA		57.00			
9	N/A	06/26/12	ADJ			-10		/ EA			
		gms	777	01 CODE - 0		EA		57.00			
10	N/A	06/26/12	ADJ			40		/ EA			
		gms	001	01 CODE - 0		EA		53.00			
11	N/A	06/26/12	ADJ			-40		/ EA			
		gms	001	01 CODE - 0		EA		57.00			
12	N/A	06/26/12	ADJ			40		/ EA			
		gms	001	01 CODE - 0		EA		57.00			
13	N/A	06/26/12	ADJ			-40		/ EA			
		gms	001	01 CODE - 0		EA		57.00			
14	N/A	06/26/12	ADJ			40		/ EA			
		gms	001	01 CODE - 0		EA		57.00			

Enter 'END' to EXIT, 'NEXT PG' or 'PREV PG' XXXXXX

Detail	HELP	OK/END	INSERT	LDELETE	PREV PG	NEXT PG	INQUIRY	CANCEL	Off	Popup
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ID. CID..... DESCRIPTION..... CONV..... C/
1 INV.RSN.CODE   DEFAULT INVENTORY REASON CODE
                  TO BE USE IN UPDATE FROM
                  COST.CHANGE.GLA FILE to
                  INV.AUDIT FILE
                  MUST BE VALID IN
                  (INV.RSN.CODE) FILE
                  Suggestion would be to create
                  a unique INV.RSN.CODE to be
                  used for Cost Change.
    
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RECAP AND SUMMARY

**There are many options when selecting costs into the MDS-Nx System
And depending on how you choose to record and reflect your inventory, you will
likely have discrepancies between your General Ledger and your Daily
Inventory values.**

As mentioned this is not always a bad thing.

**For more information or to learn about other options for costing in the
MDS-Nx System**

Please contact Support@tshinc.com or Call 1-800-637-5556

