MISCELLANEOUS INVENTORY ADJUSTMENTS

Here are some tips on handling some of those occasional inventory issues that have you scratching your head.

What's the difference between a "Physical inventory adjustment" and a "Miscellaneous adjustment/Return to stock"?

Use the **Physical inventory adjustment** when you do a full count of your inventory and want to record it along with any required adjustments to the G/L.   You have to enter the total quantity you have on hand for each item.

Use the **Miscellaneous adjustment** when you want to add or subtract from the inventory by a specific quantity.   For example, you could use this when you have a damaged shirt or a broken mug. You can just reduce the inventory for the item by a quantity of 1 without knowing the actual quantity on hand at the moment.   See below for some additional uses for this function.

I want to pull some items out of inventory to use at a trade show.   What do I need to do to record this?

Go to

      Inventory
            Miscellaneous adjustments
                  Inventory Adjustments/Returns

For each item, enter the item number and the quantity you are removing entered as a negative amount.   You can also select a "reason" for the adjustment.   Each of the reasons are tied to a specific G/L account.   These accounts are defined on the inventory system options.

When you have finished entering information on all the items, go to the "Print Adjustment/Return Journal" step and close the journal.

The close step will make a journal entry crediting your inventory account and debiting the appropriate CGS expense account on the P&L.

I didn't use all the inventory at the trade show.   How do I put these back into inventory?

Go to the same transaction you used to pull the stock FROM inventory except this time enter a POSITIVE quantity.   **Be sure to pick the "Return to stock" reason.**

I paid for the merchandise in an inventory program with the understanding that the customer would purchase anything that did not sell at the end of a certain time period.   That time has come.   The customer wants me to continue to hold the merchandise and ship it out as requested.   How do I handle this?

Go to Customer Invoicing and generate a miscellaneous invoice that DOES affect inventory. Enter the remaining quantities of each item and close.   This will reduce the quantity on hand of each of the items to zero.

Then, go to

> Reference Information
>> Item
>>> Update Item file

Change the type of item to "consigned goods".   Change the current cost to zero.   Or, if the customer wants to retain the cost as a benchmark, you can leave the cost as is.

Next, go to

> Inventory
>> Enter inventory receipts
>>> Enter miscellaneous receipt

Enter each item and the quantity carried over from the original program.   The cost will default to the current cost on the item file but you may adjust it as appropriate.

I have the opposite situation. The customer bought the merchandise initially and I have to buy back any that didn't sell.   How do I handle this?

The items should initially have been set up as "consigned goods".

Go to

> Inventory
>> Miscellaneous adjustments
>>> Enter physical inventory account

Enter each of the items with a quantity of zero.   Close the related journal.   This will force the quantity on hand to zero.   Since the items are set up as consigned goods, there should not be a journal entry.

Then, go to the "Update item file" function and change the type of item to "Regular inventory". You will also want to set a current cost for the item.

Next, go to

> Inventory
>> Enter inventory receipts
>>> Enter miscellaneous receipt

Enter the quantity of each item you are purchasing and the unit cost.

The next step depends on how you are handling the cost of the merchandise with the customer.

♦ If you are going to write the customer a check, then write the customer a check for the total and charge it to your usual "Inventory Purchases" account.

♦ If you are going to handle the cost some other way, then you will need to make a manual journal entry to debit your Inventory account and credit the appropriate G/L account.

I purchased some inventory from another company who was going out of business.   I don't have a purchase order.   How do I get it into my inventory?

Enter as miscellaneous receipts.

When you pay for the merchandise, charge it to "Inventory Purchases".

If you are not writing a check, you can go a manual journal entry to credit "Inventory" and debit the appropriate G/L account.