

Recording Free Product in Agvance

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If the free product is given as a type of compensation for a customer appreciation meeting, the value of this product should be posted into a promotional/advertising account without affecting the current average cost of the free product. This can be accomplished by entering the product with a Purchase Invoice using the current average cost. This will create a bill, which can be paid using a memo check. Change the checking account to the promotional/advertising account.

If the free product is given as a type of reimbursement for respray, it is recommended to use the procedures for respray found [here](#).

If the free product is given as a type of rebate for the amount of inventory purchased, it may be preferred for the value to affect the average cost of the product and be recognized over a period of time or as the product is sold. Enter a Purchase Invoice using a zero cost for the product. This will decrease the average cost of the product and, as the product is sold, the profit margin will be higher due to the decrease in average cost therefore giving a higher income over the period of time the product is sold.

If the free product is given as a type of rebate for the amount of inventory purchased and the value is to be recognized in the current month, enter the free product as an Inventory Adjustment. This will increase the amount on hand by the amount of free product therefore increasing the inventory asset value using the current cost as the basis for valuation. The total estimated cost of this product will be reflected as income for the current month.