

# Inventory Adjustments

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The Inventory Adjustment function under the *Inventory* menu in Accounting corrects inventory quantities for any reason (shrinkage, damage, package size substitutions, etc.) when the amount of product on hand does not match the computer balance. Inventory Adjustments leave an audit trail in the Inventory Detail file.

This function may be used to set the amounts on hand for the non-inventoried items back to zero. For example, the application service items will have a negative Amount on Hand that represents the number of acres spread during the current fiscal year. After ending the fiscal year, it is helpful to set these back to zero to gauge the number of acres spread the next year.

Inventory Adjustments are voided by highlighting the adjustment at *Inventory / Inventory Adjustments*, then choosing **Void**. Voiding an Inventory Adjustment affects the inventory balances for the Products on the adjustment. If using the *Transactional Posting* option, the General Ledger is also affected.

## Taking a Physical Inventory

To maintain control over inventory, a physical count is done periodically. The Physical Worksheet is a helpful report to use when recording the count. This report is found in Accounting Reports at *Reports / Inventory / Inventory Status / Inventory Statements*. Choose the *Physical Worksheet* style. The computer quantity can optionally be printed on this report.

Overages/shortages of inventory and package size substitutions are common in the fertilizer/chemical business. When adjustments to inventory quantities are necessary, using this function can be helpful and leaves a good audit trail as well.

**Inventory Adjustment**

Date: 11/30/2023  Use Lot Quantities

Adjustment Type: Physical Count

Notes: Adjusting to physical taken 11/30/2023

Reference #: 120014

Calculation Type:  Physical Count  Difference

**WARNING!! Adjusting to Physical (rather than Difference) when others are posting transactions to any of the listed items may have undesired results.**

	<Product Name>	Balance	Physical	Difference	Units	% Change
1	Clover Seed	980.000	1250.000	270.000	Bags	27.6
2	Green Peas-25 Lb Bag	900.000	1010.000	110.000	Bags	12.2
3	Orchard Grass	1000.000	975.000	-25.000	Bags	-2.5
4	Winter Rye	1000.000	1100.000	100.000	Bags	10.0
5	Yellow Peas - 25 lb Bags	1000.000	990.000	-10.000	Bags	-1.0
6	▶ Yellow Peas - 50 lb Bag	1000.000	1050.000	50.000	Bags	5.0

Print on Save

- **Date** – Enter the date the adjustment was made.
- **Use Lot Quantities** – Select this option to enable specific lots to be selected and displayed at this screen. This

may only be enabled prior to product selection.

- **Adjustment Type** – This can help note reasons for the various adjustments and may be reviewed on some inventory reports. *Physical Count* is the most common *Adjustment Type*. Custom adjustment types such as *Shrinkage*, *Damaged Product*, or *Repackaged Product* may be added by selecting **InvAdj Types** found at *Setup / Preferences* on the *Inventory* tab.
- **Notes** – Enter any notation such as *end of month physical*. This becomes part of the audit trail.
- **Reference #** – The computer automatically assigns this number.
- **Calculation Type** – Choose whether the amounts being entered are a *Physical Count* or a *Difference* (change). This determines which column **Calculate Difference** updates.
- **Remove Zero Differences** – After selecting **Calculate Difference**, this removes all the products from the grid that have a zero difference. This makes the printout more concise.
- **Set Physical to Balance** – This sets the *Physical* column to the same quantities as the amounts in the *Balance* column.
  - A few products in a department may need adjusted, but it is much easier to select the whole department than sort through and select just a few products. Selecting **Set Physical to Balance** will set the physical balance to the current balance on all products. Scroll down to find the products to adjust and change the physical balance. Choose **Calculate Difference**. This will show the difference of the adjustment on all the products. If **Remove Zero Difference** is selected, there will be an Inventory Adjustment for only the products adjusted.

The screenshot shows the 'Inventory Adjustment' window. At the top, there are fields for 'Date' (12/01/2023), 'Adjustment Type' (Physical Count), 'Notes', and 'Reference #' (120014). There are also checkboxes for 'Use Lot Quantities' and 'Calculation Type' (Physical Count selected). A red warning message is displayed: 'WARNING!! Adjusting to Physical (rather than Difference) when others are posting transactions to any of the listed items may have undesired results.' Below this is a table with columns: Product Name, Balance, Physical, Difference, Units, and % Change. The table contains four rows of product data. At the bottom, there are buttons for 'Print on Save', 'Remove Zero Difference', 'Set Physical to Balance' (highlighted with a red box), 'Calculate Difference', 'Save', and 'Cancel'.

	<Product Name>	Balance	Physical	Difference	Units	% Change
1	Merschman Barbie 11 Bag Tr	70.000	70.000	0.000	Bags	0.0
2	Merschman Millie IV Bag Tr	92.000	83.000	-9.000	Bags	-9.8
3	Merschman Peyton Bag Tr	19.000	19.000	0.000	Bags	0.0
4	Wonderful Wheat	883.000	885.000	2.000	Bags	.2

- **Calculate Difference** – After editing the *Physical* column to actual, choose this to calculate the difference between the *Physical* and *Balance* columns.

## Product Grid

- **Product** – Double-click on the column heading to bring up the *Select Products* screen. Select the products to

be adjusted. If all lot numbers of a product should be chosen, once the product is selected, right-click on the product and use the *Select All Lots* option.

- **Balance** – This is the current amount on hand prior to the adjustment.
- **Physical** – If the calculation type is set to *Physical Count*, enter the actual quantity on hand. This is the number that becomes the *Amount on Hand* when the adjustment is saved.
- **Difference** – If the calculation type is set to *Difference*, enter the difference in this column. If the calculation type is set to *Physical Count*, this column is automatically calculated by selecting **Calculate Difference**.  
*Difference = Physical – Balance.*
- **Units** – This displays each product's Inventory Units.
- **% Change** – The *Difference* divided by the *Balance* is used to calculate the percent of change.
- **Lot Number** – If the *Use Lot Quantities* option above was selected prior to choosing products, optionally enter the lot number of the adjusted item.

## Posting Notes

- **Save of the Adjustment** – The record is saved in the database and the Adjustment Counter for this location in the table is updated.
- **Inventory Detail** – A record for each Product's difference amount is recorded. If positive, then an inbound entry is made. If negative, an outbound entry is made.
- **Inventory Amount on Hand** – This amount is updated for the products involved. *New Amount on Hand = Previous Amount on Hand + Difference.*
- **General Ledger** – If *Transactional Inventory* posting is enabled at *Accounting / Setup / Preferences* on the *General* tab.

General Journal Entry	Debits	Credits
Cost value of change	Asset Accounts for each product – Positive if adjusted to larger quantity. Negative if smaller.	
Cost value of change		Cost of Sales for each Product

- **Void** – The original image of the adjustment is voided. New entries are made to the Inventory Detail file opposite of original. Product amount on hand is affected.