

Advanced Business Manager Pty Ltd



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ABM Support Bulletin # 45 GL Stock Movement Accounts

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Overview

Traditionally, cost of sales on the Profit and Loss report is represented by Opening Stock at the beginning of the period plus purchases for the period less closing stock at the end of the period.

ABM handles cost of sales by way of a stock movement account rather than by using the traditional opening/closing stock method of accounting.

The ABM General Ledger has two main stock accounts –

Stock on Hand Account, Account type – Stock on hand (Asset)
Stock Movement Account, Account type – Cost of Sales (Expense)

Stock on hand appears on the Balance Sheet
Stock Movement appears on the Profit & Loss Statement

All stock controlled incoming and outgoing transactions update these two accounts.

Purchase of Stock will:

DEBIT Stock on Hand
CREDIT Stock Movement

Sales of stock will:

DEBIT Stock Movement
CREDIT Stock on Hand

This results in the Stock on Hand in the Balance Sheet always being up to date with the current stock value.

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In the Profit and Loss the Cost of Goods, traditionally calculated by opening stock plus purchase less closing stock, is calculated by purchases plus stock movement.

Example:

Assuming for a particular accounting period you have opening stock of \$10,000, you then Purchase \$5,000 worth of Stock and at the end of the accounting period you have \$3,000 worth of stock left

Traditional Accounting for Stock		ABM Accounting for Stock	
Opening Stock	10,000	Purchases	5000
+ Purchases	5,000	+ Stock Movement	7000*
- Closing Stock	3,000		
COST OF SALES	12,000	COST OF SALES	12,000

*The Equivalent of \$10,000 Opening Stock LESS \$3,000 Closing Stock = \$7,000

Divisional Reporting

The Stock on hand and Stock movement accounts can also be used for divisional reporting by setting up multiple stock on hand and stock movement accounts. This is available provided you are set up to use multiple locations and update the ledger control accounts by warehouse location. You will need to create branch stock control accounts for each warehouse. (division)

For Example

Warehouse 1 Stock Control Accounts

Purchases Control Account (Stock Purchases)	0130-01-00
P & L Closing Stock Account (Stock Movement)	0180-01-00
Balance Sheet Stock on hand (Stock on Hand)	0530-01-00

Warehouse 2 Stock Control Accounts

Purchases Control Account (Stock Purchases)	0130-02-00
P & L Closing Stock Account (Stock Movement)	0180-02-00
Balance Sheet Stock on hand (Stock on Hand)	0530-02-00

The Profit & Loss Report can then be run by specific division or can be run as a consolidated report for all divisions.

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Stock Delivered Not Invoice Postings

When you create a standalone supplier delivery (no invoice transaction) ABM needs to account for and track the value (Liability) while waiting for the Invoice to be processed. It does this by posting to a Liability holding account that is equal to the value of the stock received. Once the delivery is invoiced the value is transferred from the SDNI (Liability) account to the Trade Creditors (Liability) account.

This account by default in ABM is called Stock Delivered Not Invoiced (SDNI) which is assigned to the GL group Other Current Liabilities.

Reference	Account No	Account Title	Date	Transaction Type	Tax Amount	Amt Incl Tax
Batch 1						Entered by User Number: 1
PD00001	0130	Stock Purchases	13/10/2010	Automatic Journals		100.00
PD00001	0180	Stock Movement Account	13/10/2010	Automatic Journals		(100.00)
PD00001	0530	Stock on Hand	13/10/2010	Automatic Journals		100.00
PD00001	0535	Stock Deliveries not invoiced	13/10/2010	Automatic Journals		(100.00)
Total Ledger Transactions						0.00
Type	Code	Description	Quantity	Price	Product Cost	
Product	1	Product 1	1.00	\$100.00	\$100.00	
PD00001	1	Supplier 1	13/10/2010	Supplier Delivery		
Total Stock Movements					\$100.00	
Totals for Batch 1						0.00 0.00

Once the delivery is invoiced the value is transferred from SDNI (Liability) to a Trade Creditors (Liability) account.

Reference	Account No	Account Title	Date	Transaction Type	Tax Amount	Amt Incl Tax
Batch 2						Entered by User Number: 1
PI00001	0535	Stock Deliveries not invoiced	13/10/2010	Automatic Journals		100.00
PI00001	0600	Trade Creditors	13/10/2010	Automatic Journals		(100.00)
Total Ledger Transactions						0.00
Type	Code	Description	Quantity	Price		
Product	1	Product 1	1.00	\$100.00	\$0.00	
PI00001	1	Supplier 1	13/10/2010	Supplier Invoice		(100.00)
Total Creditors Transactions						(100.00)
Totals for Batch 2						0.00 (100.00)

Changes in Costs between Delivery and Invoice

In the above example the Delivery cost is equal to the Invoiced cost, so no additional stock adjustments need to be made by the system. If the Invoice price is different the new value must be accounted for in the system by making adjustments to Stock On Hand and Stock Movement account.

In this example, the Delivery cost is 44.00

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Reference	Account No	Account Title	Date	Transaction Type	Tax Amount	Amt Incl Tax
Batch 3						Entered by User Number: 1
PD00002	0130	Stock Purchases	13/10/2010	Automatic Journals		44.00
PD00002	0180	Stock Movement Account	13/10/2010	Automatic Journals		(44.00)
PD00002	0530	Stock on Hand	13/10/2010	Automatic Journals		44.00
PD00002	0535	Stock Deliveries not invoiced	13/10/2010	Automatic Journals		(44.00)
Total Ledger Transactions						0.00
Type	Code	Description	Quantity	Price	Product Cost	
Product	2	Product 2	1.00	\$44.00	\$44.00	
PD00002	1	Supplier 1	13/10/2010	Supplier Delivery		
Total Stock Movements					\$44.00	
Totals for Batch 3						0.00

In this example the invoice cost is changed to 54.00 and will require postings to Stock on Hand and Stock Movement to account for the change in value. The product cost value is now \$54 not \$44.

Reference	Account No	Account Title	Date	Transaction Type	Tax Amount	Amt Incl Tax
Batch 4						Entered by User Number: 1
PI00002	0130	Stock Purchases	13/10/2010	Automatic Journals		10.00
PI00002	0180	Stock Movement Account	13/10/2010	Automatic Journals		(10.00)
PI00002	0530	Stock on Hand	13/10/2010	Automatic Journals		10.00
PI00002	0535	Stock Deliveries not invoiced	13/10/2010	Automatic Journals		44.00
PI00002	0800	Trade Creditors	13/10/2010	Automatic Journals		(54.00)
Total Ledger Transactions						0.00
Type	Code	Description	Quantity	Price	Product Cost	
Product	2	Revaluation	0.00	\$10.00	\$10.00	
			13/10/2010	Product Stocktake		
Type	Code	Description	Quantity	Price	Product Cost	
Product	2	Product 2	1.00	\$54.00	\$0.00	
PI00002	1	Supplier 1	13/10/2010	Supplier Invoice		(54.00)
Total Stock Movements					\$10.00	
Total Creditors Transactions						(108.00)
Totals for Batch 4						0.00

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