

## Recording Inventory as an Expense in Sage One Accounting

### Overview

There may be times in your business where you do not actually sell your Inventory Items but rather use them in a different way, some examples would be:

- Donations**      If stock is given away for charitable purposes.  
**Sponsorships**    You may give your Items away as sponsorship or for marketing purposes.  
**Stationary**        If you consume your Inventory Items internally within the business.

In all of the above instances you will need to record the Inventory Items used as an **Expense**. i.e. The cost of consuming the Items other than selling them.

### Understanding our System

There are no inventory journals in Sage One because we do not actually have an inventory control account. If you look at our trial balance there is no inventory value. All your Inventory Items are recorded in the Purchases Cost of Sales account.

The only way to reduce your stock in Sage One is as follows:

- 1)      Selling an Item to a Customer – Tax Invoice or Recurring Invoice  
        **Debit**    Customer  
        **Credit**    Sales
  
- 2)      Returning stock to a Supplier – Supplier Return  
        **Debit**    Supplier  
        **Credit**    Purchases (Cost of Sales)
  
- 3)      By doing and Item Adjustment  
        \* Only affects system accounts not the general ledger or the trial balance (Affects Profit and Loss when you run by Sales)

### Recommended method to account for the expensing of Inventory Items

In the following example the Company is sponsoring an athlete by giving him some of their Inventory.

This needs to reduce the Items on hand and raise an expense for sponsorship on the profit and loss. You can apply this same process to any account in your general ledger.

We recommend that you process a Supplier Return to reduce the stock value and post an entry to an expense account. This should be done as follows:

- 1) Create a dummy / fictitious Supplier (You could call it **PROMOTIONS AND SPONSORSHIPS**)
- 2) Create an Expense for the Sponsorships and Promotions (the expense account may already be created)
- 3) Process a Supplier Return as follows: (See screenshot example below)
  - a. Select the PROMOTIONS AND SPONSORSHIP Supplier
  - b. First Line – Select the item that you are “giving away”
    - i. The value should be the current average cost price of the inventory
    - ii. Make it a No VAT Transaction
  - c. Second Line – Select the Sponsorships and Promotions Expense Account
    - i. Make the value the amount of Inventory you are giving away
    - ii. This amount must be **negative**
    - iii. Make it a No VAT Transaction
  - d. The value of the invoice should be zero as you are not actually purchasing anything

## Process Supplier Return Search Transactions

Send Options

**Supplier Details**

Supplier: PROMOTIONS & SPON VAT Reference:

Balance: R 0.00 Credit Limit: R 0.00

**Delivery Address** **Postal Address**

Physical Address:

**Return Details**

Document No.: RTN0000001 Date: 02/06/2014

Supplier Ref.:

From Invoice:  Discount %: 0.00%

Use Inclusive Amounts

Use Last Supplier Return Detail

Type	Selection	Item Description	Unit	Qty	Excl. Price	VAT Type	Disc %	Discount	Exclusive	VAT	Total
Item	STK-001	Promotional Stock	each	5.00	R 1,000.00	No VAT	0.00%	R 0.00	R 5,000.00	R 0.00	R 5,000.00
Account	Sponsorship...			1.00	R -5,000.00	No VAT	0.00%	R 0.00	R -5,000.00	R 0.00	R -5,000.00
Item	Select Item						0.00%				

Message

Set Default Message

Total Discount: R 0.00

Total Exclusive: R 0.00

Total VAT: R 0.00

Total: R 0.00

## Reports

### Profit and Loss Report

Inventory Test Company Live

Date Range: 01/03/2014 → 28/02/2015  
 Cost of Sales: Based on Purchases [Show Report Options](#)

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Mar 14-Feb 15

Sales	
Sales	44,000
<b>Total for Sales</b>	<b>44,000</b>
Cost of Sales	
Purchases	164,684
<b>Total for Cost of Sales</b>	<b>164,684</b>
Gross Profit	-120,684
Other Income	
Total for Other Income	0
Expenses	
Sponsorship and Promotions	5,000
<b>Total for Expenses</b>	<b>5,000</b>
Net Profit/Loss Before Tax	-125,684
Income Tax	0
Net Profit/Loss After Tax	-125,684

### Account Transactions Report

Inventory Test Company Live

Account: Sponsorship and Promotions → Sponsorship and Promotions  
 Category: All Categories [Show Report Options](#)  
 Date Range: 01/03/2013 → 29/02/2016

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Account	Date	Bank / Customer / Supplier	Reference	Transaction Type	Description	Debit	Credit	Balance
<b>Sponsorship and Promotions</b>								
Opening Balance						R 0.00		
02/06/2014	PROMOTIONS & SPONSORSHIPS		RTN0000001	Supplier Return		R 5,000.00	R 0.00	R 5,000.00
Closing Balance						R 5,000.00		

## Item Movement Report

Inventory Test Company Live

Start Date: 01/03/2014  
End Date: 28/02/2015  
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Date	Reference	Description	Customer / Supplier	Qty
<b>STK-001 - Promotional Stock</b>				
01/03/2014	SIV0000001	Supplier Invoice	Stock Supplier 1	100.00
05/03/2014	INV0000001	Tax Invoice	Customer 1	-10.00
05/04/2014	INV0000002	Tax Invoice	Customer 1	-10.00
02/06/2014	RTN0000001	Supplier Return	PROMOTIONS & SPONSORSHIPS	-5.00
<b>Total for Item: STK-001 - Promotional Stock</b>				<b>75.00</b>
<b>Grand Total:</b>				<b>75.00</b>

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