

Recording Inventory on Hand on the Balance Sheet

We will show you how to process the correct journal to bring your closing stock onto the Balance Sheet so your current assets section looks like the example below.

In this example, we have assumed your Balance Sheet is run at 28 February (your financial year end):

Current Assets	
Trade Receivables	R 37,994,963.08
Staff Loans	R 203.60
Inventory on Hand	
Inventory Movement - Asset	R 65,000.00
Inventory Opening Balance	R 10,000.00
Total Current Assets	R 41,035,601.43

For clarity, the inventory values above are grouped under the heading Inventory on Hand, using a Reporting Group in Sage One.

How to reflect your Inventory closing balance on the Balance Sheet:

Step 1 – Set up the correct accounts in Sage One

Step 2 – Calculate your Inventory Value movements (difference between your opening and closing inventory)

Step 3 – Process your Inventory Journal to reflect the above mentioned movement

Step 1 – Create the following Inventory Accounts

In order to process your journal entry you will need to set up some inventory accounts (if they don't already exist).

Go to **Accounts > List of Accounts > Add Account** and add the following accounts in Sage One. Note the financial categories illustrated below. These categories are used by Sage One to position the amounts in the right section of the Balance Sheet).

Accounts	Financial Category
Inventory Movement – Asset	Current Assets
Inventory Movement – Cost of Sales	Cost of Sales

Step 2 – Calculate the Inventory Value

Assume you began using Sage One at the beginning of the current year.

You would've created your inventory items with their related opening balances – both quantity and value.

Sage One automatically puts this balance in a System Account called Inventory Opening Balance on the Balance sheet. In our example we will assume an opening balance total of R 10,000.

Now assume that at the end of the year, your total inventory on hand (closing stock) amounts to R 75,000.

You can get this total from your **Item Valuation Report**.

Note: Good practice says you should conduct a stock take to check your item quantities on hand as reflected on the Item valuation Report. You should also check that the average cost value for each stock item is reasonable (in case mistakes have been made).

In our example, opening inventory totalled R 10,000 and closing inventory totalled R 75,000 reflecting an **Inventory Movement of R 65,000**. This value is the difference between the **Inventory Opening Balance** and the **Inventory Value** (the Inventory Closing Balance). This is the amount that you will use to process your journal entry.

Example	
Inventory Opening Balance: This amount will appear on your financial statements by default.	10, 000
Inventory Value: Your actual inventory on hand value.	75, 000
Inventory Movement: This amount needs to be recorded.	65, 000

Step 3 – Process the Inventory Journal Entry

Consult your accountant before processing these journal entries if you are unsure.

The journal entry will be processed to record the Inventory Movement to create the “inventory on hand balance” as at 28 February as follows:

On 28 February debit Inventory Movement – Asset with an amount of R 65,000 by affecting the Inventory Movement – Cost of Sales account.

To process the journal go to **Accountant’s Area > Process Journal Entries**.

Note - If when you are processing this journal and your closing inventory value is less than your opening inventory value, reverse the debits and credits on the journal entry.

The screenshot below shows this journal entry for the example above:

Process Journal Entries

Show Previous Journal Entries

From Date: 28/02/2015

To Date: 28/02/2015

Refresh Export Data

Import

Select the account and enter the amount exclusive of VAT to be posted to that account. The amount inclusive of VAT will be posted to the "By Affecting Account".

Date	Effect	Account	Reference	Description	V...	Amount	VAT	Incl. VAT	by Affecting Acc.
28/02/2015	Debit	Inventory Movement - Asset	JNL-FEB004	Inventory Journal	N...	R 65,000.00	R...	R 65,000.00	Inventory Movement - Cost of Sales

Recording Inventory on hand as at 28 February.

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