

INVENTORY PROCEDURES

ACCOUNTING EXCEL TEMPLATE VS EXCEL INVENTORY TEMPLATE

IN THE ACCOUNTING TEMPLATE

IN THE INVENTORY TEMPLATE

STEP ONE

BUYING STOCK

At the date of payment, enter:

1. The Expense Transaction Amount including Sales Tax
2. Enter the Sales Tax rate
3. Enter the *allocation* amount to a Cost of Goods Sold expense account called *Purchases*.
4. If there is a freight or customs component, split the *allocation* amount between these accounts:
 - a. *Purchases* and
 - b. *Freight COGS* and/or
 - c. *Customs Fees COGS*

See Page 6, Images 1 - 3

At the date of the invoice, enter:

1. Your stock items – split them out between the different *Item* tabs.
2. The Invoice #, the quantity and cost value, excluding sales tax, of the items into the blue *Purchases and Returns* section.

Example: Purchase of 10 Black Hats \$125 (excl. sales tax), and 15 Red Hats \$180 (excl. sales tax), freight \$15,

1. Rename Item #1 to *Black Hats*
In Row 7, enter the Invoice No.,
Quantity is 10.00
Cost Per Item is \$12.50
Total Cost should show \$125.00
2. Rename Item #2 to *Red Hats*
In Row 7, enter the Invoice No.,
Quantity is 15
Cost Per Item is \$12.00
Total Cost should show \$180.00
3. There is no requirement to split out and include freight and customs fees in the value of each item, leave it out of the Inventory sheet

IN THE ACCOUNTING TEMPLATE

IN THE INVENTORY TEMPLATE

STEP TWO

SELLING STOCK

At the date of payment received, enter:

5. The Income Transaction Amount including Sales Tax
6. Enter the Sales Tax rate
7. Enter the *allocation* amount to an Income account called *Sales*.
8. If there is a freight or export fees component, split the *allocation* amount between these income accounts:
 - a. *Sales* and
 - b. *Freight Income* and/or
 - c. *Export Fees Income*

At the date of the sales invoice, enter:

1. Your stock items sold – split out from the different *Item* tabs.
2. The Invoice #, the quantity and sales price, excluding sales tax, of the items into the green *Sales* and *Sales Returns* section.

Example: Sale of 5 Black Hats \$125 (excl. sales tax), and 3 Red Hats \$90 (excl. sales tax), freight \$10:

1. In the Item sheet for *Black Hats*
In Row 8, enter the Invoice No.,
Quantity is 3.00
Sale Price Per Item is \$25.00
Total Cost should show \$125.00
2. In the Item sheet for *Red Hats*
In Row 8, enter the Invoice No.,
Quantity is 3
Cost Per Item is \$30.00
Total Cost should show \$90.00
3. Do not show freight income on this sheet – it only goes on the Accounting Template

See Page 7, Images 4-6

IN THE ACCOUNTING TEMPLATE

IN THE INVENTORY TEMPLATE

STEP THREE

UPDATING PERIODIC INVENTORY

In the Sheet Tab called *Inventory* of the Accounting Excel Template:

1. Enter the total value of stock on hand into the Closing Stock Balance column for the month you have just completed.
2. The total value of stock on hand is taken from your Inventory Template – see the steps in the instruction box next to this one.
3. **Using our Example**, you will see three things happening on the Reports:
 - a. The value of unsold stock is moved out of the P&L in that month. It is moved to January on the Balance Sheet next to *Stock on Hand* under *Assets*. (unsold stock should not be part of your Profit and Loss Report)
 - b. The value of unsold stock is moved back onto the P&L in February ready for a new month of trading. On the Balance Sheet the figure for January stays the same and February will only change once February's closing stock is entered.

In the Inventory Template, when a month has finished and there are no more purchases or sales for that month, do the following.

From the Sheet Tab called *Inventory Report*

Make a note of the Total Value of Stock on Hand from column J, row 6.

Enter that value into the relevant month and year on the MONTHLY sheet.

Move across to your Accounting Template and follow the procedures laid out in the box next to this one.

Print to PDF or to paper a snapshot of both the Inventory Report and the MONTHLY sheet, and do a backup copy of this template.

See Pages 8-9, Images 7-10

IN THE ACCOUNTING TEMPLATE

IN THE INVENTORY TEMPLATE

STEP FOUR

SALES RETURNS AND DAMAGES

First follow the steps for the Inventory Template

If you pay a refund to the Customer, you need to enter this into the Accounting Template in the Income side as a negative - **\$28.75** (including sales tax) in the ****Sales** column.

(If you can return a damaged item to the supplier, see the next page for instructions. If not, write it off.)

***To write off the damaged hat, there is nothing further to do, because your Inventory value would have been reduced down in the Inventory Template, and you will be entering this adjusted value at the end of the month in your Periodic Inventory worksheet as explained in STEP 3 on Page 3**

See Page 10, Image 11-12

***Note :** If you are writing off an old, unsold damaged stock item, you may not be able to write it off at the full cost price that you paid to purchase it. If the current fair market value of that item is lower than what you paid originally you will have to take that loss. Try to write off your damaged items as soon after purchasing as possible if the Supplier is not going to replace them for you.

In the Inventory Template, when a customer returns a damaged item and asks for a refund, here is the process:

Example: Customer returns one black hat because it is torn. We decide to give the Customer a refund and write off the hat because the vendor won't take it back.

Here is the process:

1. Under Sales and Returns enter **-1.00** under the Quantity and the sales price **-\$25.00**, this puts the hat back into stock, reduces the value of sales and increases the value of stock on hand.
2. ***On the next line, under Purchases and Returns enter Stock Damaged and a **-1.00** under quantity and **-\$12.50** to reduce the number of items on hand and to reduce the total value of stock on hand.**

Then follow the steps on the Accounting Template.

****Note :** You could enter a new Income account called *Sales Returns* if you prefer.

IN THE ACCOUNTING TEMPLATE

IN THE INVENTORY TEMPLATE

STEP FIVE

PURCHASES RETURNS AND DAMAGES

First follow the steps for the Inventory Template

When you get a refund from a Vendor, here is what to enter to the Accounting Template.

At the date of the refund received:

- enter the date
- the details and
- a negative amount under the *Purchases COGS account – enter the amount including Sales Tax in the Transaction Amount column, enter your Sales Tax rate, and enter the allocation amount to the Purchases account.

See Page 11 – Images 13-14

***Note :** You could enter a new COGS account called *Purchases Returns* if you prefer.

In the Inventory Template, when you have to return wrong or damaged items to a Vendor here are the steps:

Example: Let's say two of the hats are orange not red and you decide to return them.

Here is the process:

1. In the Inventory Template under Red Hats enter a **-2.00** in the Purchases and Returns section and enter the cost per item as \$12.00.
2. One of two things will happen next.
 - a. Either they will give you a refund if you ask for it, or
 - b. they will replace the hats with the correct ones with no money changing hands.

What should you do?

- **If getting a refund go across to the Accounting Template instructions**
- or, if waiting for replacements when the two correct hats arrive, in the blue Purchases and Returns section, re-enter the 2 hats at the cost value of \$12.00

IMAGE 1 – ACCOUNTING TEMPLATE PURCHASE

Business Name												
JANUARY	Details		Sales Tax on Expenses				Cost of Goods Sold Expense Funds Pa				Total Money	FUNDS AVAILABLE (Account Balance)
Date	Description	Ref	Expense Transaction Amount	Sales Tax Rate	Sales Tax Amount	Allocate to Expenses, Assets or Other Funds	Purchases	Freight	Head 8	Transfer to Credit Card	Gone Out	R
Bank Account #1			BANK ACCOUNT #1 MONEY OUT									Bank Account #1
1-Jan-18											Opening Balance	400.00
5-Jan-18	Payment to My Vendor for Stock Purch.	100563	368.00	15.00%	48.00	320.00	305.00	15.00			368.00	32.00
				0.00%	0.00	0.00					0.00	32.00
				0.00%	0.00	0.00					0.00	32.00

IMAGE 2 – INVENTORY TEMPLATE BLACK HATS

Black Hats			STOCK ON HAND VALUE	Total Qty Purchased	Average Cost	Total Cost
CURRENT STOCK ON HAND			5.00	10.00	12.50	125.00
Description			Purchases and Returns			
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost
Jan-05-2018	Purchase	My Vendor	100563	10.00	12.50	125.00

IMAGE 3 – INVENTORY TEMPLTE RED HATS

Red Hats			STOCK ON HAND VALUE	Total Qty Purchased	Average Cost	Total Cost
CURRENT STOCK ON HAND			12.00	15.00	12.00	180.00
Description			Purchases and Returns			
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost
Jan-05-2018	Purchase	My Vendor	100563	15.00	12.00	180.00

IMAGE 4 – ACCOUNTING TEMPLATE SALE

JANUARY			Sales Tax on Income				Income			Total Money Received In	Sales Tax on Expenses				Cost of Goods Sold Expenses		
Date	Description	Ref	Income Transaction Amount (Including Sales Tax)	Sales Tax Rate	Sales Tax Amount	(Amount Excluding Sales Tax) Allocate to Income or Other Funds	Sales	Freight Income	Head 3	(Must Equal Income Transaction Amount)	Expense Transaction Amount	Sales Tax Rate	Sales Tax Amount	Allocate to Expenses, Assets or Other Funds	Purchases	Freight	Head 3
Bank Account #1			BANK ACCOUNT #1 MONEY IN								BANK ACCOUNT #1 MONEY OUT						
1-Jan-18																	
5-Jan-18	Payment to My Vendor for Stock Purch.	100563		0.00%	0.00	0.00				0.00	368.00	15.00%	48.00	320.00	305.00	15.00	
				0.00%	0.00	0.00				0.00		0.00%	0.00	0.00			
25-Jan-18	Payment from My Customer : Stock sale	12	258.75	15.00%	33.75	225.00	215.00	10.00		258.75		0.00%	0.00	0.00			

IMAGE 5 – INVENTORY TEMPLATE BLACK HATS SOLD

Retain this item #1 to your stock item name by typing over it and change the name of tab at the bottom of the Excel display screen

<div>Black Hats</div>		<div>STOCK ON HAND VALUE</div>	<div>Total Qty Purchased</div>	<div>Average Cost</div>	<div>Total Cost</div>	<div>Total Qty Sold</div>	<div>Average Price</div>	<div>Total Sales</div>
<div>CURRENT STOCK ON HAND</div>	<div>5.00</div>	<div>62.50</div>	<div>10.00</div>	<div>12.50</div>	<div>125.00</div>	<div>5.00</div>	<div>25.00</div>	<div>125.00</div>

Description			Purchases and Returns				Sales and Sales Returns				Quantity in Stock
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost	Invoice #	Quantity	Price per Item	Total Sales	
Jan-05-2018	Purchase	My Vendor	100563	10.00	12.50	125.00				0.00	10.00
Jan-25-2018	Sale	My Customer				0.00	0012	5.00	25.00	125.00	5.00

IMAGE 6 – INVENTORY TEMPLATE RED HATS SOLD

Red Hats			STOCK ON HAND VALUE	Total Qty Purchased			Average Cost			Total Cost			Total Qty Sold			Average Price			Total Sales		
				15.00			12.00			180.00			3.00			30.00			90.00		
CURRENT STOCK ON HAND			12.00			144.00															

Description			Purchases and Returns				Sales and Sales Returns				Quantity in Stock
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost	Invoice #	Quantity	Price per Item	Total Sales	
Jan-05-2018	Purchase	My Vendor	100563	15.00	12.00	180.00				0.00	15.00
Jan-25-2018	Sale	My Customer				0.00	0012	3.00	30.00	90.00	12.00

IMAGE 7 – INVENTORY REPORT FROM INVENTORY TEMPLATE

Inventory Report						
Total Cost		Total Qty Sales	Total Sales	Total Stock on Hand	Total Value of Stock on Hand	
00 305.00		8.00	215.00	17.00	206.50	
Purchases		Sales			Stock On Hand	
Total Purchase Cost	Average Cost	Total Quantity	Total Sales Price	Average Price	Current Stock On Hand	Value of Stock on Hand

IMAGE 8 – PERIODIC INVENTORY SHEET IN ACCOUNTING TEMPLATE

PERIODIC INVENTORY		
(Excluding Sales Tax)		
	Closing Stock Balance	Opening Stock Balance
Jan-31	206.50	
Feb-01		206.50

IMAGE 9 – INVENTORY ON P&L

IMAGE 10 – INVENTORY ON BALANCE SHEET

Profit and Loss Statement		
Business Name		
	JANUARY	FEBRUARY
Income		
Sales	215.00	0.00
Freight Income	10.00	0.00
Head 3	0.00	0.00
Head 4	0.00	0.00
Head 5	0.00	0.00
Total Income	225.00	0.00
Cost of Goods Sold		
Purchases	305.00	0.00
Freight COGS	15.00	0.00
Head 8	0.00	0.00
Head 9	0.00	0.00
Head 10	0.00	0.00
Head 11	0.00	0.00
Opening Stock	xxxxxxxx	206.50
Closing Stock	-206.50	0.00
Total Cost of Sales	113.50	206.50
Gross Profit/(Loss)	111.50	-206.50
(Total Income less Cost of Sales)		

Balance Sheet		
Business Name		
	Opening Balances	JANUARY
Assets		
Bank Account #1		290.75
Bank Account #2		0.00
Inventory (Stock on Hand Value)	xxxxxxxx	206.50
Asset Purchases		0.00
Other Funds Paid		0.00
Total Assets		497.25
Liabilities		
Credit Card Balance		0.00
Loans Received		0.00
Loan Repayments		0.00
Sales Tax Payable/Refundable		-14.25
Sales Tax Paid/Refunded		0.00
Other Funds Received		0.00
Total Liabilities		-14.25

IMAGE 11 – INVENTORY SALES RETURNS IN INVENTORY TEMPLATE

Rename this Item #1 to your stock item name by typing over it and change the name of tab at the bottom of the Excel display screen

Black Hats		STOCK ON HAND VALUE	Total Qty Purchased	Average Cost	Total Cost	Total Qty Sold	Average Price	Total Sales
CURRENT STOCK ON HAND	5.00	62.50	9.00	12.50	112.50	4.00	25.00	100.00

Description			Purchases and Returns				Sales and Sales Returns				Quantity in Stock
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost	Invoice #	Quantity	Price per Item	Total Sales	
Jan-05-2018	Purchase	My Vendor	100563	10.00	12.50	125.00				0.00	10.00
Jan-25-2018	Sale	My Customer				0.00	0012	5.00	25.00	125.00	5.00
Feb-01-2018	Sale Return	My Customer				0.00	CR0012	-1.00	25.00	-25.00	6.00
Feb-01-2018	Stock Damaged	Write off torn hat		(1.00)	12.50	-12.50				0.00	5.00

IMAGE 12 – INVENTORY SALES RETURNS IN ACCOUNTING TEMPLATE – REFUND PAYMENT TO CUSTOMER

Business Name			FEBRUARY							
FEBRUARY	Details		Sales Tax on Income				Income			Total Money Received In (Must Equal Income Transaction Amount)
Date	Description	Ref	Income Transaction Amount (Including Sales Tax)	Sales Tax Rate	Sales Tax Amount	(Amount Excluding Sales Tax) Allocate to Income or Other Funds	Sales	Freight Income	Head 3	

Bank Account #1			BANK ACCOUNT #1 MONEY IN							
1-Feb-18										
	Refund to My Customer for torn hat	CR0012	-28.75	15.00%	-3.75	-25.00	-25.00			-28.75

IMAGE 13 – INVENTORY PURCHASES RETURNS IN INVENTORY TEMPLATE

Red Hats			STOCK ON HAND VALUE	Total Qty Purchased	Average Cost	Total Cost	Total Qty Sold	Average Price	Total Sales
CURRENT STOCK ON HAND			12.00	15.00	12.00	180.00	3.00	30.00	90.00

Description			Purchases and Returns				Sales and Sales Returns				Quantity in Stock
Date	Transaction Type	Supplier or Customer	Invoice #	Quantity	Cost per Item	Total Cost	Invoice #	Quantity	Price per Item	Total Sales	
Jan-05-2018	Purchase	My Vendor	100563	15.00	12.00	180.00				0.00	15.00
Jan-25-2018	Sale	My Customer				0.00	0012	3.00	30.00	90.00	12.00
Feb-01-2018	Purchase Return	My Vendor: return orange hats	CR100563	(2.00)	12.00	-24.00				0.00	10.00
Feb-05-2018	Stock Adjustment	My Vendor: replacement hats	100563b	2.00	12.00	24.00				0.00	12.00

IMAGE 14 - REFUND PAYMENT FROM MY VENDOR

Business Name												
FEBRUARY		Details	Sales Tax on Expenses				Cost of Goods Sold Expense			Expenses	Total Money Gone Out	FUNDS AVAILABLE (Account Balance)
Date	Description	Ref	Expense Transaction Amount	Sales Tax Rate	Sales Tax Amount	Allocate to Expenses, Assets or Other Funds	Purchases	Freight	Head 8			
Bank Account #1			BANK ACCOUNT #1 MONEY OUT								Bank Account #1	
1-Feb-18											Opening Balance	290.75
1-Feb-18	Refund to My Customer for torn hat	CR0012		0.00%	0.00	0.00					0.00	262.00
5-Feb-18	Refund received from My vendor	100563b	-13.80	15.00%	-1.80	-12.00	-12.00				-13.80	275.80