

**Stock Ledger**

**End of Month Procedures**

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## Stock – EOM Procedures

EOM3

### 1. Introduction.

If monthly Profit & Loss (P & L) Reports and Balance Sheets are to be produced, then the value of stock on hand at the end of each month/period **MUST** be input into Intact. Therefore, the stock “monthly cut-off” procedure for the last day of each reporting period, is important. Some user needs to be responsible for ensuring that:-

1. All goods physically dispatched from the stores have been invoiced.
2. All goods received have been updated to the stock file – usually via a GRN (Goods Received Note) against a Purchase Order.
3. There are no negative quantities in the stock file.
4. Each stock item has a relevant unit cost field - no zeros!

If stock taking is carried out monthly, then please refer to Tutorial ST08 which deals with both the Full & Partial Stocktaking facilities.

#### 1.1 Negative Stock.

If negative stock quantities are allowed for operational reasons, then run the Negative Stock Report which lists all stock with negative quantities. Such stock items need to have their balances physically checked – there may be Purchase Orders which, though the stock was physically received, the GRNs (Goods Received Note) for such orders may not have been processed. If there are no unprocessed GRNs, then, **input a Stock Adjustment to make the stock record agree with the actual quantity**, eg,

Stock record qty	Actual qty on hand	Adjustment qty
-5	0	+ 5
-3	5	+ 8

The Negative Stock Report is found as follows;- from the Stock drop-down menu, choose Reports. The Report is within the Product Details menu.

#### 1.2 Valuation Report.

The Current Stock Valuation Report for the company’s Stock Valuation Method (Average, Landed, etc), is also found within the Product Details menu. Print this report and check that there are no negative quantities, or items with zero cost – see points 3 & 4 above.

Once you are happy that the Stock Valuation value is correct, the value is now entered into Intact – see next page for this procedure.

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### 1.3 Background Accounting Information.

The financial Gross Profit is computed using the conventional accounting method of:-  
 Opening Stock PLUS Purchases + Landing Costs (Carriage, Duty, etc) MINUS  
 Closing Stock.

Therefore, **three stock accounts** must exist in the Nominal Ledger:-

- Opening Stock-P & L (a/c 100)
- Closing Stock-P & L (a/c 190)
- Stock on Hand – Balance Sheet. (a/c 712)

These A/Cs will vary from company to company. There may be several categories of stock for which P & L Reporting is required: if so, each category will have its own “block of 3 accounts”.

***The Closing Stock-P & L and the Stock on Hand – Balance Sheet MUST always agree.***

The Opening Stock amount at the commencement of your financial year remains at this value throughout the financial year – it never changes. The Closing Stock amount in the P & L will change from month to month. Because the Closing Stock of say, March, is the Opening Stock of April, Intact has a special Stock Value input facility which takes care of the necessary Nominal Journals “behind the scenes”.

### 2. Stock Control Accounts Setup.

This facility is found in the Nominal Daybook under the Stock Balances tab, eg

Journals   Accruals   Prepayments   <b>Stock Balances</b>   Revaluation   Repeat Journals   Bank Transfers   Stock Journals					
£ \$ € STOCK BALANCES					
Stock Description	Opening	Closing	B/Sheet	CC	
HARDWARE	121	181	701		
SOFTWARE	120	180	700		
Help-F1 <b>Add-F2</b> Delete-F6 <b>Balances-F8</b> Close-ESC					
Sales : MAR 08    Purchases : MAR 08    Nominal : MAR 08    User : X    Version : 1.903.25.6 - GERRY					

Before any inputting of stock values can take place, these three control accounts must be setup using the Add-F2 option in this Daybook, eg:-

**Stock Control Account Details** ✖

Description		Software Stock Valuations	
Cost Centre Code			
Opening Control A/C	120	OPENING STOCKS - SOFTWARE	
Closing Control A/C	180	CLOSING STOCK - SOFTWARE	
Balance Sheet Control A/C	700	BALANCE SHEET STOCK - SOFTWARE	

Save
Cancel

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Note: once these 3 accounts are setup in this section, they “assume the status” of Control Accounts. With the exception of the Opening Stock-Trading A/C, posting journals will not be allowed to these accounts. The values for the Closing Stock-Trading and Stock – Balance Sheet, will be taken from the values entered in the Nominal Stock Balances Daybook as per Section 3 below. The only posting that is made to the Opening Stock-Trading A/C is the Journal entered and dated, the 1<sup>st</sup> day of the new financial year. This is input immediately after the End of Year Processing is completed – see Tutorial NL11.

### 3. Entry of Stock Value at each period end.

To enter the value, press the Balances-F8 key to display the following input screen:-

Monthly Closing Stock Balances					
Stock a/cs					
	2007/08	2006/07	2005/06	2004/05	2003/04
July	432000.00	0.00	0.00	0.00	0.00
August	433000.00	0.00	0.00	0.00	0.00
September	431500.00	0.00	0.00	0.00	0.00
October	432200.00	0.00	0.00	0.00	0.00
November	0.00	0.00	0.00	0.00	0.00
December	0.00	0.00	0.00	0.00	0.00
January	0.00	0.00	0.00	0.00	0.00
February	0.00	0.00	0.00	0.00	0.00
March	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00	0.00
June	0.00	0.00	0.00	0.00	0.00

Help-F1                      Close-ESC

To enter the Closing Stock value for October, simply mouse-click the October field and enter the amount. Press ESC to display the confirmation prompts:-

**Confirmation**

Save these stock balances ?

**Confirmation**

All future years balances will be cleared !  
Continue ?

Press Y or the ENTER key, on BOTH prompts, to SAVE the stock value.

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### 4. Example of Closing Period Stock Values in P & L Report.

- 📁 Trial Balance Reports
- 📁 Profit & Loss Accounts ←
- 📁 Cost Center Profit & Loss Accounts
- 📁 Balance Sheets
- 📁 Spreadsheets

**Monthly Trading & Profit & Loss Account Full Year**

This is usually one of the Report options available under this report heading.

This is the layout of the report:-

#### **NODDYS FURNITURE CENT**

#### **MONTHLY TRADING PROFIT & LOSS ACCOUNT**

	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
<b>SALES</b>					
SL-Sitting Room	5 252	4 368	2 185	9 407	4 0
SL-Bedroom	3 60	5 50	7 58	2 026	0
<b>Total Sales:</b>	<b>5612</b>	<b>4918</b>	<b>2943</b>	<b>11433</b>	<b>40</b>
<b>COST OF SALES</b>					
Opening Stock-Trading	435000	432000	433000	431500	432200
Purch-Sitting room	0	0	2 507	0	0
Purch- Bedroom	0	5 00	0	1 041	0
Purch- Kitchen	0	1 773	0	0	0
Closing Stock-Trading	(432000)	(433000)	(431500)	(432200)	0
Carriage Out	0	0	0	(25)	0
Carriage Inwards	0	0	2 5	0	0
<b>Total Cost of Sales:</b>	<b>3000</b>	<b>1273</b>	<b>4032</b>	<b>316</b>	<b>43220</b>
<b>GROSS PROFIT</b>	<b>2612</b>	<b>3645</b>	<b>(1089)</b>	<b>11117</b>	<b>(432160)</b>

Notice that the Closing Stock value of each period, is the Opening Stock value of the next period. Intact takes care of this special journal “behind the scenes”.

The Closing Stock value for the October P & L should also be the stock value for the Balance Sheet as at October – see next page for an extract of the Balance Sheet report.

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Extract of the Balance Sheet for October

### **NODDYS FURNITURE CENTRE**

#### **BALANCE SHEET AS AT**

**October 07**

#### **FIXED ASSETS**

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**0**


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#### **INVESTMENTS**

<b>Stocks</b>	<b>4 32200</b>
Debtors Control	(4240)
Bank Current A/C - Euro	4 256
Credit Notes accepted at POS	9 92
Cash Takings Control	3 973
Cheques Takings Control	3 9906
Laser/Visa Takings Control	7 007
Refund / Credit Notes Control A/c	(2893)
Deposit Control A/C	(19358)
	<hr/> <b>46 1843</b> <hr/>

The End Of Year Cleardown processing has implications for the stock value control accounts which are documented in Tutorial NL11-Year End Procedures. Please refer to this Tutorial after completing the processing for the last period of the financial year.

End of Tutorial