

Work In Process Monthly Entries

A Note on the Interface between Shop Floor and Accounting

Within E2SS, transactions that start on the Shop Floor side of the software post to the GL from either an AP Invoice (from a Receiver) or an AR Invoice (from a Packing List). For this reason, it is necessary to make a monthly Journal Entry (JE) in order to adjust your Inventory, Cost of Goods Sold (COGS), and Work In Process (WIP) accounts. The following document is designed to provide you with the information to make the adjusting entries along with examples of what these entries may look like depending on how you handle material purchases.

In order to make the needed entries, you will need to run the following reports:

- Inventory Summary as of the last day of the month or after all activity is completed (**NOTE:** This report is **NOT** back-datable; however, the Inventory Activity Report found in 6.0 & above is.)
- Work In Process Summary, General Ledger breakdown as of the month-end
- Receiving Summary filtered by un-billed Receipts (This report is also **NOT** back-datable when filtered this way.)

Inventory Summary

This is the report that will show the cost of on-hand inventory items as of the report date. This represents a “snapshot” of the current inventory levels and is the amount you want to adjust to in your financials. This report can be run in Detail or Product Type Breakdown (which would be useful if you have more than one Inventory GL Account).

Work in Process Summary

This report prints a list of current work in process showing incurred costs and projected sales values. You can use the GL Breakdown Report to make adjusting journal entries for work-in-process to your general ledger each month. Using this information, you will adjust your work-in-process inventory account and your expenses where appropriate. The costs shown are pro-rated values based on the amount of items that are still open. The pro-rated value is calculated by dividing the quantity open by the quantity to make. For example 2 open jobs and 10 to make the expenses are prorated at 20%.

All expenses (labor dollars, received purchase orders, inventory transfers, misc. job costs, and burden cost) show on the report:

Labor:	Calculated by multiplying the actual hours X the rate on the employee payroll tab
PO Cost:	The price entered on the purchase order
Inventory:	Varies based on Inventory Costing Method
Standard -	The quantity posted from stock X the stocking cost
Average -	The quantity posted from stock X the average cost
LIFO/FIFO -	The quantity posted from stock X the LIFO/FIFO cost as appropriate
Misc Job Cost:	The quantity X the price entered
Burden Rate:	The actual hours X the average burden rate on the workcenter

Work-In-Process Summary

GL Code Breakdown

Sample Company

As-of Date: 08/01/03

Complete Listing

Time: 08:15:48 am

From General Tab
of Inv. Item

GL Code	Description	Pct of Total	Total Costs	
1400	Inventory - Raw Materials	20.42 %	\$1,102.50	Represents Qty. on Reserve
1410	Inventory - Finished Goods	38.23 %	\$2,064.30	
5000	Raw Material Purchases	26.47 %	\$1,429.40	From POs & Misc. Job Costs
5010	Outside Services	12.74 %	\$688.00	
5100	Direct Labor	2.15 %	\$116.17	From Time Tickets
<i>Sub-total:</i>		100.00 %	\$5,400.37	
<i>Shop burden:</i>			\$188.42	
<i>Total:</i>			\$5,588.79	

For more info on the WIP Summary, see the Work In Process Hot Tip.

The entry created using this info will be reversed at the beginning of the next period.

Receiving Summary

This report is designed to print a list of items that have been received based on the criteria established during your search. You will want to run the report as of the month end filtered for all un-billed Receipts in order to make the needed accrual entry to AP and Inventory or COGS as appropriate. **(Note: Once a Receiver is marked as "Billed", it will not appear on the Summary when filtered for un-billed only, regardless of the date selected, so make sure you run this report as of month-end to get an accurate value. In addition, you will need to get the dollar values for these un-billed Receivers from the associated POs since the Receiving Summary does not have the dollar amounts listed due to security reasons. If you would like to have dollar values show on the Receiving Summary, this can be quoted as a Special Report modification – call your Account Manager for details.)**

Establishing how you Purchase Material

The way in which you purchase material is very important in deciding what your entries will be each month. Many of our Customers code their material purchases to COGS and then adjust Inventory accordingly; however you may prefer to code your purchases to Inventory instead. This is up to you – you just need to be aware of which direction your entries will need to go.

Directly related to this issue is the matter of setting up the GL Codes on your Inventory Items. On the Purchasing Tab of your Inventory Items you will find a purchasing GL Code – this is the GL Code that will automatically be used when a PO is created for this inventory item and will then be carried onto your AP Invoice when it is created using the Receiver for the PO. This is important because this is where the default GL is going to be assigned, which decides where your material winds up in your financial statements. For example, if you want your material to post to COGS, then enter that GL on the purchasing tab.

There is another GL Code that is important to note for purposes of your entries as well – the Inventory GL Code located on the General tab of the Inventory Item. This is the GL Code that is used by the system whenever material is posted or transferred to a job and is used by the WIP Summary to indicate the amount of

material on reserve. If this GL Code is left blank, you will wind up with “UNKOWN” entries on your WIP Summary.

Making your Adjusting Entries

Below are some sample entries you might make in order to adjust Inventory at month-end. ***It is important to make the entries in the order listed!***

Assumption 1:

- Material is posted to COGS when purchased

1. *Adjust for the amount of un-billed Receivers*

Debit COGS
Credit AP *

2. *Adjust WIP for items still in house*

Debit WIP
Credit Inventory
Credit COGS (Individual expenses as indicated on WIP Summary)

Re-print the Balance Sheet at this point to get an updated value for Inventory

3. *Adjust Inventory by amount necessary to agree with Inventory Summary – typically a Debit in this scenario*

Debit Inventory
Credit COGS

4. *Reverse entries 1 and 2 at the beginning of the next month*

Assumption 2:

- Material is posted to Inventory when purchased

1. *Adjust for the amount of un-billed Receivers*

Debit Inventory
Credit AP*

2. *Adjust WIP for items still in house*

Debit WIP
Credit Inventory
Credit COGS (Individual expenses as indicated on WIP Summary)

Re-print the Balance Sheet at this point to get an updated value for Inventory

3. *Adjust Inventory by amount necessary to agree with Inventory Summary – typically a Credit in this scenario*

Debit COGS
Credit Inventory

4. *Reverse entries 1 and 2 at the beginning of the next month*

*** You may want to create an accrual account for purposes of these entries**