Possible Procedure for Handling Variance in Product Cost on Vendor Invoices

Example:

A Purchase Order, like this, is received:

PAGE: 1 — Purchase Order for: 1579 EXAMPLE VENDOR / PO# 021181 — TOTAL PAGES: 1

	Inhouse, Stock # or Alias(s)	Description	SIZE	QTY Ordered	QTY Received	UNIT Used	CASE GROSS Cost	Ext. Cost
1	22006-SAMPLE01	SAMPLE ITEM #1		1.00	1.00	EAC	3.400	3.40
2	13998-SAMPLE02	SAMPLE ITEM #2		3.00	3.00	EAC	14.000	42.00
3								

F3-PRICE MODE: MANUAL F4-CURRENT UNIT: CASE F6-EDIT REC QTY: OFF F9-FREIGHT DIST: By Quantity GROSS AMOUNT: 45.40

NET COST: LAST COST: Unit: Units: per GROSS ORDER AMT: 0.00
On Hand: Encumbered: AVAILABLE: On Order: CURRENT COST: TOTAL NET: 45.40
Wgt: lbs per / lbs per Total Wgt This Item: . TOTAL FREIGHT: 0.00
Line #; Command; Esc to Exit; '?'-Help; 'F'-Change Freight: ___ TOTAL NET ORDER: 45.40

At this point there will be a "RNI" record for $45.40, waiting for the Invoice from the vendor – see PC-4 report.

Some number of days later, the Invoice is received. But the amount is $47.00:

SAMPLE ITEM #1 was actually 3.50. Difference is 0.10.

SAMPLE ITEM #2 was actually 14.50 for a total of $43.50. Difference is 1.50.

The invoice is now entered in AP-1 as follows:

ENTER NEW A/P INVOICES A/P Type: A/P Period: 201212
Bank Acct: ARVEST BANK
Vend: 1579 EXAMPLE VENDOR Inv #: 12345
123 MAIN PO #:
ANYTOWN AR 70000 Date: 06/17/13
Due: 07/02/13 Amt: 47.00
Disc: Amt: 0.00
Why: Total Due: 47.00

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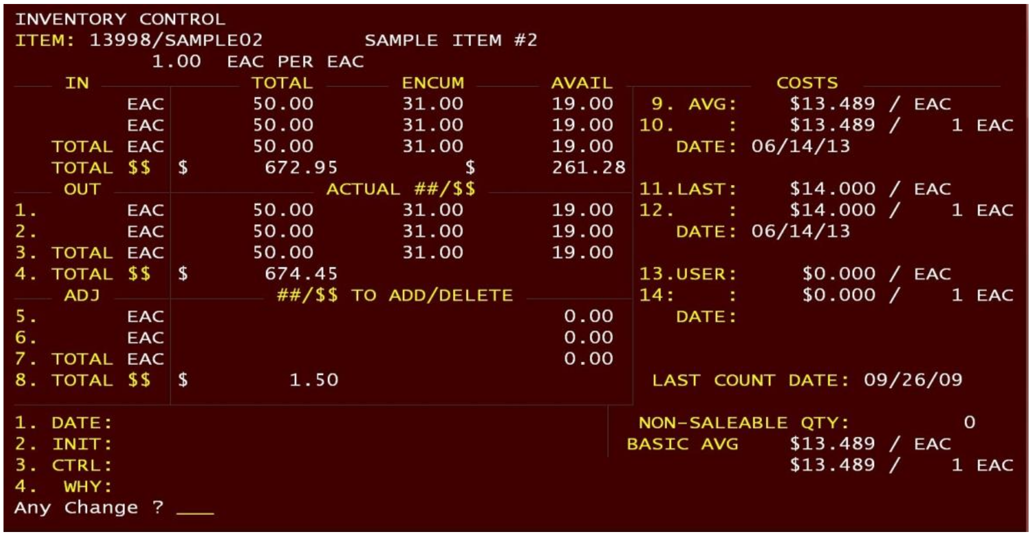
Acct	Description	Receiver	Site	Amount	Balance
303000	RECEIVED NOT INVOICED	021181	1	45.40	1.60
677000	PURCHASE VARIANCE	n/a	1	1.60	0.00

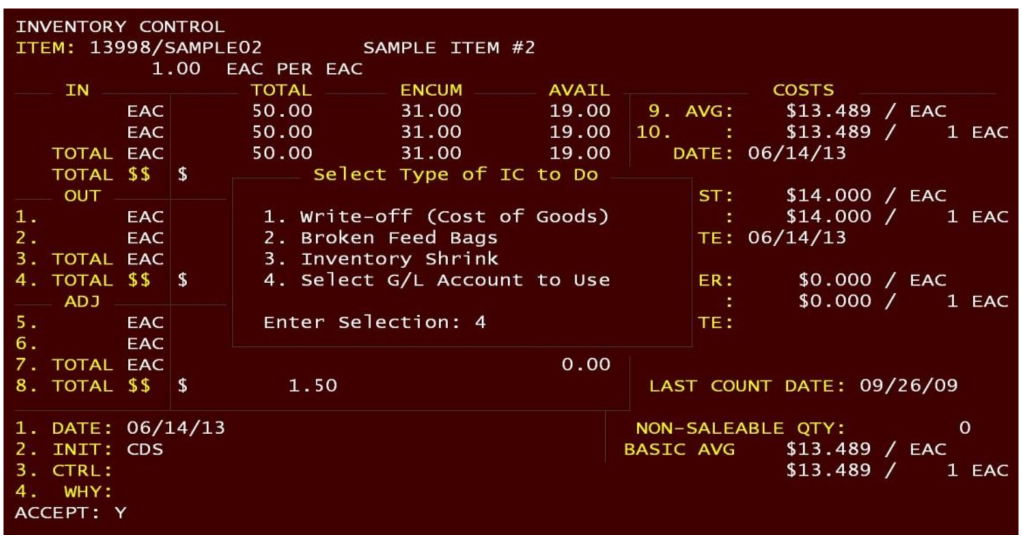
Accept Invoice? ('P'=Accept Invoice & Pay Now): Y

Now, the inventory value of the item is adjusted in “IC-1” by the amount of the difference for each item:



Notice, that the amount of the difference is entered under “8. TOTAL $$” – this could be a negative amount if applicable.

Then:



Notice, that “4. Select G/L Account to Use” is the choice here.

Then:

Notice, that the CTRL (G/L acct) is the same as used in AP-1 above.

One important note: it is possible that they product may be completely sold before the invoice arrives from the vendor. In this case, it is not necessary (or even helpful) to do the IC-1 entry. Simply stop after the invoice is entered in AP-1. The purchase variance account, which should be an expense/revenue account on the P&L will take the adjustment to the bottom line.

Further, if most of the product is sold before the invoice is entered or if the variance is relatively small, if will be a judgment call as to whether to do the IC-1 entry.