



THE UNIVERSITY OF ARIZONA
Financial Services

**Fiscal Year End Reporting:
Accounts Receivable, Inventory,
Unearned Revenues, Deposits & Prepaid and
Accrued Expenses**

INFORMATION & INSTRUCTIONS

May 21, 2020

Contacts for Assistance with Accounts Receivable and Inventory Procedures

<http://www.fso.arizona.edu/financial-management/year-end>

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Fiscal Year End Reporting: Accounts Receivable, Inventory, Unearned Revenues, Deposits, & Prepaid and Accrued Expenses

Financial Services prepares the University's annual financial report each year. An important component of the financial report is the accurate accounting for and reporting of accounts receivable, inventories, unearned revenues, deposits, and prepaid and accrued expenses. These categories are defined below. Each department is required to determine if these categories exist as of the close of the fiscal year— June 30, 2020. If these categories exist and the amount is above the threshold, the department must record the journal entry and submit the required information to Financial Services by **Monday, July 6, 2020**.

New for FY 2020:

- All departments over the dollar thresholds are required to record their own journal entries. Examples are provided in different sections of these instructions.
- The Balances Memo will be submitted in excel and PDF. Please see the instructions for electronically signing the Balances Memo after the Definitions.

Continuing for FY 2020:

- The paperless submission process. Departments have the ability to submit all Schedules, and supporting documentation through the secure [document upload](#) feature on the Financial Services' website.

Multiple files can be uploaded at the same time and the following naming convention should be used.

Department Number, Department Name, AR or Inventory Schedule

Examples:

Dept.#-Dept. Name_AR_Memo_Sch1-5

Dept.#-Dept. Name_INV_Memo_Sch1-4

Dept.#-Dept. Name_UNREV_Memo_Sch1

Secure Document Upload: <https://www.fso.arizona.edu/financial-management/year-end/upload>

Definitions:

Accounts Receivable: Accounts Receivable is the amount of money owed to a department for goods or services sold to outside parties. The amount should be recorded as an asset and the revenue recognized in the proper fiscal year. **NOTE:** Amounts owed by other departments are **NOT** considered Accounts Receivable for financial statement purposes because these funds will remain within the University.

Credit Balances in Accounts Receivable: Amounts due to be returned to a customer outside the University, either as a result of a customer over paying an invoice or as a result of a refund due to the customer for returned goods, should be reclassified as a liability (Accounts Payable – Other).

Unearned Revenues: If a department has received amounts for services not completely performed or goods not yet delivered to the customer at the close of the accounting period, these amounts should be reclassified as Unearned Revenues. Some departments record the cash receipts directly to Unearned Revenue and therefore do not have to reclassify the amounts as they are correctly recorded. When all steps in the revenue recognition process have not been completed, we cannot record the cash receipts as revenue.

Deposits: Amounts held with the expectation that the funds will be returned to the customer upon completion of an agreed-upon condition. Example: Deposits on equipment rentals. If the funds were recorded as revenue when received, they should be reclassified to a liability (Deposits). If recorded directly to a Deposit liability, no reclassification is necessary.

Inventories: Items held for sale as part of a department's normal operations (goods for resale) OR items to be incorporated into or consumed in the production of goods and services for sale (raw materials), should be reclassified from expense to an asset. **NOTE:** Office supplies are **NOT** inventory because these will not be sold to customers or used in the production of goods or services. Capital equipment is also **NOT** resale inventory.

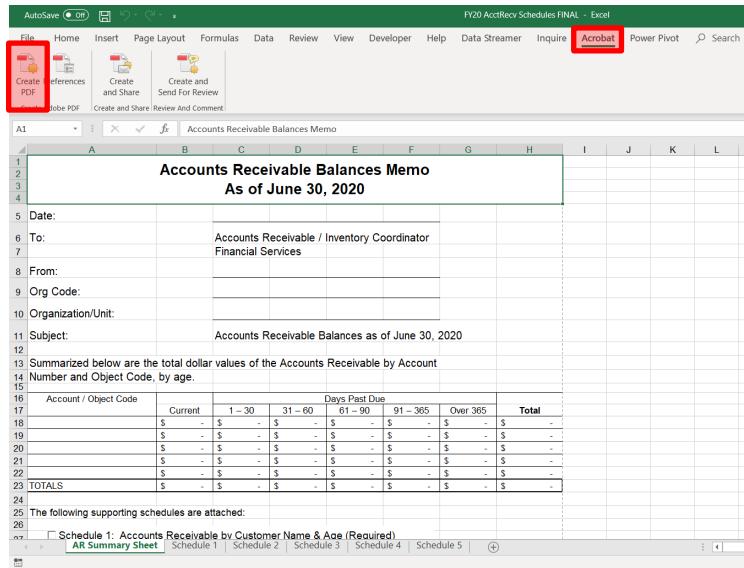
Prepaid Expenses: Substantial amounts that are paid in this fiscal year for services to be provided in the next fiscal year should be recognized as prepaid expenses. Common examples include maintenance contracts, rent of building space, and license agreements.

Accrued Expenses: Substantial amounts incurred for goods received or services provided on or before June 30, 2020 that are paid on or after July 1, 2020 should be recognized as expense in the current fiscal year. These accrued expenses must be recorded on the University's financial statements as an expense in the current fiscal year. Common examples include consultant services, advertising services, utility and wireless services, and building maintenance contracts.

Instructions for accounting for and reporting information in these categories are provided on the following pages. Worksheets are provided on Financial Management's Year-End Information webpage at: <https://www.fso.arizona.edu/financial-management/year-end>.

Balance Memo – Convert to PDF to Sign Example

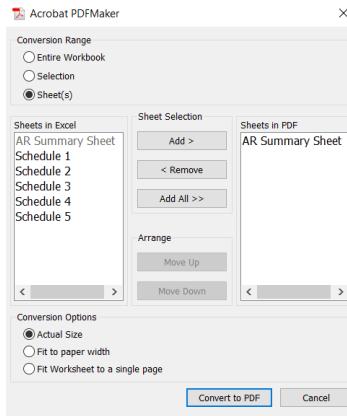
- 1) After the Balance Memo has been completed in Excel. Click on the Acrobat ribbon. Then click Create PDF.



The screenshot shows an Excel spreadsheet titled "Accounts Receivable Balances Memo As of June 30, 2020". The "Acrobat" ribbon tab is selected. A red box highlights the "Create PDF" button in the ribbon, and another red box highlights the "Create PDF" icon in the "Create PDF" section of the ribbon. The spreadsheet contains various fields for memo information and a table for account receivable balances by age.

Account / Object Code	Current	1 – 30	31 – 60	61 – 90	91 – 365	Over 365	Total
18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23 TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- 2) The following window will pop up. Ensure the AR Summary Sheet is in the Sheets in PDF section. Then click Convert to PDF.



3) Once the PDF opens, it can be electronically signed. Click on the Symbol in the red box. Select the signature. Place signature on the Line for Dean, Director or Department Head Signature, shown in the blue box.

Accounts Receivable Balances Memo
As of June 30, 2020

Date: _____
To: Accounts Receivable / Inventory Coordinator
From: _____
Org Code: _____
Organization/Unit: _____
Subject: Accounts Receivable Balances as of June 30, 2020

Summarized below are the total dollar values of the Accounts Receivable by Account Number and Object Code, by age.

Account / Object Code	Current	Days Past Due				Total
		1 - 30	31 - 60	61 - 90	91 - 365	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	

The following supporting schedules are attached:

Schedule 1: Accounts Receivable by Customer Name & Age (Required)
 Schedule 2: Customers with Credit Balances
 Schedule 3: Amounts to be Written Off as of June 30, 2020
 Schedule 4: Amounts Written Off During the Fiscal Year
 Schedule 5: History of Write-Offs for Prior Fiscal Years (Required)

Booking Document Number(s) _____
Reversing Document Number(s) _____

Contact Person: Please identify a contact person who will be available to answer questions between July 6 and July 14, 2020.

Contact Person's Name _____	Contact Person E-Mail _____	Phone _____
Attestation: I confirm that these accurately represent our unit's accounts receivable as of 6/30/2020.		
Dean, Director or Department Head Name & Title _____	Dean, Director or Department Head Signature _____	Date _____

Accounts Receivable Balances Memo
Page ____ of ____

Reporting Accounts Receivable

Each department with accounts receivable equal to or over \$100,000, are required to record the journal entries, provide a Balances Memo, and provide supporting schedules to report the department's Accounts Receivable as of June 30, 2020 to Financial Services / Accounts Receivable & Inventory Coordinator. This is due by **Monday, July 6, 2020**. Accounts Receivable worksheets are provided in the attachment.

Note: Departments that have accounts receivables under \$100,000 are not required to submit schedules. However, if the department wants the accounts receivable recorded, the department is required to record the journal entries and submit all required schedules.

- ◆ The Balances Memo should summarize the total dollar value of the Aged Accounts Receivable by Account Number and Object Code. The dean, director or department head must sign this cover memo to attest to the accuracy of the balances. Please see the [Balance Memo – Convert to PDF to Sign Example](#) for electronic signature. (**Required**).
- ◆ Schedule 1: Receivables by account number and object code, customer name and age of invoices. Include a detailed explanation of what the accounts receivable represents. (i.e. what are you selling or what services are being invoiced) (**Required**).
- ◆ Schedule 2: Customers with credit balances, noting the nature of the credit balance. Depending on the amount of the balance, the balance might need to be reclassified for financial statement reporting. In general, amounts under \$5,000 will not be reclassified. Use the following to describe the credit balances:
 - Refunds Due – may be reclassified as a Miscellaneous Payable
 - Deposits – may be reclassified as a liability
- ◆ Schedule 3: Amounts to be written off as of June 30, 2020. List by customer name, amount, reason for the write-off, and indicate whether the amount is included in the Accounts Receivable aging on Schedule 1.
- ◆ Schedule 4: Amounts written off by the department throughout the fiscal year. List by customer name, amount and reason for the write-off. Also indicate the accounting treatment used. Amounts on Schedule 4 should not be included in Schedule 1.
 - A journal entry was submitted to increase bad debt expense and reduce accounts receivable.
 - A journal entry was submitted to reduce revenues and accounts receivable.
 - If a receivable was never posted, it does not need to be written off. However, you should provide a list of amounts that have been determined to be uncollectible.

Note: Any account with a balance greater than \$100,000 will be a candidate for an Allowance for Doubtful Accounts.

- ◆ Schedule 5: Analysis of write-offs for the current fiscal year and prior three fiscal years (**Required**).

IMPORTANT:

Do not record receivables from other University departments!

Reporting Unearned Revenue, Deposits & Prepaid and Accrued Expenses

Each department is required record the journal entry, to provide a Balances Memo, and provide supporting schedules to report the department's Unearned Revenue, Deposits, and Prepaid and Accrued Expenses as of June 30, 2020 to Financial Services / Accounts Receivable & Inventory Coordinator. This is due by **Monday, July 6, 2020**. Sample worksheets are provided in the attachment.

- ◆ The Balances Memo should summarize the total dollar values by Account Number and Object Code. The dean, director or department head must sign this cover memo to attest to the accuracy of the balances. Please see the [Balance Memo – Convert to PDF to Sign Example](#) for electronic signature. (**Required**).
- ◆ Schedule 1: Customers who have paid for future services or customers who have paid deposits. These amounts will be recorded as Unearned Revenue or Deposits.
- ◆ Schedule 2: Amounts that have been prepaid to vendors for future services. The amounts will be recorded as Prepaid Expenses.
- ◆ Schedule 3: Amounts for services that have been provided by or goods received from vendors that have not been paid. The amounts will be recorded as Accrued Expenses.

Sample Journal Entries

To Record Accounts Receivable

Sample 1: No Allowance for Doubtful Accounts

Record accounts receivables and write-off bad debt of \$100.

Document to use: Year End Distribution of Income and Expense (YEDI)

Document Description: Acct Rec Dept. # – Dept. Name

Document Explanation: Dept. # – Department Name - Record FY20 Accounts Receivable

Organization Document Number: Dept. #

From	Action	Object Code	Description	Org Ref ID	Amount
	Credit Asset	8330	Write Off Acct Recv 6/30/20	RCDAR20	100.00
To	Action	Object Code	Description	Org Ref ID	Amount
	Debit Asset	8330	Record Acct Recv 6/30/20	RCDAR20	1,100.00
	Credit Revenue	0600	Record Acct Recv 6/30/20	RCDAR20	1,100.00
	Debit Expense	5510	Write Off Acct Recv 6/30/20	RCDAR20	100.00

Reverse net accounts receivable in Period 1. Do **NOT** reverse write off and related A/R.

Document to use: Distribution of Income and Expense (DI)

Document Description: Acct Recv Dept. # – Dept. Name

Document Explanation: Dept. # – Department Name - Reverse FY20 Accounts Receivable

Organization Document Number: YEDI eDoc# AR originally recorded on.

From	Action	Object Code	Description	Org Ref ID	Amount
	Debit Revenue	0600	Reverse Acct Recv 6/30/20	RVSAR20	1,000.00
	Credit Asset	8330	Reverse Acct Recv 6/30/20	RVSAR20	1,000.00

Sample Journal Entries To Record Accounts Receivable

Sample 2: Allowance for Doubtful Accounts

Reverse prior year accounts receivable, record current year accounts receivable, write off bad debt expense of \$250, and adjust the allowance if necessary. Example shows both an increase to Allowance for Doubtful Accounts of \$1,250 and a decrease of \$750. A journal entry would only include either an increase or a decrease, but not both.

Document to use: Year End Distribution of Income and Expense (YEDI)

Document Description: Acct Rec Dept. # – Dept. Name

Document Explanation: Dept. # – Department Name - Record FY20 & Reverse FY19 Accounts Receivable

Organization Document Number: Dept. #

From	Action	Object Code	Description	Org Ref ID	Amount
	Debit Revenue	0600	Reverse Acct Recv 6/30/19	RVSAR19	111,456.00
	Credit Asset	8330	Reverse Acct Recv 6/30/19	RVSAR19	111,456.00
	Credit Asset	8330	Write Off Acct Recv 6/30/20	RCDAR20	250.00
	Credit Allowance	8399	Adj A/R Allowance - Increase	RCDAR20	1,250.00
	Credit Expense	5510	Adj A/R Allowance - Decrease	RCDAR20	750.00

To	Action	Object Code	Description	Org Ref ID	Amount
	Debit Asset	8330	Record Acct Recv 6/30/20	RCDAR20	132,888.00
	Credit Revenue	0600	Record Acct Recv 6/30/20	RCDAR20	132,888.00
	Debit Allowance	8399	Write Off Acct Recv 6/30/20	RCDAR20	250.00
	Debit Expense	5510	Adj A/R Allowance - Increase	RCDAR20	1,250.00
	Debit Allowance	8399	Adj A/R Allowance - Decrease	RCDAR20	750.00

Note:

- 1) If prior year journal entry includes a write-off, the write-off amount is **NOT** reversed. The amount reversed should be the ending prior year balance on object code 8330 (83XX).
- 2) Accounts that have an Allowance for Doubtful Accounts established are not reversed in Period 1 of the next fiscal year. The accounts receivable is adjusted at the end of the fiscal year.

Reporting Inventory Valuations

Each department is required to record the journal entries, provide a Balances Memo, copies of inventory sheets, and supporting schedule for inventory write-downs to report the department's inventory valuations as of June 30, 2020. This information is due to Financial Services by **Monday, July 6, 2020**. Inventory worksheets and guidelines for inventory taking and recording are included.

Note: Departments that have inventory under \$50,000 are not required to submit schedules. However, if the department wants the inventory recorded, the department is required to record the journal entries, and submit all required schedules.,

1. Identify areas where separate inventories are needed. For example, inventories purchased with State funds must be identified separately from those purchased with Local funds.
2. Physically count inventories (see Inventory Procedures attached).
3. Inventory should be priced using the First-In, First-Out method (FIFO). Any freight charges paid for delivery must be included in the cost.
 - ◆ **IMPORTANT:** If your department wishes to use an alternate method, Financial Services must approve the alternate method in advance.
 - ◆ **IMPORTANT:** Any department that takes inventory at **retail** (current selling price of items) or some other method **must convert to cost** using the FIFO method. A copy of this conversion must be kept on file for the auditor's review. Exact procedures for this conversion must accompany your submitted inventory package.
4. Correctly price, extend, and foot each inventory sheet and attach the adding machine tape to the left hand corner of each page. This does not pertain to computer generated inventory sheets.
5. Recap total inventory and attach the adding machine tape of all the pages to the left hand side of the inventory cover memo.
6. The Cover Memo should summarize the total dollar value of the Inventory. The dean, director or department head must sign this cover memo as well as indicating the valuation method used in determining cost. Please see the [Balance Memo – Convert to PDF to Sign Example for electronic signature. \(Required\)](#)
7. Provide a separate list (Schedule 1) to summarize the total dollar value of the Inventory by account number and object code. (**Optional**)
8. Provide a separate list (Schedule 2) of obsolete items to be written down or written off from inventory, including a full description, number of items, unit cost at FIFO and new unit cost at market value. To price the inventory at the lower of cost (FIFO) or market, extend these totals. This procedure adjusts the cost of slow moving and obsolete items to recoverable amounts. Submit an explanation of how this new inventory value was calculated to the Accounts Receivable & Inventory Coordinator-Financial Services.

9. Provide a history (Schedule 3) of inventory values and write-offs for the current fiscal year and prior three fiscal years. **This form is required even if there is no history of write-offs or write-downs.**

Inventory Taking Procedures

1. Assign one person the responsibility and commensurate authority for the physical inventory.
2. Clear written procedures should be provided to the inventory teams and arrangements made to conduct a training session to review the written procedures. Be sure that everyone participating in the inventory process clearly understands their responsibilities.
3. Identify items to be inventoried. Be sure the material to be included in the inventory is arranged for efficient and fast work. Put inventory items in order. **If more than one account number and/or object code is involved, use a separate sheet for each one.**
4. **Do not conduct business in the area in which the physical inventory is taking place.**
5. The specific units of measurement should be those that are both practical and accurate and which can be priced either directly or by application of reasonably accurate conversion factors. It is absolutely necessary that all inventory "counts" indicate which unit of measure was counted: e.g., box, ream, dozen, pound, gallon, etc. Likewise, these items must be priced using the correct unit of measure.
6. Determine FIFO cost for items to be included in the inventory. In general, the invoice price paid for the items, after consideration for obsolescence or damage, will be used.
7. The department must state the valuation method on the Balances Memo.
8. If items in bins are controlled and are counted prior to inventory date, "in and out" cards attached to the bins should be used to record increases and decreases. On the inventory date, prove that the cards have been marked correctly by test counting some of the bins. If the test counts disclose substantial discrepancies, make immediate arrangements to count all bins containing items of more than nominal value.
9. Establish cut-off procedures for processing incoming shipments and issuing items occurring between the inventory date and June 30, 2020. During the time inventory is being taken, segregate any incoming shipments and inventory them in a separate group. Invoices covering items to be included for this year's inventory must be included in the current year's disbursements or accounts payable.
10. We recommend that two-person inventory teams be used - one person counts and the other person records the information on the inventory ticket or list. Both people should initial the inventory forms in the Counted By section. Supervisory personnel should test the counts and initial the ticket evidencing that a test count was performed. Work should be recounted if errors are excessive. Testing includes verifying that all inventory groups have inventory tags and checking to determine that counts are reasonable.
11. Discrepancies between perpetual inventory records and the physical count should be investigated and corrected.
12. Please insert the account number and object code where inventory purchases were originally charged on the inventory forms.
13. The physical location of items – building, room numbers, etc. must be noted on all inventory forms (including each department's own inventory forms).
14. Procedures may be altered for your department and are not necessarily limited to these recommended procedures. Any significant modifications to these procedures must be

approved by the Accounts Receivable & Inventory Coordinator, Financial Services before the inventory is taken.

15. After inventory has been taken and verified for accuracy, process a Year End Distribution of Income and Expense (YEDI) to reverse prior year and record current year amounts. Sample journal entries are provided below.

Inventory Recording Best Practices

1. Inventory forms are not provided by Financial Services. The department is able use their own inventory forms. All Inventory forms should include the following:
 - Header (e.g. The University of Arizona - Department Inventory)
 - Department or Unit
 - Account Number and Object Code
 - Physical Location of Items (bldg., room, bin#, etc.)
 - Counted By and Date
 - Priced By and Date
 - Extended by and Date
 - Item/Part No., Description, Count (quantity/unit), Cost (amount/unit), Extended Cost
 - Page Total
 - Pages Sequentially Numbered
2. **Use ink (Computer or Pen) for all work.** This year you may use the schedules two different ways. One, enter all information directly into the excel Schedules provided. No changes are allowed after the Dean, Department Head, etc., has signed the summary Schedule (electronically or physically) without a new signature. Or two, with a pen. When using a pen, if a change is made, cross it out so that the writing remains legible. Initial all changes on the forms. Each line should be used. Unused lines should be crossed out. Only one side of the inventory form may be used. Both members of the counting team must initial each of the inventory forms that are used.
3. Have supervisory personnel inspect forms and initial items that were test counted before considering the count complete.
4. Inventory forms are to remain with materials until the inventory has been completed. If you are selected for an audit, keep the forms with the materials until the auditors have inspected them for accuracy of quantities and descriptions. After inspection, the forms may be removed and arranged in numerical order. **Account for all pages or numbers.** Remember, all inventory forms must be turned in.
5. Review forms for items that should be reduced in value. List these items on separate forms (Schedule 2) showing: a) original sheet and line number, b) description, c) number of items, d) inventory cost at FIFO, and e) new inventory value at the lower market value. Extend the totals and list the reason for reduction (damage, obsolescence, defects, etc.).

Example:**Determining Inventory Values with the First-In, First-Out (FIFO) Method****Plywood Sheets Inventory**

Given the following purchase history, compute the inventory value if inventory is 80 sheets on 6/30/XX.

Purchase History:

Purchase Reference	Purchase Date	Quantity	Unit Price
(a)	6/20/XX	50	\$10.00
(b)	6/25/XX	40	\$12.00
(c)	6/29/XX	25	\$15.00

Calculation of inventory value:

Purchase Reference	Purchase Date	Quantity	Unit Price	Value
(c)	6/29/XX	25	\$15.00	\$375.00
(b)	6/25/XX	40	\$12.00	\$480.00
(a)	6/20/XX	15	\$10.00	\$150.00
Total Value using FIFO		80		\$1,005.00

IMPORTANT:

The department must retain a copy of the invoice supporting each item's cost until the audit **following** the fiscal year in which all such items have been sold or written off.

In the above example, assuming all items were sold in FY 2020, all the invoices listed must be maintained on file until September 2021.

Examples:
Inventory to Be Written-Off or Written-Down
(Schedule 1)

Example 1: Obsolete Inventory – Inventory value will be written off

Inventory		Description	Quantity	Cost @ FIFO		Cost @ CMV		Reason
Sheet #	Line #			Unit Cost	Extended Cost	Unit Cost	Extended Cost	
1	15	Journals	10	\$1.00	\$10.00	\$ 0.00	\$ 0.00	Obsolete
Totals this Account # / object code					\$10.00		\$ 0.00	

A

B

Amount to **Write Off**: Difference between **A** (Cost) and **B** (Current Market Value)

\$10.00

Example 2: Decrease in Market Value – Inventory value will be written down

Inventory		Description	Quantity	Cost @ FIFO		Cost @ CMV		Reason
Sheet #	Line #			Unit Cost	Extended Cost	Unit Cost	Extended Cost	
1	18	Journals	10	\$30.00	\$300.00	\$10.00	\$100.00	Reduction in Market Value
Totals this Account # / object code					\$300.00		\$100.00	

A

B

Amount to **Write Down**: Difference between **A** (Cost) and **B** (Current Market Value)

\$200.00

Worksheet

Determining Inventory Values With The First-In, First-Out (FIFO) Method

Use the following purchase history to answer question 1 below.

Purchase History:

Purchase Reference	Purchase Date	Quantity	Unit Price
(a)	5/1/XX	50	\$1.00
(b)	5/15/XX	100	\$1.50
(c)	6/1/XX	101	\$1.25
(d)	6/15/XX	49	\$2.00

Questions:

1. Compute the FIFO inventory value if inventory balance on 6/30/XX is:
 - a. 20
 - b. 100
 - c. 180
2. If a department has ten widgets on consignment with a value of \$5.00, and another 15 in stock in inventory, also at a cost of \$5.00, what is the inventory value?
3. If a department completed physical inventory on June 15, then receives a shipment of merchandise for resale on June 26, how is this handled?

Worksheet Answers

Determining Inventory Values With The First-In, First-Out (FIFO) Method

1a. If the inventory balance on 6/30/XX were 20, the value would be:

Purchase Reference	Purchase Date	Quantity	Unit Price	Value
(d)	6/15/XX	20	\$2.00	\$40.00
Total Value using FIFO		20		\$40.00

1b. If the inventory balance on 6/30/XX were 100, the value would be:

Purchase Reference	Purchase Date	Quantity	Unit Price	Value
(d)	6/15/XX	49	\$2.00	\$98.00
(c)	6/1/XX	51	\$1.25	\$63.75
Total Value using FIFO		100		\$161.75

1c. If the inventory balance on 6/30/XX were 180, the value would be:

Purchase Reference	Purchase Date	Quantity	Unit Price	Value
(d)	6/15/XX	49	\$2.00	\$98.00
(c)	6/1/XX	101	\$1.25	\$126.25
(b)	6/1/XX	30	\$1.50	\$45.00
Total Value using FIFO		180		\$269.25

2. Units on consignment are not considered inventory. There are a total of 15 widgets in inventory (15 in stock) valued at a cost of \$5 each. The inventory value is \$75. Consignments should be inventoried separately but not included in the total of on-hand inventory.

3. The inventory balances must be adjusted to include shipments and issues between the inventory date and June 30.

Sample Journal Entries

To Record Inventory

Sample 1: No Allowance for Obsolete Inventory

Reverse prior year inventory, record current year inventory at full cost (including obsolete items), and write down for obsolescence of \$250.

Document to use: Year End Distribution of Income and Expense (YEDI)

Document Description: Inventory Dept. # – Dept. Name

Document Explanation: Inventory Dept. # – Department Name - Record Inventory FY20 & Reverse Inventory FY19

Organization Document Number: Dept. #

From	Action	Object Code	Description	Org Ref ID	Amount
	Credit Asset	8510	Reverse Inventory 6/30/19	RVSINV19	147,000.00
	Credit Expense	58XX or XXXX	Record Inventory 6/30/20	RCDINV20	185,735.00
	Credit Asset	8510	Write off Obs Inv 6/30/20	RCDINV20	250.00

To	Action	Object Code	Description	Org Ref ID	Amount
	Debit Expense	58XX or XXXX	Reverse Inventory 6/30/19	RVSINV19	147,000.00
	Debit Asset	8510	Record Inventory 6/30/20	RCDINV20	185,735.00
	Debit Expense	58XX or XXXX	Write off Obs Inv 6/30/20	RCDINV20	250.00

Sample Journal Entries To Record Inventory

Sample 2: Allowance for Obsolete Inventory

Reverse prior year inventory, record current year inventory at full cost (including obsolete items). Write down for obsolescence of \$250 and adjust the Allowance for Obsolete Inventory. Example shows both an increase to Allowance for Obsolete Inventory of \$1,250 and a decrease of \$750. A journal entry would only include either an increase or a decrease, but not both.

Document to use: Year End Distribution of Income and Expense (YEDI)

Document Description: Inventory Dept. # – Dept. Name

Document Explanation: Inventory Dept. # – Department Name - Record Inventory FY20 & Reverse Inventory FY19

Organization Document Number: Dept. #

From	Action	Object Code	Description	Org Ref ID	Amount
	Credit Asset	8510	Reverse Inventory 6/30/19	RVSINV19	147,000.00
	Credit Expense	58XX or XXXX	Record Inventory 6/30/20	RCDINV20	185,735.00
	Credit Asset	8510	Write off Obs Inv 6/30/20	RCDINV20	250.00
	Credit Allowance	8590	Adjust Allowance 6/30/20 - Increase	RCDINV20	1,250.00
	Credit Expense	58XX or XXXX	Adjust Allowance 6/30/20 - Decrease	RCDINV20	750.00

To	Action	Object Code	Description	Org Ref ID	Amount
	Debit Expense	58XX or XXXX	Reverse Inventory 6/30/19	RVSINV19	147,000.00
	Debit Asset	8510	Record Inventory 6/30/20	RCDINV20	185,735.00
	Debit Allowance	8590	Write off Obs Inv 6/30/20	RCDINV20	250.00
	Debit Expense	58XX or XXXX	Adjust Allowance 6/30/20 - Increase	RCDINV20	1,250.00
	Debit Allowance	8590	Adjust Allowance 6/30/20 - Decrease	RCDINV20	750.00

Notes:

- 3) Inventory purchases may be recorded as a general expense object code, such as Research Supplies (5290), or as Cost of Goods Sold (58XX). The specific method to be used is left up to the department.
- 4) If prior year journal entry includes a write-off, the write-off amount is **NOT** reversed. The amount reversed should be the ending prior year balance on object code 8510.

5) Frequently Asked Questions (FAQs)

	Question	Answer
1.	When should Accounts Receivable and Inventory be recorded?	Accounts Receivable and Inventory can be recorded monthly or yearly depending on the department.
2.	How are Inventories, Accounts Receivable and Unearned Revenue reflected in UAccess?	The Inventories, Accounts Receivable, and Unearned Revenues are posted to accounts as Assets and Liabilities. All account information is available online in UAccess Financials and Analytics.
3.	When should Inventory or Accounts Receivable be written off or written down?	Inventory is written off or down when items lose value due to damage or obsolescence. Accounts Receivable are written off when they are deemed uncollectible.
4.	What is an allowance for doubtful accounts? When do you record it?	Allowance for doubtful accounts is an estimate of the uncollectible Accounts Receivable and is usually determined as a percentage of sales based on past experience. This allowance is recorded annually.
5.	What is the difference between allowance for doubtful accounts and writing off an Accounts Receivable?	An allowance for doubtful accounts is an estimate of the Accounts Receivable that will not be collected. A write off records the reduction of the Accounts Receivable by specific amounts determined to be uncollectible.
6.	What if we receive cash for a receivable that has already been written off?	Record it as revenue.
7.	Why shouldn't we record a receivable that is due from another University department?	The University is seen as one entity for financial statement purposes; therefore, we cannot owe ourselves.
8.	When we have written off inventory, what can we do with it? Can we give it away? What if we sell the written off Inventory?	Written off inventory must go to surplus property; therefore, it cannot be given away. If surplus property sells the written off inventory, the sale is recorded as revenue. If you sell your written-off inventory yourself (as in a "sale"), then record it as revenue.
9.	How soon can I take Inventory?	When you feel that you have control of the inventory count.
10.	I have thousands of semi-conductors. Do I have to count every one?	No. You may weigh count them.
11.	We sell animals. Is the food that we feed them Inventory?	Yes, items to be incorporated into or consumed in the production of goods and services for resale are considered inventory.
12.	If I counted my Inventory on June 15 th and received a shipment on June 20 th , is this June 20 th shipment counted as part of Inventory for this fiscal year?	Yes, the receipt should be added to the inventory quantities. Make sure that these invoices are forwarded immediately to Accounts Payable.
13.	Our department received a donation of posters worth \$10,000 and will be selling them. Should the posters be recorded as inventory?	Because they were a gift and your cost was zero, these items will not have value in the inventory reporting. However, the posters should be recorded on the inventory sheets for control purposes. Note "gift" and a cost of zero.