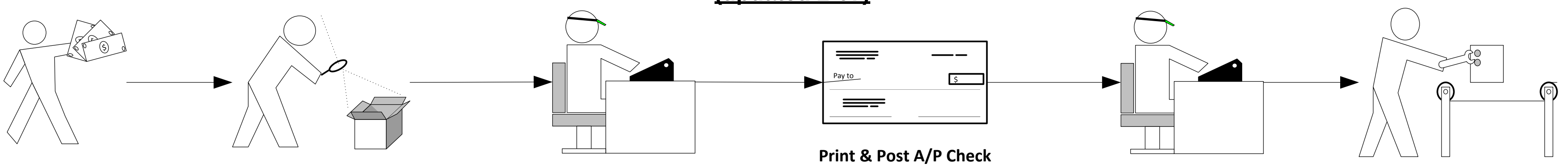
How Do I Know What G/L Accounts Will be Used With Standard Costing & POP Value Added Costs for Labor and Overhead

(updated 2-07)



Enter Purchase Order → Receive Purchased Items → Enter and post Vendor Invoice → Print & Post A/P Check → Release Production Order → Report Production

Enter Purchase Order

Accounts to be used are captured in the PO record and include:

- Inventory
- Receiving accrual
- PPV cost

Accounts specified in the Material Cost Type/ Location record for each item number supercede default accounts in I/M Setup.

These accounts are captured and stored in the P/O record when the P/O is created, not during receiving or A/P vouchering.

Accounting Entries

No entries occur at this time.

Receive Purchased Items

GL entries are created and include:

-Increase to Inventory
-Receiving accrual
-PPV to standard cost

The account numbers used are obtained from the purchase order record.

What amounts are posted?
Inventory is increased using standard cost. Receiving Accrual is increased using the cost on the P/O. The variance between the two costs equals the purchase price variance amount(DR or CR to balance to DR for Inventory).

Accounting Entries

	DR	CR
Inventory	X	
Receiving Accrual		X
PPV Suspns	X **or**	X

Enter and post Vendor Invoice

GL entries are created and include:

-Increase to A/P
-Reverse of **previous** receiving accrual **&** PPV to standard cost
-PPV to standard cost

During A/P invoice entry, most of the accounts to be used are captured from the P/O record. To determine what A/P account to use, accounts specified in the Vendor Type record supercede default accounts in A/P Setup.

Accounting Entries

	DR	CR
A/P Liability		X
Receiving Accrual Reversal	X	
PPV Suspense Reversal	X **or**	X
PPV Cost	X **or**	X

Print & Post A/P Check

GL entries are created and include:

-Decrease to A/P
-Decrease Cash

During check posting, the software locates the cash account to be used from the Vendor Type file for each vendor. If one does not exist, it uses the default account in the A/P setup file.

***Note** that accounting entries are only created during check posting.

Accounting Entries

	DR	CR
A/P Liability	X	
Cash		X

Release Production Order

Component part are allocated. (No GL entries ocurr at this time **unless** WIP entries are specified).

Individual parts are allocated to the production order (per the bill of material). Quantity adjustments can be made at this time.

Accounting Entries

No entries occur at this time.

Report Production

GL entries are created and include:

-DB finished Inv.
-CR component Inv.
-CR absorption acct. for standard VAF costs
-DB/CR to WIP Variance acct. if VAF costs are changed

Accounts specified in the Material Cost Type/ Location record for each item number include a WIP Variance Account supercede default accounts in I/M and POP Setup.

Accounting Entries

	DR	CR
Component Inv.		X
Finished Inv.	X	
VAF Absorption		X
VAF Variance		
WIP Variance	X	