



Article # 1323

Technical Note: Changes to the SO/AR Period-End Closing Process in AM8.3 for SQL/Express

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 8.3 for SQL and Express

Module(s) Affected: SO, AR

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DESCRIPTION

The revenue-cost matching principle in accounting requires that the cost of goods sold related to the sales revenue must be recognized in the same accounting period. In lower AccountMate versions, however, if the SO Ship Generate Invoice feature is deactivated in the customer record the system generates the cost of goods sold general ledger (GL) entry when a sales order is shipped. Note, however, that previous AccountMate versions do not allow a period to be closed in the Accounts Receivable (AR) module unless an invoice is generated for the shipment. This control is in place to ensure that both the cost of goods sold and the related sales revenue GL entries are transferred to the GL module in the same posting period.

To strictly adhere to the revenue-cost matching principle, changes are implemented in AccountMate 8.3 to ensure that the sales revenue and its related cost of goods sold are always recorded at the same time. This Technical Note provides information on the changes brought about by the enhancement. This includes the new GL Account ID, report and closing behavior introduced in AccountMate 8.3.

SOLUTION

The following sections describe the changes to the SO/AR Period-End Closing process in AccountMate 8.3. The first section discusses the setup of a new GL Account ID in the SO module. It is then followed by a discussion on the new GL entries in the affected functions. There is also a section about the new Un-invoiced Shipment Cost Report; and lastly, there is an explanation of the change in the SO/AR Period-End Closing function. Note that the information contained in this Technical Note assumes that the Inventory Acceptance feature is **not** activated.

A. General Ledger entries during shipment and invoicing

In the SO Module Setup General tab, you must provide the GL Account ID to which the costs of un-invoiced shipped inventory items are posted. AccountMate 8.3 uses this GL Account ID in the affected functions.

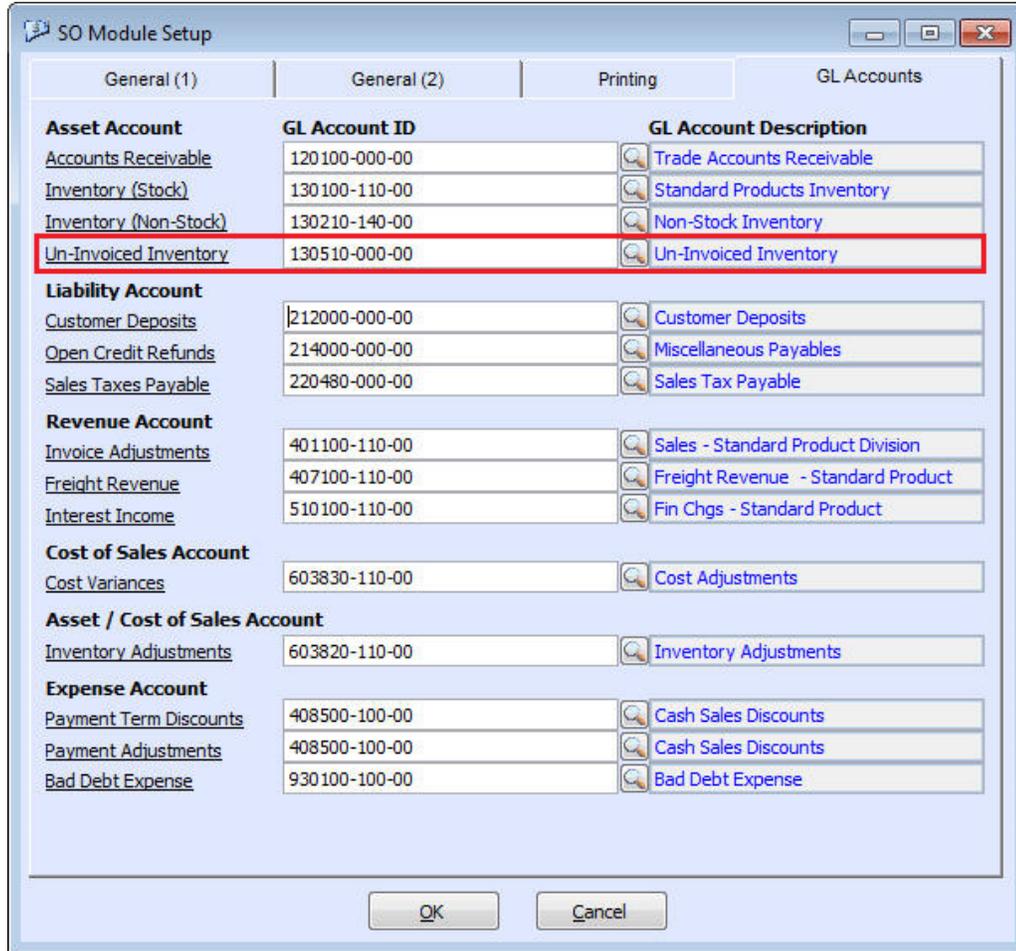


Figure 1 – SO Module Setup GL Accounts tab

To strictly comply with the Generally Accepted Accounting Principles revenue-cost matching principle, AccountMate 8.3 is enhanced to always post the Cost of Goods Sold GL Account ID at the same time the related sales revenues are recognized. The following matrix shows the set of GL entries generated by AccountMate during shipment and invoicing. The left column shows the GL entries generated in versions lower than AccountMate 8.3 and the right column shows the entries for the latter.

Lower AM versions	AccountMate 8.3
<i>If Ship SO Generate Invoice feature not activated:</i>	
<ul style="list-style-type: none"> <i>During shipment</i> 	
DR: Cost of Goods Sold GL Account CR: Stock Inventory GL Account	DR: Un-Invoiced Inventory GL Account CR: Stock Inventory GL Account

<ul style="list-style-type: none"> • <i>Generating an invoice from shipment</i> 	
DR: Trade Accounts Receivable GL Account DR: Sales Discounts GL Account CR: Sales Revenues GL Account	DR: Trade Accounts Receivable GL Account DR: Sales Discounts GL Account DR: Cost of Goods Sold GL Account CR: Un-Invoiced Inventory GL Account CR: Sales Revenues GL Account
<i>If Ship SO Generate Invoice feature is activated:</i> <ul style="list-style-type: none"> • <i>During Shipment</i> 	
DR: Trade Accounts Receivable GL Account DR: Sales Discounts GL Account DR: Cost of Goods Sold GL Account CR: Stock Inventory GL Account CR: Sales Revenues GL Account	DR: Trade Accounts Receivable GL Account DR: Sales Discounts GL Account DR: Cost of Goods Sold GL Account CR: Un-Invoiced Inventory GL Account CR: Sales Revenues GL Account DR: Un-Invoiced Inventory GL Account CR: Stock Inventory GL Account

In AccountMate 8.3, the cost of shipped inventory items is temporarily recorded in the Un-Invoiced Inventory GL Account ID and it is later reclassified to the Cost of Goods Sold GL Account ID once the shipment is invoiced.

If a sales invoice is created using the Create Invoice or Approve Advanced Billing function, the set of GL entries posted by AccountMate 8.3 will be the same as that in lower AccountMate versions. The GL entries will be the same because AccountMate will use the Un-Invoiced Inventory GL Account ID only if the Ship Sales Order function is used.

B. Un-invoiced Shipment Cost Report

You can view the cost of shipped inventory items by generating the Un-invoiced Shipment Cost Report. You can also use the report to verify the shipments that have been posted to the Un-Invoiced Inventory GL Account ID.

05/26/13 06:34:56 PM		National Office Supply, Inc.										Page 1
Printed By: Supervisor		Un-invoiced Shipment Cost Report										
SO#	Shipment#	ShipDate	AcceptDate	Customer#	Item#	Description	UofM	ShipQty	AcceptQty	UnitCost	TotalCost	
1040	1000000025	05/26/13	05/26/13	ACCI	AEROCHAIR-A1	Aero A1 Conference Chair	EACH	4	4	24.14	96.56	
1040	1000000025	05/26/13	05/26/13	ACCI	BRACKET-3	BracketBraces - Desk Units 3	3PAK	15	15	199.60	2,994.00	
										Total for 1000000025:	3,090.56	
										Total for 1040:	3,090.56	
1040: 2 Record(s)												
1041	1000000026	05/26/13	05/26/13	ADE	CHAIR-SW4	Office Chair - Swivel Grey-4 Units	4PAK	3	3	69.19	207.57	
1041	1000000026	05/26/13	05/26/13	ADE	CHAIR-SW	Office Chair - Swivel Grey	EACH	3	3	141.64	424.92	
										Total for 1000000026:	632.49	
										Total for 1041:	632.49	
1041: 2 Record(s)												
										Total For This Report:	3,723.05	
Report: 4 Record(s)												

Figure 2 – Un-invoiced Shipment Cost Report

With the Inventory Acceptance feature deactivated the report will always show the same value for the Ship Date and Accept Date. This is also true of the Ship

Qty and Accept Qty values. The Accept Date and Accept Qty fields are relevant and applicable only if the feature is activated.

C. SO/AR Period-End Closing

In lower AccountMate versions, you cannot close a period in the SO/AR modules unless you have generated the invoices for all shipments with ship dates that fall in the period that will be closed. AccountMate will display the message shown in Figure 2 if such a condition exists and the program will not allow you to proceed with the closing. This step is necessary in order for the sales revenue to be posted in the same period as the cost of goods sold.

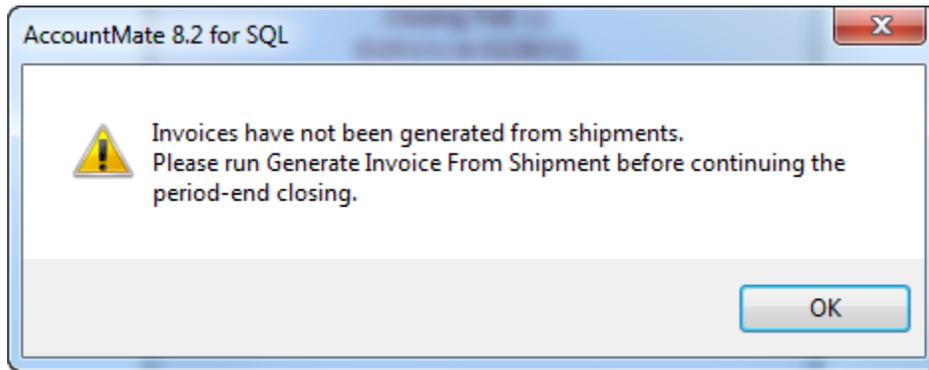


Figure 3 – Period-End Closing message in AccountMate 8.2

Starting in AccountMate 8.3, however, you can close a period even if there are un-invoiced shipments with ship dates that fall in the period that will be closed. AccountMate displays the message that invoices have not been generated for the shipments and asks you whether you want to proceed with the period-end closing. Clicking the **Yes** button in the message box shown in Figure 4 will permit the period closing to continue. AccountMate 8.3 allows the SO/AR period to close because the GL entries for the cost of goods sold will now be posted simultaneously with the related sales revenue regardless of the function used to generate the sales invoice.

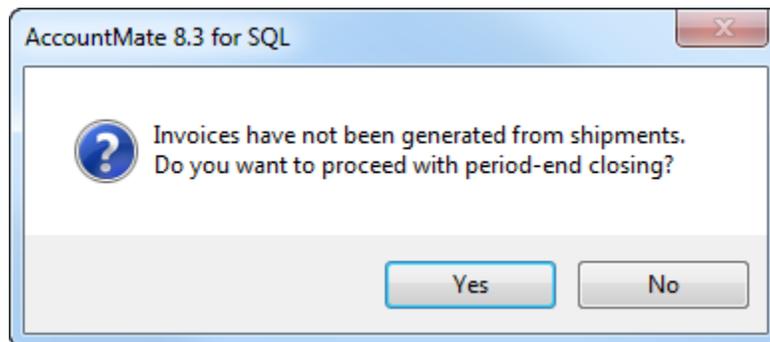


Figure 4 – Period-End Closing message in AccountMate 8.3

AccountMate 8.3 is enhanced to strictly comply with the GAAP revenue-cost matching principle. Knowing the rationale for the change and the new Un-Invoiced Inventory GL Account ID and their effects on the shipment and/or sales GL entries can help users to better understand the new SO/AR period-end closing process.

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