
Producing the GL Adjustments Journal

The **GL Adjustments Journal** is a record of the cost-of-goods-sold (COGS) adjustments and purchase price variances (PPV) in the **INCJxxx** (COGS Journal) file. Use it to verify that the adjustments are correct.

A COGS adjustment is made under these circumstances:

- The estimated cost is different from the actual cost. For example, suppose that you receive an item at an estimated cost of \$20, but you do not receive the invoice. You then sell the item to a customer. When you receive the invoice, the cost of the item is \$25. The variance of \$5 is posted to the general ledger.
- You enter a quantity adjustment for an item on the Inventory Adjustments screen in the **Inventory Transactions** function.
- You enter multiple receipts for an item in Purchase Order at different costs and then receive the invoice for the first receipt at a different cost than the last receipt cost.

A purchase price variance is the difference between the standard cost and the actual price paid for the item in the standard costing valuation method. For example, if your standard cost for an item is \$50 and you purchase the item at \$60, the purchase price variance between the standard cost and what was paid for the item is \$10.

Before you post GL adjustments, print the **GL Adjustments Journal** to verify that the adjustments are correct.

Posting GL Adjustments

Use the **Post GL Adjustments** function to post COGS adjustments and purchase price variances to the general ledger.

Before you post, print the **GL Adjustments Journal** and back up all the data files.

Both COGS adjustments and purchase price variances in Inventory are updated online. COGS adjustments are stored in the **INCJxxx** file. A COGS adjustment in Accounts Payable/Purchase Order is updated when transactions are processed. A COGS adjustment in Accounts Receivable/Sales Order is updated when transactions are posted.

If Inventory interfaces with General Ledger, debit and credit entries are created in the **GLJRxxx** file. If you post detail (line-item) information, entries are made for each line item. If you post summary (totals) information, one entry is made for each account.

If Inventory does not interface with General Ledger, use the **Post GL Adjustments Log** to manually adjust the accounts effected by this function.

When you post GL adjustments, entries are made to these accounts:

COGS Post: increase value

| COGS | Inventory |
|------|-----------|
| CR | DB |

Purchase Price Variance: standard cost higher than purchased cost

| PPV | Inventory |
|-----|-----------|
| DB | CR |