

General Ledger Balancing Part 1

Now that you know how to create, post, review, and report on General Ledger transactions in your Eagle, you must learn how to balance these entries to make sure that the General Ledger figures agree with the rest of the system.

As we have seen thus far, there are a lot of factors that come into play when General Ledger entries are created. The bulk of the entries do come from the automated pass-off; however, there are also manual adjustments you can make that are not initiated from a particular transaction that has taken place in the system.

Regardless, of where the entries come from, they need to be backed up by the supporting files in Eagle.

In this class, we will address how to go about balancing Inventory, Accounts Receivable, Sales and Cost of Goods Sold, Deposits, and Sales Tax Payable. Accounts Payable and Accrued Accounts Payable Balancing will be covered in upcoming classes.

To make the balancing process easier, we have created a balancing worksheet that allows you to account for the above mentioned system values against their corresponding General Ledger account values. At the end of the class, you will be able to download the worksheet and use it as a guide when balancing your figures.

Topics

- Inventory Balancing
- AR Balancing
- Sales and Cogs Balancing
- Deposit Balancing
- Sales Tax Payable Balancing

Inventory Balancing

One of the most challenging items to balance in your Eagle is Inventory. A big part of this challenge comes from inconsistent business practices when it comes to the handling of non-stock, special order, and defective items.

To rectify these issues, you should follow the best practices that have been suggested in the respective Training on Demand classes.

But, in a nut-shell, you need to have an accurately recorded inventory figure for your non-stock and special order items.

As for defective items, in order to have them reflect correctly in the General Ledger, you must return them as regular returns at the Point of Sale, and then process them under a credit Purchase Order. This practice will accurately account for all defectives under the correct shrinkage type account, as well as remove the item from inventory. Both Inventory value and General Ledger inventory value will reflect the correct change generated from the defective return.

Start by printing out the Inventory Valuation Report, or RIV with totals by Store. You do not need to print details for every SKU. Using the Balancing Worksheet, first enter the Total Inventory Value from the Inventory Value Report, your non-stock inventory value, and the value of any special orders on hand.

Adding these figures together will derive the TOTAL inventory value.

Moving across the spreadsheet, enter the total General Ledger inventory value. This should include Accrued Inventory as well as any Advanced Receiving Inventory Adjustments if you use Advanced Receiving.

The Balancing Worksheet calculates any discrepancy between the General Ledger Inventory Value and the inventory value coming from the Eagle Inventory module. As you can see, the Balancing Worksheet only allows for Store-level inventory figure comparisons; however, you can create your own worksheet should you want to compare figures at the Department level.

Any differences you find can come from Receiving errors or Cost adjustments not passed off to the General Ledger, in addition to the common challenges we mentioned earlier. Refer to a detailed RIV report to identify any large inventory discrepancies.

For any untraceable issues, a manual adjustment must be made at the end of the period to reset the General Ledger Inventory value to Physical Inventory value.

Once that's done, a commitment to following best business practices should minimize these issues in the future. To further help minimize inventory value differences, you can use the Business Advisor, Performance Manager, Compass Analytics, or the Inventory Value Report to balance the inventory figure daily. Such a practice will help improve your inventory totals, as well as help identify issues early on so that they do not get compounded at the end of the month.

AR Balancing

The next item we will balance using the Balancing Worksheet is Accounts Receivable. To start this process, make sure to have the outstanding Accounts Receivable total from the A/R Aging Report and enter it under the RAG report total in your worksheet.

Move on across the spreadsheet to the General Ledger Accounts Receivable Account Balance and enter AR total from General Ledger.

Any discrepancy between the two figures will be reflected in the Difference cell.

Ideally, the difference should be zero, but if for some reason a difference arises, then you should refer to the daily Accounts Receivable figure in Business Advisor, or in the Compass environment, and the daily General Ledger Accounts Receivable Total in the General Ledger Detail viewer, to locate the date when the issue occurred.

You can then further drill down on that day's transactions to see the exact entry or entries that caused the problem.

We recommend that you use your Business Advisor figures to balance your Accounts Receivable figure on a daily basis. Then, at the end of the month, you only have to balance the last day. As an added bonus, you can avoid any unpleasant surprises that could have been accumulating since the beginning of the month.

Any necessary adjustment should be posted before closing the month on General Ledger, so that the errors are not carried forward to the next period.

Sales and Cogs Balancing

Now let's look at Sales and Cost of Goods Sold Balancing.

When looking for monthly sales and COGS figures, you can refer to the Department History Report, or RDE. Enter the corresponding amounts under the RDE Report Total cells.

Then, enter the General Ledger Sales Total and COGS Total under the General Ledger Balances. If the Department Report figures and the GL figures don't match, any discrepancies between them will be reflected in the Difference column.

As I mentioned earlier, if you balance your General Ledger figures daily, then any issues can be figured out quickly and the source of the error can be addressed to prevent recurrence. To balance the Sales and COGS amounts on a daily basis, you can use information from Business Advisor, Performance Manager, Compass Analytics, or the Monthly Recap Maintenance Viewer (MMR).

The figures in all of these sources must match each other and the figures posted to the General Ledger via the automatic pass-off.

Deposit Balancing

Balancing your outstanding deposits can be done by comparing your Open Order Report, or ROO, against your General Ledger Deposit liability amount. Just keep in mind that the ROO must run with Option L – Print Orders with Deposits Outstanding.

Any discrepancy, as we have seen in other balancing, will display in the Difference column.

Both the Deposits Viewer and the Daily Journal Viewer provide additional detailed deposit information if you need it.

Balancing deposits daily will help you use your time more efficiently when balancing your GL at the end of the period.

Sales Tax Payable Balancing

The last balancing we will look at in this session is Sales Tax Payable Balancing. In the Balancing Worksheet, you will enter the total outstanding sales tax amount from the Tax Information Report (or RTX) here in the Sales Tax Amount cell, and compare it against the General Ledger Sales Tax Amount.

Any discrepancies will appear in the corresponding Differences column.

To balance the tax figures on a daily basis, you can use Business Advisor, the Daily Journal Viewer, or the Sales Tax Viewer to derive the sales tax amount. Doing this ensures the outstanding sales tax amount is accurate, so you may pay the necessary amounts to the taxing authorities when due.

This wraps up the first General Ledger Balancing class. At this point, you should be comfortable utilizing the GL Balancing Worksheet to facilitate an easier balancing process. You can use this worksheet on a daily basis in order to standardize the balancing process and ensure accurate figures across all systems at all times.

Make sure you don't forget to download the GL Balancing worksheet before you leave!

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