Understanding how the data flows through your system is key to using Advanced Receiving and General Ledger effectively. Because it can be confusing at first, we are going to spend today's lesson talking about how data flows from a received Purchase Order all the way to General Ledger. We will discuss the impacts to your Inventory Valuation and your Purchasing history.

From an accounting standpoint, we will offer the T-Acct adjustments for a better understanding of the General Ledger Balancing and Flow.

Let's start with Purchasing & Receiving. When a purchase order of product is received and finalized with the 'Receiving Report' (RRP), your Inventory Quantity on Hand and Costs are updated.

The Costs that are updated depend on the options you selected when running the report. For more information regarding these options, please review the Training on Demand courses on Receiving.

But, you should keep in mind that the average cost of an item is always updated at the time Receiving is finalized based on the values on the purchase order and how Option #105 for Landed Cost is set

Here you can see from the ITR Viewer that the Qty On Hand increased.

The Average Cost at this point did not change as the cost on the purchase order was the same as the cost in Inventory.

Then, the 'Purchasing to AP Passoff' Report, or APP, runs to pass off all the receiving into Accounts Payable.

It does this by creating a 'T-type' Temporary Voucher.

This report shows the 'T' Voucher Number, PO number, Received Dollar Amount, and the final General Ledger distributions broken down by Inventory and Department.

The next passoff/posting step involves running the 'Post A/P Transactions' Report, or RATJ.

This is the step that actually creates the Accrued GL entries as outlined below.

Debit: Accrued Inventory

Credit: Accrued Accounts Payable

Once the 'Automatic Passoff to General Ledger' or GLP runs in the End of Day queue, these adjustments are displayed and the General Journal Transactions are ready to be posted to the General Ledger Detail.

After the vendor's invoice is processed through Advanced Receiving, the 'Document Receiving' Report, RRV, is run with Option 'F' (Finalize) selected. Any updates to the Quantities on Hand and Costs will be passed back into inventory.

In the Inventory Transaction Register, the changes reflected from the 'Document Receiving' Report are recorded for each Quantity on Hand change.

In our example, the quantity increased on the 1st line item from 2 pcs. to 3 pcs.

You can also see that the average cost of each item was increased due to a landed freight value of $20.00.

When the 'Purchasing to AP Passoff' Report runs the next time, it will automatically create an 'A-type' Adjustment Voucher that reverses out the original Temporary Voucher and the Accrued Inventory and Accrued Accounts Payable GL Entries.

Then the APP creates a new 'R-type' Regular Voucher that replaces the original Temporary Voucher and makes the following GL entries.

Here, you notice that the new Regular voucher amount and General Ledger adjustments have been increased based on the new Invoice Amount and Freight that was processed through Advanced Receiving.

As part of the End of Day queue, the 'AP to GL Distribution' Report (RAGL) runs to define all the General Ledger entries that will be made once Accounts Payable passes off to General Ledger.

Also, as part of the End of Day, the 'Automatic Passoff to GL' Report, or GLP, should be running to create all the General Ledger entries based on all the Accounts Payable processing that has been completed.

Once this has been done, the transactions can be displayed in the General Journal Transactions Viewer.

Finally, the Advanced Receiving Cost of Goods Sold and Inventory Adjustments must be made.

When an item's Average Cost has been updated by the Document Receiving Report with Option 'F', the system calculates how many of that item were sold between the original receipt date and the time the RRV with Option 'F' was run.

It then makes an entry, if necessary, for the difference to the Cost of Goods Sold and Inventory Adjustment Accounts.

These adjustments are generated as part of the Daily Journal Report (RDJ) that runs with Option Z at End of Day.

Understanding how the data flows from Purchasing & Receiving, Inventory, AP and General Ledger is probably the most challenging part of using Advanced Receiving.

With this information you should have a better understanding of how powerful Advanced Receiving is and an awareness of every application that is impacted with this software.