

## Advanced Receiving Overview

If you've ever had to write off inventory at the end of your fiscal year because your inventory valuation did not match your General Ledger account, you know how painful that error can be.

It is also unnecessary, since more effective management of your inventory can eliminate or substantially minimize such a gap.

Your Eagle's Advanced Receiving function can help with this task. It bridges the Receiving and Accounts Payables functions. It allows a finalized Purchase Order to be adjusted to balance to your vendor's invoice.

With Advanced Receiving, you can modify the Quantity Received, Change Costs, and account for Freight and other add on charges.

In this class we will discuss the benefits that using Advanced Receiving provides and we will take a look at some elements you may need to consider before implementing the process.

### Topics

- Benefits
- Preparing

### Benefits

There are four primary benefits of using Advanced Receiving. They are:

'Correct Cost and Margin Calculation'

A more 'Accurate Inventory Value'

The ability to have 'AP Invoices Reconciled to PO Receipts'

And finally to obtain a more 'Accurate Cost of Goods Sold'

Let's look at each of these benefits a little more closely.

Effective pricing relies on knowing the true cost of each item so that accurate margins are reflected in your sales reporting.

Differences of just a few cents can make a significant impact over a period of time. If the cost is wrong when an item is received, all product sold will be done so at that incorrect cost. Margins will be misstated and customer pricing could be affected.

If your business decisions are based on Financial Ratios that relate to Gross Profit Percentage, Gross Profit Dollars, or Gross Margin Return on Investment, correct costs are imperative.

Advanced Receiving allows you to easily maintain margins by managing the actual charges your vendor is billing you for.

When used correctly, Advanced Receiving will provide your business with a much more accurate Inventory value.

Most businesses do not want to take an unexplained write off at year end to make General Ledger values match their Inventory Valuation report. This type of accounting adjustment is like throwing money away.

Because Advanced Receiving allows for better cost management as merchandise is received and sold, the gap at Year End is greatly minimized.

Advanced Receiving allows corrections to purchasing receipts to be made with such ease, that Accounts Payable Clerks and Buyers are not burdened with manual research and additional paperwork.

Every PO can be matched to the vendor's invoice directly from the application.

As a result, your employees will have time to focus on other relevant responsibilities like staying on budget and managing cash flow.

The last benefit we will discuss today is maintaining an accurate Cost of Goods Sold.

Advanced Receiving will keep track of the sales reported with incorrect costs and post General Ledger adjustments for any differences.

Let's look at this using two different scenarios: one without Advanced Receiving and then one with.

Without Advanced Receiving, if a purchase order is received with inaccurate costs, the sales of those items are inevitably going to be reported with an inaccurate Cost of Goods Sold.

With Advanced Receiving, because you have the ability to modify the purchase order's received cost, Eagle will look back at those past sales and make the necessary adjustments, automatically.

## Preparing

Now that you have an understanding of the advantages Advanced Receiving provides, let's discuss some issues that you will need to think through and tasks you may need to complete before implementing Advanced Receiving.

The first thing to consider is how you currently value your inventory. Do you use Replacement Cost or Average Cost?

Advanced Receiving and Eagle General Ledger, work best with Average Cost. Average Cost is updated automatically and provides a much truer cost value for inventory and sales margins.

Replacement Cost can be used but it will NOT work to close the gap between General Ledger and the RIV at year-end.

The system will allow the Purchase Order to be reconciled and Average Cost will be adjusted.

But, when a sale occurs at Point of Sale, the cost relieved from inventory will be based on 'Replacement Cost'. This value may not be the true cost for your on- hand inventory.

The process of migrating from Replacement Cost to Average Cost can be accomplished with the assistance of an Epicor Trainer. They will help you decide when the best time would be to make the change and work with you through the process.

The next thing to consider is the accuracy of your 'Quantities on Hand'. If you have negative inventory counts at the time you turn on Advanced Receiving, it can have an adverse impact on your financial statements. It is highly recommended that all negatives be cleaned up prior to implementing Advanced Receiving.

You can conduct cycle counts for the items with negatives or run a 'Physical Inventory Report' or RPI, to zero out any negative values. Before doing any cleanup, be sure that all purchase order receiving is current.

Before you implement Advanced Receiving, it's important to take a close look at your current Purchasing, Receiving, and Accounts Payable processes. You need to ensure that consistent, solid purchasing processes are in place.

We always recommend that buyers, the creators of purchase orders, be responsible for the information on the PO. Purchase Orders should be created at time of ordering and costs should be confirmed with your vendors. Receiving should be completed quickly with as much precision as possible. Advanced Receiving should not be considered a 'clean up' process for purchasing.

While setting and following Advanced Receiving guidelines specific to your store may require some additional steps, the resulting accuracy throughout the Eagle system is well worth the time.

Now that you have an idea of how Advanced Receiving can benefit you and your business' bottom line, it's time to complete the more detailed courses in this series.

Be sure to think about the preparatory time needed to ensure that you and your staff get the best results from this powerful product.

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