This white paper describes the concepts of the two types of accounting that take place when an accounting entry is generated for a product receipt or an invoice that contains stocked items. Part of the process updates accrued liability or liability accounts, and uses the new accounting framework that was added in Microsoft Dynamics AX 2012. The other part of the process updates the inventory cost, and uses the same posting process that was available in Microsoft Dynamics AX 2009. Both processes update the general ledger, but they do not interact with each other. This means that now when a stocked item is received or invoiced in Microsoft Dynamics AX 2012, two vouchers are created. Examples illustrate the way that the inventory posting works.

Date: November 2011

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Overview

When a product receipt is recorded for a stocked item and the document setup specifies that accounting entries are to be created, two accounting processes take place:

- One accounting process creates an accounting entry for the accrued liability. The accounting entry amount is for the received quantity of the stocked item, multiplied by the currency amount per unit for the purchase order. This process uses the new accounting framework that was added in Microsoft Dynamics AX 2012. In the following example, XX denotes the currency amount of the accounting entry.

  Debit  Purchase expenditure, un-invoiced  XX
  Credit Purchase, accrual  XX

- Another accounting process accounts for the cost in inventory for the received quantity of the stocked item by crediting the expenditure ledger account and capitalizing the cost in an inventory asset ledger account.

  Debit  Product receipt  XX
  Credit Purchase expenditure, un-invoiced  XX

When a vendor invoice is recorded for a stocked item and accounting entries are created, two accounting processes take place:

- First, the accounting entries on the product receipt for accrued liability are reversed. The amount that is reversed is based on the quantity of stocked item on the vendor invoice that is matched to the product receipt. Then, the accounting entry is created to record the liability for the vendor invoice. Both entries are created by the new accounting framework that was added in Microsoft Dynamics AX 2012.

  Credit  Purchase expenditure, un-invoiced  XX
  Debit  Purchase, accrual  XX
  Debit  Purchase expenditure for product  XX
  Credit  Vendor balance (Accounts payable)  XX

- Second, the accounting entry on the product receipt that records the inventory cost is reversed. The amount that is reversed is based on the quantity of the stocked item on the vendor invoice that is matched to the product receipt. Additional account entries are created to record the inventory cost under a new inventory ledger account classification.

  Credit  Product receipt  XX
  Debit  Purchase expenditure, un-invoiced  XX
  Debit  Purchase, product receipt  XX
  Credit  Purchase expenditure for product  XX

Conceptually, if you net the vouchers together, the effect remains the same as the accounting entry that is generated in Microsoft Dynamics AX 2009. Because two separate accounting
processes are used that do not interact with each other, it is not possible to summarize the vouchers together in Microsoft Dynamics AX 2012.

You can, however, view the vouchers together in the Voucher transactions form, which can be accessed when you view the journalized product receipt or vendor invoice. To view this form for journalized product receipts, click Procurement and sourcing > Common > Purchase orders > All purchase orders > Receive tab > Product receipt journal > Vouchers. To view this form for journalized vendor invoices, click Procurement and sourcing > Common > Purchase orders > All purchase orders > Invoice tab > Invoice journal > Vouchers.

Note that more complex accounting entries may occur by using inventory accounting, notably for stocked item held under standard costing in inventory.

Setup

In Microsoft Dynamics AX 2012, two new posting profile main accounts were added in the Posting form for purchase orders. To view this form, click Inventory and warehouse management > Setup > Posting > Posting.

- **Purchase expenditure, un-invoiced** – This is a control account and is used as the offset main account for accrued liability amounts when a product receipt is recorded. This posting profile main account is used for both stocked items and items that are not stocked.

- **Purchase expenditure for product** – This is a control account and is used as the offset main account for liability amounts when a vendor invoice is recorded. This posting profile main account is used only for stocked items.

These main accounts are required. If they are not set up, errors will occur when you attempt to journalize product receipts or vendor invoices.

These accounts must be specified for all stocked items, regardless of the inventory costing method that is used. Because these are used as control accounts for stocked items, the normal balance will be 0.00.
You might want to consider specifying different main accounts for **Purchase expenditure, un-invoiced** for items that are not stocked. Items that are not stocked are not processed by using the method that is described in this white paper. As a result, there will be a balance in this main account until the product receipt is fully invoiced for the not stocked items.

The following illustration shows the **Posting** form, where you can specify main accounts for the **Purchase expenditure, un-invoiced** and **Purchase expenditure for product** posting profiles.
In order to record the inventory cost, you are also required to accrue the liability when you record the product receipt and generate the accounting entry. This means that when you define the item model groups for stocked items, the **Accrue liability on product receipt** check box is automatically selected when the **Post physical inventory** check box is selected, as shown in the following illustration. To view this form, click **Inventory and warehouse management > Setup > Inventory > Item model groups**. The following illustration shows these check boxes.

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**Example: Purchase of stocked item**

**Product receipt**

In this example, the following illustration shows the vouchers that appear in the **Voucher transactions** form for a stocked item after a product receipt is accounted for. (**Procurement and sourcing > Common > Purchase orders > All purchase orders > Receive tab > Product receipt journal > Vouchers**)

<table>
<thead>
<tr>
<th>Journal number</th>
<th>Date</th>
<th>Ledger account 1</th>
<th>Journal 1</th>
<th>Currency 1</th>
<th>Amount in transaction currency 1</th>
<th>Amount 1</th>
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<td>2,000.00</td>
<td>2,000.00</td>
</tr>
</tbody>
</table>

Journal GJT-035656

- **211250** Purchase expenditure, un-invoiced Debit 2,000
- **150690** Purchase, accrual Credit 2,000

Journal GJT-035657

- **142100** Product receipt Debit 2,000
- **211250** Purchase expenditure, un-invoiced Credit 2,000

**Vendor invoice**

The following illustration shows the vouchers that would appear in the **Voucher transactions** form for a stocked item after the matched vendor invoice is journalized. (**Procurement and sourcing >**...
ACCOUNTING FOR STOCKED ITEMS ON PRODUCT RECEIPTS AND VENDOR INVOICES

Common > Purchase orders > All purchase orders > Invoice tab > Invoice journal > Vouchers

<table>
<thead>
<tr>
<th>Journal number</th>
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<th>Year closed</th>
<th>Ledger account</th>
<th>Journal</th>
<th>Currency</th>
<th>Amount in transaction currency</th>
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</table>

Example: Purchase of stocked item, standard cost

Product receipt
In this example, the following illustration shows the vouchers that appear in the Voucher transactions form for a stocked item after a product receipt is accounted for. (Procurement and sourcing > Common > Purchase orders > All purchase orders > Receive tab > Product receipt journal > Vouchers)

<table>
<thead>
<tr>
<th>Journal number</th>
<th>Date</th>
<th>Year closed</th>
<th>Ledger account</th>
<th>Journal</th>
<th>Currency</th>
<th>Amount in transaction currency</th>
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<td></td>
<td>USD</td>
<td>-2,400.00</td>
<td>2,400.00</td>
</tr>
</tbody>
</table>

Journal GJT-035651
211250 Purchase expenditure, un-invoiced Debit 2,400
150690 Purchase, accrual Credit 2,400

Journal GJT-035652
510310 Purchase price variance Debit 400
142100 Product receipt Debit 2,000
211250 Purchase expenditure, un-invoiced Credit 2,400
Vendor invoice

The following illustration shows the vouchers that would appear in the Voucher transactions form for a stocked item after the matched vendor invoice is journalized. (Procurement and sourcing > Common > Purchase orders > All purchase orders > Invoice tab > Invoice journal > Vouchers)

<table>
<thead>
<tr>
<th>Journal number</th>
<th>Date</th>
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<th>Ledger account</th>
<th>Journal</th>
<th>Currency</th>
<th>Amount in transaction currency</th>
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<td></td>
<td>-2,400.00</td>
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</tr>
</tbody>
</table>

Journal GJT-035653

211250  Purchase expenditure, un-invoiced  Credit 2,400
150690  Purchase, accrual  Debit 2,400

Journal GJT-035654

606300  Purchase expenditure for product  Debit 2,400
211100  Vendor balance  Credit 2,400

Journal GJT-035655 *

142100  Product receipt  Credit 2,000
211250  Purchase expenditure, un-invoiced  Debit 2,400
140820  Purchase, inventory receipt  Debit 2,000
606300  Purchase expenditure for product  Credit 2,400

* Because the purchase price variance is debited and credited for the same amount (400), the account entries are summarized together and are not displayed. This is possible because both account entries are within the same journal.
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