



Article 1280

Technical Note: Correcting Unmatched PO and Unreversed Accrued Received Goods on Paid AP Invoices in MS705 and higher

Difficulty Level: Intermediate Level AccountMate User

Version Affected: AccountMate 7 for SQL and Express (AM7.5 and Higher)

Modules(s) Affected: PO, AP

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DESCRIPTION

Starting in AccountMate 7.5 for SQL and Express, AccountMate is enhanced to allow matching of purchase order (PO) receipts against invoices issued by vendors (AP invoices). The AP/PO Matching feature enables either matching of PO receipts and accrual of received goods or matching of PO receipts without accrual of received goods. Failure to match PO receipts against AP invoices may risk posting more than one AP invoice for the same PO receipt. In addition, unreversed accrued received goods may result in overstated liability and inventory GL Account IDs.

This Technical Note discusses how to use the AP/PO Matching feature with or without received goods accrual, the effects of the unreversed accruals and unmatched PO receipts to the GL Account IDs' values, and the procedures to correct these effects.

SOLUTION

A PO receipt's AP/PO matching and accrual setting depends upon the vendor settings at the time the PO is created. You can set a vendor record to AP/PO matching with accrual by marking the AP/PO Matching and Accrue Received Goods checkboxes in the Settings tab of the Vendor Maintenance function. On the other hand, you may set a vendor record to AP/PO matching only by marking the AP/PO Matching checkbox and by leaving the Accrue Received Goods checkbox unmarked. The Accrue Received Goods checkbox is activated only if the AP/PO Matching checkbox is marked. The default AP/PO matching with or without accrual setting for new vendor records comes from the General (2) tab of the PO Module Setup function. You can also set up AP/PO Matching By Quantity or By Amount in the PO Module Setup function. You should decide which AP/PO Matching method will best suit your company because this is a one-time set up only. Refer to the Online Help and Electronic Manuals for more information about AP/PO Matching by Quantity or by Amount.

Procedures to Correct Unreversed Accrual/Unmatched Purchase Orders

Correcting unreversed PO receipts and matching the purchase order to AP invoices, may vary depending on whether the purchase order is set to AP/PO Matching with accrual or AP/PO Matching only. The following sections will discuss how to correct the unmatched purchase order and unreversed accrued received goods.

Scenario 1: Vendor is set to AP/PO Matching with Accrual

Let us assume that a purchase order in the amount of \$1,000 is fully received. The journal entry to record the received goods accrual is as follows:

| | | |
|--------------------------------------|-------|-------|
| DR: Inventory | 1,000 | |
| CR: Accrued Received Goods Liability | | 1,000 |

When posting an AP invoice for this purchase order without matching the PO receipt and reversing the accrual, the journal entry to record the liability is as follows:

| | | |
|-------------------|-------|-------|
| DR: Inventory | 1,000 | |
| CR: Trade Payable | | 1,000 |

Based on the above journal entries, the Accrued Received Goods Liability GL Account ID is unreversed and the Inventory GL Account ID is overstated. Furthermore, there are PO receipts unmatched to AP invoices in the PO Line Items for AP Matching report.

Using the transaction above for illustration purposes, perform either procedure below to correct the unreversed and overstated GL Account IDs.

Post an Open Debit Invoice

1. Access the AP Invoice Transactions function.
2. Enter in the Invoice Amt field the \$1,000 negative amount to create an open debit.
3. In the AP/PO Matching window, match the PO receipt quantities for which you want to reverse the accrual.
4. Access the GL Distribution tab; then, review the journal entries.

- a. Accept the default journal entry

| | | |
|--------------------------------------|-------|-------|
| DR: Trade payable | 1,000 | |
| DR: Accrued Received Goods Liability | 1,000 | |
| CR: Inventory | | 2,000 |

This journal entry reverses the journal entries that were posted when the regular AP invoice was created without reversing the accrual and matching the PO receipt.

- b. Create an additional journal entry in the grid to correct the Inventory & Liability GL Accounts. The Inventory and Trade payable GL Accounts are understated when an open debit invoice is created. We must re-state the GL Account balances by creating an additional journal entry to recognize the inventory and liability of the purchased inventory item.

| | | |
|---------------|-------|--|
| DR: Inventory | 1,000 | |
|---------------|-------|--|

CR: Trade Payable 1,000

The procedure above corrects the overstated Inventory GL Account and reverses the Accrued Received Goods Liability. The **Adjusted Journal Entry** after the correction is as follows:

DR: Inventory 1,000
CR: Trade Payable 1,000

Post Non-payment

1. Enable the Nonpayment feature in the AP Module Setup function.
2. Access the AP Invoice Transactions function.
3. Enter in the Invoice Amt field the \$1,000 amount.
4. In the AP/PO Matching window, match the PO receipt quantities for which you want to reverse the accrual.
5. Enter in the Nonpayment field the \$1,000 reversed/matched amount.
6. Access the GL Distribution tab; then, accept the journal entry below:

DR: Accrued Received Goods Liability 1,000
CR: Inventory 1,000

This journal entry reverses the journal entries posted when you created the regular AP invoice but did not reverse the accrual and match the PO receipt.

Note: The Non-payment GL Account ID in the GL Distribution tab should be the Inventory GL Account that was debited when you recorded the AP invoice without reversing accrual or matching the PO receipt.

The procedure above corrects the overstated Inventory GL Account ID and Accrued Received Goods Liability GL Account ID balances. The **Adjusted Journal Entry** after the correction is as follows:

DR: Inventory 1,000
CR: Trade Payable 1,000

Scenario 2: Vendor is set to AP/PO Matching only

Let us assume that a purchase order in the amount of \$1,000 is fully received. Since there is no accrual during receipt of goods, there is no journal entry to recognize the accrual.

When you post an AP Invoice for this purchase order without matching the PO receipt, the journal entry to record the liability is as follows:

DR: Inventory 1,000
CR: Trade Payable 1,000

Based on the above journal entry, there is an unmatched receipt in the PO Line Items for AP Matching report.

Using the transaction above for illustration purposes, perform either of the procedures below to correct the unmatched GL Accounts IDs.

Post an Open Debit Invoice

1. Access the AP Invoice Transactions function.
2. Enter in the Invoice Amt field a negative \$1000 amount to create an open debit.
3. In the AP/PO Matching window, match the PO receipt quantities.
4. Access the GL Distribution tab; then, review the journal entries.
 - a. Accept the default journal entry

| | | |
|-------------------|-------|-------|
| DR: Trade Payable | 1,000 | |
| DR: Inventory | 1,000 | |
| CR: Inventory | | 2,000 |

This journal entry reverses the journal entry posted when you created the regular AP invoice without matching the purchase order to the AP Invoice.

- b. Create an additional journal entry in the grid to correct the Inventory and Trade Payable GL Account IDs. The Inventory and Trade payable GL Account IDs are understated when an open debit invoice is created. We must restate the GL Account balances by creating an additional journal entry to recognize the inventory and liability of the purchased inventory item.

| | | |
|-------------------|-------|-------|
| DR: Inventory | 1,000 | |
| CR: Trade Payable | | 1,000 |

The procedure above matches the PO receipt to the AP invoice. The **Adjusted Journal Entry** after the correction is as follows:

| | | |
|-------------------|-------|-------|
| DR: Inventory | 1,000 | |
| CR: Trade Payable | | 1,000 |

Post Non-payment

1. Enable the Nonpayment feature in the AP Module Setup function.
2. Access the AP Invoice Transactions function.
3. Enter in the Invoice Amt field the \$1,000 amount.
4. In the AP/PO Matching window, match the PO receipt quantities.
5. Enter in the Nonpayment field the \$1,000 matched amount.
6. Access the GL Distribution tab; then, accept the journal entry as follows:

| | | |
|---------------|-------|-------|
| DR: Inventory | 1,000 | |
| CR: Inventory | | 1,000 |

This journal entry reverses the journal entry posted when you created the regular AP invoice without matching the purchase order to the AP Invoice.

Note: The Non-payment GL Account ID in the GL Distribution tab should be the Inventory Account debited when you recorded the AP invoice without matching the PO receipt.

The procedure above matches the PO receipt to the AP invoice. The **Adjusted Journal Entry** after the correction is as follows:

| | |
|-------------------|-------|
| DR: Inventory | 1,000 |
| CR: Trade Payable | 1,000 |

This document is designed to help you understand the effects on the affected GL Account IDs' balances if reversal of accruals and matching of AP/PO are not made. This document also provides procedures which may help you correct the unmatched purchase order and unreversed accrued received goods.

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