Policy Statement

This policy applies to store inventories and merchandise held for resale in Educational Units and Auxiliary Units. This policy does not apply to departmental equipment or real property such as land or buildings.

Purchases of items for resale are charged to an inventory account of the responsible unit. Each month end the inventorying unit shall adjust the inventory account for the cost of goods sold during the month. This is done by forwarding a completed Request for Journal Voucher to the Accounting Department each month.

The value of the inventory must be determined to be able to calculate cost of goods sold at the end of an accounting period. Consumable supplies inventories should be carried at the lower of cost or market value on the first-in, first-out (“FIFO”) basis. Resale inventories should be valued at cost using the average-cost basis. The values to be adjusted for remaining inventory and for cost of goods sold may be calculated for monthly closing amounts using a percentage of sales method if taking an actual inventory is not practical. However, a physical inventory count and valuation must be conducted at least once a year, preferable near the end of a month.

After the dollar value of the physical inventory on hand is determined, that value will be compared to the inventory dollar value displayed on the account status report for that month. A Request for Journal Voucher shall be submitted to the Accounting Department to bring the value on the account status report to the value of the physical inventory, subject of course, to appropriate reconciling items such as merchandise on hand for which payment has not been made. The unit should also adjust its departmental records to the value of the physical inventory.

A copy of the reconciliation, of the physical inventory to the University’s financial records (account status statement, must be attached to the annual request for adjustment of physical inventory.

As noted in the Account Status Report policy, “monthly status reports should be reviewed by each department head/director/principal investigator or other responsible party. All transactions on the account status report should be reviewed for accuracy on a monthly basis”. Requests for Journal Vouchers for adjustments or to correct errors found on the status reports should be submitted on a timely basis within a thirty day period EXCEPT at fiscal year-end. The deadline is much shorter for Requests for Journal Vouchers submitted in July for application to the past fiscal year. Consult with the Accounting Department for the date if necessary.

Reason for policy
Proper valuation of store inventories and/or merchandise held for resale.

Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration

**Responsible University Administrator:** Associate Vice President for University Business and Accounting Services

**Policy Owner:** Accounting

**Policy Contact Phone Number:** 706-542-1197

Record Retention

For expenditures processed with grant funding, all documentation should be retained for the life of the grant, plus seven (7) years. [Research Grant Records 0472-09-006]
For all other expenditure types, records may include but are not limited to: check requests, purchase orders, invoices, journal vouchers, departmental requisitions, justifications of purchases, payment authorizations, reports of receipt of goods or services, and related documentation and correspondence. Retention is five (5) years. [Accounting Records 0472-03-001]

Related information
Request for Journal Voucher: [link]

Policy Dates
Effective Date:

Date Last Updated: 12/02/2016

Date of Last Review:

Date of Approval:

Previous Version of Policy: