



1.7 Inventories – Stores and Merchandise for Resale

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.

The purchase 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 initiating and submitting a General Ledger (GL) journal entry 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 as reported on the GL. A GL Journal Entry should be initiated and submitted for approval to bring the value reflected on the GL 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 (inventory system) to the value of the physical inventory.

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

As noted in the Financial Review and Analysis policy, “a process for review and analysis of budgets and financial transaction should be conducted within 30 days of the prior month end”. Requests for GL Journal Entries for adjustments or to correct errors found during the reconciliation process should be submitted on a timely basis within a thirty day period EXCEPT at fiscal year-end. The deadline is much shorter for GL Journal Entries 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 Finance

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. [[USG Records Retention Schedule 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.

[\[USG Records Retention Schedule 0472-03-001\]](#)

Related information

Request for GL Journal Entry:

Policy Dates

Effective Date:

Date Last Updated: 6/03/2020

Date of Last Review: 04/1/2021

Date of Approval: Previous

Version of Policy: