

GL: Year End Process



Because agrē forces a balanced subledger and automatically recosts customer invoices all year long, the year-end process is very streamlined. These are the steps to follow to close your fiscal year.

Caution

If you have turned on the company config option to ***Prevent Inventory Cost Cascade in Closed Periods*** please proceed *very* carefully.

This config option *will* allow you to close a fiscal year with estimated cost rows even though that might *not* be your intention.

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Tip

Reports you may find helpful during the Year-end Process:

- Loadout Activity (Line Status = Outstanding)
- Inventory Count Sheet
- Inventory Current Value
- Inventory Balances (run for <Company> with Details)
- Inventory Received (Outstanding)
- Supplier Purchases
- Accrual Reconciliation

Grain Reports you may find helpful:

- Unsettled Grain Receipts
- Grain Shipment Activity (Status = Unbilled)

Help

Other White Papers in online Help you may find useful:

- [Inventory Cost History](#)
- [Inventory Current Value](#)

What Happens When ...

A Fiscal Year is Closed

- When a fiscal year is closed, all periods within that year are closed as well. This saves you a few steps if you haven't closed the periods already.
- Accounting periods within a closed fiscal year cannot be reopened. This is because when the year is closed, nothing within that year can be modified. If you need to modify a period within a closed fiscal year you would need to open the year first, then open the accounting period.
- Year-end postings are made to clear the Revenue, COGS, and Expense accounts (the 4, 5, and 6 accounts start at \$0 for the new fiscal year) and moved to Retained Earnings.

A Fiscal Year is Reopened

Note	Before reopening a closed fiscal year, you may want to check with your accountant as many postings will be made to the GL.
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- When a fiscal year is reopened the closing entries are reversed (the dollar values are moved out of Retained Earnings and put back into Revenue, COGS, and Expenses). That is all that opening a fiscal year will do!
- The periods within a reopened fiscal year are **not** automatically reopened as well. They remain closed until they are manually reopened.

Background on the Costing Cascade as it Applies to the Fiscal Year End

In agrē, costs are updated automatically as they are entered. We refer to this as the *costing cascade*.

When product arrives on an inventory receipt, the costs are tagged as 'estimated' until they are billed on a purchase invoice. agrē uses that 'unbilled estimated cost' when the product is sold (or otherwise moved in or out of inventory). When the inventory receipt is billed on a purchase invoice, agrē then knows the 'actual cost' of those units and will update (reverse and repost) any postings made using the estimated cost.

This is referred to as an 'implicit cost adjustment' – agrē knows to replace the estimated cost with the actual cost without you having to ask. This triggers updates to all postings that used the estimated cost; they are reversed and reposted with the new (actual) cost.

If these estimated cost postings are in a closed accounting period, agrē can still change them¹. The costing cascade will reach back into closed accounting periods if necessary, however it is never allowed to reach back and make changes to a closed fiscal year. Once a fiscal year is closed no more updates, to costs or to anything else, are allowed (doing so could change the final year-end account balances).

Business Rules for Closing Fiscal Years

- **A fiscal year cannot be closed if there are any unbilled Inventory Receipts or Unsettled Grain Receipts.**
When an inventory receipt is billed or a grain receipt settled, the *actual* cost of the product may be different from the *estimated* cost; agrē needs to be able to reverse and repost, and it can't do that if the fiscal year is closed.

¹ the Company Configuration Option is set by default to allow it, but it can be changed

Note

Sometimes due to rounding there are 'leftover pennies' in the [accrual account](#) at year end. If there were also actual costs for unbilled Loadout Tickets or unbilled Inventory Receipts in the accrual account, you would have a more difficult time telling where the unbilled inventory stops and the leftover pennies begin.

- **A fiscal year cannot be closed if any inventory has been sold into the negatives and there are product units waiting for costs.**

If you were allowed to close the Fiscal Year with negative inventory, when the inventory does arrive agrē needs to reverse the original 'estimated cost' postings and repost using the actual cost ... and agrē cannot reverse or repost within a closed fiscal year.

- It's not a rule but ... **it's a good practice to invoice any unbilled Loadout Tickets and Grain Shipments before closing your year.**

Loadout Tickets and Grain Shipments post to an accrual account until they are billed, at which time the cost is moved from Accruals to COGS (because it's not a sale until it's on an invoice, and only sales are posted to COGS). Usually accountants like to see as small a balance as possible in the accrual accounts at year end.

About Accrual Accounts & Adjusting Entries

The accrual accounts **hold the value of unbilled inventory**, so depending on the timing, they may or may not be zero at year end. Ideally, if everything is billed on or before your year-end date, the accrual accounts will be zero (assuming there haven't been any manual journal entries since these are user-postable accounts, unlike the inventory asset accounts which are not).

Tip

Run the **Accrual Reconciliation report** for more details about what makes up the balance of an accrual account.

An example of when there could be an amount in the accrual account would be: you receive inventory on February 20th. Your year end is February 28th. You receive a purchase invoice for the inventory dated March 15th. On February 28th, agrē will represent the value of the inventory received in the inventory asset account and will hold the offsetting value in the inventory accrual account. On March 15th, with the purchase invoice, the inventory accrual account is relieved and the offsetting posting goes to accounts payable.

Help

For more information on why an accrual account may not have a \$0 balance at fiscal year-end, even when everything has been billed, navigate to [Help > Help Topics > FAQs > General Ledger](#).

Prior to using agrē, your accountant may have asked you to make adjusting year-end journal entries to reflect the value of your unbilled on-hand inventory. In agrē, postings are made to the inventory asset account whenever inventory comes in or goes out of the company. If the inventory has not been billed at the same time as the inventory movement, the offsetting amount goes into the inventory accrual account, so these types of adjusting entries (accounting for unbilled inventory) should not normally be necessary.

Tasks to Complete Before Closing the Fiscal Year

1. Verify Quantities On Hand

- On the last day of the fiscal year, print the **Inventory Count Sheet** to manually record your physical inventory count.
- After you know what you actually have on hand:
 - run either the **Inventory Current Value Report** (but do not reconcile to the GL)
- or -
run the **Inventory Balances Report** for the <Company> and **Show Details**
 - compare your physical count in each location with how many agrē thinks you should have
e.g. If **Inventory Balances** says you have -3 in one location, and +3 in another, check to make sure a **Location Transfer** wasn't missed and that you're not supposed to have 0 in both places.

Tip

For inventory quantities that appear to be incorrect, ensure that all of inventory movement (the INs and OUTs) has been entered *with the correct date*.

- If you discover dating errors, make corrections by editing the original transactions if possible.
- If you can't edit the original and you deem it necessary to adjust the quantities of your inventory, you can make changes with **Inventory Adjustments** or **Manual Counts**.
- If you decide to adjust your inventory, please keep in mind:
 - the product's inventory asset account will be affected
 - adjusting inventory OUT will require you to select an offsetting expense account (usually COGs or Inventory Write-offs)
 - adjusting quantity OUT will use the FIFO cost (check the **Cost History report** to see what it will be)
 - adjusting quantity IN will require you to specify a unit cost (agrē may suggest a cost based on FIFO values related to the date of the adjustment)
 - **back-dating may not always do what you think it will!** (the **Current Value white paper** in online Help explains why)
 - depending on the nature of the adjustment/correction, you may need to make 2 adjustments
e.g. if you are making an adjustment for an incorrect date you would need to make one offsetting adjustment matching the incorrect date of the original transaction, and another adjustment for the correct date

2. No Unbilled Inventory

- Check for any **unbilled *Inventory Receipts*** and bill them.
The purchase invoice does not need to be in the same fiscal year as the receipt (see [Accrual Accounts](#) above).
- Check for any **unsettled *Grain Receipts*** and settle them
The settlement date does not need to be in the same fiscal year as the receipt (see [Accrual Accounts](#) above).
- (optional but a *really good idea*) Check for any **unbilled *Loadout tickets*** and ***Grain Shipments***, then invoice them.
You may want the invoice date to be in the same fiscal year as the loadout ticket date, but it is not required.

3. Verify Unit Costs of Quantities On Hand

Inventory Value

- Run the ***Inventory Current Value Report***.
[This report](#) will give you a listing of the current value of your inventory on hand and you can verify that the given unit costs for the products are reasonable.
- A look at this report may uncover a keying error or some other unexpected result.
If a given cost looks out of place, an investigation into that cost can be made.

Inventory Return Costs

- If the cost of a product has changed over the course of the fiscal year, you may find that units returned by customers came back IN to inventory at the wrong cost.
- This can be corrected by managing [Inventory Return Costs](#).

Inventory Cost Reallocation

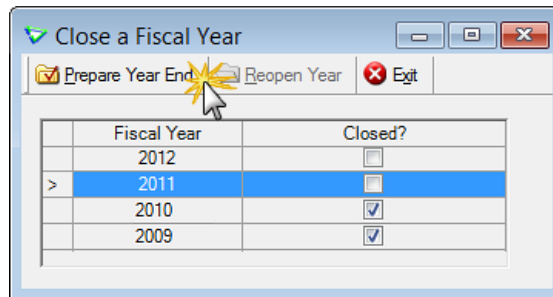
- Allocated unit costs are not updated even if you backdate (read the [Cost History white paper](#) in online Help for more about that) but agrē will allow you to “swap” costs between units.
- Use the ***Inventory Cost Reallocation*** tool to “reshuffle” unit costs to follow FIFO (very helpful when incoming inventory was entered out of order, especially when sold into the negatives).
[Inventory > Manage > Costing]

4. Check for Balanced Inventory Subledgers

- Run the **Inventory Current Value Report** (with the option to reconcile to the GL this time) and check for any differences between the subledger values and the GL accounts. Over the course of time, due to rounding it is normal for these values to vary by up to a few dollars.
- To bring the subledger back into balance, you can manage **Subledger Balancing**. [General Ledger > Manage]

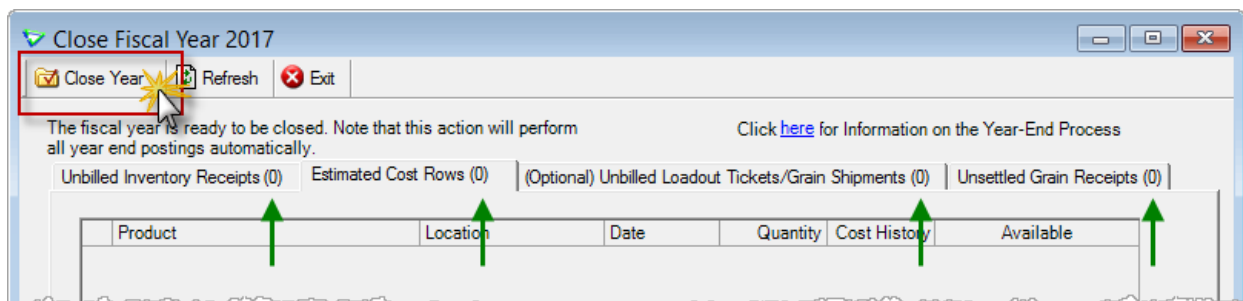
Closing the Fiscal Year

- When you're ready to close your fiscal year, navigate to **GL > Close a Fiscal Year**.
- Select the fiscal year you want to close, and click **Prepare Year End**.



No Issues, Year is Ready to Close

If **Close Year** is in full colour, **congratulations!** All your hard work to reconcile your inventory has paid off and your fiscal year is ready to close.

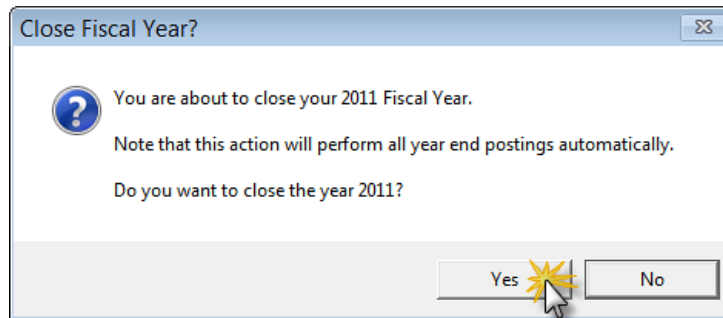


Caution If you have turned on the company config option to **Prevent Inventory Cost Cascade in Closed Periods** please proceed very carefully.

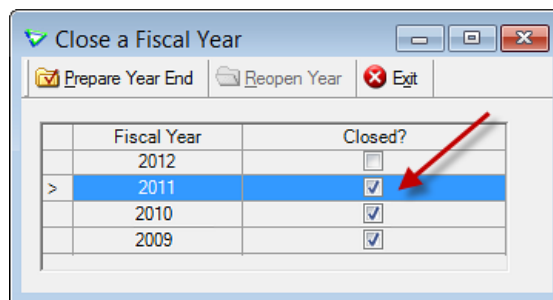
This config option *will* allow you to close a fiscal year with estimated cost rows even though that might *not* be your intention.

To close the fiscal year

- Click **Close Year**
- You'll be asked to confirm the closure. Click **Yes**.



Year-end postings will be made in the background and the year will be flagged as closed.

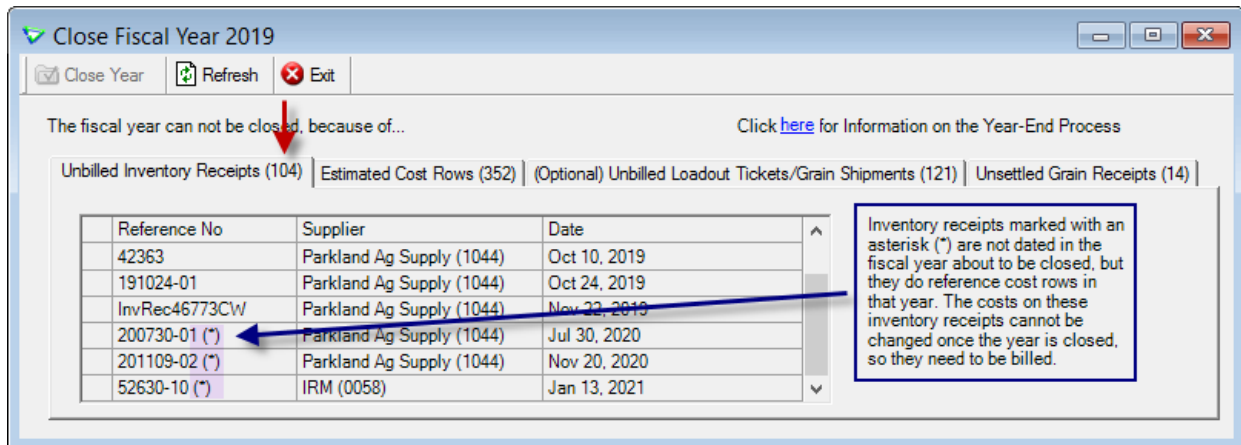


Inventory has Issues

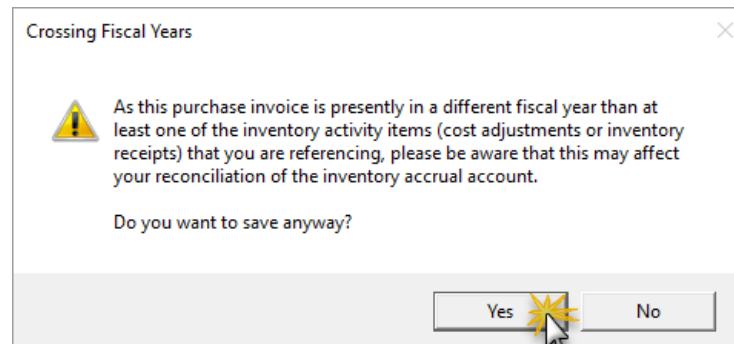
If the **Close Fiscal Year** button is greyed out, there can be **only one reason**: product is still waiting for an actual cost.

Unbilled Inventory Receipts

Since you followed [Step 2: No Unbilled Inventory](#) above you won't see a thing on this tab. 😊



- Unbilled units are assigned only an estimated cost, so you'll need to bill them (to assign an actual cost) before the year can be closed.
- When you bill the receipt you *may* see a message about **Crossing Fiscal Years**.



But I don't have a bill yet!

Of course it's always best to have the "real" actual cost, but if you need to close the year and you just don't have it yet you'll have to improvise.

- If you received inventory during the old fiscal year, but didn't get the purchase invoice until the new fiscal year, that's okay. agrē will apply the actual cost from the PI dated in the new fiscal year to units received on an Inventory Receipt dated in the old fiscal year.

- If your fiscal year ended several months ago and you still haven't received the bill:
 - Call the supplier and ask for the actual cost, enter a PI for the supplier with that cost, and optionally add a comment for your audit trail that you had not yet received the actual PI at the time of entry. When you get the PI with the actual cost at a later date, if the cost is different you can enter a cost adjustment (which will have to be dated in the new fiscal year) to correct it.
 - agrē won't let you cost adjust product received in a closed fiscal year, because it would need to recost and repost the new cost to COGS, and it can't make postings to a closed year.
 - In order to cost adjust the units later when you get the real purchase invoice, you'll need to inventory adjust them OUT on the first day of the new fiscal year, and then adjust them back IN *at the same cost* as when they went out.
 - To find the cost, run the ***Inventory Activity Detail report*** and click on the quantity value. This is a link to the Inventory Transaction Details report, and will display the cost of the units adjusted out.
 - When you receive the real purchase invoice, you'll cost adjust the Inventory Adjustment
 - If you are unable to obtain an actual cost from the supplier, you can use your best guess on the PI and if needed you can enter a correcting cost adjustment later (again dated in the new fiscal year) when you finally get the bill with the actual cost.

Note

About Cost Adjustments for the above strategies:

Since you can't adjust the cost of product on an Inventory Receipt entered in a closed fiscal year, you'll need to add **two inventory adjustments**:

- one to adjust the inventory OUT on the first day of the new fiscal year
- one to adjust it back IN on the first day of the new fiscal year *at the same cost*

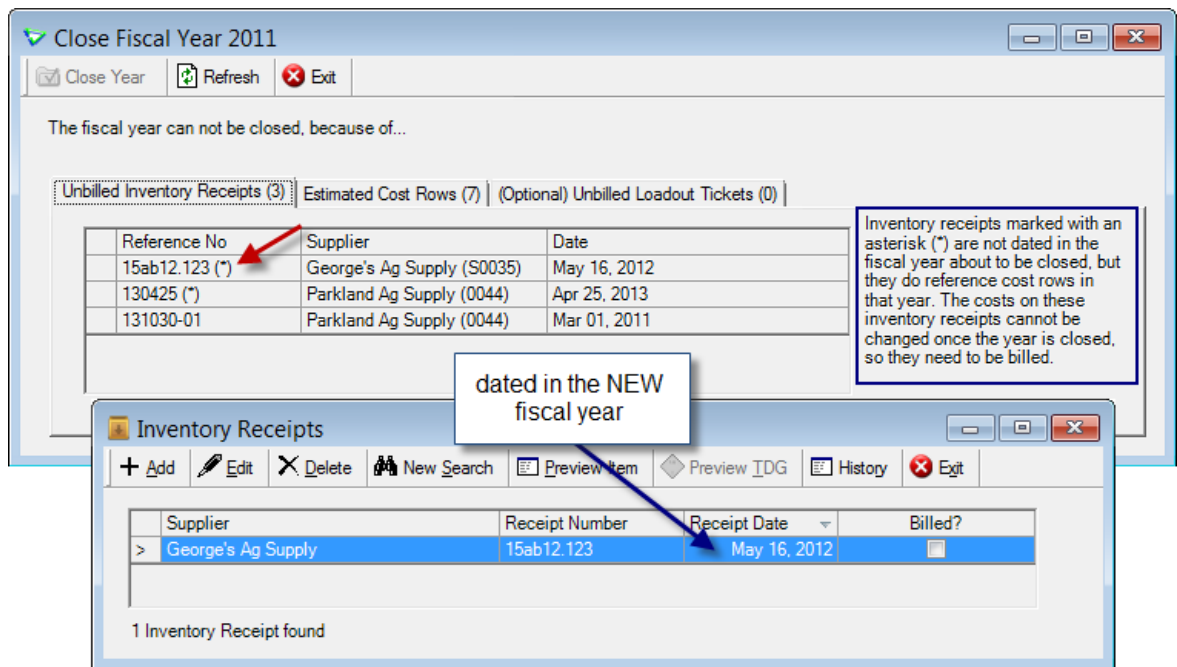
To find the cost, run the ***Inventory Activity Detail report*** and click on the quantity value. This is a link to the Inventory Transaction Details report, and will display the cost of the units adjusted out.

Later, when you receive the actual cost from the supplier and need to enter a cost adjustment, you'll adjust the inventory on the Adjustment that brought the inventory IN.

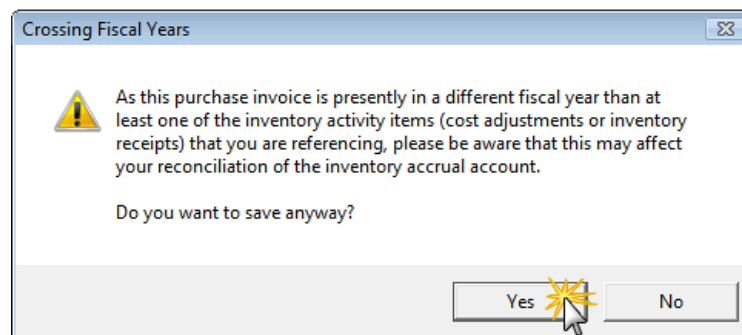
- As long as the inventory balance would still be positive at year end, you could instead edit the date on the Inventory Receipt to one in the new fiscal year. Now the inventory is recorded as being received in the new fiscal year, so there's nothing in the old fiscal year waiting for an actual cost.

But the inventory was received in the new fiscal year, not the old one!

Inventory Receipts marked with a * mean that even though the Inventory Receipt is dated in the *new* fiscal year, it is being used to fill up waiting cost rows in the *old* fiscal year.



- You likely were sold into the negatives at fiscal year-end and then entered an Inventory Receipt dated in the new year, which would fill the waiting cost rows in the old year. Until you bill that receipt, agrē still doesn't have an actual cost for those units that were sold in the old fiscal year.
- When you bill the receipt you *will* see a message about **Crossing Fiscal Years**.



Estimated Cost Rows tab

Even though everything is billed (both in AR & AP) you may still have some units waiting for an actual cost.

The fiscal year can not be closed, because of...

Unbilled Inventory Receipts (3) | **Estimated Cost Rows (7)** | (Optional) Unbilled Loadout Tickets (0)

Product	Location	Date	Quantity	Cost History	Available
0012 - 0-0-12 Bulk	Dog River	Dec 01, 2011	75	0	☐
ACHIEVE - Achieve Liquid Gold	Dog River	Mar 01, 2011	1	0	☐
KMAG - K-MAG 0-0-22+22S+11Mg	Dog River	Jul 09, 2011	0.1	0	☐
KMAG - K-MAG 0-0-22+22S+11Mg	Dog River	Jul 10, 2011	0.11	0	☐
> NH3 - NH3 82-0-0	Dog River	Apr 02, 2011	5	11.0797	☒
NH3 - NH3 82-0-0	Edmonton	Apr 05, 2011	4.5	0	☐
NH3 - NH3 82-0-0	Edmonton	Apr 11, 2011	20	0	☐

Use Cost History

Tip: sort the **Available** column to group rows with Cost History together

When Use Cost History is available

Use Cost History

There is a possibility that estimated cost rows were not be updated even though the cost history table shows that there is a positive quantity remaining.

If the waiting cost rows were created by a location transfer or by manufacturing, adding more inventory using another location transfer or by manufacturing more will not update the waiting estimated cost rows because that could cause an infinite loop (also known as an endless loop).

Here's an example of what could cause an infinite loop: all your chemicals are received at your main location and then transferred to your other locations before spring, but only your main location has a heated shed so at the end of the season everything is transferred back.

When agrē goes looking for costs, it would check the cost history table. For units in Location A, the cost history table says "those units were transferred from Location B." It then looks at Location B's cost history table which says "those units were transferred back to Location A". So it looks a Location A's cost history table. Which tells it to go look at Location B's cost history table. Soon it would be stuck in an endless loop checking the cost history of both locations until it times out. To prevent that, agrē will not use a location transfer to fill waiting cost rows that arose from a location transfer (and it will not use manufacturing to fill waiting cost rows resulting from manufacturing).

Over the course of time agrē can usually "marry up" most of these costs, but for the ones it can't you will need to do it manually.

To Use Cost History to manually assign costs

- Select the product row which has the **Cost History Available** box checked
- Click **Use Cost History**

When you click **Use Cost History**, agrē makes two inventory adjustments in the background: one adjustment to *add* the product to inventory assigning its cost from Cost History and then one to adjust the product back *out* so that inventory balance remains the same.

When Use Cost History isn't available

Use Cost History

If there is no cost history available, it means that **incoming inventory was missed**. agrē knows that you can't send out product you don't have, so it knows product must have been received from somewhere that wasn't recorded correctly.

Where inventory can come from:

- inventory receipt
- grain receipt
- location transfer
- manufacturing
- inventory adjustment/manual count
- customer returns

Negative Inventory Balance as of Year-end

Help

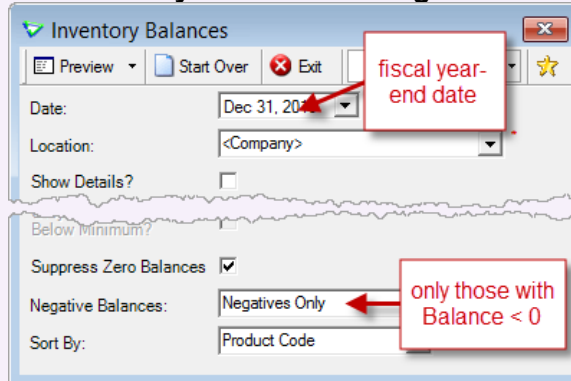
If you're considering using inventory adjustments to change the quantity on hand as of the year-end date: **back-dated Inventory Adjustments don't always do what you think they're going to do!**

Please navigate to [Help > Help Topics > Inventory > White Paper: Current Value](#) for an explanation of what backdated adjustments can do and why.

The first thing to check is **Inventory Balances**: how much was on hand at the end of fiscal year? If the quantity is negative, compare the **Inventory Activity Detail** for the product with **Supplier Purchases**.

Tip

To identify all products “sold into the negatives” run **Inventory Balances for negative balances only**.

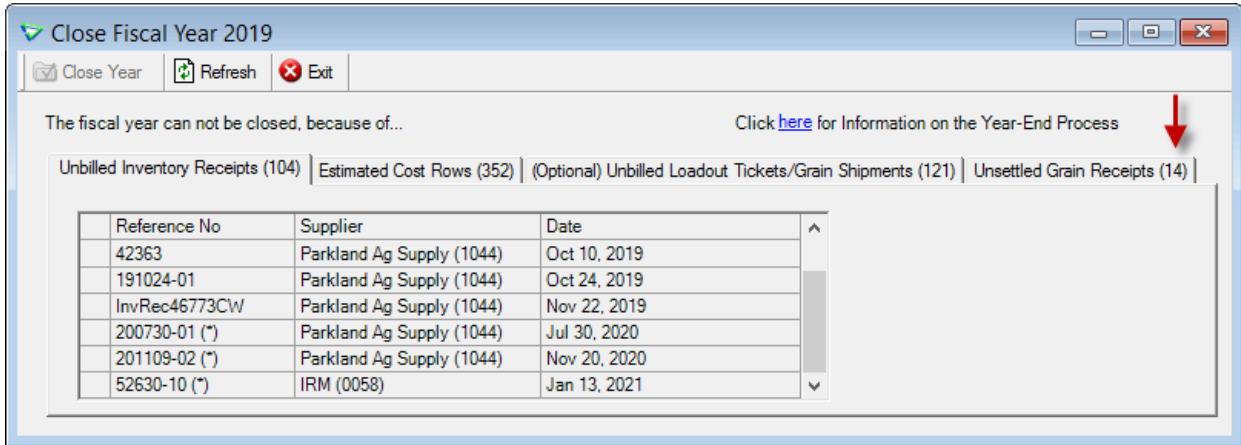


The screenshot shows the 'Inventory Balances' window. At the top, there are buttons for 'Preview', 'Start Over', and 'Exit'. Below these are fields for 'Date:' (set to 'Dec 31, 2014') and 'Location:' (set to '<Company>'). A red arrow points from a callout box labeled 'fiscal year-end date' to the 'Date:' field. Below the 'Location:' field is a checkbox for 'Show Details?'. A horizontal line separates the top section from the bottom section. In the bottom section, there is a checkbox for 'Below Minimum?'. Below that is a checkbox for 'Suppress Zero Balances' which is checked. Below that is a field for 'Negative Balances:' set to 'Negatives Only'. A red arrow points from a callout box labeled 'only those with Balance < 0' to the 'Negative Balances:' field. At the bottom is a field for 'Sort By:' set to 'Product Code'.

For example, if the balance is negative because an inventory receipt was missed, agrē thinks that the product just “fell from the sky” and has no way to assign a cost to it. You’ll need to add an inventory receipt and bill it. If the **Supplier Balance** is correct, you may have paid for the inventory using a **Non-Inventory Purchase**. If that’s the case, you’ll need to make corrections on the purchase invoice (or add a correcting PI) which may also mean that you’ll need to unapply some credits and apply them elsewhere.

Unsettled Grain Receipts tab

Since you followed [Step 2: No Unbilled Inventory](#) above you won't see a thing on this tab. 😊



Note Grain terminals have typically turned on the company config option to ***Prevent Inventory Cost Cascade in Closed Periods*** so even if producers aren't ready to settle, the year can still be closed.

- Settle all the receipts you can so your year-end GL balances are as accurate as possible.
- Unsettled receipts are assigned only an estimated cost.
If actual <> estimated, correcting postings will be in the first open period of the new fiscal year.

Help! For more information on closing fiscal years, navigate to ***Help > Help Topics > General Ledger > Accounting Periods and Fiscal Years > Closing Fiscal Years.***