

CHEMICAL RECON/REBILL ALTERNATIVE

It is not uncommon to receive an **Account Reconciliation** from your chemical supplier(s). Some or all of the following scenarios may apply:

- a portion of your current outstanding balance is now due at a future date
- some of the costs of some of the products you paid for have been increased or decreased
- you qualify for other product rebates
- you are planning to return a portion of the product you have received but have not sold
- your prepayment dollars have been taken into account to come up with a new total amount that you now owe

When doing chemical reconciliations, the best practice is to **document what is happening in real life**. For example, you probably don't want to tell agrē that you returned product that is really still sitting in your chem shed.

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The Account Reconciliation

The Account Reconciliation that you receive from the supplier will give you all the information that you need to reconcile the account in agrē.

The Supplier thinks like this:	
This is the total of your unpaid invoices that's due now: Total	\$66,600.99
But we'll extend the due date on this much: less Rebill	(\$10,000.00)
We think you'll be returning this much product: less Returned Product	(\$11,500.00)
We're changing these costs: Price Adjustments	(\$29.82)
Subtotal	<u>\$45,071.17</u>
We're giving you some Rebates: Misc adjustments	(\$171.64)
Amt Due (incl. tax)	\$44,899.53
You already prepaid OR underpaid by this much: prepay/short payment	(\$25,000.00)
subtotal (ex. tax)	<u>\$19,781.68</u>
GST	\$117.85
So write us a cheque for this amount: Amt Due (incl. tax)	<u>\$19,899.53</u>

We're going to think like this:	
I owe this much right now: Supplier Balance	\$66,600.99
But this much isn't due until later: Rebill credit*	(\$10,000.00)
And I've already prepaid this much: prepay/short payment	(\$25,000.00)
Subtotal	<u>\$31,600.99</u>
The cost of these products has changed: Price Adjustments	(\$29.82)
Rebates have changed the cost of these products too: Misc adjustments	(\$171.64)
I'm returning this much product for a credit: less Returned Product	(\$9,992.00)
So I'm writing a cheque for this much now: Amt Due (incl. tax)	<u>\$21,407.53</u>
And I will still owe this much later: Rebill debit*	\$10,000.00

So, comparing the two ways of looking at the situation, we get this:

Supplier Says:		What you'll do in agrē:
I owe this much right now: Supplier Balance	\$66,600.99	Confirm supplier balance
But this much isn't due until later: Rebill credit*	(\$10,000.00)	PI, non-inventory purchase, negative \$\$ amount, COGS
And I've already prepaid this much: prepay/short payment	(\$25,000.00)	apply credits
Subtotal	<u>\$31,600.99</u>	
The cost of these products has changed: Price Adjustments	(\$29.82)	PI, cost adjustments (or non-inv purchase), neg \$\$ amt
Rebates have changed the cost of these products too: Misc adjustments	(\$171.64)	PI, cost adjustments (or non-inv purchase), neg \$\$ amt
I'm returning this value of product (estimated) for a credit: less Returned Product	(\$9,992.00)	Inv Rec't, neg quantities -> estimate \$\$ value
So I'm writing a cheque for this much now: Amt Due (incl. tax)	<u>\$21,407.53</u>	payment to supplier
And I will still owe this much later: Rebill debit*	\$10,000.00	PI, non-inventory purchase, COGS, due later

Confirm the Outstanding Balance

Run the *Supplier Balances Report* to check that you and the supplier agree on the outstanding *Purchase Invoices* and outstanding amounts. Resolve any discrepancies through your normal business process.

Supplier Balances
All Suppliers Supplier Name is My Chemical Supplier as of Jul 31, 2010

Supplier	Balance	Charges	Credits	Due 30+	Current	Overdue
My Chemical Supplier (S49)	41,600.99	66,600.99	25,000.00		66,600.99	
	<i>Date</i>	<i>Reference</i>	<i>Due Date</i>	<i>Charges</i>	<i>Credits</i>	<i>Comments</i>
	Feb 24, 2010	AP070			25,000.00	
	May 31, 2010	MCS1001	Jul 31, 2010	22,168.00		
	Jun 02, 2010	MCS1002	Jul 31, 2010	36,015.07		
	Jun 30, 2010	MCS1003	Jul 31, 2010	8,417.92		
Totals:	41,600.99	66,600.99	25,000.00	0.00	66,600.99	0.00

To compare the outstanding amounts of each purchase invoice as listed on the supplier's Payment Summary, click the *Apply Credits* button from the *Supplier Account*.

Apply to

	Reference	Invoice Date	Due Date	Orig. Amount	Outstanding	Amount to Apply
>	MCS1001	May 31, 2010	Jul 31, 2010	\$22,168.00	\$22,168.00	\$0.00
	MCS1002	Jun 02, 2010	Jul 31, 2010	\$36,015.07	\$36,015.07	\$0.00
	MCS1003	Jun 30, 2010	Jul 31, 2010	\$8,417.92	\$8,417.92	\$0.00

Supplier Account > Apply Credits

Tip: Click on any **column header** to sort the grid by that column.

The Rebill

This strategy allows you to change a portion of your current outstanding balance to be due at a future date.

Note: Use this method *only* if the cost of the Rebilled product is the same as on the original purchase invoice.

Enter the Rebill Credit Amount

You'll start with the values that you know, like the rebill dollar amount. To record that the supplier is saying "I know that you owe me \$66,600.99 right now, but I'll let you take a little longer to pay \$10,000 of it", you'll create a *Purchase Invoice* for the **credit amount** (negative amount) of the Rebill.

Use whichever GL account makes the most sense to you: COGS, or perhaps a clearing account, or the one your accountant prefers.

The screenshot shows the 'Add Purchase Invoice' window. The Supplier is 'My Chemical Supplier (S49)'. The Invoice Date is 'Jul 30, 2010', Reference Number is 'MCS July Rebill', and Due Date is 'Jul 30, 2010'. The Location is 'Edmonton'. The Comments are 'July Rebill - Credit Amount'. The Totals section shows: Total Non-Inventory: (\$10,000.00), Total Inventory: \$0.00, Total Cost Adjustments: \$0.00, Total Taxes: \$0.00, and Total Purchase Invoice: (\$10,000.00). The table below has one row: Description 'July Rebill', Reference, PO Reference, Quantity '1', Unit Price '(\$10,000.00)', GL Account '55015 - COGS Chemicals', GST, GST Incl., and Line Total '(\$10,000.00)'. The 'Non-Inventory Purchases (1)' tab is selected.

This makes it look like you've already paid for this: you now have a credit on your account with the supplier. You can use this credit to pay off the outstanding invoices with this supplier by [applying the credits](#).

We'll deal with the *amount we still owe, but not until later* in the next step. In the meantime, pretend you paid invoices with this credit.

Enter the Rebill Debit Amount

The supplier is really just giving you a little longer to pay the Rebill amount; they're not giving you a free pass. You need to record that you still owe the money, but that it is not due until sometime in the future. Since this is just about dollars, and has nothing to do with products, we can use a non-inventory purchase order to record that we still owe money to the supplier.

Create another **Purchase Invoice** for the **debit amount** (positive amount) of the rebill and set the correct (i.e. the new) **Due Date**. Use the same GL you used above.

The screenshot shows the 'Add Purchase Invoice' window. The Supplier is 'My Chemical Supplier (S49)'. The Invoice Date is 'Jul 30, 2010', Reference Number is 'MCS July Rebill', and Due Date is 'Sep 30, 2010'. The Location is 'Edmonton'. The Comments are empty. The Totals section shows: Total Non-Inventory: \$10,000.00, Total Inventory: \$0.00, Total Cost Adjustments: \$0.00, Total Taxes: \$0.00, and Total Purchase Invoice: \$10,000.00. The table below has one row: Description 'July Rebill Amount', Reference, PO Reference, Quantity '1', Unit Price '\$10,000.00', GL Account 'COGS Chemicals (55015)', GST, GST Incl., and Line Total '\$10,000.00'. The 'Non-Inventory Purchases (1)' tab is selected. A callout bubble points to the 'Due Date' field with the text 'new Due Date'. Another callout bubble points to the 'GL Account' field with the text 'same GL account'.

Make the Price Adjustments

The supplier's **Price Adjustments** are your **Cost Adjustments**. Create a new **Purchase Invoice** and add product rows on the cost adjustment tab using the values given on the **Price Adjustment Summary**. Enter **Price Adjustments – Debits** as positive dollar amounts. Debit adjustments increase the cost of the product.

The screenshot shows the 'Add Cost Adjustment' window with the following details:

- Product: Achieve Liquid Gold - ACHIEVE
- Adjustment Units: CASE - Case
- Cost Adjustment / Unit: \$5.25
- Quantity (in Adj Units): 3
- Cost Adjustment Total: \$15.75
- Apply Cost Adjustment to Inventory Activity: Inventory Receipt, July 01, 2017, Reference 180124-01, Location Edmonton, Current Cost \$850.00, Quantity 5.0000

A callout box points to the 'Cost Adjustment / Unit' field with the text: "Price Adjustments - Debits positive \$\$ amount".

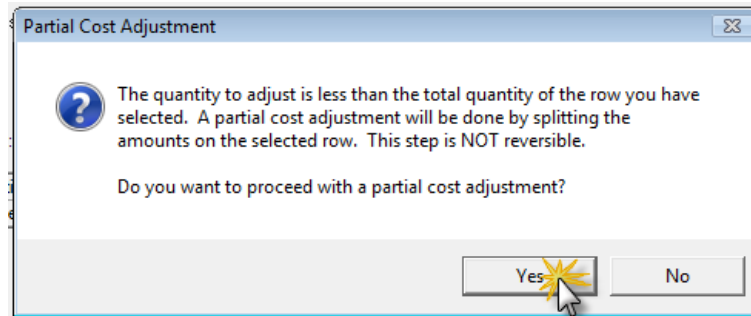
Enter **Price Adjustments – Credits** as negative dollar amounts. Credit adjustments decrease the cost of the product.

The screenshot shows the 'Add Cost Adjustment' window with the following details:

- Product: Frontline - FRONTLINE
- Adjustment Units: CASE - Case
- Cost Adjustment / Unit: (\$2.17)
- Quantity (in Adj Units): 21
- Cost Adjustment Total: (\$45.57)
- Apply Cost Adjustment to Inventory Activity: Inventory Receipt, July 01, 2017, Reference 180124-01, Location Edmonton, Current Cost \$300.00, Quantity 60.0000

A callout box points to the 'Cost Adjustment / Unit' field with the text: "Price Adjustments - Credits negative \$\$ amount".

If the supplier is not changing the cost of all the units received on a selected inventory receipt, that's okay. agrē lets you know it will automatically split the inventory receipt for you so that you can adjust only a partial quantity, not the whole load.



Note: If you'd prefer not to allocate the Price Adjustments to the entire product category, use the ***Non-Inventory purchases tab*** to allocate the adjustment totals to the COGS-Chemical account instead of using the Cost Adjustment tab.

Keep in mind that if you choose this method, your *overall* Chemical margin (total chemical sales minus total chemical costs, as seen on the GL reports) will be changed, but not margins for individual products (as seen on the ***Customer Sales reports***).

Make the Miscellaneous Adjustments

The supplier's **Miscellaneous Adjustments** are also your **Cost Adjustments**. Create a new **Purchase Invoice** and add product rows on the cost adjustment tab using the values given in the **Miscellaneous Adjustments** section of the **Price Adjustment Summary**. Rebates decrease the cost of the product, so enter them as negative amounts.

Activity Type	Date	Reference	Location	Current Cost	Quantity
Inventory Receipt	Dec 05, 2016	161205LinkedUnlin	Edmonton	\$7.25	1.0000
Inventory Receipt	Jan 18, 2016	IR-160118-02	St. Albert	\$7.25	50.0000

Note: If you'd prefer not to allocate the **Miscellaneous Adjustments** per product, or the supplier has not given you enough details to calculate the rebate per product, use the **Non-Inventory purchases tab** to allocate the adjustment totals to the COGS-Chemical account instead of using the Cost Adjustment tab.

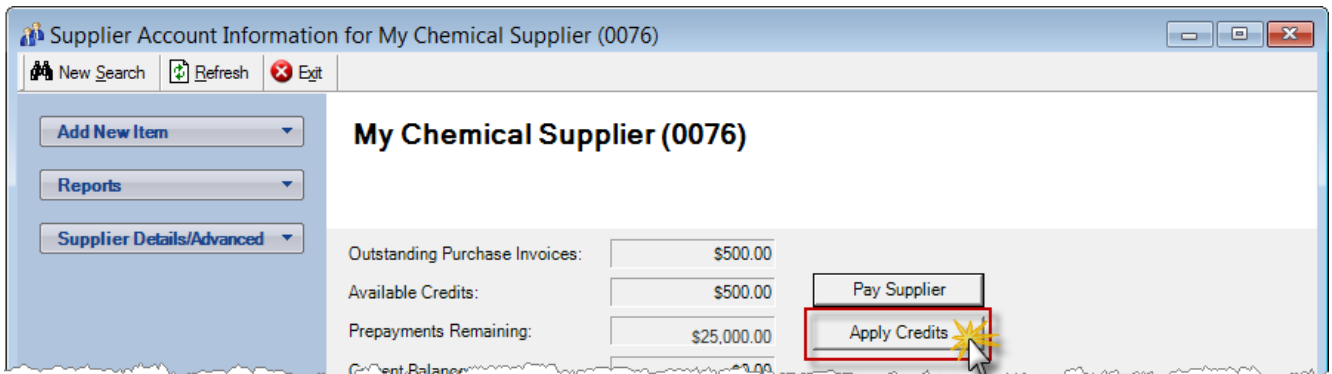
Keep in mind that if you choose this method, your *overall* Chemical margin (total chemical sales minus total chemical costs, as seen in the GL reports) will be accurate, but not margins for individual products (as seen in the **Customer Sales reports**).

Apply Prepayment Dollars

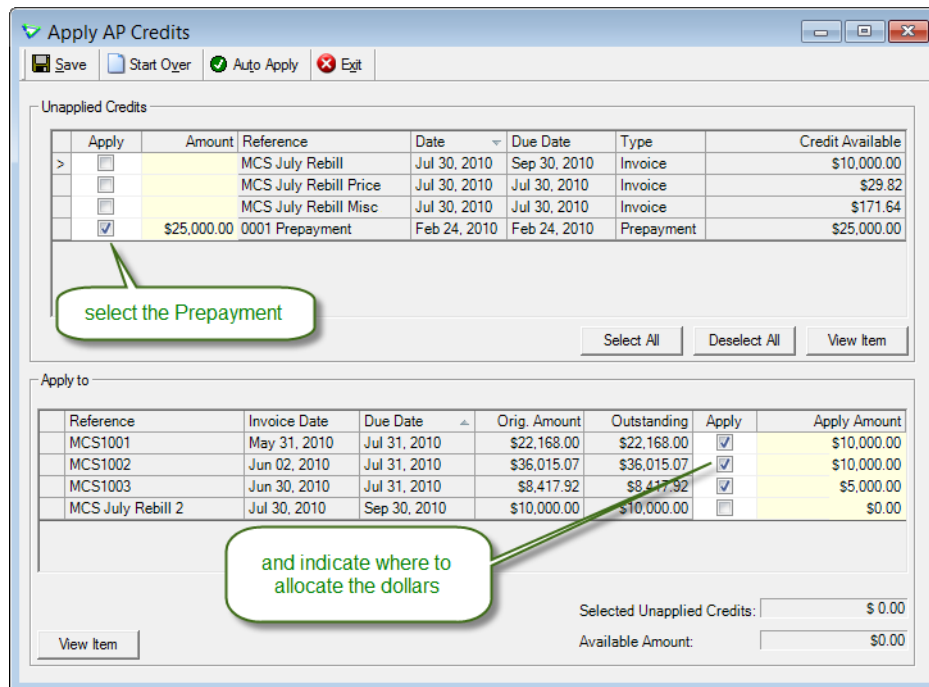
The supplier will indicate on the **Account Reconciliation** how much of your prepayment dollars are being applied, or if you've short paid in the past and need to make up for it now.

Note: If you've **short paid** in the past, you'll be including the shortage in the **payment** you'll be making to the supplier.

To **apply the Prepayment funds**, from the **Supplier Account** click the **Apply Credits** button.



Select the Prepayment credit(s) and apply them to a specific purchase invoice(s) as indicated by the supplier.



Product Returned to the Supplier

Note: If you are not returning any product now, but you will be returning product to the supplier before the next reconciliation, move on to the next step: [Estimate the Value of the Returned Product](#).

On the **Product Return Summary** of the Account Reconciliation, the supplier has listed quantities of products they *think* you will be returning to them. These quantities are based on what was remaining in your inventory when the supplier asked what you had, but may not be the actual quantities that you are (or soon will be) returning. When you return the product to the supplier, create an **Inventory Receipt** for the amount of product that you are *actually* returning.

Product	Quantity	Location	Est. Cost	Billed On	PO Reference
ACHIEVE - Achieve Liquid Gold (CASE)	-4.0000	Edmonton			
FRONTLINE - Frontline (CASE)	-7.0000	Edmonton			
PUMA - Puma Super 6.2 L (JUG)	-16.0000	Edmonton			
> ROUNDUPDRY - Roundup Pro Dry (BOX)	-8.0000	Edmonton			

Tip To save time, you can **copy an existing inventory receipt** with all - or most - of the returned products so all you need to do is change the quantity values.

Estimate the Value of the Product Return

Now you get to the dollar values that you *won't* know for certain. You can *estimate* the value of the returned product (or what you will soon be returning) by checking the supplier prices (which are your costs) on the **Product Return Summary** of the Account Reconciliation. You won't know the exact dollar amount for the product returns until you get a Purchase Invoice or other documentation from the supplier later (perhaps on the next Reconciliation), but the Product Return Summary should give you a close estimate.

Product	Quantity	Est .Cost	Total
Achieve	-4	\$440.00	(\$1,760.00)
Frontline	-7	\$300.00	(\$2,100.00)
Puma Super	-16	\$303.25	(\$4,852.00)
Round Up Pro Dry	-8	\$160.00	(\$1,280.00)
Estimated Total:			(\$9,992.00)

Calculate the Amount Due

We plug the numbers into the [formula](#) from page 2 to calculate the Amount Due now.

I owe this much right now: Supplier Balance	\$66,600.99
But this much isn't due until later: Rebill credit*	(\$10,000.00)
And I've already prepaid this much: prepay/short payment	(\$25,000.00)
Subtotal	\$31,600.99
The cost of these products has changed: Price Adjustments	(\$29.82)
Rebates have changed the cost of these products too: Misc adjustments	(\$171.64)
I'm returning this value of product (estimated)for a credit: less Returned Product	(\$9,992.00)
So I'm writing a cheque for this much now: Amt Due (incl. tax)	\$21,407.53
And I will still owe this much later: Rebill debit*	\$10,000.00

Pay the Supplier

Pay the supplier the calculated amount. The amount should include any short payments from the past.

Supplier: **My Chemical Supplier**

Payment Date: Jul 30, 2010 Tracking/Cheque Number:

Transaction Date: Jul 30, 2010 Payment Comments: July Rebill Amount Due

Payment made from: Edmonton

Payment Type: Cheque

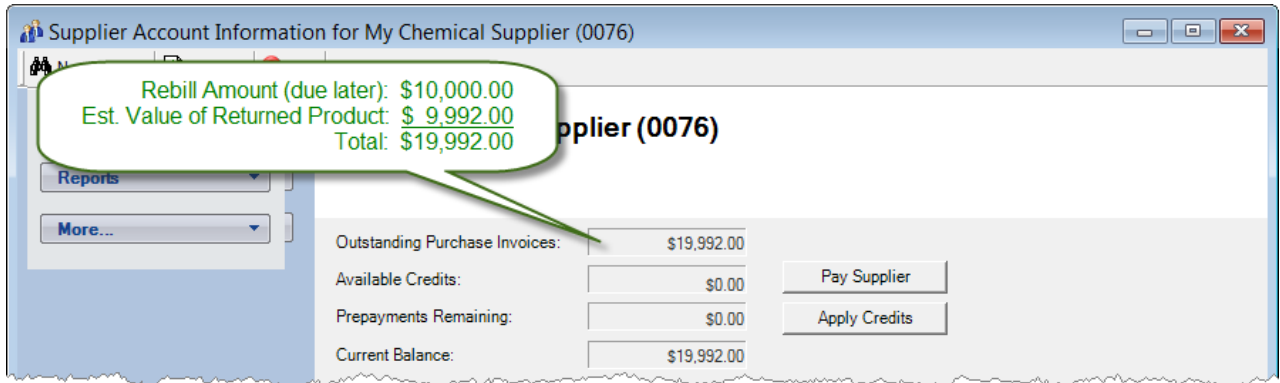
Purchase Invoice	Invoice Date	Due Date	Total Amount	Amount Outstanding	Credit	Include	Amount Paying
MCS1001	May 31, 2010	Jul 31, 2010	\$22,168.00	\$1,966.54	<input type="checkbox"/>	<input checked="" type="checkbox"/>	\$1,966.54
MCS1002	Jun 02, 2010	Jul 31, 2010	\$36,015.07	\$26,015.07	<input type="checkbox"/>	<input checked="" type="checkbox"/>	\$19,440.99
> MCS1003	Jun 30, 2010	Jul 31, 2010	\$8,417.92	\$3,417.92	<input type="checkbox"/>	<input type="checkbox"/>	\$0.00
MCS July Rebill 2	Jul 30, 2010	Sep 30, 2010	\$10,000.00	\$10,000.00	<input type="checkbox"/>	<input type="checkbox"/>	\$0.00

View Purchase Invoice Select All (Excl. Credits) Deselect All Subtotal Amount: \$21,407.53

Select All (Incl. Credits) Include Additional Payment of this Amount: \$0.00 Total Amount: \$21,407.53

Supplier Current Balance

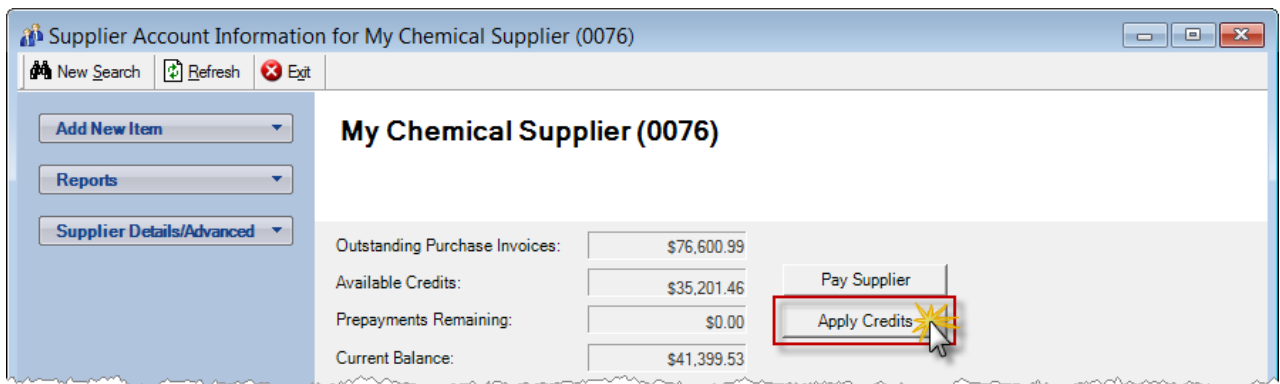
After you pay the supplier the calculated **Amount Due**, the remaining outstanding balance consists of the Rebill amount due at the next reconciliation, plus the estimated value of the product to be returned to the supplier for which you will receive a credit later.



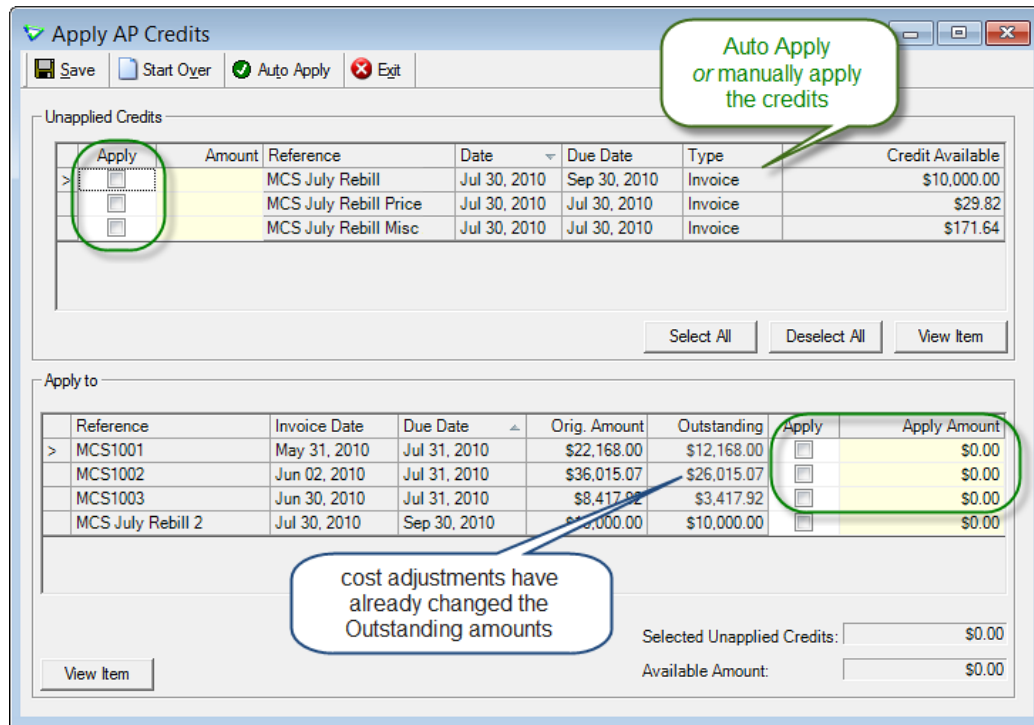
Optional: Apply Other Credits

Note: This step can be done any time.

The Rebill amount, the Miscellaneous Adjustments and possibly the Price Adjustments have created credits on the supplier's accounts. To **apply the credits**, from the Supplier Account click the **Apply Credits** button.



Either **Auto Apply** the credits, or manually select the credits and apply them to specific purchase invoices. You want to apply the credits to purchase invoices that are due now. You won't be applying any credits to the Rebill – Debit amount; that's not due until later.



When Cost Adjustments Cross a Fiscal Year

Depending on the date of your fiscal yearend, you may need to cost adjust product received in the last fiscal year because of rebates or cost changes that occurred in this fiscal year. If your last fiscal year is NOT closed, or you have the **Prevent Postings in Closed Periods** configuration flag turned on but periods in the last fiscal year aren't closed yet, any cost adjustments you make now, in the new fiscal year, for product received in the old fiscal year will affect your GL balances for the last fiscal year.

If it is Okay That Last Year's GL Values Will Change

Proceed as instructed above. The COGS for the last fiscal year, which is when the product was received and likely sold, will be affected by any cost adjustments you make now.

If Last Year's Values Must Remain the Same

To prevent your last year's values from changing:

- you could just **apply the cost adjustment value to your COGS account**, instead of to specific inventory receipts

- you could decide to apply the cost adjustments to inventory you have on hand now, in the new fiscal year (i.e. carry the adjustment ‘forward’) instead of the specific inventory receipts the supplier intended
- you could adjust out remaining inventory on the first day of the fiscal year and adjust it back in so that any cost adjustments done later will affect only the current fiscal year (*however this only works if you remember to do it right at the start of the new fiscal year, you can’t go back in time: plan ahead for fiscal year end by reading the next section*)

Using Inventory Adjustments for Recosting

If you think it is likely that in the new fiscal year you are going to want to recost product physically sitting in inventory at the end of the last fiscal year, but you don’t want the GL values from the last fiscal year to change, you can make an **Inventory Adjustment** to “take away” all product left at the old year end and then make another adjustment to “bring it back” in the new fiscal year. When you are making your cost adjustments later in the year as part of the Rebill Process, it will be on the product received via the **Inventory Adjustment** in the current fiscal year rather than on an **Inventory Receipt** from the old fiscal year: i.e. the inventory you had left at the time.

With this method your old inventory is taken away, then comes back in as new inventory in the current fiscal year that can be cost adjusted later without affecting the old year values.

Caution: Using **Inventory Adjustments for Recosting** does not allow for time travel! It works only on the units you have on hand *right now*.

This means that if you want to adjust the “old year” remaining inventory out, and bring it back in as “new year” product, you must do it *on the first day of the new fiscal year – before any inventory has moved out in the new year*.

What Costs do I use?

When you adjust product OUT, agrē will know what cost to use. Each unit has a cost calculated from the cost specified on the original **Purchase Invoice** plus/minus any other **Cost Adjustments**.

Tip: To see what cost agrē will use, run the **Cost History Report** for the location of the product. In accordance with FIFO, the first units in are the first units out.

When you adjust product IN, you specify what the cost is. You can use the same cost as the “old year” product, or you can bring it back at a cost that more accurately reflects the current market value. If you want to change the cost, you would follow the same process as you would when “writing down” or “writing up” inventory. You may want to use a different GL account than the COGS account if you are changing the cost.