Chapter 11: Accounting for stock

You enter opening balances and add periodic Stock/Adjustment Journals in order to produce a meaningful balance sheet.

There are four stages to accounting for stock in BankLink Practice:

- Stage 1: Linking stock on hand to opening and closing stock
- Stage 2: Linking opening and closing stock
- Stage 3: Adding opening balances for stock
- Stage 4: Accounting for stock movement using a BankLink Practice journal

Stage 1: Linking stock on hand to opening and closing stock

You must link the stock on hand account(s) with the associated opening and closing stock accounts so that BankLink Practice can show the correct opening and closing stock figures in the profit and loss reports.

BankLink Practice only displays the **Linked Accounts** tab when one of the following Report Groups is assigned: Opening Stock, Closing Stock, Stock on Hand. See **Chapter 12: Setting up reporting** for information about assigning Report Groups.

To link stock on hand to opening and closing stock in BankLink Practice:

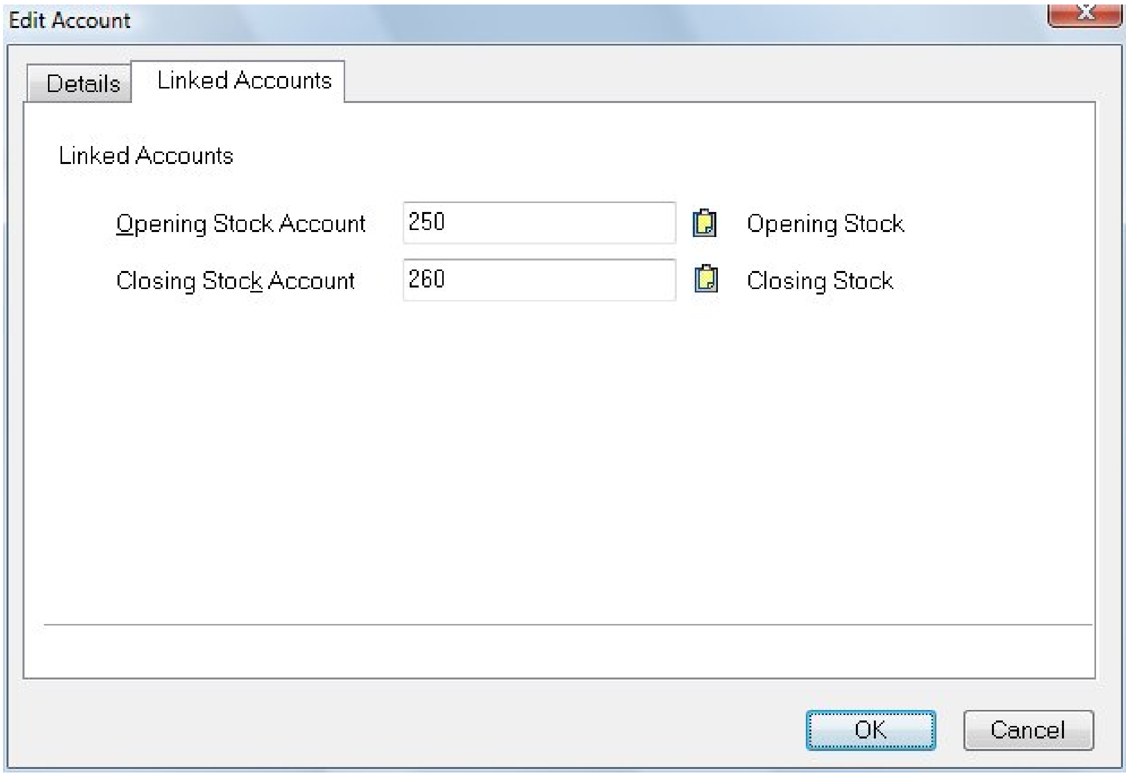
1 Click **Other Functions, Chart of Accounts, Maintain Chart**

BankLink Practice displays the **Maintain Chart of Accounts** window

2 Select your Stock on Hand account and click **Edit**

BankLink Practice displays the **Edit Account** window

3 Click the **Linked Accounts** tab



4 Click in the **Opening Stock Account** field and enter the chart code for the associated opening stock

5 Click in the **Closing Stock Account** field and enter the chart code for the associated closing stock

You can click the **Chart** button (**F2**) to help you find the codes. The codes used for both opening and closing stock must have the Opening or Closing Stock report group assigned - the chart lookup only displays the applicable codes. See **Assigning report groups** in Chapter 12: Setting up reporting.

6 Click **OK**

If your accounting system has a Refresh Chart option, BankLink Practice displays a message window stating **You have altered the client's chart. Do you want to lock the chart to prevent it being refreshed?**

7. Click **No** so that you can still refresh the chart of accounts from your main accounting system

Stage 2: Linking opening and closing stock

You must link your opening and closing stock accounts in the BankLink Practice chart. Linking these accounts enables BankLink Practice to show the opening stock figure in a profit and loss report by taking the closing stock figure from the prior period.

To link opening and closing stock:

1 Click **Other Functions, Chart of Accounts, Maintain Chart**

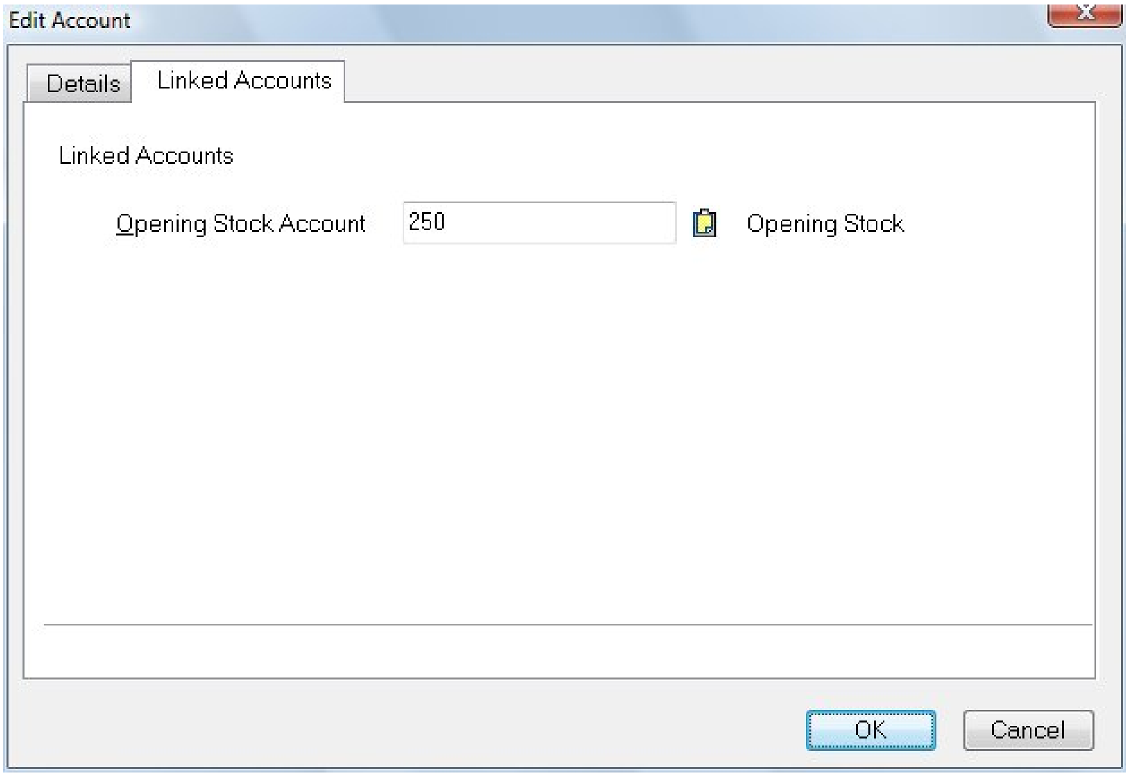
BankLink Practice displays the **Maintain Chart of Accounts** window

2 Select your **Closing Stock** account and click **Edit**

BankLink Practice displays the **Edit Account** window

3 Click the **Linked Accounts** tab

BankLink Practice displays the **Linked Accounts** tab



4 Click in the **Opening Stock Account** field and enter the chart code - click the **Chart** button (**F2**) to select from a list

5 Click **OK**

If your accounting system has a Refresh Chart option, BankLink Practice displays a message window stating **You have altered the client's chart. Do you want to lock the chart to prevent it being refreshed?**

6 Click **No**

BankLink Practice only displays the **Linked Accounts** tab if one of the following Report Groups is assigned: Opening Stock, Closing Stock, Stock on Hand. See **Assigning report groups** in Chapter 12: Setting up reporting.

The opening stock/closing stock link is made independently of the stock on hand/opening stock/closing stock link. This allows you to account for stock movements in a profit and loss account without also having to complete the set up required to produce a balance sheet.

BankLink Practice automatically enters the corresponding chart code in the Linked Accounts tab of the Opening Stock code.

Stage 3: Adding opening balances for stock on hand

In BankLink Practice, you can only enter opening balances for account codes that have been assigned a balance sheet report group. For this reason, the stock on hand account(s) must be linked with the associated opening and closing stock accounts before opening balances are added.

For more information see **Opening balances** in Chapter 12: Setting up reporting.

When you first enter stock figures into BankLink Practice using the Opening Balances window, the Stock on Hand and Closing Stock amounts must be reversed by journal in the first period that you account for stock. The action selected for these journal lines must be **Normal**. Subsequent journals debiting Stock on Hand and crediting Closing Stock can be entered with a journal action of **Reversing**.

Stage 4: Accounting for stock movement using a BankLink Practice journal

In order to account for stock movements for a period within the financial year you enter a reversing journal. This journal debits your stock on hand account and credits your closing stock account:

To enter stock/adjustment journals:

1. Click **Data Entry, Non-Transferring Journals, Stock/Adjustment Journals**

   BankLink Practice displays the **Select Date for Stock/Adjustment Jnl** window

2. Enter an **Effective Date** - this is usually the month end date

   You can use the arrow buttons to select the next or previous month or select from a drop down list of dates. If there is already a Journal for a date, the date is in **bold**.

3. Click **OK**

   BankLink Practice displays the **Enter Journal** window

4. Enter an **Account**, for example **720 – Stock on Hand** – you can click on the Chart icon (**F2**) to help you

   You can also code by payee - you can click on the Payee icon (**F3**) to help you. See Chapter 4 for more information on coding by payee in a journal.

5. Enter an **Amount**, for example: **10000.00**

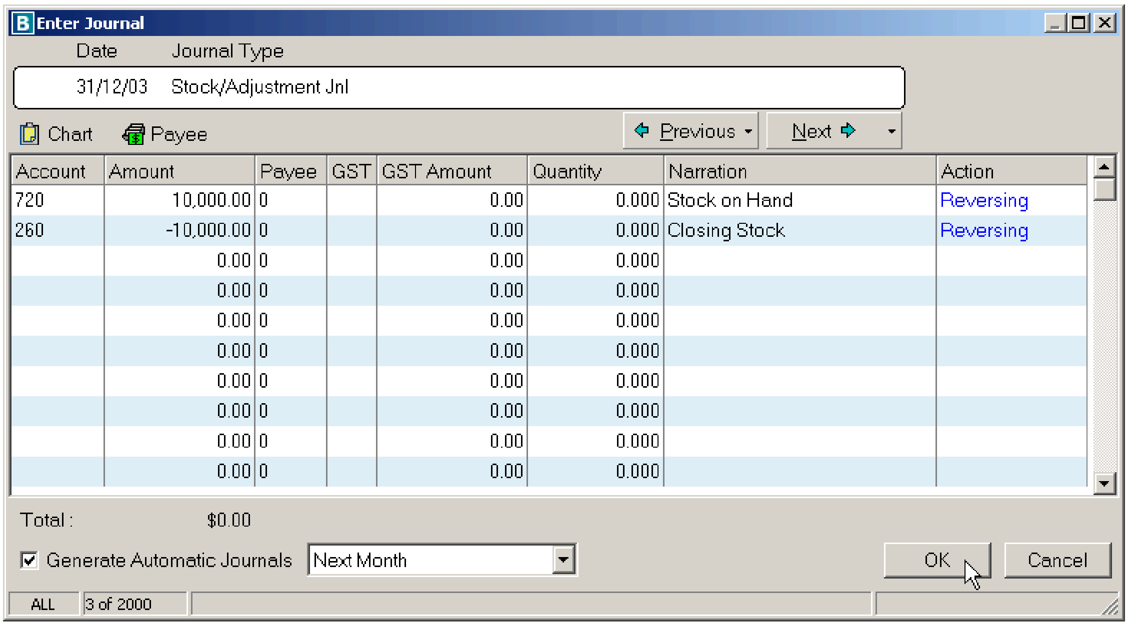
6. Where applicable override the **GST Rate**, **GST Amount**, and enter a **Quantity** and **Narration**

7. Click in the **Action** field and select **Reversing** (**R**)

8. Enter the balancing entry for the journal, for example **Account 260 – Closing Stock: Amount 10000.00**

9. Ensure the **Generate Automatic Journals** check box is enabled, and select from:

   - Next Month
   - in Two Months
   - in Three Months
   - in Six Months
   - Next Year



10 Click **OK**

BankLink Practice prompts you to confirm the reversal period

11 Click **Yes**

BankLink Practice displays an **Information** window confirming the generation

12 Click **OK**

More about accounting for stock

Within reporting years, BankLink Practice assumes that the Closing Stock figure for one period is the Opening Stock for the next.

However, Closing Stock is not carried across reporting years, so Opening Stock must be added via a journal in the first month of the new financial year, which also balances the reversal for Closing Stock from the previous reporting year.

The Stock on Hand balance must be carried forward and a suitable balance sheet account credited to balance the journal, for example, you might debit Stock on Hand and credit Equity.

If you account for stock on a quarterly basis, the reversal of the previous quarter's (and year's) stock journal appears at the end of the first quarter, and a new reversing journal can be entered for Closing Stock and Stock on Hand.