# Allocate Bulk Disposals: The concept

Path: **Back Office Menu ->** *Allocate Bulk Disposals*

**Non-Bulk Rental Inventory: The Definition:**

Non-bulk rental inventory refers to items that are tracked individually, often by serial number and by status code. Each non-bulk product is assigned a unique product number and the quantity per product number is always 1.

When Non-bulk rental inventory is sold, and the sales invoice is posted using DAILY CLOSE 1, DAILY CLOSE 2, and DAILY CLOSE 3 , the revenue from the sale and the cost on disposal are automatically posted to the General Ledger.

At the same time a Disposal Record is written, which can later be reviewed in DISPOSAL TRANSACTIONS REPORT to determine if any depreciation adjustments are required (***If any in the case of Unique Scaffold***)

When the sale of a Non-bulk rental product is reversed, the equipment is returned on a credit invoice with a negative quantity. This "negative sale" is recorded in the Bulk Disposals file until the Fixed Asset Tag is manually re-selected.

When the tag is selected, the Fixed Asset Tag is updated and the appropriate transactions to reverse the Inventory and COGS postings are written to the Rental Journal Transactions file in preparation for posting on the next Daily Close posting to the G/L.

**Bulk Rental Inventory: The Definition**

Bulk rental inventory refers to rental inventory where the quantity per Product number is greater than one. Examples of bulk rental items include: points, chisels, air hoses, cutlery, dinner plates, etc.

Two Options for Selecting Costs for Bulk Items:

1. When Bulk rental inventory is sold, and the sales (disposal) invoice is posted using DAILY CLOSE 1, DAILY CLOSE 2, and DAILY CLOSE 3, the revenue from the sale is automatically recorded. The cost of the equipment, however, is not clear at the time of the posting because bulk equipment allow for multiple Fixed Asset Tags with varying costs.

To handle multiple tags, the sale of any bulk rental equipment writes a record into the Bulk Disposals file, and the cost posting is temporarily held out of DAILY CLOSE 2 . The revenues, services and taxes which result from the invoice are immediately posted, and will appear on reports from DAILY CLOSE 3.

On a regular basis, usually part of month end close, the Bulk Disposals must be reviewed to pick the Fixed Asset Tags and complete the cost postings. The costs will appear on the Rental Journal Report next time DAILY CLOSE 3 is run.

*It is important to complete Bulk Disposals regularly in order for the correct costs of the equipment to be recognized in the General Ledger, Detailed Product History and Monthly Product History, and Disposal Transactions.*

2. A flag in the COMPANY POSTING PARAMETERS, can be set to automate the selection of the Fixed Asset Tag in the Daily Close for the disposal or sale of Bulk Rental products with multiple Fixed Asset Tags. (I think we should have this activated once the Inventory is cleaned up)

   When this feature is activated the tag with the oldest acquisition date is automatically updated with the disposal information and the inventory value posting reflects the value from that oldest tag. Records are only written to BULK DISPOSALS when there are insufficient Asset Tag quantities, or when a disposal is being reversed, and the tag then needs to be selected manually.

The Disposal Transaction Record is written, that can be review in DISPOSAL TRANSACTION REPORT to determine if any depreciation adjustments is required.

**Posting Asset Value on Disposal:**

▪ POSTING BOOK VALUE ON DISPOSALS

When equipment is disposed, the Book Value can be posted to the G/L as the cost of the equipment, instead of the Average Cost. This is option can be activated in the COMPANY POSTING PARAMETERS.

This is useful, if the depreciation on the fixed assets is accurate.

The Bulk Disposal formula to calculate the Book Value Cost is:

**BOOK VALUE EACH at disposal for the selected tag, multiplied by the Fixed Asset Tag QUANTITY, to equal the TOTAL COST at disposal**

The Total Cost is displayed on the screen when accepting the Fixed Asset Tag.

The disposal costs are posted to the G/L Accounts defined in the RENTAL PRODUCT CLASSES assigned to the product. The INVENTORY ACCOUNT is credited and the COST OF GOODS SOLD ACCOUNT is debited with the TOTAL COST amount.

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Example:          Rental Item is sold (i.e. a drill)

SELLING PRICE       $ 400.00         SELLING PRICE        400.00
COST                - 300.00         BOOK VALUE         - 250.00
ACCUM. DEP.         +  50.00
                    ----------                          ----------
PROFIT ON DISPOSAL  $ 150.00                            $ 150.00


System Generated posting records:

Sale of Rental Equip       CREDIT 4090 for the selling price  $400.00
Accounts Receivable        DEBIT  1200 for the selling price   400.00
Rental Inventory           CREDIT 1300 for the Book Value      250.00
Cost of Rental Equip Sold  DEBIT  4510 for the Book Value      250.00
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▪ **POSTING AVERAGE COST ON DISPOSALS:**

Many firms do not want the Book Value to post automatically to the General Ledger.
This is because:

- Many firms do not keep accurate fixed asset registers.
- Accumulated depreciation totals per item are not known.
- Depreciation figures are not entered into the system.
- The accountant controls the depreciation schedule

The Bulk Disposal formula to calculate the Average Cost is:

**COST EACH at disposal for the selected tag, multiplied by the Fixed Asset Tag QUANTITY to equal the TOTAL COST at disposal.**

The Total Cost is displayed on the screen when accepting the Fixed Asset Tag.

The Depreciation on the Tag selected is **NOT** automatically posted to the General Ledger.
The Depreciation which does apply to that item is recorded automatically on the DISPOSALS TRANSACTIONS REPORT and the Fixed Asset Tag is updated.

The depreciation does **NOT** automatically post to the General Ledger, so that Accountants and Controllers can review the depreciation amount and make an independent assessment. By printing the Disposal Transactions Report, your accounting staff can see each disposal, the costs and depreciation associated with each. They will be able to determine if a Journal Entry is required for the Depreciation adjustments.

The depreciation would be recorded later by the accountant, or controller, after reviewing the DISPOSAL TRANSACTION REPORT.

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Example:  A Rental Item is Sold

SELLING PRICE           $ 400.00        SELLING PRICE        400.00
COST                    - 300.00        BOOK VALUE         - 250.00
ACCUM. DEP.             +  50.00
                        -----------                        -----------
PROFIT ON DISPOSAL      $ 150.00                           $ 150.00


System Generated posting records:

Sale of Rental Equip        CREDIT 4090 for the selling price  $400.00
Accounts Receivable         DEBIT  1200 for the selling price   400.00
Rental Inventory            CREDIT 1300 for the purchase cost   300.00
Cost of Rental Equip Sold   DEBIT  4510 for the purchase cost   300.00
```

## ALLOCATE BULK DISPOSALS: The steps

The prompts to clear the disposal records in preparation for completing the posting include:

**TAG DIVISION, OR 'ALL'**
> Accept ALL to include Asset Tags from all divisions, or select a division from the drop-down list. This is the Owning Division of the equipment as determined on the Fixed Asset Tag.

**INVOICE DIVISION, OR 'ALL'**
> Accept ALL to include products sold on invoices from all divisions, or select a division from the drop-down list to include only products sold on invoices from that division.

**Resulting Product Disposal List**
> The Bulk Disposal details lists the bulk items which have been sold on an invoice and any reversals of rental sale transactions, that have not yet been cleared, with the Product #, Invoice #, Date, Quantity Sold, and Selling Price Each.

**Invoice Details:** A window is provided on the *Invoice#* field to drill down to the details of the sale invoice,

To select a tag and to clear a bulk disposal record, window on the *Allocate* field:

**ALLOCATE**
> Window to select the Fixed Asset Tag for that product, as outlined in ALLOCATE BULK DISPOSALS Window displaying the detailed selling information

Once the tag selection is completed, the outstanding quantity to be allocated is reduced and the balance to be allocated is redisplayed.
When the balance to be allocated reaches zero, the product disappears from the *Bulk Disposals* list.

Click **ACCEPT** to accept the information, and run DAILY CLOSE 3 to complete the postings. The Bulk Disposal posting amounts appear on the *Rental Journal Transactions Report*.

**Tag Quantity Discrepancy Problems in Bulk Disposals**
> If the tag quantity did not equal the location quantity in RENTAL INVENTORY prior to the sale, both quantities must be adjusted to correct the tag quantity and to be able to clear the item in *Allocate Bulk Disposals*.

Quantity discrepancies can be checked by running the report in VERIFY TAG QUANTITY = LOC QTY.

# VERIFY ASSET TAG QTY = LOCATION QTY

<u>Path:</u> **Utilities Menu -> Inventory Control -> Verify Asset Tag Quantity = Location Quantity**

When loading your equipment, it is possible to enter the quantity on the location records, but then skip the window to record the quantities on the Fixed Asset Tags.

<u>This results in having more quantity on hand than there are on Fixed Asset Tags.</u>

These must equal each other, in order to have an accurate Depreciation run, or accurate Inventory Value Reports. *The option to generate this report as a <u>document</u> or to a <u>spreadsheet</u> is provided.*

Prior to running this utility in order to get an accurate report, make sure the following are completed:

- <u>DAILY CLOSE 1</u>, <u>DAILY CLOSE 2</u>, and <u>DAILY CLOSE 3</u> have been run.
- <u>ALLOCATE BULK DISPOSALS</u> has been completed.
- Confirm that <u>POST A/P INVOICES</u> for inventory items has been run.
- Ensure that there are no outstanding rental items in <u>CLOSE OPEN WAREHOUSE RECEIVINGS</u>, meaning that all A/P invoices for inventory receipts have been posted.

If there is not enough quantity on the tag in *Allocate Bulk Disposals*, or if there is no tag at all adjustments can be made as follows:

- Calculate how many of that product have been sold and not cleared in *Allocate Bulk Disposals*.
- In <u>RENTAL INVENTORY</u> view the Product Locations and note the current quantity. Then increase this location quantity by the number sold per the count from *Allocate Bulk Disposals*.
- Add an asset tag for the rental item. The tag quantity should default to this additional quantity just added. Insert the correct total cost.
- Return to the Location window in <u>RENTAL INVENTORY</u> and now decrease the quantity back to the correct location quantity as was originally noted in step 1.
- In <u>ALLOCATE BULK DISPOSALS</u> select the new asset tag to complete the sale of this product in the inventory sub-ledger.

Run <u>DAILY CLOSE 3</u> to post the cost of goods sold to the General Ledger.

If the product is a non-bulk product and it is listed in *Allocate Bulk Disposals* it could be because the product did not have an asset tag when it was sold. In this case, follow these procedures:

- Change the product from non-bulk to bulk in <u>Change Bulk Status</u>.
- Follow the above steps to increase quantity and add a tag.
- Upon completion of <u>ALLOCATE BULK DISPOSALS</u>, go back to <u>Change Bulk Status</u> and change the product back to non-bulk.
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Prior to the close of each month, run <u>VERIFY TAG QUANTITY = LOC QTY</u> and then check *Allocate Bulk Disposals*.

# ADD ASSET TAG IN WAREHOUSE:

Path: *System Maintenance Menu -> Configure System Settings -> System -> Company & Divisions -> Company Parameters -> Inventory Parameters*

When purchasing, during the Warehouse receiving process, the option exists within Systematic to create the asset tag. Making this process automated avoids the possibility of items being added to the inventory without asset tags which could later on create issues when the item is sold and disposal transactions are needed.

*Option 1:*
Select N (No) to suppress the prompt to add new Fixed Asset Tags when rental equipment is received in the warehouse.
Tags will then need to be added later in A/P INVOICES and A/P INVOICES BY P.O.
A new tag is then always created in A/P invoicing for bulk products using multiple tags, and a blank tag is created for products added on-the-fly in PURCHASE ORDERS.

*Option 2:*
Select S (Serial# only) so that in warehouse receiving, a window is triggered prompting to create a new Tag.

- If the operator elects to add a new tag when rental equipment is received, the system automatically assigns a Fixed Asset Tag but prompts only for the serial number for the asset.

- If the operator does not add a new tag when rental equipment is received, an existing tag can be selected but no serial number can be added, as the tag may already carry a serial number.

*Option 3:*
Enter Y (Yes) to cause a window to open and prompt for the Fixed Asset Tag at the time the rental inventory is received in the warehouse in WAREHOUSE RECEIVING.
The Tag #, Depreciation Class, and serial number can be entered.

This means if the rental product is added on-the-fly in PURCHASE ORDERS no tag is automatically added until the quantity has been received.

The quantities and costs on the Tags are updated from Post A/P Invoices or from Post Warehouse Cost Adjustments depending on whether *Post Cost In Warehouse* is activated.

*Note on Re-Rent (Sub-Rents):*
*Because Re-Rent equipment does not actually belong to your firm, and re-rent equipment should only have one Asset Tag, additional tags and tag information are not added in UNDERLINE WAREHOUSE RECEIVING regardless of this flag and regardless of the multiple tags flag in RENTAL INVENTORY for re-rents.*