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| OREGON ACCOUNTING MANUAL | | Number 15.50.00.PR |
| Oregon Department of Administrative Services State Controller's Division | | Effective Date July 1, 2001 |
| Chapter | Accounting and Financial Reporting | .1 OF .2 |
| Part | Inventories | |
| Section | | Approval Signature on file at SCD |

Authority [ORS 293.590](#)
 NCGA Statement No. 1
 GASB Statement No. 34

Recording Inventory

.101 Inventories are recorded and adjusted in governmental funds using t-code 503:

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| DR 0600 Inventories – Materials and Supplies | xxx | |
| DR 3075 Change in Reserve for Inventories | xxx | |
| CR 3005 Reserved for Inventories | | xxx |
| CR 3600 GAAP Expenditure Offset (CO 7500, Increase/ Decrease in Governmental Inventories Reserve) | | xxx |

This results in reporting the change in inventory as a separate line item for the governmental fund financial statements. The necessary adjustments to report the change for the government-wide financial statements are made by SARS in the compilation process at fiscal year end.

.102 In proprietary funds, inventory changes are recorded using t-code 500. The debit is to either 0600, Inventories – Materials and Supplies, or to 0601, Inventories – Stores for Resale. The credit is to Expenditure GAAP Offset account 3600, using the comptroller object used to purchase the inventory. Use of the GAAP offset results in reporting the change in inventory on the consumption basis.

Physical Inventories

.103 For supplies held for resale or used in production, a physical inventory should be conducted annually to verify the existence and quantity of inventory on hand. For office supplies, a physical inventory should be taken every year if the dollar amount of the inventory is significant. Discrepancies should be investigated. Support that a physical inventory has been taken, for all locations, should be retained in the agency's central accounting office.

.104 The general ledger must be adjusted at least annually to reflect the cost of the inventory on hand. If the inventory varies seasonally, in a significant amount, a worksheet analysis of changes between the inventory date and June 30 must be completed and the records adjusted to reflect the estimated change. Documents must be retained to substantiate an entry to adjust the inventory for its value at June 30.

Perpetual Inventory Systems

- .105 Where a perpetual inventory system is required, at the minimum the record shall reflect: (1) quantity on hand, (2) quantity received, (3) invoice unit price, (4) vendor, (5) date received, (6) quantity issued, (7) date issued, and (8) requisition number. The inventory records should be updated daily. No inventory should be issued or received in the stock room except on the basis of a document, a copy of which is a part of the agency's records, or a form of authorization which creates an electronic audit trail.