



Inventory Change Overs

Support Notes

This support note is suitable for:

- MYOB Accounting
- MYOB Premier
- MYOB Premier Plus

Introduction

An inventory change over is the situation whereby an old part is handed over to a vendor in exchange for a new or reconditioned part. The old part received by the vendor is then reconditioned to a saleable condition and the process begins all over again. This support note outlines the steps you should follow to handle this situation

How can I account for inventory change over?

1. Set up an inventory item to record the item that has been handed over. The item number should be the **same** as the saleable item number with a 'C' at the end of the item number to signify that it is a used change over item and not ready for resale. Mark the **I Buy This Item** and the **I Inventory This Item** check boxes.

Note: The **Asset Account for Item Inventory** should be the **Work In Progress** asset account. You may need to create that account.

2. Set up an asset account called **Contra Cheque Account**. This account should be set up with the **Detail Account** radio button selected. Make sure you select **Bank** in the **Account Type** field.
3. Set up another inventory item called **Generic Change over**. This a generic item and should be marked **I Sell This Item** only. The linked income account will be **the Contra Cheque Account**. If an old part is handed in, the **Generic Change Over** item is used on the sales invoice to reduce the sale price of the reconditioned item.

Note that when entering in the linked income account, the message "The account for tracking sales is usually an income account" will appear. Click **OK** to ignore the warning and continue.

4. Create an item sale. On the first line enter the details of the new reconditioned item being sold. On the second line enter a negative figure in the **Ship** column and select the **Generic Change over** item to reduce the overall debt of the customer.

5. Create an Item purchase and record the purchase of the actual old item that has been handed in.
6. Pay for the purchase of the handed in item through the **Pay Bills** window. Make sure that the cheque account selected for paying for the purchase is the **Contra Account**. The **Contra Cheque Account** will be left with a zero balance and the **Work In Progress** account should have a debit balance for the value of the handed in item.
7. Once the handed in item has been repaired to a saleable state, you need to prepare an **Inventory Transfer** to move the item from **Work In Progress** to your normal trading stock Inventory. Parts added during the reconditioning process will also need to be included in the inventory transfer.

Note: GST does not get included in the value of inventory, so ensure you complete the Inventory Transfer using **GST exclusive** values.

The parts used in the reconditioning process should be entered as **negative** quantities in the Inventory Transfer. When all parts have been entered, you need to add the total of all negative amounts and enter this **Amount** as a positive value for the reconditioned item. The **Out of Balance** figure at the bottom of the Inventory Transfer window will now be \$0.00.

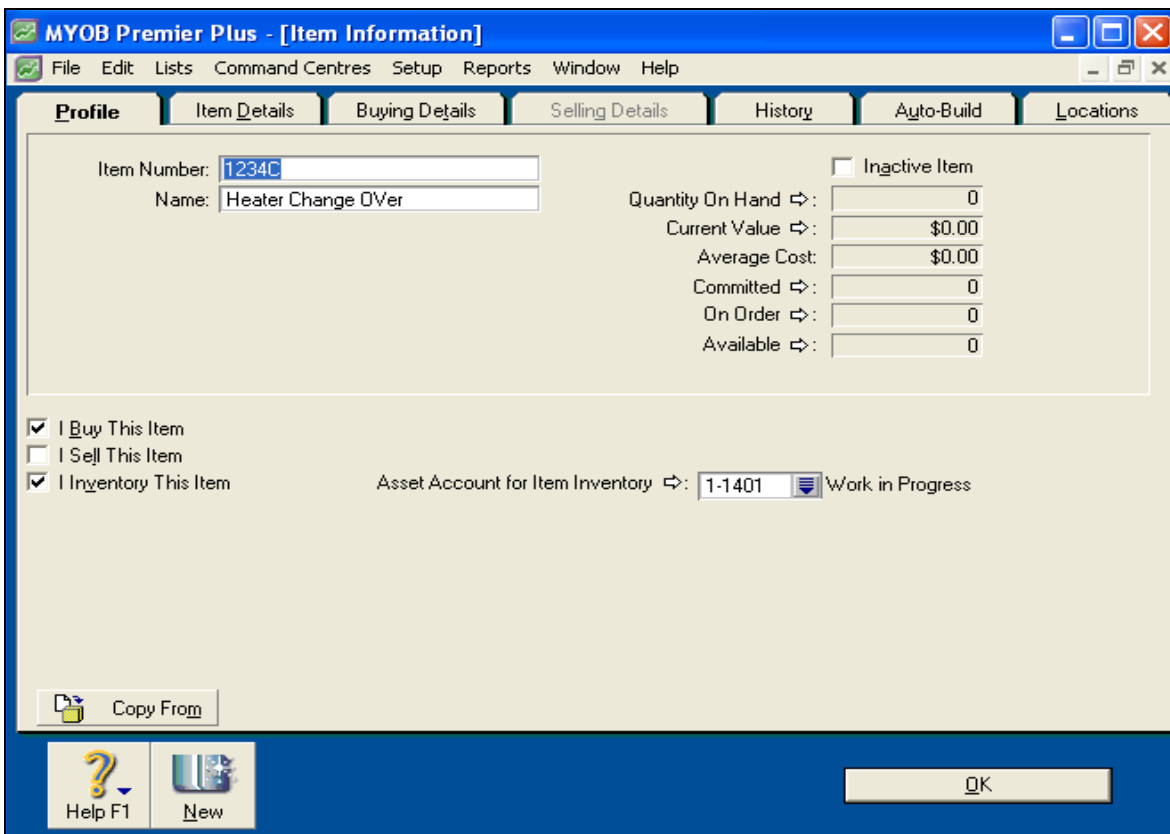
When the **Inventory Transfer** is recorded, the extra parts used in the reconditioning will be moved from the **Raw Materials** account into the trading stock **Inventory** (finished goods) account. The cost of these parts will contribute to the cost recorded for the reconditioned item ready for sale.

Example

XYZ Heating runs a heater repair business. As part of the business, a change over service operates. If a customer hands in an old heater core in exchange for a new or reconditioned heater core, a \$20 discount is given. The exchanged heater core is then reconditioned and sold at a later stage.

Note: As the GST implications could vary, the N-T tax code has been used in the example.

Step 1 - Set up an inventory item to record the item being handed over



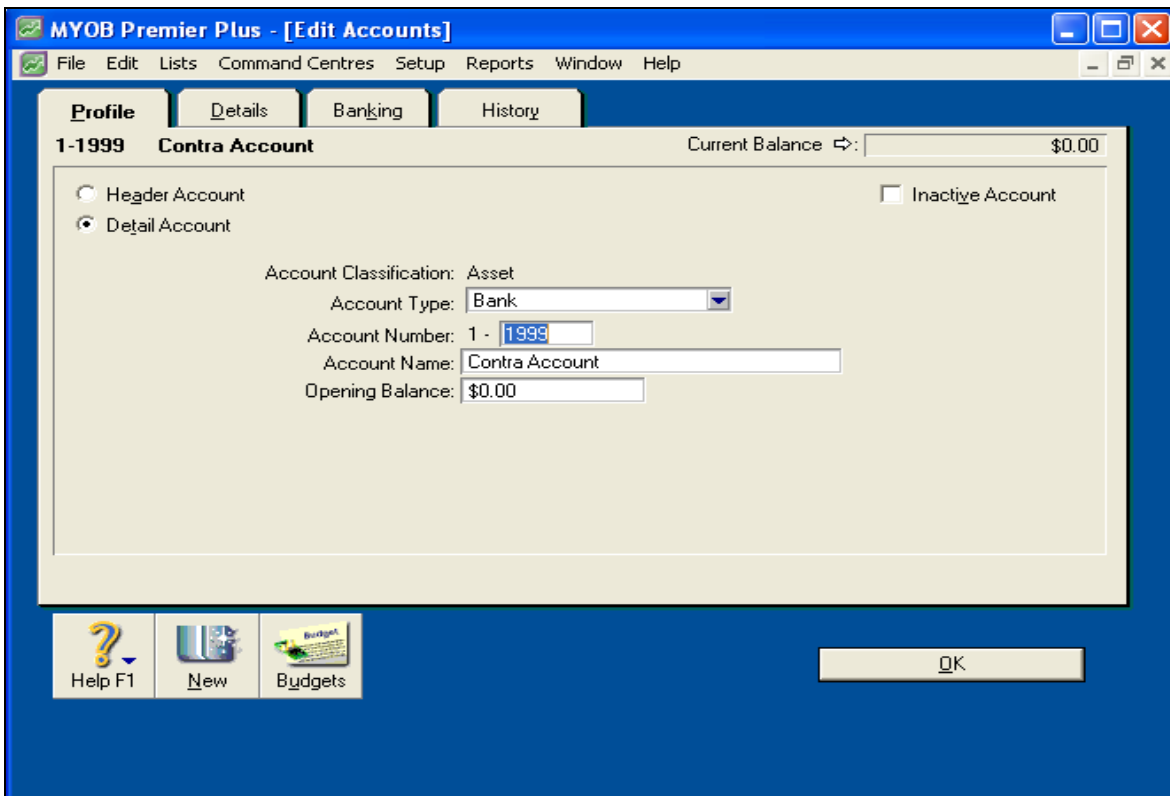
The screenshot shows the 'MYOB Premier Plus - [Item Information]' window. The 'Profile' tab is selected. The 'Item Number' is '1234C' and the 'Name' is 'Heater Change Over'. The 'Quantity On Hand' is 0, 'Current Value' is \$0.00, 'Average Cost' is \$0.00, 'Committed' is 0, 'On Order' is 0, and 'Available' is 0. The 'Inactive Item' checkbox is unchecked. The 'Buy This Item' checkbox is checked, 'Sell This Item' is unchecked, and 'Inventory This Item' is checked. The 'Asset Account for Item Inventory' is '1-1401 Work in Progress'. There is a 'Copy From' button and 'Help F1' and 'New' buttons at the bottom left, and an 'OK' button at the bottom right.

Item Number:	1234C	<input type="checkbox"/> Inactive Item	
Name:	Heater Change Over	Quantity On Hand ⇄:	0
		Current Value ⇄:	\$0.00
		Average Cost:	\$0.00
		Committed ⇄:	0
		On Order ⇄:	0
		Available ⇄:	0

Buy This Item
 Sell This Item
 Inventory This Item

Asset Account for Item Inventory ⇄: 1-1401 Work in Progress

Step 2 - Create a contra account



The screenshot shows the 'MYOB Premier Plus - [Edit Accounts]' window. The 'Profile' tab is selected. The account is '1-1999 Contra Account' with a 'Current Balance' of \$0.00. The 'Header Account' radio button is unselected, and the 'Detail Account' radio button is selected. The 'Inactive Account' checkbox is unchecked. The 'Account Classification' is 'Asset', 'Account Type' is 'Bank', 'Account Number' is '1-1999', 'Account Name' is 'Contra Account', and 'Opening Balance' is '\$0.00'. There are 'Help F1', 'New', and 'Budgets' buttons at the bottom left, and an 'OK' button at the bottom right.

1-1999	Contra Account	Current Balance ⇄:	\$0.00
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Header Account
 Detail Account

Inactive Account

Account Classification: Asset
Account Type: Bank
Account Number: 1-1999
Account Name: Contra Account
Opening Balance: \$0.00

Step 3 - Set up an inventory item to reduce the sale price of the reconditioned item

MYOB Premier Plus - [Item Information]

File Edit Lists Command Centres Setup Reports Window Help

Profile Item Details Buying Details Selling Details History Auto-Build Locations

Item Number: Inactive Item

Name:

I Buy This Item

I Sell This Item Income Account for Tracking Sales ⇄: 1-1999

I Inventory This Item

Step 4 - Record the sale

MYOB Premier Plus - [Sales - New Item]

File Edit Lists Command Centres Setup Reports Window Help

INVOICE

Customer ⇄: The Motor Company Terms ⇄: C.O.D.

Del. to ⇄: The Motor Company
63 Driveraway Road
Edwardstown 2112
Australia Invoice #: 00000001
Date: 11/13/2008
Customer PO #:

Deliver	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
1		⇄1234	Heater Reconditioned	\$120.00		\$120.00		
-1		⇄Generic Change Over	Generic Change Over Return	\$20.00		(\$20.00)		

Salesperson: Subtotal: \$100.00

Comment: Freight: \$0.00

Deliver Via: 0% Tax ⇄: \$0.00 N-T

Promised Date: Total Amount: \$100.00

Journal Memo: Sale; The Motor Company Paid Today: \$0.00

Referral Source: Payment Method: Cash Details...

Invoice Delivery Status: To be Printed Balance Due: \$100.00

Save as Recurring Use Recurring Reimburse

Help F1 Print Send To Journal Layout Register Record Cancel

Step 5 - Record the purchase of the change over item received

MYOB Premier Plus - [Purchases - New Item]

File Edit Lists Command Centres Setup Reports Window Help

BILL

Supplier: Change Over Received Terms: C.O.D.

Del. to: Clearwater Pty Ltd
25 Spring Street
Blackburn
VIC.3130

Purchase #: 00000003
Date: 11/13/2008
Supplier Inv#:

Bill	Received	Backorder	Item Number	Description	Price	Disc%	Total	Job	Tax
1	1		1234C	Heater Change Over	\$20.00		\$20.00		

Subtotal: \$20.00
Freight: \$0.00
0% Tax: \$0.00
Total Amount: \$20.00

Comment:
Deliver Via:
Promised Date:

Journal Memo: Purchase; Change Over Received
Paid Today: \$0.00

Bill Delivery Status: To be Printed
Balance Due: \$20.00

Save as Recurring Use Recurring

Help F1 Print Send To Journal Layout Register

Record
Cancel

Step 6 - Pay for the purchase of the change over item

MYOB Premier Plus - [Pay Bills]

File Edit Lists Command Centres Setup Reports Window Help

Account: 1-1999 Contra Account Balance: (\$100.00)

Supplier: Change Over Received Cheque No.: 1
Payee: Change Over Received Date: 11/13/2008
Amount: \$20.00

Twenty Hong Kong Dollars Only
Memo: Payment; Change Over Received *testing*

Supplier's #	Status	Date	Amount	Discount	Total Owed	Amount Applied
1	Open	11/13/2009	\$20.00		\$20.00	\$20.00

Total Applied: \$20.00
Finance Charge: \$0.00
Total Paid: \$20.00
Out of Balance: \$0.00

Include Closed Purchases
 Cheque Already Printed
Remittance Advice Delivery Status: To be Printed

Pay All

Help F1 Print Journal Register

Record
Cancel

Step 7 - Prepare an inventory transfer

Assume that the reconditioning of the heater resulted in the use of the following parts:

0.75 m 1- Copper Pipe

0.62 m GMH Grill Mesh

1 Can of Black Spray Paint

1 Change Over UC Heater Core

The screenshot shows the 'Adjust Inventory' window in MYOB Premier Plus. The window title is 'MYOB Premier Plus - [Adjust Inventory]'. The menu bar includes 'File', 'Edit', 'Lists', 'Command Centres', 'Setup', 'Reports', 'Window', and 'Help'. The 'Inventory Journal Number' is 'IJ000003', the 'Date' is '11/13/2008', and the 'Memo' is 'Heater Core Reconditioned'. The main area contains a table with the following data:

Item Number	Quantity	Unit Cost	Amount	Account	Job	Memo
⇨Heater Change Over	-1	\$20.00	(\$20.00)			
⇨1' Copper Pipe	-1	\$0.75	(\$0.75)			
⇨0.62m Grill Mesh	-1	\$10.00	(\$10.00)			
⇨Spray Paint-Black	-1	\$5.00	(\$5.00)			
⇨Heater Core Recondition	1	\$35.75	\$35.75			

At the bottom of the window, there are three icons: 'Help F1', 'Journal', and 'Register'. On the right side, there are two buttons: 'Record' and 'Cancel'.