Using Inventory Adjustments to Resolve Unallocated Inventory Usage

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You can resolve unallocated inventory usage (http://aace5.knowledgeowl.com/help/understanding-unallocated-inventory-usage) by creating inventory adjustments (http://aace5.knowledgeowl.com/help/making-inventory-adjustments). These adjustments create inventory lots where positive usage can be allocated, allowing the negative usage (i.e. the "return") to be given back to that inventory lot.

For example, suppose we have a product with two unallocated usage records which net to zero (e.g. +2 and -2). To correct this, we need to create a lot for two units, while also writing off two units. This doesn't affect the overall balance — we start with zero units and we end with zero units — but instead it provides an inventory lot record that can be used to allocate the inventory usage using the COGS give-back loop (see below for details (http://aace5.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage#InvAdjustAndGiveBackLoop)). This example would be reflected in the system as:

- *Manually create a beginning balance entry for 2 units (Lot = 2 units)*
- Usage +2 units (Lot = 0 units) *Positive usage is allocated
- Usage -2 units (Lot = 2 units) *Negative usage is allocated
- *Usage +2 units (Lot = 0 units)*
  Note: The records resulting from our two-line beginning balance entry are italicized above.
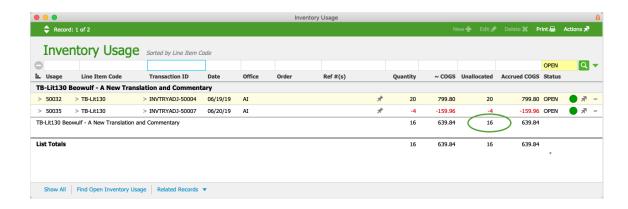
With the above in mind, use the following instructions to resolve net positive, net negative, or net zero unallocated inventory usage:

Net Positive

Net positive values typically correspond to a negative total inventory balance.

The solution is to create a beginning balance adjustment (http://aace5.knowledgeowl.com/help/making-inventory-adjustments) that will drive the balance to the correct value (e.g. if you count -20, but the balance reflected in aACE is 50, then you should create a beginning balance adjustment for 70 units).

In this screenshot, the net unallocated value is positive (+16). You would need to create a beginning balance adjustment of at least 16 units to clear the unallocated inventory usage.
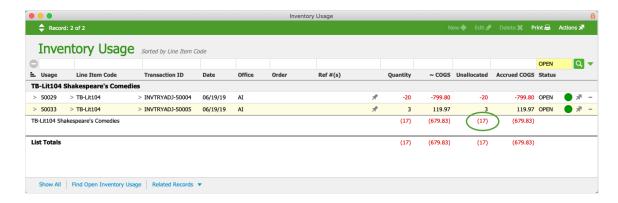
Net Negative

Net negative values typically correspond to a positive total inventory balance.

The solution is to create a single beginning balance adjustment (http://aace5.knowledgeowl.com/help/making-inventory-adjustments) with two lines:

1. A positive quantity that writes the inventory "on to the books"
2. A negative quantity that writes the inventory "off of the books"

Enter the highest absolute quantity value as the quantity for *both* lines. Posting this dual-entry adjustment allows the inventory give-back loop to kick in and properly clear the usage (see below for details (http://aace5.knowledgeowl.com/help/using-inventory-adjustments-to-resolve-unallocated-inventory-usage#InvAdjustAndGiveBackLoop)).

In this screenshot, the net unallocated inventory usage is negative (-17). However, you would enter 20 for the inventory adjustment, since it is the highest absolute value of the set (20 > 17 > 3).
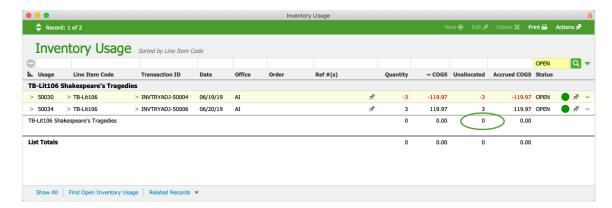

Net Zero

Net zero values typically occur when there are both positive and negative usage records that sum to zero.

The solution for net zero unallocated usage is to create a [beginning balance adjustment](http://aace5.knowledgeowl.com/help/making-inventory-adjustments) with two lines, the same as for net negative (see above).

In this screenshot, the net unallocated inventory usage is zero. You would enter 3 for the inventory adjustment.

Allocate the Unallocated Inventory Usage

After creating the needed inventory adjustments, run the [COGS Reconciliation process](https://aace5.knowledgeowl.com/help/understanding-the-cogs-reconciliation-process#ManuallyRunCOGS) again. This will allocate the unallocated inventory usage to the newly created inventory lots.

Inventory Adjustments and the Give-Back Loop

The COGS Reconciliation process allocates inventory usage to inventory lots, but can only allocate up to the inventory lot's give-back limit — its current Used balance. This means the reconciliation process must often be handled in [give-back loops](http://aace5.knowledgeowl.com/help/understanding-the-inventory-give-back-loop) until the unallocated inventory usage has been allocated to the greatest extent possible.

To be efficient when creating inventory adjustments for resolving unallocated usage, you should use the largest relevant quantity. This results in fewer iterations of the loop and a quicker overall process. However, the adjustment quantity should be kept relevant to the usage list so you can avoid unusual accounting entries.

For example, suppose we have the following net zero unallocated usage list: +2 units, +4 units, +4 units, -10 units, +3 units, and -3 units. The Quantity that would generate the fewest number of loops is the sum of the positive values (i.e. 13). This would allow all of the positive usage to be allocated in a single loop, and then be returned in the next loop (i.e. two

loops). In contrast, using a quantity of "1" would result in many more loops as the give-back loop returns and re-uses one unit each time. Using a number that is larger than necessary (e.g. 50) would not result in fewer loops, but would create larger accounting entries than necessary. As such, we recommend using only the largest quantity relevant to the usage list.