



## Annual Year-End Fact Sheets: Inventory for Resale Reference Tool

This reference tool provides definitions, examples, and explanations which will hopefully be helpful when completing the Inventory for Resale worksheet within the Fact Sheet Excel Attachment. If you have any questions as you read through this document, feel free to reach out to the applicable subject matter experts within University Accounting and Financial Reporting (UAFR) located in the link below:

- **Fact Sheets – UAFR Who to Ask List:** <https://www.obfs.uillinois.edu/accounting-financial-reporting/who-to-ask/types-questions#fact-sheets>

### **Inventory for Resale - Definition**

**Inventory for resale** is a general ledger asset used to record the value (at lower of cost or fair market value) of unsold goods and materials held for resale to both external customers and internal customers (such as other University units). Inventory for resale includes merchandise held for resale, raw materials used in creating a product for resale, finished/unfinished products held for resale, etc.

### **Requirement to Conduct a Physical Count of Inventory for Resale as of June 30**

Units with inventory for resale must annually conduct a physical inventory count of their inventory for resale on hand, as an accurate inventory for resale balance is required to be reported on the Fact Sheet Excel Attachment to represent the accurate value as of June 30.

If a physical inventory count is not able to be performed at the close of business on June 30, then any purchases of additional inventory for resale and/or any sales activity from the date of the physical inventory count through the close of business on June 30 must be tracked and reconciled. By doing this, you will be able to arrive at a reconciled balance which properly represents the correct ending balance of inventory for resale on hand as of June 30. Also, having the reconciliation available will be essential if your physical inventory count process is ever audited.

### **Examples of What Should and Should Not Be Reported as Inventory for Resale**

The following are some common examples of items that should be recorded as inventory for resale on your Fact Sheet Excel Attachment:

- Items held for resale to internal or external customers, such as t-shirts, mugs, and memorabilia.
- Items held for resale which are primarily sold to other University units (such as items sold to other departments from a University storeroom).

- Items sold as a part of a service to a customer, such as food used in conjunction with the sale of catering services, or medicine sold to pet owners during the sale of veterinary services.

However, it is also important to be aware of common examples of transactions that should **NOT** be reported as inventory for resale, as these have been erroneously reported as inventory for resale in the past. See below for examples of transactions which should **NOT** be reported as inventory for resale:

- Consumable supplies should **NOT** be reported as inventory for resale on the year-end Fact sheet. Consumable supplies used within daily operations are expensed when purchased and should not be classified as inventory for resale. For example, a veterinary clinic which purchases rubber gloves to use during a surgery on a customer's pet would typically expense the cost of the rubber gloves when purchased, and would **not** consider those consumable supplies as inventory for resale, as it was simply a consumable supply used in the clinic's daily operations.
- Marketing materials and promotional items distributed for free to alumni and other individuals should **NOT** be reported as inventory for resale on the Year-End Fact sheet. Since these items are given away (and not sold), they are not "held for resale" and thus should not be reported as inventory for resale. These should simply be expensed when purchased and considered as consumable promotional materials.
- The purchase of equipment items used as a part of a self-supporting operation should **NOT** be classified as inventory for resale. Since we are purchasing the equipment to utilize as a part of the self-supporting operation (and not to sell it), it should **not** be listed as inventory for resale.
- Publication inventory for resale should be reported on the Publication Inventory worksheet of the Fact Sheet Excel Attachment, and should **NOT** be reported on the Inventory for Resale worksheet.

## **Completing Your Fact Sheet**

Now that you understand the various definitions and examples which apply to this area, we are now ready to complete the Fact Sheet Excel Attachment. However, before we start to go through these required fields, please keep in mind the tips below:

- Make sure you are using the most recent version of the Fact Sheet Excel Attachment, which can be downloaded from the following web page:  
<https://www.obfs.uillinois.edu/accounting-financial-reporting/year-end-procedures/fact-sheets/>
- When copying data over from another spreadsheet, paste the information in using the **Paste Values** option. This will help ensure the formatting and formulas on the Fact Sheet Excel Attachment are not altered.

## **Step 1: C-FOAPAL Information**

Enter the complete C-FOAPAL into Columns A through G.

- The full C-FOAP (i.e., the Chart, Fund, Organization, Account, and Program code) is **required** to complete the year-end adjusting entries to Banner. However, the activity code and location code are optional.

- Enter the applicable expense Account code which was used to purchase or produce the inventory for resale. This is typically 187100, *Purchase of Goods for Resale*, for items which were purchased for resale. However, other expense account codes may be appropriate as well (especially if the inventory for resale was produced internally).

For example, if your unit purchased t-shirts, mugs, and other memorabilia for resale, then you would list the C-FOAP that these items were purchased on in the applicable fields of the Fact Sheet Excel Attachment. See below for an example of how this would look on the Fact Sheet Excel Attachment, assuming the items were initially purchased using the proper 187100 expense account code. Also, note that a separate line is used for each unique type of inventory for resale item that is being listed (i.e., a separate line for the t-shirts, mugs, and other memorabilia):

| Chart | Fund   | Organization | Account | Program |
|-------|--------|--------------|---------|---------|
| 9     | 303000 | 123000       | 187100  | 123001  |
| 9     | 303000 | 123000       | 187100  | 123001  |
| 9     | 303000 | 123000       | 187100  | 123001  |

## **Step 2: Description of Inventory for Resale**

Enter the description of the inventory for resale items on hand as of June 30 in Column H. This field is a description of the merchandise your department is selling. Be as descriptive as possible with the inventoried items to help ensure transparency. See below for an example of acceptable descriptions:

| Description of Inventory on Hand as of 6/30 |
|---|
| T-Shirts held for resale                    |
| Mugs held for resale                        |
| Memorabilia held for resale                 |

## **Step 3: Original Cost and Fair Market Value of Inventory for Resale as of 6/30**

In Column I, enter the original cost paid for inventory for resale on hand as of June 30 per your physical inventory count. This value is calculated by multiplying the number of items on hand as of 6/30 per the physical inventory count by the original cost per item (including shipping cost).

Then, in column J, enter the current fair market value (FMV) of the inventory for resale on hand as of June 30 per the physical inventory count, but **only enter this value if the FMV is lower than the original cost paid for the inventory for resale in Column I**. If applicable, this value would be calculated by multiplying the number of items on hand as of 6/30 per the physical inventory account by the fair market value (including shipping cost). If the fair market value is **not** lower than cost, then simply leave Column J **blank**.

UAFR will then analyze the data provided to ensure that the final inventory for resale balance recorded in Banner is at the lower of cost or fair market value.

For example, consider a department that has 100 mugs for resale on hand as of the 6/30 physical inventory count. The mugs were purchased for \$3.50 each (including shipping cost). Thus, the amount entered into Column I would be \$350 (100 mugs \* \$3.50 original cost). However, the fair market value of the mugs has decreased over time due to the fact that the mugs had a prior year listed on the side of the mug, and the fair market value is now worth only \$1 per mug. Thus, the FMV would be \$100 and that is the amount which would be listed in Column J (100 mugs \* \$1 FMV). So, in this case, UAFR would ensure that the 6/30 inventory for resale balance in Banner would only be recorded at \$100, which is the lower of cost or market. See below for an example of how this would be reported on the Fact Sheet Excel Attachment:

| Original Cost of Inventory on Hand as of 6/30 | Fair Market Value (FMV) of Inventory on Hand as of 6/30<br><i>Only Enter if FMV is Lower Than Cost (Otherwise, Leave Blank)</i> | Amount to Record as Inventory in Banner as of 6/30<br><i>(UAFR Use Only)</i> |
|---|---|--|
| \$ 350.00                                     | \$ 100.00   | \$ 100.00  |

**Step 4: Review the Calculated Amounts in Columns K and M**

Once you have completed all of the necessary columns on this spreadsheet, your final step is to review the amounts which the spreadsheet has calculated in the areas with yellow shading within Columns K and M. These are the calculated amounts which UAFR will be using to post the final adjusting entries to the applicable operating ledger and general ledger account codes in Banner.

It is helpful to review these to get yourself familiar with the amounts that will be recorded to your Fund in Banner, as well as to make sure the amounts do not greatly differ from what you were expecting to see.

**Step 5: Save and Upload the Fact Sheet Excel Attachment to the Fact Sheet Application**

The final step in this process is to save your updated Fact Sheet Excel Attachment (e.g., to your desktop or shared drive) and to then upload the completed Fact Sheet Excel Attachment to the Fact Sheet Application.

Also, before officially uploading your spreadsheet, be sure to review the other tabs of the Fact Sheet Excel Attachment to see if you have any other accruals, deferrals, or inventory for resale to report as well.

Then, once you have confirmed that all items have been properly added to your Fact Sheet Excel Attachment, you would then need to upload the updated spreadsheet to the applicable Fund’s Fact Sheet within the Fact Sheet application and then submit to UAFR for review.

Note that UAFR commonly has questions, so also make sure that you are available for any subsequent questions that may come from UAFR.