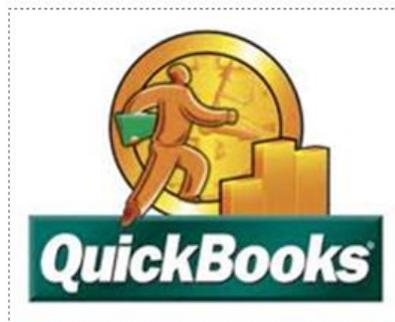# Taking inventory in the Edge for the end of the year 2017

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Taking inventory is a thankless job but it has to be done and should be done as soon as possible. I find many jewelers let this go until months later. My suggestion is to do this in one single day, suggest bringing the staff in when the store is closed. If you have bar codes on your tag this is a snap.

If you don't and you print the inventory list and check the pieces off it will work but again let's do this ASAP. I don't suggest taking inventory one day and coming back and marking items you can't find **missing** months later. The Edge reports for taking inventory changes as each day goes by because you sell items, return to vendor and add items.

To take inventory with a bar code scanner in the Edge go to the top menu choice
- Inventory
- Physical Inventory
- Scan

Place your cursor in the "Item Box" and scan. It will show up in the white box below.
The "Location" box is used if you want to always know which showcase these items are located. So if these items you're scanning are in "Front Case #1" just type those words in that box and Edge will save that phrase. Make sure everyone uses the down arrow to see if there is a location there otherwise two people might make two different but **same ones:**

Front Case #1
Front Showcase #1

These are two different locations. Make sure there's one for each location **but know you don't NEED a location unless you want one**.

After finishing hit close, save it and you can go below to the left, run the report and find a list of items that are missing (items you couldn't find).

LET'S TALK ABOUT WHY INVENTORY IS IMPORTANT

In the "Year End Procedures" document you went through reports to see if sales; cost of goods; deposits; sales tax and **inventory** matched both programs. As a store owner you want to know how the store is doing and that is on the profit and loss statement. Your accountant needs accurate numbers but one of the most important is your inventory levels. He/she will have last year's Inventory level, compare it to this year's, subtract the cost of goods figured by the Edge and your ending inventory theoretically should match in Edge & QuickBooks. The purpose is to find a very accurate cost of goods number for the P&L and tax return.

The accountant will find the difference and make a correction to your cost of goods.

Cost of Goods is many things. It can be divided into several accounts in QuickBooks but cost of goods (and any other accounts) is really this:

- The cost of items that you sold this year.
- Items donated to a charity are a cost. It's usually under charitable donations but it's a cost and this is another reason for inventory to be lower other than just selling the items.
- Give-a-ways. "Buy a Pandora charm, get a free bracelet". Another reason inventory will be lower.
- Items that have been stolen, destroyed or lost (missing)
- Items in inventory that were not sold with a sku number, some used a Misc Sale to sell an item

These are all reasons why inventory may not match. Counting your inventory and clicking "missing" on items you can't find gives the accountant correct numbers. They will use these on your tax return and hopefully QuickBooks will be edited correctly as well.

The time to take inventory is the worst time for jewelers: Last Day of December! But the IRS understands and most everyone counts inventory in January and back dates the information.

Please note some stores taxable year doesn't end December 31st. It could be March 31st (mine does), June 30th or September 30th. Let's forge ahead.
In the Edge if you can't find an item (will be listed on a report) you **have to go and edit that item, click SUPERVISOR and click MISSSING:**
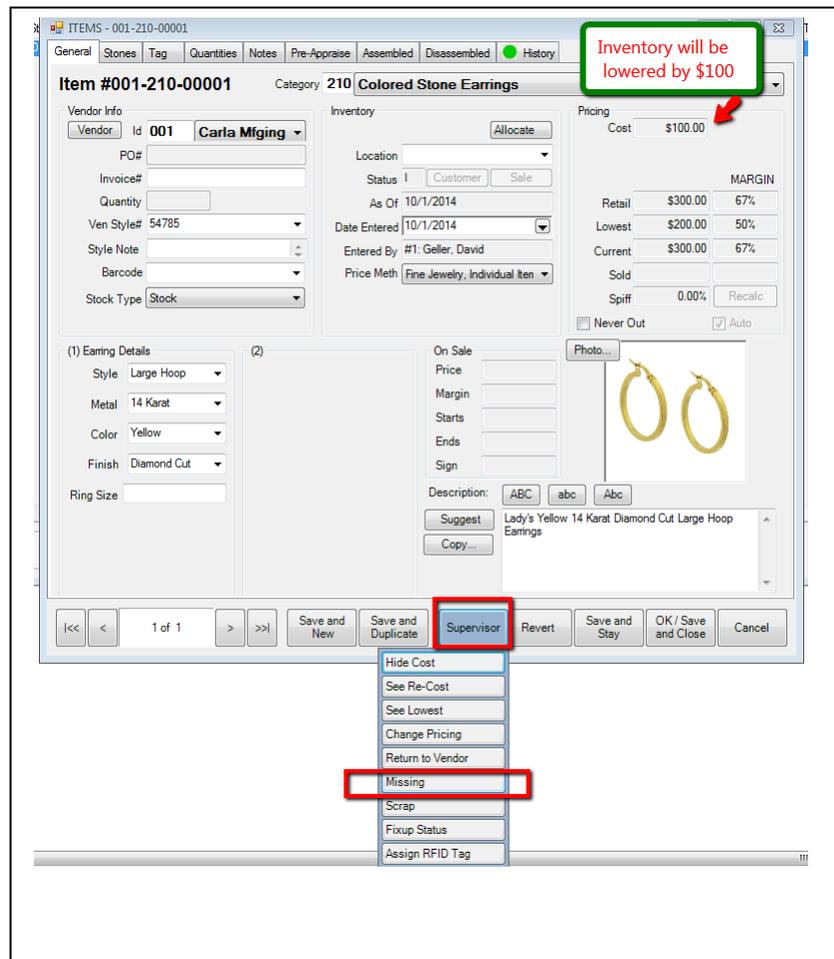
IMPORTANT:
Don't put this off and think you might find stuff on the boss's desk or behind the safe. Do it all in one day and mark them all. You can always go back tomorrow, next week or 6 months from now if you find an item and need to tell the Edge "Hey! I found it, let's put back into Edge inventory and correct QuickBooks, OK?"

Clicking "Supervisor>Found" will put the dollar amount back into total Edge Stock Inventory and when you post to QuickBooks Edge will also **increase inventory in QuickBooks** and lower "Missing Inventory" expense in QB.

All is good with the world!
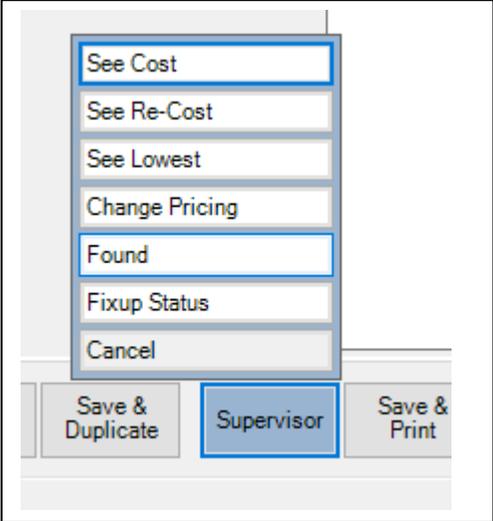
When you do this (and you must) it will be removed from inventory in the Edge and in QuickBooks the Stock/Special Order or Showcase Inventory will be lowered and that amount will be sent to "Missing Inventory Expense" in QuickBooks. Your "loss" is now tax deductible.

WHY MUST YOU DO THIS IN ONE DAY?
Because I have found the farther you get away from the actual ate you took inventory the more the missing inventory report it Edge gets. Items are sold while you look/items returned to vendor/scrapped all sorts of reasons why the report will be off. **JUST DO IT** and later if you find it just click "found".

IMPORTANT NOTE ABOUT INVENTORY AMOUNTS BEING "WAY" OFF

If everyone does either job correctly (people entering inventory into the Edge and the bookkeeper entering bills into QuickBooks) then the two inventory levels should be "close". There are two big reasons why they might be off a LOT. I've seen inventory in QuickBooks and Edge be off over $250,000 or more. It can happen for two big reasons:

1. It's never been correct for **years** and this is the first year it's being counted and done correctly. The CPA and owner will have to decide how to handle this; I can give you some ideas what others have done. Can't penalize your-self for stuff done wrong over a long period of time but there's no time like today to get it straight.
2. Second reason is it's **not fixable and it's between the owner and CPA**. The accountant usually gets the end of year inventory number from the owner. It comes from one of three places:

* QuickBooks balance sheet
* Edge inventory report
* The owner just tells the cpa what he/she wants the inventory number to be. ☺

If the owner tells the accountant what he/she wants the number to be then QuickBooks and Edge will *never match* and you should **not make it match**. Just leave the QuickBooks number as to what it is if the owner tells the accountant what the inventory number is.

Usually Edge inventory numbers are correct as you need it to be to print a tag and sell it.

Here's a bad thing:
If the owner wants the inventory in Edge in total to be lower then you'll what it really is ☹ you need to go into the Edge and do one of three things:
Assuming you want inventory to magically be $50,000 lower in Edge (and maybe in QuickBooks) go into the Edge and **FIND** at cost $50,000 of old items and do one of three things:
- Scrap it, then suggest sending the items to a refiner-remove it off the shelf.
- Mark as Missing
- Edit the cost and also suggest lowering the selling price. Find enough items and lower the cost that the cumulative costs lowered is the $50,000.

Lower the QuickBooks inventory if you edited the cost in items and send the difference ($50,000) to the missing inventory account.

Once you export after doing all of this; the Edge will lower inventory in QuickBooks (except if you edit and lower a cost as explained above, you'll have to make a journal entry in QuickBooks to lower it to match.).
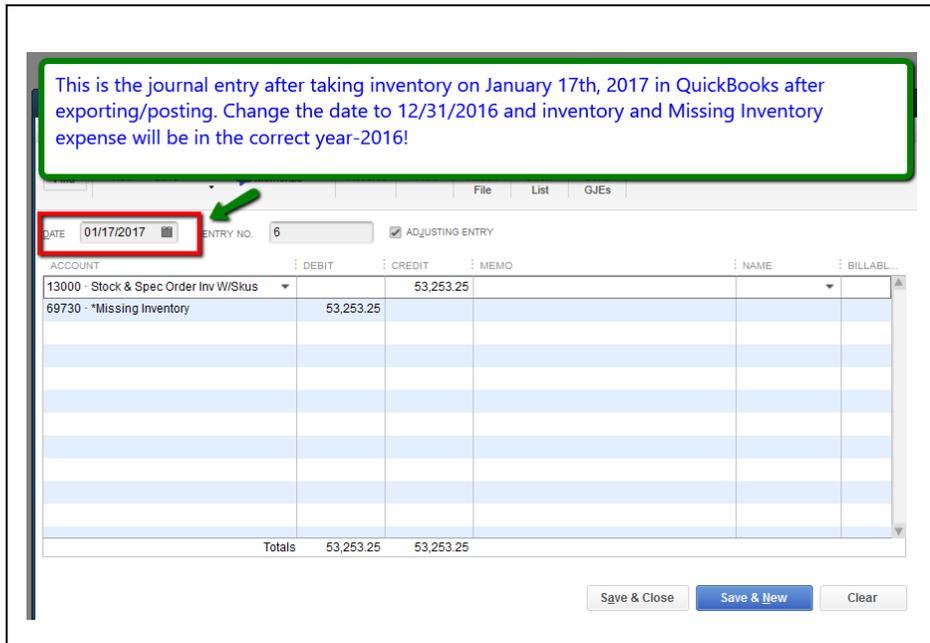
There's one problem. You're probably going to count inventory "next year" 2017 when we should have done it at the end of 2016. The Edge will know items were marked missing in 2017 and tell that same date to QuickBooks. Most accountants understand this so when you export from Edge to QuickBooks inventory will be lowered and Missing inventory will be increased in 2017.

As explained in the beginning I would do inventory counting when the store is closed in one day if possible.

Before counting; export from Edge to QuickBooks as normal to send over sales and money to deposit. If you count on Sunday you'd do this export Saturday night after the store closes.

Then do nothing but count and mark items as missing on Sunday. Then export when you're done on Sunday and Edge will send over a single journal entry dated when you counted (mid January 2017?).

Once you do that you can edit that single journal entry and change the date to 12/31/16 and bingo! We have everything in the correct year. See pictures below.

This is the journal entry after taking inventory on January 17th, 2017 in QuickBooks after exporting/posting. Change the date to 12/31/2016 and inventory and Missing Inventory expense will be in the correct year-2016!

After completing inventory and the other reports in the other document you should be able to give your accountant a copy of your Profit & Loss Statement and Balance sheet for 2016. Some accountants may want a copy of your QuickBooks file. Best to give them a **backup** and if you have a username and password they need that. They will want the username and password for the administrator.

Some accountants will want you to send an accountants copy which is done from the **FILE menu**.

If you have any questions email them to me. I can also come to your computer through the internet and do much of this for you or assist you if you get struck for an hourly fee. No charge for email questions or calls.

I hope you had a great year in 2017 and will do even better in 2018!

Sincerely

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(Available M-F 1:00 to 5:30)