

DegreeLive

B.Com Honours

Semester V

Calicut University

Accounting Software Applications

Course Code: COM5FS112 (2) • Module 3 Notes

MODULE III: ACCOUNTS WITH INVENTORY

MODULE OVERVIEW & ARCHITECTURAL FOUNDATION

For commercial trading houses, manufacturing corporations, distribution conglomerates, and retail supply chains, inventory represents the single largest current asset on the corporate balance sheet and the primary engine of operational cash flow. Maintaining financial ledgers in isolation from physical stock creates dangerous blind spots: unrecorded stockouts, unrecognized shrinkage, ballooning carrying costs, and distorted gross profit calculations. Module III explores the comprehensive architecture of **Accounts with Inventory** in computerized accounting software (Tally Prime). Students master the hierarchical configuration of Stock Groups, Stock Categories, and Stock Items; multi-godown spatial logistics; Units of Measure (UoM) conversion mathematics; purchase and sales order processing workflows; batch-wise expiry tracking; multi-tier price lists; Bill of Materials (BOM) in manufacturing; landed cost apportionment; pure inventory tracking vouchers; physical stock reconciliation; and executive diagnostic inventory telemetry.

UNIT 9: STOCK GROUPS, STOCK CATEGORIES & STOCK ITEMS

In modern computerized accounting software such as Tally Prime, the inventory subsystem operates as an integrated relational sub-ledger tightly synchronized with the general financial ledger. When the configuration switches **"Maintain Inventory"** and **"Integrate Accounts with Inventory"** are activated in Company Features (**F11**), every inward goods receipt, outward customer shipment, warehouse transfer, and physical shrinkage adjustment automatically updates stock ledgers and dynamically adjusts closing inventory valuations in the Trading & Profit & Loss Account and Balance Sheet.

1. Integration of Financial Accounts with Inventory Subsystems

Understanding the distinction between non-integrated and integrated accounting modes is fundamental to enterprise architecture:

- **Non-Integrated Mode (Accounts Only):** Closing stock is entered as an arbitrary financial figure at the end of each accounting period via a standard Journal voucher or direct balance input in the Stock-in-Hand ledger. Physical purchases and sales are recorded as pure rupee values without tracking item quantities, unit rates, batch codes, or warehouse locations. This mode is suitable only for pure service firms (consultancies, legal practices, educational institutions).
- **Integrated Mode (Accounts with Inventory):** Physical quantities and monetary values are perpetually unified. When a purchase invoice is recorded, the software debits the Purchase ledger in the financial book, debits Input GST ledgers, credits the Sundry Creditor, and simultaneously increases the physical balance and inventory valuation of that specific stock item in the specified godown. The closing inventory figure on the Balance Sheet is dynamically calculated based on actual item balances multiplied by the selected valuation costing method (e.g., FIFO or Weighted Average).

2. Stock Groups Architecture: Hierarchical Aggregation

A **Stock Group** is an organizational classification used to aggregate related stock items sharing similar product line characteristics, raw material origins, operating conditions, or sales divisions. Creating structured hierarchies prevents inventory clutter and empowers executive management to evaluate product line performance.

Stock Group Creation Protocol (Gateway of Tally → Create → Stock Group):

- **Name:** The title of the product category (e.g., *Consumer Electronics*, *Industrial Chemicals*, *Textiles & Fabrics*).
- **Under (Parent Group):** Establishes hierarchical multi-tier nesting. A group can be classified under the root Primary group or nested under an existing parent group (e.g., nesting *Smartphones* and *Laptops* under parent *Consumer Electronics*; or nesting *OLED TVs* under *Televisions*).
- **Should Quantities of Items be Added?:** A pivotal technical flag:
 - Set to **Yes**: Tally aggregates physical quantities of all subordinate stock items possessing identical units of measure into a single total on summary screens (e.g., aggregating all Laptop quantities measured in Numbers).
 - Set to **No**: Mandated if child items use disparate, incompatible units (e.g., mixing cables measured in Meters with chemicals measured in Liters).

3. Stock Categories Architecture: Parallel Classification Matrix

While Stock Groups categorize items by product lineage (e.g., *Televisions* vs *Air Conditioners*), enterprises frequently require a parallel, cross-cutting dimension of classification based on brand manufacturer, model generation, quality grade, or technical capacity. This is achieved via **Stock Categories** (

Gateway of Tally → Create → Stock Category).

MULTI-DIMENSIONAL MATRIX: STOCK GROUPS VS STOCK CATEGORIES

INVENTORY MATRIX

PRODUCT LINE (Stock Group) × BRAND / SPECIFICATION (Stock Category) =
UNIQUE STOCK ITEM

Practical Commercial Deployment in Consumer Electronics Distribution:

- **Stock Groups:** *Laptops, Desktop Computers, Monitors, Printers* (Product Functional Lines).
- **Stock Categories:** *Dell, HP, Lenovo, Apple* (Brand / Manufacturer Classifications).
- **The Stock Item:** *Dell Latitude 5420 Laptop* is configured Under Stock Group Laptops and Under Stock Category Dell.
- **Strategic Reporting Dividend:** Executive management can view inventory telemetry from two orthogonal perspectives:
 - **Product-Centric View:** Inspect all laptop inventory across all brands to assess total portable computing stock.
 - **Vendor-Centric View:** Inspect all Dell inventory spanning laptops, desktops, and monitors to manage vendor credit terms and volume rebates.

4. Stock Items Architecture: The Atomic Inventory Unit

A **Stock Item** is the fundamental discrete physical commodity purchased, stored, manufactured, and sold by an enterprise. Creating a Stock Item (Gateway of Tally → Create → Stock Item) requires configuring multiple interdependent accounting, statutory, and logistical parameters:

1. Master Classification & Units

- **Name & Part Number:** Trade product name and SKU barcode number.
- **Under Group & Category:** Assigned to parent group and category.
- **Unit of Measure (UoM):** Primary unit (e.g., *Nos*, *Kgs*) and optional Alternate Unit (e.g., *Boxes*).

2. Statutory GST Configuration

- **HSN / SAC Code:** 8-digit Harmonized System of Nomenclature code.
- **Taxability:** Taxable, Exempt, or Nil-Rated.
- **GST Rate:** Specific tax rate (e.g., 18% IGST; automatically splitting into 9% CGST + 9% SGST for local sales).

3. Inventory Valuation Methods (AS-2)

Selects the cost valuation formula compliant with Accounting Standard 2 (Valuation of Inventories):

- **FIFO (First-In, First-Out)**
- **Weighted Average Cost**
- **Last Purchase Cost / Standard Cost**

4. Opening Balance Allocation

Captures the physical stock position at the start of the financial year:

- **Quantity:** e.g., 50 Units.
- **Rate:** e.g., ₹22,000 per Unit.
- **Godown Breakdown:** Allocating units across specific physical warehouses.

5. Inventory Costing Methods under Accounting Standard 2 (AS-2)

During periods of volatile inflation or fluctuating supplier purchase prices, the choice of inventory costing method fundamentally impacts reported Cost of Goods Sold (COGS), Gross Profit, and Balance Sheet inventory valuation. Indian Accounting Standard 2 (AS-2) and Ind AS 2 mandate that inventory must be valued at the **Lower of Cost and Net Realizable Value (NRV)**.

Costing Method	Underlying Valuation Mechanics	Financial & Inflationary Impact
FIFO (First-In, First-Out)	Assumes that the oldest inventory batches purchased are the first units sold or consumed in production. Closing inventory is valued at recent purchase costs.	In inflationary environments: Lowers Cost of Goods Sold (COGS), reports higher gross profit, and values closing inventory on the Balance Sheet at current market replacement costs. Fully permitted under AS-2 and Ind AS 2.
Weighted Average Cost	Calculates a dynamic moving average cost per unit: Total Cost of Goods Available for Sale divided by Total Units Available. Recomputed after each purchase.	Smooths out short-term price spikes; produces moderate, balanced profit figures; widely preferred for bulk commodities (crude oil, grains, steel). Fully permitted under AS-2 and Ind AS 2.
LIFO (Last-In, First-Out)	Assumes that the newest inventory purchased is sold first, leaving the oldest costs in closing stock.	Strictly Prohibited under Indian AS-2, Ind AS 2, and International IFRS because it undervalues balance sheet stock during inflation and facilitates artificial profit manipulation.
Last Purchase Cost	Values all remaining unsold stock at the exact unit rate of the most recently recorded purchase voucher.	Used strictly for internal management replacement cost modeling; not permitted for external statutory financial reporting.
Standard Cost	Values inventory at a pre-determined, engineered standard cost benchmark established by cost accountants.	Enables manufacturing firms to isolate Purchase Price Variances (PPV) between standard cost and actual vendor invoice price. Acceptable under AS-2 if standard costs approximate actual costs.

Mathematical Worked Valuation Benchmark: FIFO vs Weighted Average Cost

- Opening Stock (Day 1): 100 Units @ ₹50 = ₹5,000
- Purchase 1 (Day 5): 200 Units @ ₹60 = ₹12,000
- Sale 1 (Day 10): 250 Units @ ₹90 = ₹22,500
- Purchase 2 (Day 15): 150 Units @ ₹70 = ₹10,500

Under FIFO Method:

- Units Sold (250 Units): 100 Units @ ₹50 (₹5,000) + 150 Units @ ₹60 (₹9,000) = Cost of Goods Sold = ₹14,000.
- Gross Profit = ₹22,500 - ₹14,000 = ₹8,500.
- Closing Stock (200 Units): 50 Units @ ₹60 (₹3,000) + 150 Units @ ₹70 (₹10,500) = ₹13,500.

Under Weighted Average Method:

- Prior to Sale: Total Units = 300; Total Cost = ₹17,000. Moving Average Rate = ₹17,000 / 300 = ₹56.67 per Unit.
- Cost of Goods Sold (250 Units) = 250 × ₹56.67 = ₹14,167.50.
- Gross Profit = ₹22,500 - ₹14,167.50 = ₹8,332.50.
- Balance Remaining = 50 Units @ ₹56.67 = ₹2,833.50 + New Purchase 150 Units @ ₹70 (₹10,500) = Total Closing Stock ₹13,333.50 (200 Units @ ₹66.67/unit).

6. Alternate Units of Measure & Packaging Hierarchies

In wholesale trading and FMCG manufacturing, goods are frequently purchased in bulk industrial packaging units but invoiced to retailers in smaller consumer units. Tally Prime manages this through **Alternate Units of Measure** configured directly on the Stock Item master:

- **Primary Unit:** Kgs (Kilograms).
- **Alternate Unit:** Bags (where conversion rule is defined: 1 Bag = 50 Kgs).
- **Operational Automation:** During Sales Voucher entry, typing 10 Bags automatically populates the primary quantity as 500 Kgs. Billing can be based either per Bag or per Kg, eliminating manual mathematical conversions at billing counters.
- **Decimal Precision Controls:** Simple units must be configured with appropriate decimal precision: 0 decimals for discrete items (Nos, Pcs) and 2 or 3 decimals for continuous commodities (Kgs, Liters, Meters).

UNIT 10: GODOWNS, UNITS OF MEASURE, INVENTORY VOUCHERS & STATEMENTS

Managing physical inventory across complex logistics networks requires multi-warehouse tracking, precise unit conversion algorithms, specialized inventory vouchers, and automated inventory aging telemetry.

1. Godowns (Locations) Architecture & Spatial Logistics

In Tally Prime, a **Godown** (or Location) represents any physical storage facility where stock is housed. Enabling "Enable Multi-Godowns" in **F11** allows businesses to track stock across:

- **Central Distribution Warehouses:** Bulk receiving facilities located near ports, railways, or logistics hubs.

- **Factory Raw Material Stores:** Dedicated storage adjacent to manufacturing lines supplying production inputs.
- **Finished Goods Warehouses:** Secure facilities holding manufactured items ready for commercial distribution.
- **Retail Showrooms / Outlets:** Point-of-sale display floors where units are sold directly to consumers.
- **Third-Party Logistics (3PL) & Consignment Stores:** Stock held by clearing agents or distributors on behalf of the company.

2. Units of Measure (UoM) Architecture: Simple vs Compound Units

Accurate stock records require unambiguous mathematical units of measurement (Gateway of Tally → Create → Unit):

1. Simple Units of Measure	2. Compound Units of Measure
Discrete, singular units of measurement: • Symbol: Nos, Kgs, Ltrs, Mtrs, Box. • Formal Name: Numbers, Kilograms, Liters, Meters, Boxes. • Decimal Places: Controls fractional precision: — Decimal = 0 for indivisible units (e.g., Laptops, Furniture). — Decimal = 3 for divisible mass (e.g., 1.450 Kgs).	Establishes a fixed mathematical relationship combining two simple units: • 1 Box = 24 Nos (Wholesale packaging). • 1 Ton = 1000 Kgs (Industrial raw materials). • 1 Gross = 12 Dozens (Stationery trade). Allows operators to purchase inventory in bulk Tons or Boxes and sell in individual Kgs or Pieces seamlessly.

3. The Complete Order Processing Lifecycle

In corporate supply chain management, transactions do not begin with immediate invoicing. They progress through a structured, multi-stage commercial verification pipeline:

PURCHASE: Purchase Order (Ctrl+F9) → Receipt Note (Alt+F9) → Rejections Out (Ctrl+F5) → Purchase Invoice (F9)

SALES: Sales Order (Ctrl+F8) → Delivery Note (Alt+F8) → Rejections In (Ctrl+F6) → Sales Invoice (F8)

Operational Mechanics & Control Points:

- **Order Tracking:** Issuing an Order reserves stock or records a purchase commitment without altering financial ledgers or physical inventory counts. It creates an order record tracked in Outstanding Order Reports.
- **Goods Receipt / Delivery Notes (GRN / GDN):** Updates physical warehouse stock immediately upon truck delivery/dispatch accompanied by a Delivery Challan. Financial ledgers remain untouched, with unbilled amounts posted to temporary suspense accounts ("Tracking Numbers").
- **Rejections Management:** Physical defects discovered at the loading dock prior to billing are processed via Rejections Out (returning to vendor) or Rejections In (accepting customer return), maintaining exact physical stock integrity.
- **Invoicing & Automatic Order Clearing:** When the final Tax Invoice (F8/F9) is recorded, selecting the Tracking Number automatically populates all items, quantities, and rates from the Delivery Note, clearing the tracking balance and creating the legal financial receivable/payable.

4. Pure Inventory Vouchers & Material Movement

While standard Sales (F8) and Purchase (F9) vouchers record both accounting ledgers and inventory movement simultaneously, modern supply chains require **pure inventory vouchers** to manage logistics:

Voucher Type	Shortcut Key	Logistical Purpose & Movement	Business Flow Context
Stock Journal	Alt + F7	Records inter-godown transfers (Source to Destination) and manufacturing consumption entries (Bill of Materials).	Transferring 100 bags of cement from Central Port Godown to Downtown Retail Outlet.
Delivery Note	Alt + F8	Records the physical dispatch of goods to a customer accompanied by a delivery challan before issuing the sales tax invoice.	Warehouse dispatches industrial pumps; reduces physical stock without generating financial receivable.
Receipt Note	Alt + F9	Records the physical receipt of goods from a vendor via a Goods Receipt Note (GRN) before receiving the supplier invoice.	Factory gate receives raw steel coils; increases physical stock pending invoice audit.
Rejections In	Ctrl + F6	Records customer goods returned at the warehouse loading dock prior to generating a financial Credit Note.	Customer rejects damaged cartons during truck delivery.
Rejections Out	Ctrl + F5	Records defective stock returned to supplier prior to receiving a formal Debit Note.	Rejecting sub-standard yarn back to mill upon incoming quality check.
Physical Stock	Ctrl + F7	Records physical inventory counts to synchronize digital book stock with actual warehouse shelf balances.	Adjusting for shrinkage, minor transit evaporation, or quarterly stock-take variances.

5. Batch-Wise Details & Expiry Date Management

In regulated industries such as pharmaceuticals, packaged foodstuffs, and industrial chemicals, tracking inventory purely by item name is illegal and operationally hazardous. Enabling **"Maintain Batches"** and **"Set Expiry Dates for Batches"** in **F11** allows enterprises to capture granular batch telemetry:

- **Batch Number Allocation:** Every inbound purchase lot is assigned a unique batch identifier (e.g., Batch No. PAR-2025-B4).
- **Manufacturing Date & Expiry Date:** Inputted during purchase voucher entry. The software automatically calculates remaining shelf life.
- **Near-Expiry Stock Warning:** Tally displays automated exception warnings when billing staff attempt to sell stock within 30 days of expiration.
- **Zero-Sale Enactment on Expired Batches:** Tally Prime strictly blocks expired batches from appearing in sales invoice selection drop-downs, preventing catastrophic legal liability and protecting consumer safety.

6. Multi-Tier Price Levels & Price Lists

Enterprises selling to diverse customer tiers (e.g., institutional wholesalers, exclusive regional dealers, and walk-in retail consumers) cannot manually negotiate prices during each voucher entry. Modern accounting

software implements **Price Lists** (**Gateway of Tally → Create → Price List**):

1. Price Level Hierarchy

Enterprises configure distinct commercial tiers:

- *Wholesaler Price Level* (Lowest unit margin, high volume).
- *Dealer Price Level* (Standard distributor margin).
- *Retail Price Level* (Maximum Retail Price [MRP]).

2. Quantity-Based Discount Slabs

Configures graduated volume discount matrices:

- *1 to 50 Units*: ₹500 per unit, 0% discount.
- *51 to 200 Units*: ₹480 per unit, 2% discount.
- *201+ Units*: ₹450 per unit, 5% cash discount.

When billing, selecting the customer's assigned price level automatically applies the exact contractual rate and discount.

7. Bill of Materials (BOM) & Manufacturing Accounting

In manufacturing environments, a **Bill of Materials (BOM)** defines the complete recipe of raw material components, sub-assemblies, packaging materials, and by-products required to produce a single unit of a finished product.

MANUFACTURING WORKFLOW VIA BILL OF MATERIALS

BOM ENGINE

RAW MATERIAL CONSUMPTION (Godown A) → MANUFACTURING VOUCHER →
FINISHED PRODUCT INGESTION (Godown B)

BOM Execution Mechanics:

- 1. Define the BOM on the finished stock item (e.g., *1 Desktop Computer requires: 1 Motherboard, 1 CPU, 2 RAM Sticks, 1 Power Supply, 1 Casing*).
- 2. Record a **Stock Journal** configured with a Manufacturing Voucher Class.
- 3. Entering the finished quantity (e.g., 50 Desktops) automatically calculates and deducts the exact proportional quantities of raw materials from the factory stockroom.
- 4. Allocates additional operational costs (labor wages, factory power, machine depreciation) into the unit cost of the finished product.
- 5. Accounts for scrap generation, residual waste, and co-products, crediting their net realizable value against total manufacturing costs.

8. Additional Costs of Purchase (Inward Landed Cost Apportionment)

Purchasing inventory rarely incurs only the vendor's invoice price. Businesses incur freight inward, customs duty, transit insurance, and dock handling charges. Under Indian AS-2, all costs incurred in bringing inventories to their present location and condition must be capitalized into inventory cost. Tally's **"Track Additional Costs of Purchase"** feature automatically distributes landed freight charges proportionally across imported line items:

1. Apportionment by Item Value

Freight and insurance expenses are distributed proportionally based on each item's monetary value:

- Best suited for high-value delicate goods where insurance risk correlates with price.
- Formula: $\text{Item Landed Cost} = \text{Base Price} + (\text{Item Value} / \text{Total Invoice Value}) \times \text{Total Additional Freight}$.

2. Apportionment by Item Quantity

Transportation and dock handling charges are distributed proportionally based on physical weight or volume:

- Best suited for bulk commodities (cement, grain, steel coils) where shipping freight depends strictly on metric tonnage rather than monetary worth.
- Formula: $\text{Item Landed Cost} = \text{Base Price} + (\text{Item Quantity} / \text{Total Quantity}) \times \text{Total Additional Freight}$.

9. Physical Stock Verification & Discrepancy Reconciliation

Periodic physical stock verification is a mandatory audit control requirement under Companies Act, 2013 and statutory tax laws. Regardless of how sophisticated the digital accounting software is, discrepancies inevitably arise between digital book records and physical shelf counts due to evaporation, moisture loss, theft, unrecorded breakage, or misplacement.

- **Physical Stock Voucher (`Ctrl + F7`):** Used to input the actual physically counted stock in each godown. Tally Prime compares the counted balance with the software balance and automatically adjusts the book figure to match reality.
- **Accounting Treatment of Shortages:** Normal unavoidable losses (minor shrinkage, drying) are absorbed into Cost of Goods Sold by inflating unit costs of remaining stock. Abnormal losses (pilferage, fire damage, catastrophic water leaks) must be isolated via Journal voucher:
 - *Abnormal Stock Loss A/c Dr. (to Profit & Loss A/c)*
 - *Insurance Claim Receivable A/c Dr. (if insured)*
 - *To Stock / Purchase A/c Cr.*

10. Executive Inventory Reports & Decision Telemetry

Computerized inventory systems provide comprehensive diagnostic telemetry (`Gateway of Tally → Stock Summary`):

- **Stock Summary:** The primary real-time dashboard displaying quantity, valuation rate, and total monetary value across all stock groups. Pressing `Alt + F1` expands the view to reveal individual child stock items. Pressing `F12` enables displaying opening stock, inbound purchases, outbound sales, and closing balances simultaneously.
- **Godown Summary:** Displays inventory distribution across individual storage locations, enabling supply chain managers to rebalance stock between surplus and deficit branches.
- **Stock Ageing Analysis:** Segregates inventory into temporal aging buckets (e.g., *0–30 Days*, *31–60 Days*, *61–90 Days*, *>90 Days*). Crucial for identifying obsolete, slow-moving, or perishable goods before expiration.
- **Movement Analysis:** Analyzes inventory turnover velocity, categorizing stock items into fast-moving high-margin lines versus slow-moving capital drains.
- **Reorder Status & Purchase Orders:** Compares current stock on hand against pre-configured Minimum Reorder Levels and pending sales commitments, generating automated purchase requisition warnings.

ENTERPRISE CASE BENCHMARK: MULTI-GODOWN LOGISTICS RESTRUCTURING

Kerala Retail Consumer Electronics Chain: A consumer electronics chain operating a central port warehouse in Kochi and four retail showrooms across Calicut, Thrissur, and Trivandrum struggled with severe stockouts of high-demand 4K Televisions during festival seasons, despite holding ₹3 Crores of excess inventory across secondary warehouses.

- By implementing Tally Prime's structured Multi-Godown tracking with Compound Units (1 Master Carton = 4 Units), Batch Expiry Tracking, and activating Stock Journal inter-branch transfers:
- The supply chain team gained real-time visibility into branch-level stock positions, enabling automated daily replenishment runs.
- Stock Ageing Analysis exposed ₹42 Lakhs of aged display models accumulating holding costs, which were immediately cleared via targeted promotional discounts.

Business Result: Stockout incidents collapsed by 85%, while overall inventory carrying costs declined by 18% within six months of implementation.

COMPREHENSIVE CORPORATE SIMULATION: END-TO-END INVENTORY LIFECYCLE

To integrate all theoretical concepts, consider a complete end-to-end corporate scenario simulated in Tally Prime for **Apex Tech Solutions Pvt Ltd** (a computer assembly and wholesale distribution firm based in Kochi, Kerala):

Phase 1: Master Setup & Bill of Materials (BOM) Configuration

- **Stock Groups:** Raw Components (Items added = No) and Finished Desktops (Items added = Yes).
- **Stock Categories:** Intel Architecture and AMD Architecture.
- **Units of Measure:** Simple: Nos (Decimal = 0), Boxes (Decimal = 0). Compound: 1 Box = 10 Nos.
- **Godowns:** Kochi Port Warehouse (Bulk Receiving), Aluva Factory Floor (Assembly Plant), and Calicut Showroom (Retail Outlet).
- **BOM Definition on Finished Item "Apex Core-i7 Desktop":**
— Raw Components consumed from *Aluva Factory Floor*: 1 Motherboard, 1 Core-i7 CPU, 2 DDR5 16GB RAM Sticks, 1 1TB NVMe SSD, 1 750W SMPS, 1 ATX Cabinet.

Phase 2: Procurement, Landed Freight & Assembly

- **Transaction 1: Purchase Order Issued** (**Ctrl + F9**) to Microchip Distributors for 100 sets of components @ ₹40,000 per set. Order No: PO-APX-01.
- **Transaction 2: Receipt Note Recorded** (**Alt + F9**) upon arrival of container at Kochi Port Warehouse against Tracking No: TRK-GRN-101. Physical stock increases by 100 sets.
- **Transaction 3: Rejections Out Recorded** (**Ctrl + F5**) for 5 defective SMPS units returned to vendor before invoicing.
- **Transaction 4: Final Purchase Tax Invoice** (**F9**) booked against TRK-GRN-101. Incurs additional Freight Inward of ₹25,000 apportioned across components by value.
- **Transaction 5: Stock Journal Transfer** (**Alt + F7**) moving 50 sets of components from *Kochi Port Warehouse* to *Aluva Factory Floor*.
- **Transaction 6: Manufacturing Stock Journal** (**Alt + F7** with **BOM class**) assembling 50 units of "Apex Core-i7 Desktop". Consumes component sets; allocates Direct Assembly Wages of ₹15,000. Finished Desktop unit cost calculated automatically as ₹40,550.

Phase 3: Multi-Tier Sales & Physical Reconciliation

- **Transaction 7: Sales Order Recorded** (**Ctrl + F8**) from Horizon IT Academy for 20 Desktops under *Dealer Price Level* @ ₹48,000 each. Order No: SO-HRZ-501.
- **Transaction 8: Delivery Note Issued** (**Alt + F8**) dispatching 20 Desktops from Aluva Factory Floor with Challan No: CHL-202.
- **Transaction 9: Sales Tax Invoice Generated** (**F8**) tracking CHL-202 with 18% IGST. Horizon IT Academy is debited; Sales and Output Tax credited.
- **Transaction 10: Physical Stock Audit** (**Ctrl + F7**) conducted at month-end. Physical count reveals 29 Desktops on hand versus digital book balance of 30. Discrepancy investigated: 1 unit damaged in transit; written off via Abnormal Loss Journal Voucher to ensure audit compliance.

STOCK MASTERS + MULTI-GODOWNS + COMPOUND UOM + BOM
MANUFACTURING = SUPPLY CHAIN PRECISION

Domain	Core Technical Capability	Strategic Business Impact
Stock Groups & Categories	Hierarchical product line grouping, parallel brand categorization.	Enables multidimensional slice-and-dice sales and inventory reporting.
Stock Items & Costing	Atomic item masters, HSN/GST rates, FIFO vs Weighted Average (AS-2).	Guarantees statutory tax compliance and accurate COGS balance sheet valuation.
Godowns & Units	Multi-warehouse tracking, Simple vs Compound units (1 Box = 24 Nos).	Eliminates unit conversion errors and manages spatial distribution networks.
Order Pipelines & BOM	PO/SO tracking numbers, Stock Journal (Alt+F7), Bill of Materials.	Connects commercial order verification directly to factory production.
Inventory Telemetry	Stock Summary, Ageing Analysis, Movement Velocity, Reorder points.	Prevents stockouts, identifies dead capital, and optimizes working capital.

Acing your exams is just a click away!

Visit www.degreeelive.in to download the next module for free.

DegreeLive