Use the procedure described in this section to close the year for Inventory Control and prepare your inventory records for the new fiscal year. There is no calendar year-end closing process for Inventory.

Closing a year transfers all summarized current-year quantity, cost and sales amounts to transaction history for the items for which you have been keeping summarized sales history. This procedure also updates each item's beginning quantity to the quantity on hand at each site and sets the quantity sold to zero.

You must complete this procedure before posting any transactions for the new year, regardless of which release you are currently running.

Steps to Perform a Year-End Close
1. Post all transactions for the year.
2. Reconcile inventory quantities.
3. Complete a physical inventory count and post any adjustments.
4. Print additional reports.
5. Make a backup.
6. Close the year.
7. Close the fiscal periods for the inventory series (optional).
8. Make a final backup.

Step 1: Post All Transactions for the Year

Be sure that all Invoicing, Sales Order Processing and Inventory transactions for the current year have been entered and posted *before* you close the year. This is important to ensure that historical information is accurate for the year you are closing and year-to-date amounts are accurately stated for the new year. If you wish to enter future-period transactions before closing the year, create a new batch with new transactions, **but do not post** it until after the year has been closed.

- Transactions >> Inventory >> Series Posting

Step 2: Reconcile Inventory Quantities

Reconcile quantities for all inventory items using the Reconcile Inventory Quantities window to ensure that your Inventory Control data has not become damaged over the course of the year. If any discrepancies are found during the reconcile process, the quantities will be adjusted. If adjustments are made, they will be reflected on the Reconcile Report, along with any serial numbers and lot numbers that were added for the adjusted items. If you want to edit these serial and lot numbers, you can use the Item Transaction Entry window to do so by making adjustment transactions.

- Microsoft Dynamics GP >>Tools >> Utilities >> Inventory >> Reconcile

Step 3: Complete a Physical Inventory Count and Post Adjustments

- Use Microsoft Dynamics GP Stock Count functionality to post your variances.

- Use the **Stock Calendar Maintenance** window to set up and maintain information about when stock counts can be performed and which days will be "counted" when the system calculates suggested dates for the next stock count for a specific item-site combination. To open the **Stock Calendar Maintenance** window:
  - Microsoft Dynamics GP >> Tools >> Setup >> Inventory >>Stock Calendar

- The **Stock Count Cycle Assignment** window can be used if you want to assign one stock count frequency to many items. To open the **Stock Count Cycle Assignment** window:
  - Cards >> Inventory >> Count Cycle Assignment

- Create a **Stock Count Schedule** (a list of the specific items at a specific site that will be counted during a specific count). When you start a stock count schedule, the quantity on hand for each line in the stock count schedule is captured. Later, the actual count number quantities will be compared to the captured values to create default variance transactions. Stock Count Forms can be printed during this process. To open the Stock Count Schedule window:
  - Cards >> Inventory >> Stock Count Schedule

- Use the Stock Count Entry window to enter information about the results of your stock counts. When you process a stock count, variance transactions are created. If the **Autopost Stock Count Variances** checkbox is marked, the transactions will also be posted. To open the Stock Count Entry window, point to **Inventory** on the **Transactions** menu, and then click **Stock Count Entry**.

   OR

- Instead of following the Stock Count procedure described earlier, you could manually create your adjusting entries. Print a Physical Inventory Checklist using the Inventory Activity Reports window and perform a physical count of your inventory items to verify that quantity on hand amounts are accurate for all items. To open the Inventory Activity Reports window, point to **Inventory** on the **Reports** menu, and then click **Activity**.

- If differences exist, enter the necessary adjustments in the Item Transaction Entry window, and then post the transactions. To open the Item Transaction Entry window, point to **Inventory** on the **Transactions** menu, and then click **Transaction Entry**.

Step 4: Print Additional Reports

Print any additional reports you will need for planning or your permanent records, including the Stock Status Report, Purchase Receipts Report, Turnover Report, Transaction History Report, Serial Number List and Lot Number List. Use selections from the Inventory Reports palette to print these reports.

Note: If you plan to remove sold purchase receipts during the year-end closing process, we recommend that you print the Purchase Receipts Report to review the receipts that will be removed.

Step 5: Make a Backup

Make a backup of all company data. This is important to ensure that you will be able to recover quickly should a power fluctuation or other problem occur during the year-end closing procedure.

Step 6: Close the Year

Closing a year accomplishes the following tasks:

- Transfers all summarized current-year quantity, cost and sales amounts to transaction history for the items for which you have been keeping summarized sales history.
- Updates the item's beginning quantity to the quantity on hand at each site.
  Note: Certain reports, such as the Turnover Report, use the beginning quantity field for report calculations.
- Zeros the quantity sold field in Item Quantities Maintenance for each site.
- Removes purchase receipt for items that have been completely sold.
- Removes any discontinued items from the item records that have been completely sold.
- Removes any lot attributes from the records of lot-numbered items if they have been completely sold.
- Updates the standard cost of each item to the current cost if you are using either the FIFO periodic or LIFO periodic valuation method. (This does not happen if you have Manufacturing installed.)

Use the **Inventory Year-End Closing** window to close the year: Microsoft Dynamics GP >> Tools >> Routines >> Inventory >> Year End Close

Use the following descriptions to learn more about each option:

- **Remove: Discontinued Items** - If you mark the Discontinued Items option, all discontinued items that have a zero balance will be removed during the year-end closing process. (Items can be designated as discontinued using the Item Maintenance window.)
- **Remove: Sold Receipts** - If you mark Sold Receipts, all sold receipts with equal quantity received and quantity sold amounts will be removed. This is an optional step and may not be a procedure that is done every year-end. These values may be helpful when items are returned through Invoicing, so you may not want to remove the receipts from the file.
- **Remove: Sold Lot Attributes** - If you mark Sold Lot Attributes, values for completely sold lot numbers will be removed. (For example, you can remove the value "red" for the lot attribute color if you have sold all lot-numbered items that have been assigned the value "red.")
- **Update: Item's Standard Cost** - If you mark Item's Standard Cost, the standard cost for any items that have been assigned the FIFO periodic or LIFO periodic valuation method will be adjusted automatically to reflect each item's current cost or the amount you most recently paid for the item. If you are registered for the Manufacturing module, you will be unable to make this selection.

When you have selected all the options you want, choose **OK** to begin the year-end closing process. While the year is being closed, you will not be able to post, reconcile quantities, change valuation methods or change decimal places for items.

Step 7: Close the Fiscal Periods for the Inventory Series (optional)

You can use the **Fiscal Periods Setup** window to close any fiscal periods that are still open for the year. This keeps transactions from accidentally being posted to the wrong period or year.

- Microsoft Dynamics GP >> Tools >> Setup >> Company Fiscal Periods

If you later need to post transactions to a fiscal period you have already closed, you will need to return to the **Fiscal Periods Setup** window to reopen the period before you can post the transaction.

Step 8: Make a Final Backup

Make a final backup of your company's data files and keep it in safe, permanent storage. This gives you a permanent record of the company's financial position at the time you closed the year and can be restored later, if necessary.

The year-end close must be done before any transactions for the new year have been posted.

- You have the option of marking Discontinued Items, Sold Receipts or Sold Lot Attributes. If marked, all items, sold receipts or sold lot attributes that have a zero balance will be removed during the year-end closing process.
- If you mark Update Item's Standard Cost, the standard cost for any items that have been assigned the FIFO periodic or LIFO periodic valuation method will be adjusted automatically to reflect each item's current cost, which is the amount you most recently paid for the item.
- There is no Year-End Closing Report for Inventory.

Average cost update

Q: How is the average cost of an item updated throughout the year and during the year-end closing process when using the average perpetual (weighted moving average) method of costing?

A: If you are using the average perpetual costing method, all receipts for each item will be averaged to determine the average cost. Even if quantities are sold, the average doesn't change until another purchase receipt for the item is posted to the Inventory Purchase Receipts File. The year-end closing process does not change the average cost, but it will remove the purchase receipts that have been completely sold. The next time a receipt is entered, the average cost will be revalued with the receipts that remain in the Inventory Purchase Receipts File.

Standard cost update

Q: Can the Inventory Year-End Closing window be used throughout the year to update the standard cost of items if using the periodic valuation method?

A: This is not recommended because the beginning quantity field is updated during the year-end closing process. This would make that field incorrect on reports such as the Turnover Report.