

This is an example on how to post end of the year inventory. For our example, our fiscal year is from January 1 to December 31 and we will explain two examples. The accounts used :

Account #	Description	Account Type
1500	Inventory on Hand	Asset
5100	Opening Inventory	Cost of Sales
5150	Closing Inventory	Cost of Sales

Inventory value is GREATER on Dec 31st.

Date	Inventory value
January 1st	100,000
December 31st	115,000

You would need to post this journal entry on December 31st (Period 13)

Account	Description	Debit	Credit
1500	Inventory on Hand		-100,000
5100	Opening Inventory	100,000	
1500	Inventory on Hand	115,000	
5150	Closing Inventory		-115,000

The result would be a decrease in cost of sales of 15,000 and our inventory increased by 15,000.

Inventory value is LOWER on Dec 31st.

Date	Inventory value
January 1st	100,000
December 31st	90,000

You need to post this journal entry on December 31st (Period 13)

Account	Description	Debit	Credit
1500	Inventory on Hand		-100,000
5100	Opening Inventory	100,000	
1500	Inventory on Hand	90,000	
5150	Closing Inventory		-90,000

The result would be an increase in cost of sales of 10,000 and inventory decreased by 10,000.