

Business One in Action - What is the purpose of the Expense Clearing Account?



Applies to:

SAP Business One, [Logistics](#), [Sales and Purchasing](#)

Summary:

This article explains how the use of the Expense Clearing Account in transactions.

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Author Bio:

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What is the purpose of the Expense Clearing Account?

In a database using perpetual stock system, the *Expense Clearing Account* is found on the *Stock* tab under *Administration -> Setup -> Financials -> G/L Account Determination*. In company databases using the non-perpetual stock system this tab is grayed out and not accessible.

The screenshot shows the 'G/L Account Determination' dialog box in SAP. The 'Period Selection' is set to '2009'. The 'Stock' tab is selected. The table below lists various account types and their corresponding codes and names. The 'Expense Clearing Account' row is highlighted with a red box.

#	Type of Account	Account Code	Account Name
	Stock Account	⇒ 130000	Raw Materials
	Cost of Goods Sold Account	⇒ 500005	Raw Materials - Cost of Goods Sold
	Allocation Account	⇒ 208040	Goods Received Not Invoiced (GRNI) Clearing
	Variance Account	⇒ 500200	Materials - Purchase Price Gains
	Price Difference Account	⇒ 500200	Materials - Purchase Price Gains
	Negative Inv. Adjustment Acct		
	Stock Offset - Decr. Acct	⇒ 500510	Stock Difference Losses
	Stock Offset - Incr. Acct	⇒ 500500	Stock Difference Gains
	Sales Returns Account	⇒ 130081	Raw Materials Returns A/c
	Exchange Rate Differences Account	⇒ 500520	Misc Stock Costs
	Goods Clearing Account	⇒ 130090	Raw Materials Goods Clearing
	G/L Decrease Account	⇒ 500310	Stock Revaluation Losses
	G/L Increase Account	⇒ 500300	Stock Revaluation Gains
	WIP Stock Account	⇒ 131000	Work in Progress
	WIP Stock Variance Account	⇒ 500180	Work in Progress - Inventory Change
	Expense Clearing Account	⇒ 208055	Expense Clearing Account
	Stock in Transit Account	⇒ 208040	Goods Received Not Invoiced (GRNI) Clearing

Buttons: OK, Cancel

The G/L accounts defined here are the default accounts used in the G/L determination by warehouse, item group or on item level. Naturally, they can be overwritten manually.

When a *Goods Receipt PO* (GRPO) is posted in SAP Business One, the stock value goes up and the off-setting account is the *Allocation Account*. Once the *AP Invoice* is received, this allocation account is balanced. The *Expense Clearing Account* also serves as an allocation account which is used to off-set the increase in stock value due to freight charges that are defined to affect item cost.

In this example *Freight 01* (Administration -> Setup -> General -> Freight) is defined to affect both *Stock* and the *Last Purchase Price* (LPP) list.

#	Name	Revenue Account	Expense Account	Distribution M...	Drawing Method	Stock	Last Purchas...
1	01	400030	102020	Row Total	Quantity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2	02	400030	102020	Row Total	Total	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3	03	400030	102020	Row Total	Total	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	04	400030	102020	Row Total	Total	<input type="checkbox"/>	<input type="checkbox"/>
5	05	400030	102020	Row Total	All	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6				None	Total	<input type="checkbox"/>	<input type="checkbox"/>

Item 019 (Lemon) is defined for G/L accounts to be set on the warehouse level. At present it has an item cost of 0.12 with a quantity of 94 in stock.

Item Master Data

Item Number: 019 Bar Code: [empty]

Description: Lemon

Desc. in Foreign Lang.: [empty]

Item Type: Items

Item Group: Items

Price List: Price List 01 Unit Price: GBP 1.20

Stock Item
 Sales Item
 Purchased Item
 Fixed Assets

General Purchasing Data Sales Data **Stock Data** Planning Data Properties Remarks

Manage Stock by Warehouse

Set G/L Accounts by: Warehouse

Stock UoM: [empty]

Valuation Method: Moving Average

Stock Level

Required (Purchasing UoM): [empty]

Minimum: [empty]

Maximum: [empty]

#	Whse Code	Whse Name	In Stock	Committed	Ordered	Available	Item Cost
1	01	General Warehouse	94	2		92	0.12
2	03	Southern Region					
3	04	Western Region					
4	05	Eastern Region					
5	99	Drop-Ship					
6							
			94	2		92	

Set Default Whse

OK Cancel

A quantity of 100 lemons is received with a GRPO where a freight charge has been applied:

Goods Receipt PO

Supplier: 200
 Name: Old McDonald's Farm
 Contact Person:
 Supplier Ref. No.:
 Local Currency:

No. Primary: 28
 Status: Open
 Posting Date: 19.06.09
 Due Date: 19.06.09
 Document Date: 19.06.09

Contents | Logistics | Accounting

Item/Service Type: Item
 Summary Type: No Summary

#	Item No.	Item Descripti...	Quantity	Unit Price	VAT C...	Total (LC)	Whse	Freight 1	Freight 1 (LC)	Freigh...	Freight 1 Stock
1	019	Lemon	100	GBP 0.20	I1	GBP 20.00	01	01	GBP 10.00	I1	Yes

Buyer: -No Sales Employee-
 Owner:
 Remarks:

Total Before Discount: GBP 20.00
 Discount: %
 Freight: GBP 10.00
 Rounding
 Tax: GBP 4.50
 Total Payment Due: GBP 34.50

OK Cancel Copy From Copy To

Adding this document produces this *Journal Entry* (JE):

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit	Credit	VAT Code	Tax Amount	Gross Value	Base ...
1	208040	Goods Received Not Invoiced (GRNI) Clearing		GBP 20.00				
2	208055	Expense Clearing Account	GBP 10.00	GBP 10.00				
3	130000	Raw Materials	GBP 30.00					
			GBP 30.00	GBP 30.00				

The freight portion of the stock value increase is posted to the *Expense Clearing Account*.

Drawing the GRPO into an AP Invoice without changing any values leads to the creation of this JE:

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit	Credit	VAT Code	Base Amount	Balance Due (LC)
1	200	Old McDonald's Farm		GBP 34.50			GBP (34.50)
2	143030	VAT Receivable (Input Tax)	GBP 4.50		I1	GBP 30.00	GBP 4.50
3	208040	Goods Received Not Invoiced (GRNI) Clearing	GBP 20.00				GBP 20.00
4	208055	Expense Clearing Account	GBP 10.00				GBP 10.00
			GBP 34.50	GBP 34.50			

Both clearing accounts are balanced.

The item cost is also updated taking the freight charge into consideration:

Item Master Data

Item Number: 019 Bar Code: []
 Description: Lemon []
 Desc. in Foreign Lang.: []
 Item Type: Items []
 Item Group: Items []
 Price List: Price List 01 Unit Price: GBP 1.20

Stock Item
 Sales Item
 Purchased Item
 Fixed Assets

General Purchasing Data Sales Data Stock Data Planning Data Properties Remarks

Manage Stock by Warehouse
 Set G/L Accounts by: Warehouse
 Stock UoM: []
 Valuation Method: Moving Average
 Stock Level: []
 Required (Purchasing UoM): []
 Minimum: []
 Maximum: []

#	Whse Code	Whse Name	In Stock	Committed	Ordered	Available	Item Cost
1	01	General Warehouse	194	2		192	0.21
2	03	Southern Region					

Calculation Logic:

$(\text{Existing quantity} * \text{current item cost} + \text{added quantity} * \text{unit price} + \text{freight charge amount}) / (\text{Existing quantity} + \text{added quantity})$

$(94 * 0.12 + 100 * 0.2 + 10) / (94 + 100) = (11.28 + 20 + 10) / 194 = 0.212784$ which is rounded to 0.21.

In this example, the base document carried a freight charge of 10.00. It frequently occurs in business that the estimated freight cost recorded at the GRPO stage is different from the actual freight cost in the AP invoice. To illustrate, at the invoicing stage of this GRPO it transpired that the actual freight cost for the item was not 10.00 as estimated in the GRPO, but 15.00.

AP Invoice

Supplier: 200, Name: Old McDonald's Farm, No.: Primary, 108, Status: Open

Freight Charges

Do Not Display Freight Charges with Zero Amount

#	Freigh...	Remarks	Distrib. Method	Amount	Base Document	Stock	Last Purchase Price
1	01		Row Total	GBP 10.00	37	Yes	Yes
2	01		Row Total	GBP 0.00		Yes	Yes
3	02		Row Total	GBP 0.00		Yes	No
4	03		Row Total	GBP 0.00		No	Yes
5	04		Row Total	GBP 0.00		No	No
6	05		Row Total	GBP 0.00		Yes	No
				GBP 10.00			

OK Cancel

Buyer: -No Sales Employee-
Owner:
Remarks: Based on Goods Receipt PO 37.

Total Before Discount	GBP 20.00
Discount	%
Total Down Payment	
Freight	GBP 10.00
<input type="checkbox"/> Rounding	GBP 0.00
Tax	GBP 3.00
Total Payment Due	GBP 33.00
Applied Amount	
Balance Due	GBP 33.00

Add Cancel Copy From Copy To

The field *Amount* in the copied row is fully editable and referenced to the base document. The user may adjust the amount in the copied row, or, for consistency, enter the additional amount in the target document row for that freight code accompanied by appropriate remarks:

Freight Charges

Do Not Display Freight Charges with Zero Amount

#	Freigh...	Remarks	Distrib. Method	Amount	Base Document	Stock	Last Purchase Price
1	01		Row Total	GBP 10.00	37	Yes	Yes
2	01	Extra Cost	Row Total	GBP 5.00		Yes	Yes
3	02		Row Total	GBP 0.00		Yes	No
4	03		Row Total	GBP 0.00		No	Yes
5	04		Row Total	GBP 0.00		No	No
6	05		Row Total	GBP 0.00		Yes	No
				GBP 15.00			

Update Cancel

The JE created by the addition of the AP invoice reflects the following:

Journal Entry

Series: Primary, Number: 430, Posting Date: 08.07.09, Due Date: 18.07.09, Doc. Date: 08.07.09, Ref. 1: 108, Ref. 2:
 Fixed Exchange Rate

Origin: PU, Origin No.: 108, Trans. No.: 430, Trans. Code: AP Invoices - 200, Remarks:
 Automatic VAT
 Manage WTax
 EU Report

Expand Editing Mode

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit	Credit	VAT Code	Base Amount	Balance Due (LC)
1	200	Old McDonald's Farm		GBP 38.00			GBP (38.00)
2	143030	VAT Receivable (Input Tax)	GBP 3.00		I1	GBP 20.00	GBP 3.00
3	143030	VAT Receivable (Input Tax)	GBP 0.00		X1	GBP 15.00	
4	208040	Goods Received Not Invoiced (GRNI) Clearing	GBP 20.00				GBP 20.00
5	208055	Expense Clearing Account	GBP 10.00				GBP 10.00
6	130000	Raw Materials	GBP 5.00				GBP 5.00

The *Expense Clearing Account* is balanced and the stock value increases by the delta amount. Similarly, if the delta amount is negative, the *Expense Clearing Account* will also be balanced and the stock value adjusted accordingly. As an example, the actual freight was not 10.00, but 2.00, therefore the stock value must be reduced by 8.00:

Freight Charges

Do Not Display Freight Charges with Zero Amount

#	Freigh...	Remarks	Distrib. Method	Amount	Base Document	Stock	Last Purchase Price
1	01		Row Total	GBP 10.00	37	Yes	Yes
2	01		Row Total	GBP -8.00		Yes	Yes
3	02		Row Total	GBP 0.00		Yes	No
4	03		Row Total	GBP 0.00		No	Yes
5	04		Row Total	GBP 0.00		No	No
6	05		Row Total	GBP 0.00		Yes	No
				GBP 2.00			

Update Cancel

Journal Entry

Series: Primary, Number: 435, Posting Date: 08.07.09, Due Date: 18.07.09, Doc. Date: 08.07.09, Ref. 1: 110, Ref. 2:
 Fixed Exchange Rate

Origin: PU, Origin No.: 110, Trans. No.: 435, Trans. Code: AP Invoices - 200, Remarks:
 Automatic VAT
 Manage WTax
 EU Report

Expand Editing Mode

#	G/L Acct/BP ...	G/L Acct/BP Name	Debit	Credit	VAT Code	Base Amount	Balance Due (LC)
1	200	Old McDonald's Farm		GBP 25.00			GBP (25.00)
2	143030	VAT Receivable (Input Tax)	GBP 3.00		I1	GBP 20.00	GBP 3.00
3	143030	VAT Receivable (Input Tax)	GBP 0.00		X1	GBP 2.00	
4	208040	Goods Received Not Invoiced (GRNI) Clearing	GBP 20.00				GBP 20.00
5	208055	Expense Clearing Account	GBP 10.00				GBP 10.00
6	130000	Raw Materials	GBP -8.00				GBP -8.00

Adjustment of the stock account naturally only takes place when the freight charge is defined to affect stock value.

Related Contents

- [SAP Business One in Action Catalog Page](#)
- For more information, visit the [Business One homepage](#).

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