**Supplies**

When companies buy several months of supplies at a time, the purchase is considered an asset because it will benefit future periods. (If the supplies are for the current month, it would be considered an expense).

The journal entry would be either:

Supplies 9,720 Supplies 9,720

Cash 9,720 Accounts Payable 9,720

Accounts Payable 9,720

Cash 9,720

When F/S are prepared, the amount of supplies used since the last time F/S were prepared must be determined in order to match this expense to the revenue it helped to generate. The process to determine the AJE is to count the supplies still on hand and compare the count to the amount in the general ledger to figure out how much must have been used. This is more efficient than requiring someone to sign for each miscellaneous supply they take from the storeroom.

For example, if the supply count is 8,670 at the end of the month, then 9,720 minus 8,670 means that 1,050 must have been used by employees during the month.



The AJE would be:

Supplies Expense (I/S) 1,050

Supplies 1,050

The adjusted general ledger amount will be 8,670 which makes sense because it equals the current count of supplies.

