The gravel inventory when received, purchased, invoiced, transferred, or hauled out goes through the gravel purchases expense GL (income statement) and adjusted at year-end to the gravel inventory balance sheet GL for the movement during the year.

Budget planning for gravel purchases.

Purchase, haul, or transfer gravel in and out of stockpiles/pits.

Cash paid for services such as gravel cost, hauling, crushing. Expense recorded through gravel purchases expense GL (income statement).

Gravel Inventory workbook updated for input costs and tonnage.

Gravel is valued by stockpile/pit and size using all input costs (material cost, hauling, transfers) divided by tonnage.

Surveys completed on gravel stockpiles/pits.

Survey considers location, size, moisture content, and type of gravel. Gravel is measured in cubic meters and is converted to tonnes.

Results reviewed and determination made if an adjustment is required.

Two adjustments of inventory balance.

1. Adjustment of balance from the gravel purchase expense account (income statement) to the gravel inventory (balance sheet).

2. Adjustment of the gravel inventory (balance sheet) account for the valuation of gravel inventory as a result of the surveys completed.

If more gravel was purchased than used in the year, the adjustment will be an increase to the gravel inventory (balance sheet) and a decrease to the gravel purchase expense account (income statement).

If more gravel was used in the year than purchased, the adjustment will be a decrease to the gravel inventory (balance sheet) and an increase to the gravel purchase expense account (income statement).