



# I buy I sell I inventory & linked accounts

## Support Notes

This support notes are suitable for:

- MYOB Accounting
- MYOB Premier
- MYOB PremierPlus

### Introduction

When creating your items, probably the most important aspects of the item card information are the options I Buy, I Sell and I Inventory. There are different linked accounts and implications associated with these options and their combinations. Understanding how these options operate will help you select those best suited to your business. This support note explains these options and their different combinations.

### What are Linked Accounts?

Linked accounts make MYOB accounting software easy to use. By using linked accounts certain types of transactions are automatically linked to the ledger accounts you have chosen. Just as there are linked accounts for tracking your debtors and creditors, there can be linked accounts to track sales, purchases and the value of your inventory items.

### When do I use 'I Buy', 'I Sell', and 'I Inventory'?

The use of these options either individually or in combination is detailed in the list below. Take some time to read the following before setting up your item list.

Check Box	When to Use	Linked Accounts	Examples of Use
'I Buy' (only)	Enables you to create item purchase invoices without putting stock into the system. Does not track stock levels. Will enable you to produce item purchase reports. Used in a Periodical Inventory system.	Expense	Retailer - high turnover business. You can buy physical or non-physical items such as a service.

'I Sell' (only)	Enables you to create item sales invoices without having stock in the system. Does not track stock levels. Will enable you to produce item sales reports. Used in a Periodical inventory system.	Income	Retailer - high turnover business. You can sell physical or non-physical items such as a service.
'I Inventory' (only)	Work In Progress. An interim component of the auto-build process. Used in a manufacturing process. Tracks the level of stock on hand. Used in a Perpetual inventory system.	Asset	Manufacturer - You would not inventory services.
'I Buy' and 'I Inventory'	Raw Materials. A base material of the auto-build process. Enables you to create item purchase invoices. Will enable you to produce purchase item reports. Used in a manufacturing process. Tracks the level of stock on hand. Used in a perpetual inventory system.	Asset	Manufacturer
'I Sell' and 'I Inventory'	Finished Goods. The final output of the auto-build process. Enables you to create item sales invoices. Will enable you to produce sales item reports. Used in a manufacturing process. Tracks the level of stock on hand. Used in a Perpetual inventory system.	Income Asset Cost of Sales	Manufacturer
'I Buy' and 'I Sell'	Enables you to create item purchase invoices and item sales invoices without having stock in the system. Doesn't track stock levels. Will enable you to produce purchase item and sales item reports. Used in a Periodical inventory system.	Income Expense/Cost of Sales	Retailer - high turnover business
	Enables you to create item purchase invoices and item sales invoices. Will enable you to produce Item Sales reports. Used in a manufacturing process. Tracks the level of stock on	Income Asset Cost of Sales	Retailer - low turnover business

'I Buy' and 'I Sell' and 'I Inventory'	hand. Used in a Perpetual inventory system.		
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**Helpful definitions:**

**Perpetual Inventory:** A method for accounting inventory whereby the records of on-hand quantities of items is kept up to date by recording every time an item leaves or enters inventory. The total value of the items held in stock is reflected in the inventory asset account and the cost of sale is recognised at the time of selling the good.

**Periodic Inventory:** A method for accounting inventory whereby the goods on-hand are determined by a physical count and the cost of goods sold equals opening inventory plus net purchases, less closing inventory. Using this method, when inventory is purchased it is usually charged to a cost of sales account. If you require this, then your linked Expense account for tracking costs should be a Cost of Sales account (5-XXXX).

**Auto-build:** A feature of your MYOB software that enables you to create finished goods out of sub-components. Often used for manufacturing.

**Work in progress:** Usually refers to inventory that has value added from labour or additional processing. When considered for inventory value, the value of the raw material plus the value added component is accounted for in determining the value of that inventory at that point in the process.