

## Inventory Revaluations

The **Inventory Revaluations** section, found within the **Settings** tab, enables users to update average costs for their inventory items in Manager.io.



### Default Inventory Accounting

By default, when you use the **Inventory Items** tab, all inventory purchases will debit your *Inventory - cost* expense account, and all inventory sales will credit your *Inventory - sales* income account. This means that even if you own inventory, your *Inventory on hand* asset account will always be zero.

This approach is desirable for businesses that do not hold significant amounts of inventory and are not interested in capitalizing inventory costs on the balance sheet.

### Capitalizing Inventory on the Balance Sheet

However, if your business maintains significant inventory balances, it is often desirable to capitalize inventory on hand as an asset. The **Inventory Revaluations** tab will easily establish your *Inventory on hand* balances.

Once average costs for your inventory items are specified, Manager.io will:

- Take your **Quantity Owned** figure.
- Multiply it by your specified **average costs**.

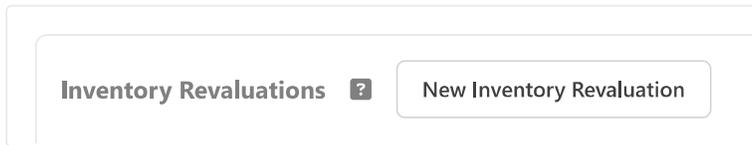
The result will be your *Inventory on hand* balance on the **Balance Sheet**.

### Creating a New Inventory Revaluation

To create a new inventory revaluation:

1. Go to the **Settings** tab.
2. Click on **Inventory Revaluations**.

3. Click the **New Inventory Revaluation** button.



## Using the Inventory Revaluation Worksheet

Creating new inventory revaluations manually can be time-consuming and error-prone. To solve this problem, use the **Inventory Revaluation Worksheet** under the **Reports** tab. This worksheet will automatically calculate your inventory average costs, which you can then copy into a new inventory revaluation entry.

For more information, see the [Inventory Revaluation Worksheet](#).