

SUPPLIES & MATERIALS ACCOUNTING CHECKLIST FOR CONTRACTORS

A practical checklist for classifying purchases, tracking supplies, and keeping your books consistent.

QUICK CLASSIFICATION

What did you buy?

☐

OPERATING SUPPLY

Used to operate the business

☐

INVENTORY

Held for customer work or sale

☐

JOB MATERIAL

Purchased specifically for a job

☐

EQUIPMENT

A longer-lived tool or business asset



PRO TIP

The goal is not to put every purchase into a different account. The goal is to classify purchases in a way that gives you **useful** financial and job-costing information.

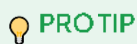
01. Identify What You're Buying

Start by deciding what each purchase represents in your business. Not everything bought at a supply house belongs in the same account.

- **Operating supplies**, such as printer paper, shop towels, cleaning products, or disposable gloves
- **Inventory**, such as parts or products held for customer work or sale
- **Direct job materials**, such as lumber purchased specifically for a construction project
- **Equipment**, such as a specialty tool or other longer-lived business asset

02. Decide How Supplies Should Be Accounted For

- ☐ Determine whether the supplies are material to your financial statements.
- ☐ Establish a reasonable and consistent accounting policy for supplies.
- ☐ Decide whether supplies will initially be recorded as an asset and expensed as they are used.
- ☐ If an item is immaterial under your accounting policy, determine whether it should be expensed when purchased.
- ☐ Apply your accounting policy consistently from period to period.



PRO TIP

Materiality is not simply a fixed percentage or dollar amount. Make your accounting policy reflect what is meaningful to **your** financial statements and business.

03. Track Supplies on Hand

Use this simple roll-forward to keep track of supplies during the accounting period:

Beginning supplies balance	\$
+ Purchases	\$
– Supplies used	\$
= Ending supplies balance	\$

04. Complete Your Month-End Supplies Check

- ☐ Count or estimate the supplies remaining on hand at the end of the period.
- ☐ Compare the supplies on hand with your accounting records.
- ☐ Calculate how much of the supplies were used during the period.
- ☐ Record the appropriate adjusting entry for supplies used.
- ☐ Verify that the remaining supplies balance is reflected appropriately on the balance sheet.
- ☐ Verify that supplies expense is reflected appropriately on the income statement.

05. Classify Common Contractor Purchases

Use the examples below as a quick classification check. Your actual accounting treatment may depend on your accounting policy and circumstances.

Purchase	Common Category	Your Account / Notes
Printer paper	Operating supply	
Shop towels	Operating supply	
HVAC capacitor held for customer work	Inventory / job material	
Lumber purchased for a specific job	Direct job material	
Specialty tool	Equipment	

06. Keep Your Categories Separate

- ☐ Separate operating supplies from inventory.
- ☐ Separate operating supplies from direct job materials.
- ☐ Separate supplies from equipment.
- ☐ Make sure your chart of accounts reflects the way your business actually spends money and incurs costs.

- ☐ Review classifications when they affect job costing, gross profit, or financial reporting.

07. Monthly Review

MONTH	
SUPPLIES ON HAND	\$
SUPPLIES USED	\$
ADJUSTING ENTRY RECORDED	☐ Yes ☐ No
REVIEWED BY	

PRO TIP

The key distinction is simple: purchasing supplies creates an asset when the supplies are material and will be used in the future; using those supplies turns that asset into an expense.

BEFORE YOU CLOSE THE MONTH

- ☐ Your supplies are classified consistently
- ☐ Supplies on hand have been reviewed
- ☐ Supplies used have been accounted for
- ☐ Job materials and inventory are separated from operating supplies
- ☐ Your records support the job-costing information you rely on

Important: This checklist is a practical accounting aid, not tax or accounting advice. Tax treatment can differ from financial-accounting treatment. Consult a qualified accounting or tax professional about your specific business and accounting method.