

GR/IR Clearing: Correctly Matching Goods and Invoice Receipts

GR/IR clearing refers to the reconciliation and settlement control between goods receipt (GR) and invoice receipt (IR) within inventory and accounts payable accounting. The term originates from ERP systems such as SAP, where the GR/IR interim account temporarily combines valuations from goods receipt and invoice. For buyers and supply chain managers, clearing is a key early indicator of process quality, supplier data quality and payment reliability.

Key facts

- GR/IR clearing matches order quantities and values from goods receipt and invoice receipt at purchase order level.
- Open balances in the GR/IR account indicate process disruptions such as quantity shortfalls, price deviations or missing invoices.
- In practice, clearing is typically carried out monthly or quarterly using automated reconciliation programmes.
- Typical causes of balances are over-deliveries, duplicate deliveries, incorrect price units and unposted invoices.
- Clean GR/IR clearing supports regulations such as the German Supply Chain Due Diligence Act and the CSDDD through traceable transaction evidence.

Definition: GR/IR clearing

GR/IR clearing is the periodic reconciliation of the interim account between goods receipt and invoice receipt. The goal is for every purchase order item, in the ideal state, to complete the chain purchase order – goods receipt – invoice in full, with the interim balance being zero.

Function of the GR/IR account

The GR/IR account is a clearing account between the inventory account and the accounts payable account. Upon goods receipt, the inventory is posted and a liability towards the GR/IR account is simultaneously built up; upon invoice posting, this liability is released and the actual liability to the supplier is formed. If quantity or price deviates, a residual balance remains.

- Goods receipt without invoice: open liability in the amount of the order value
- Invoice without goods receipt: doubtful advance performance, possibly invoice accrual
- Price deviation: residual balance as a discrepancy or price difference item

Distinction from commercial invoice verification

Commercial invoice verification checks substantively whether quantity, price and terms match the purchase order and prevents deviating invoices from being posted at all. GR/IR clearing, by contrast, acts downstream and uncovers the residual cases that remain despite three-way matching. The two mechanisms complement each other and together significantly reduce the number of open items.

Methods and procedures in GR/IR clearing

In practice, clearing usually follows a recurring cycle: start the reconciliation run, analyse balances, clarify causes, settle or reclassify items. Automated reconciliation programmes classify open balances by age, suspected cause and responsibility.

Automated reconciliation and clearing run

ERP systems offer standard programmes that match purchase order items with goods receipts and invoices and automatically settle small balances within configurable tolerances. Tolerances in the order of a few percent or small absolute amounts are common. The degree of invoice automation and the automatic matching logic determine how many items remain manual.

- Define tolerance thresholds for quantity and value
- Establish matching criteria (order number, item, material, supplier)
- Document the clearing run and log it in an audit-proof manner

Root-cause analysis and clearing workflow

Remaining balances are classified by cause: under- or over-covered order quantities, invoices posted multiple times, incorrect price units or cancellations. A structured quantity discrepancy workflow in procurement resolves quantity differences with the supplier, while price and condition differences are clarified via accounts payable or the buyer. Ideally, each clearing case has a named owner and a target deadline.

- Assign standard responsibilities to difference types
- Define escalation levels for legacy items
- Supplier queries via standardised reconciliation sheets

Integration into inventory management and the data model

Reliable clearing requires a clean data model: consistent order numbers, material master data, price units and complete inventory management. Particularly with zero-series procurement, sample deliveries or cumulated orders spanning multiple cycles, GR/IR balances can arise structurally because partial quantities are deliberately delivered or invoiced. Such cases should be recognisable in the data model as planned differences.

Key KPIs for GR/IR clearing

The quality of clearing can be measured using a few practical metrics. These are also suitable for procurement benchmarking, for example in comparisons between plants or supplier groups.

Balance ratio and age structure

Key metrics are the relative GR/IR balance against order volume, the share of cleared items per run and the age structure of open balances. In practice, values below one percent of order volume are considered well managed; however, the guideline value depends heavily on industry and product range. Legacy items spanning several months should remain the exception.

- GR/IR balance as a percentage of period order value
- Share of automatically cleared items in the total volume
- Number of clearing cases older than 90 days

Linking to supplier metrics

Frequent GR/IR differences are often a supplier problem: incomplete delivery notes, incorrect quantities or erroneous invoices. The metrics can therefore meaningfully be combined with backorder rate, on-time delivery performance and invoice quality. In procurement planning, ABC-XYZ analysis helps identify critical items where balance deviations are particularly risky.

Risks and controls in GR/IR clearing

Open GR/IR balances are rarely just an accounting problem: they distort inventory values, complicate month-end closes and can indicate fraud or control gaps. Without clear controls, the clearing backlog typically grows continuously.

Financial and accounting risks

Goods receipts without invoices lead to unrecorded liabilities; invoices without goods receipts can, in exceptional cases, lead to advance performances or invoice accruals. Both affect the balance sheet and liquidity planning, for example in demand planning and the payment run. Incorrect GR/IR balances can also distort dividend distributions or credit metrics; the specific assessment must be examined from a tax and accounting perspective in each individual case.

Controls, compliance and fraud prevention

Regular reconciliation, the four-eyes principle for manual clearing and strict separation of ordering, goods receipt and invoice posting are minimum requirements. Within the framework of KYC in procurement and supply chain due diligence – such as the Corporate Sustainability Due Diligence Directive (CSDDD) – clean transaction evidence additionally serves as proof of who traded with whom and in what quantities. Documents such as the EUR.1 preferential certificate or a bank guarantee securing advance payments can thus be better linked to the underlying purchase orders.

Organisational controls

Effective governance is key: fixed clearing dates, documented decision rules for write-offs or reclassifications and an escalation path for legacy items. Before concluding contracts with long terms or automatic contract renewal, it should also be checked how settlements spanning multiple periods are represented in the GR/IR account in order to avoid structural balances.

Current developments and digitalisation

Manual clearing of individual items is increasingly being replaced by automated reconciliation, machine invoice processing and AI-supported cause suggestions. The benefit depends heavily on data quality and process discipline across the entire procure-to-pay process.

Automation and AI in reconciliation

Modern systems analyse historical clearing cases and suggest posting corrections or responsible parties. A high degree of invoice automation reduces the number of cases that give rise to GR/IR balances in the first place. The prerequisites are a consistent data model and a reliable procurement ETL process that cleanly consolidates data from purchase orders, goods receipts and invoices.

Process and platform trends

Digital procurement platforms and electronic invoice formats shorten lead times and reduce manual

entry errors. For strategic awards, such as an e-auction or negotiations with an A-supplier, it is worth defining settlement and delivery terms in such a way that no structural differences arise. Forecast management and classified requirement data also help by making order quantities more realistic and reducing over-deliveries.

Typical metrics

GR/IR balance ratio: < 1% of order volume

Guideline value; may vary by industry and product range

Automated clearing share: > 80%

Share of automatically settled items in the total run

Age structure of legacy items: < 5% of items > 90 days

Indicator of clearing discipline

Clearing case processing time: < 10 working days

Lead time from balance arising to resolution

Practical example

A mid-sized mechanical engineering company with around 15,000 open purchase order items identified a GR/IR balance in the seven-figure range during year-end close preparation, spread across legacy items from several years. A project team carried out a root-cause analysis and subsequently established a monthly reconciliation cycle with clear responsibilities. Within one year, the relative balance fell significantly, and the month-end close required less rework.

- Introduction of a monthly automated reconciliation and clearing run with defined tolerances
- Root-cause classification of all legacy items and linking to the quantity discrepancy workflow with suppliers
- Cleansing of material and price master data as well as tightening of the commercial invoice verification
- KPI reporting of the balance ratio per supplier as input for procurement benchmarking

Conclusion

GR/IR clearing is a seemingly accounting-related topic with a direct impact on procurement quality, the balance sheet and supplier relationships. Open balances are almost always symptoms – of quantity deviations, price errors or process gaps along the chain of purchase order, goods receipt and invoice. Those who automate reconciliation, clearly define tolerances and systematically resolve causes with suppliers sustainably reduce effort and risk. For buyers, it is worth looking at their own balance figures as a quality indicator of the entire procure-to-pay chain. A cleanly maintained GR/IR account is thus also evidence of functioning controls and compliance in procurement.

Frequently asked questions

What does GR/IR clearing mean?

GR/IR clearing is the reconciliation and settlement of the interim account between goods receipt and invoice receipt. It checks whether, for every purchase order item, delivery and invoice match. Ideally, the account balance is zero; residual balances indicate quantity, price or posting discrepancies.

Why does a GR/IR balance remain open?

Typical causes are partial deliveries without a final invoice, invoices without a posted goods receipt, incorrect price units or documents posted multiple times. Structural cases such as deliberate over-deliveries or cumulated settlements can also create residual balances. A root-cause classification within the clearing run shows where action is needed.

How often should GR/IR clearing be carried out?

In practice, a monthly or at least quarterly reconciliation cycle has become established. More frequent runs prevent legacy items from accumulating and ease the year-end close. With high order volumes or many manual invoices, a monthly cycle with continuous clarification is usually worthwhile.

Is a GR/IR balance relevant for financial reporting?

Yes, depending on direction and cause, balances may point to unrecorded liabilities or necessary accruals and thus affect the balance sheet and income statement. How a balance is to be assessed in each individual case depends on the specific circumstances and should be clarified with the auditor and tax advisor.

What role does the buyer play in GR/IR clearing?

The buyer resolves substantive differences with the supplier, such as missing quantities or price deviations, while accounting ensures correct posting. The buyer also addresses root causes by improving ordering processes, requirement specifications and supplier agreements. Clean master data and clear order terms reduce open balances from the outset.

How can GR/IR clearing be automated?

ERP standard programmes automatically match items with configurable tolerances; further automation comes from electronic invoice receipt, machine reading and AI-supported cause suggestions. The prerequisites are a consistent data model and a clean procurement ETL process. The goal is that only exceptional cases remain for manual processing.