SAP Business One
How-To Guide

PUBLIC

How to Set Up and Manage a Nonperpetual Inventory System

Applicable Release:

SAP Business One 8.8

All Countries

English

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Table of Contents

Introduction **3**

Calculation Methods in a Nonperpetual Inventory System 3

Setting Up a Nonperpetual Inventory **5**

Working with Sales and Purchasing Documents in a Nonperpetual Inventory System **7**

Updating Prices in Open Documents 7

Working with Landed Costs Documents 7

Splitting Landed Costs Quantities 8

Working with the Inventory Valuation Report **10**

Generating Inventory Valuation Reports 11

Printing Inventory Valuation Reports 16

Examples of Inventory Valuation Reports for Different Calculation Methods 16

Moving Average 16

FIFO 17

By Price List 18

Last Evaluated Price 18

Allowing Negative Inventory in Inventory Valuation Reports 19

Inventory Valuation Report Special Cases 22

A/P Invoice Based on a Goods Receipt PO 22

Landed Costs 23

Inventory Transfer 24

Inventory Revaluation 25

Italy: Working with a Purchase Accounts Posting System **27**

Defining Purchase Accounts 27

Examples for Journal Entry Structures Used When Working with a Purchase Accounts Posting System 28

Goods Receipt PO and A/P Invoice 28

Goods Return 28

Closing Goods Receipt PO and Goods Return 29

A/P Credit Memo 29

A/P Credit Memo Based on a Goods Return 29

Authorizations **30**

Database Tables Reference **31**

Appendix: Sorting Inventory Valuation Report Results **32**

Copyrights, Trademarks, and Disclaimers **33**

Introduction

A nonperpetual inventory system is an inventory management system in which costs of inventories are not maintained on a constant basis. In a nonperpetual inventory system, sales, purchasing, inventory, and production transactions, which reflect the inventory value, do not generate inventory related monetary entries directly into the general ledger. Therefore, the inventory value of a company is not revalued on every inventory release or receipt. Instead, the inventory balance is updated once every accounting period or after a physical inventory count.

You must set up a nonperpetual inventory system during the basic initialization of the company, before any transactions have been posted. Once transactions have been posted, you cannot change the inventory system used for that company.

In SAP Business One, the Inventory Valuation report is central to the nonperpetual inventory system. In a nonperpetual inventory system, the value of inventory postings is not reflected by monetary transactions in the accounting system. To calculate the value of inventory at any given time, you need to run the Inventory Valuation report. This report lets you obtain an up-to-date valuation of the existing inventory and to create what-if scenarios.

Note

The following countries have a nonperpetual inventory system as their default inventory management system: Germany, Israel, Italy, Panama, South Africa, and Switzerland. In the Italy localization, while working with a nonperpetual inventory system, you can also work with purchase accounts posting system.

Calculation Methods in a Nonperpetual Inventory System

The following table describes the different calculation methods for inventory valuation that can be used in a nonperpetual inventory system:

Note

The examples in the tables refer to a case in which a clothing store purchases 200 shirts on Monday at a cost of 1 per shirt, and 200 more shirts on Tuesday at a cost of 1.5 per shirt.

Calculation Method	Description	Example
Moving Average	This method takes the weighted average of all units available for sale during the accounting period and then uses that average cost to determine the value of the cost of goods sold and the ending inventory. Assuming prices increase over time, the items in stock are overvalued.	The average cost for inventory is 1.25 per unit, as a result of the following calculation: 1.25 = [(200 x 1) + (200 x 1.5)]/400.

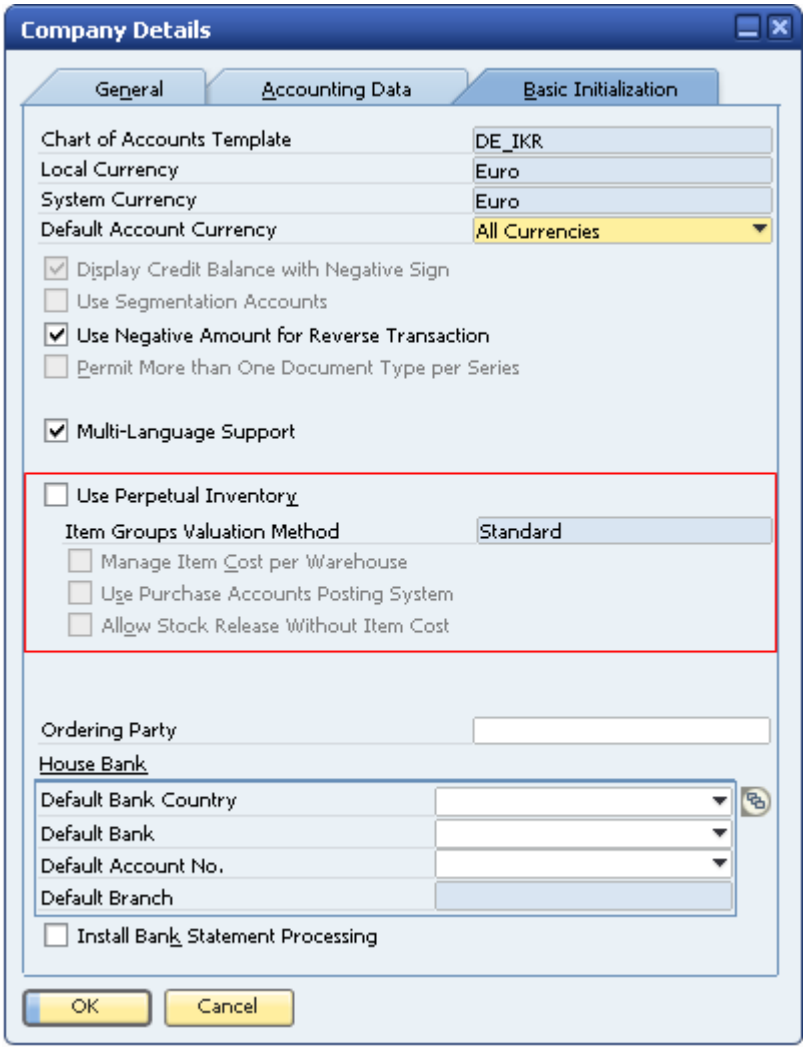
Calculation Method	Description	Example
FIFO (First In First Out)	According to this method, the first unit added to the inventory is the first to be sold. The newer inventory, therefore, is left over at the end of the accounting period. Assuming prices increase over time, the items in stock are valuated using the higher prices from the later purchase documents.	If the clothing store sold 200 shirts on Wednesday, the Cost of Goods Sold is 1 per shirt because that was the cost of each of the first shirts in inventory. The shirts which cost 1.5 are allocated to the ending inventory.
By Price List	This method uses a fixed price based on one of the price lists defined in your company to valuate the warehouse inventories.	If the price of a shirt in Price List 1 is 1.5, any ending inventory is allocated this price.
Last Evaluated Price	This method uses the last valuated prices. SAP Business One valuates the items using the value that was determined for an item under the last valuation. The last evaluated price is not maintained at warehouse level but at item level only. For more information, see Generating Inventory Valuation Reports and the example for Last Evaluated Price.	In the last valuation that was made under any of the methods, the evaluated item price was 1. Therefore, the value of the last evaluated price is 1.

Setting Up a Nonperpetual Inventory

The settings for a nonperpetual inventory are entered during system initialization and affect fields and features that are used throughout SAP Business One. Once a transaction has been posted, you cannot change the company's inventory system from a nonperpetual inventory system to a perpetual inventory system.

Procedure

1. From the SAP Business One *Main Menu*, choose *Administration* → *System Initialization* → *Company Details* → *Basic Initialization* tab.



2. To initialize the nonperpetual inventory system, deselect the *Use Perpetual Inventory* checkbox. You cannot modify the checkbox selection once inventory postings have been recorded.

   As a result, the following features are irrelevant, and, therefore, are disabled:

   - The *Item Groups Valuation Method* field
   - The *Manage Item cost per Warehouse* checkbox
   - The *Use Purchase Accounts Posting System* checkbox

- The *Allow Stock Release Without Item Cost* checkbox

   Note

  For the Italy localization only, you can work with both a nonperpetual inventory system and with a purchase accounts posting system. Although the *Use Perpetual Inventory* checkbox is deselected, the *Use Purchase Accounts Posting System* checkbox is enabled. To activate the purchase accounts posting system, select this checkbox.

3. To save your changes, choose the *Update* button.

Results

A nonperpetual inventory system is now defined for the company with the following limitations:

- The *Inventory* tab of the *G/L Account Determination* window is disabled due to the following reasons:
  - Inventory related accounts are used for perpetual inventory systems only.
  - Inventory transactions in a nonperpetual inventory system are not reflected in the general ledger.

  Therefore, the inventory accounts do not exist in the list of accounts in the *Warehouses - Setup* window and in the *Item Groups - Setup* window.
- Loading freight amounts on item cost are irrelevant and they are not considered in the Inventory Valuation report.
- The following documents do not create journal entries in the general ledger:
  - Deliveries
  - Returns
  - Goods receipt POs
  - Goods returns

Working with Sales and Purchasing Documents in a Nonperpetual Inventory System

Updating Prices in Open Documents

When you work with a nonperpetual inventory system, SAP Business One lets you update the prices in the following existing documents:

- Deliveries
- Returns
- Goods Receipt Pos
- Goods Returns

Note

Only a price change in a goods receipt PO affects the Inventory Valuation report.

For those documents, you can update any field that affects the price of the items:

- Unit price
- Row and document discount
- Row and document total

Note

You can update the price in the document rows as long as a row was not drawn into a target document. You cannot update the prices in a goods return based on a goods receipt PO or in a return based on a delivery.

Working with Landed Costs Documents

When you work with a nonperpetual inventory system, landed costs documents do not create journal entries in the general ledger. In addition, a specific landed costs document can be active for more than one accounting period. Therefore, when you work with landed costs documents, SAP Business One lets you do the following:

- Change the values of expenditures, customs, tax, prices, and any other amount fields, at any time
- Transfer landed costs quantities from the document warehouse to another warehouse. For more information, see Splitting Landed Costs Quantities.
- Close and then reopen landed costs documents

The closing function is used to disable updates. The reopening function is used to enable more updates, if needed. To close a document in the *Landed Costs* window, choose one of the following methods:

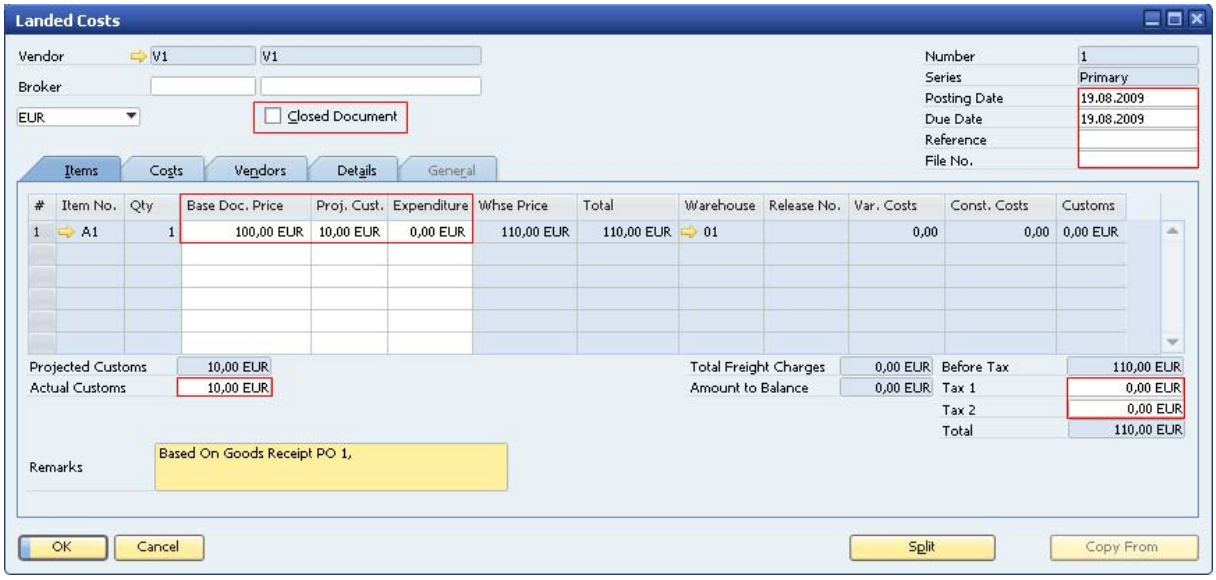
- From the *Data* menu, choose *Close*.
- Right-click the window and choose *Close*.
- Select the *Closed Document* checkbox, and then choose the *Update* button.

To reopen a closed landed costs document, deselect the *Closed Document* checkbox, and then choose the *Update* button.

- Cancel landed cost documents

  Once they are canceled, you cannot reopen or update these documents. To cancel a document, in the *Landed Costs* window, choose one of the following methods:

  - From the *Data* menu, choose *Cancel*.
  - Right-click the window and choose *Cancel*.



Note

For information about landed costs, see the online help for SAP Business One.

Splitting Landed Costs Quantities

SAP Business One lets you split the quantities in landed costs documents. This functionality is used by companies that hold their imported goods in a bonded warehouse.

A bonded warehouse is a warehouse in which the duties are unpaid and the goods are stored under bond in the joint custody of the importer or his or her agent, and the customs officers. The bonded warehouse is managed by the state or by a private enterprise.

The purpose of storing imported goods in a bonded warehouse is to avoid of paying duties for all the imported goods. The company can release the necessary quantity according to customer demand. As a result, the company pays duties to authorities against the released quantity only and not for the full quantity in the bonded warehouse.

Prerequisites

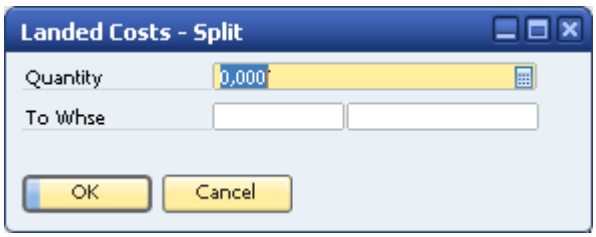
- You have assigned customs and a tax group to an item.
- You have created a goods receipt PO for the item.

> **Note**
>
> For more information, see the online help for SAP Business One.

Procedure

1. From the SAP Business One *Main Menu*, choose *Purchasing – A/P* → *Landed Costs*.
2. Select a vendor.
3. To draw the landed costs document based on a goods receipt PO, choose the *Copy From* button and select the relevant base document.
4. Select the row to be split in the table area by clicking its number. Then, choose the *Split* button.

   The *Landed Costs – Split* window opens.



5. Specify the quantity and the warehouse to which you want to transfer the inventory. To confirm the split, choose the *OK* button.

   SAP Business One splits the original row quantity into 2 rows: a new row is added with the specified quantity and warehouse, while the original row contains the remainder quantity.

> **Example**
>
> A document row contains 10 items, and you specified a quantity of 3 to be split. After you confirm the split, a new row is added in the table area with a quantity of 3, and the original row contains a quantity of 7.

6. To save the document and to apply the split, choose the *Add* button.

   As a result, SAP Business One automatically creates an inventory transfer that moves the split quantity to the specified warehouse. The price for the transferred inventory is the price in the *Whse Price* field.

> **Note**
>
> If you cancel a landed costs document, SAP Business One automatically creates a new inventory transfer that reverts the inventory transfer created for the split quantity. The reverted document enables you to create a new landed costs document based on the same goods receipt PO.

Working with the Inventory Valuation Report

The Inventory Valuation report lets you valuate all or some of the warehouse inventories of all items on a reporting date. The report is intended as a managerial report to check what-if scenarios. For instance, you can see what happens if you value an item based on different calculation methods. This information can help you in deciding which calculation method you should use.

 Note

If your company manages a perpetual inventory system, the name of this report is *Inventory Valuation Simulation Report*.

SAP Business One lets you select one of the following calculation methods for inventory valuation:

- *Moving Average*
- *FIFO*
- *By Price List*
- *Last Evaluated Price*

The Inventory Valuation report valuates the inventory according to the selected calculation method and the purchase item prices. For more information, see Examples of Inventory Valuation Reports for Different Calculation Methods.

In the report, SAP Business One uses the prices in the following documents and transactions to calculate the inventory posting value:

- Goods receipt POs
- A/P invoices

  When the A/P invoice is not based on a goods receipt PO, the whole document price is considered in the report. When the A/P invoice is based on a goods receipt PO, only the difference between the prices in the goods receipt PO and those in the A/P invoice is considered in the report.

   Note

  This scenario is relevant only when the calculation method is moving average.
- Goods receipts
- Landed costs, when you choose *Yes* in the *Inventory Valuation* dropdown list on the *Details* tab of the *Landed Costs* window.
- Inventory transfers, when the *Use Doc. Price in Stock Evaluation* checkbox is selected in the *Inventory Transfer* window.
- Initial quantities
- Inventory postings

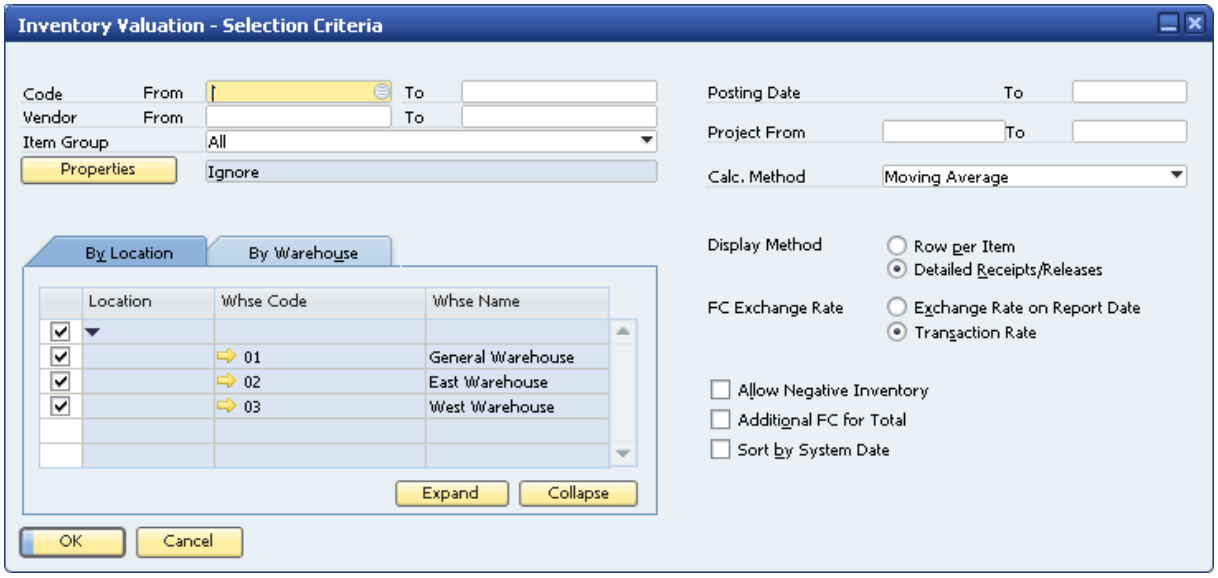
For more information, see Inventory Valuation Report Special Cases.

Generating Inventory Valuation Reports

Procedure

1. From the SAP Business One *Main Menu*, choose *Inventory* → *Inventory Reports* → *Inventory Valuation Report*.

   The Inventory Valuation – Selection Criteria window opens.



2. Specify the following data for the selection criteria:

Field / Button	Activity / Description
Code From … To	Enter a range of item numbers you want to include in the report. If those fields remain empty, the report considers all items.
Vendor From … To	You can restrict the selection by the main vendors of the items (from *Inventory* → *Item Master Data* → *Purchasing Data tab* → *Preferred Vendor* field) You can valuate all the items from one or more main vendors.
Item Group	Specify an item group as a selection criterion.
Properties	Opens the *Properties* window, where you can select a property or combination of properties as selection criteria.
By Location	On this tab, the warehouses are grouped by their location. Select a location to include all its warehouses in the report. You can also eliminate a specific warehouse from within a selected location by deselecting it. Use the *Expand* and *Collapse* buttons to view a detailed list of warehouses or a list of locations only.

Field / Button	Activity / Description
By Warehouse (Including From … To, Excluding From … To)	On this tab, you can do the following: • Specify a range of warehouses to be included or excluded from the report • Indicate through the *Do not Show Inventory Transfers* checkbox whether or not you want inventory transfers of items to be displayed in the valuation report. Depending on which warehouses you select, both inventory receipts and issues are displayed in the list. For example, if you select only one warehouse, only the receipts and issues for this warehouse are displayed. The offsetting movements with the other warehouses involved in the transfer are not shown.  Note Inventory transfers usually have no effect on the total warehouse inventory of an item, and therefore have no influence on the valuation of the warehouse inventory.
Posting Date To	Determine the final date for the calculation.  Note There is no option to select a ‘from’ date. Since inventory is a company asset, the report should always reflect the inventory value from the first inventory transaction.
Project From … To	You can valuate the warehouse inventories for one or more projects. Enter the project, if relevant.
Calc. Method:	Select a calculation method to examine its effects on the inventory valuation produced by the Inventory Valuation report. For more information, see Calculation Methods in a Nonperpetual Inventory System.  Note If you are working with a perpetual inventory system, you cannot select the method as same as the item’s valuation method. This limitation is to avoid any differences when comparing the results of the Inventory Valuation report and the Inventory Audit report. Note that the Inventory Valuation report can be used only to check What-if scenarios.
Price Source	This field appears only when you select the *By Price List* calculation method. Choose the price list for calculating the inventory valuation.

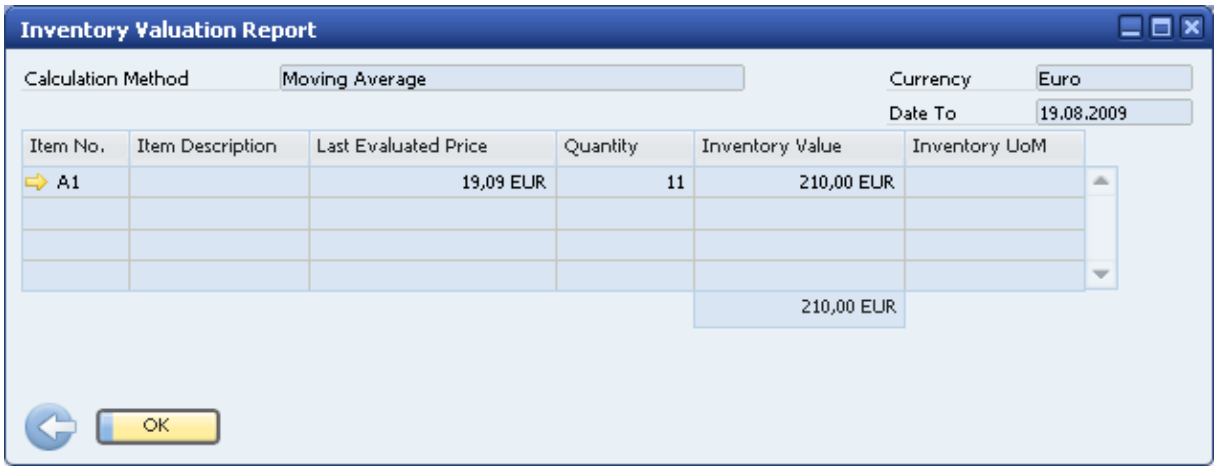
Field / Button	Activity / Description
Display Method	Select one of the following display formats for the report: • *Row Per Item* Displays one row per item. • *Detailed Receipts/Releases* Displays all goods issues and receipts. Note ▪ If you only need to compare the warehouse inventory value with the balance sheet value, select the *Row per Item* display method option, which suffices for this purpose. ▪ The preparation of the warehouse inventory valuation using the *Detailed Receipts/Releases* display method can take a long time. Therefore, you should only start this report at the end of the workday.
FC Exchange Rate	If you valuate transactions in a foreign currency, select one of the following: • *Exchange Rate on Report Date* All the foreign currency amounts are calculated according the exchange rate defined at the day when the report is generated. • *Transaction Rate* The exchange rates specified in the respective documents.
Allow Negative Inventory	Allows negative inventory during valuation. For information, see Allowing Negative Inventory in Inventory Valuation Reports.
Additional FC for Total	Lets you display the valuation in a foreign currency also. By default the field is deselected and the results are displayed in local currency. If you select the *Additional FC for Total* checkbox, an additional field is displayed in which you select the required currency. You can then switch between the currencies displayed in the *Cumulative Value* field in the report results window. The local currency amount is converted into the selected foreign currency according to the exchange rate set for the document date.
Sort by System Date	Sorts the report results by system date. By default, the report is sorted by posting date. For more information, see Appendix: Sorting Inventory Valuation Report Results.

Recommendation

To obtain the actual item value to the last transaction:

- Selection criteria should include all warehouses.
- The date in the *Posting Date To* field should be the date of the last transaction.

3. Choose the *OK* button.
4. When the selected display method is *Row per Item*, the following report is displayed:



View the following report information:

Field	Description
Calculation Method	The selected calculation method in the *Inventory Valuation Report – Selection Criteria* window. When the selected calculation method is *By Price List*, the price list selected in the *Price Source* field is displayed here.
Currency	Displays the currency of the report. If you selected the *Additional FC for Total* checkbox, you can switch between the local currency report and the foreign currency report.
Date To	The last date the details for which are included in the report.
Item No. *Item Description*	The item code and its description.
Last Evaluated Price	Represents the simulated item cost. Displays the valuation price for a unit of the item based on the selected valuation method. SAP Business One automatically updates the last evaluated price for the item with the displayed value.
Quantity	The available quantity of the item in the warehouse.
Inventory Value	Total inventory value of the item. **Note** SAP Business One calculates the inventory value as the sum of all the items' transaction values, including transactions that do not affect the quantity of the item, such as inventory revaluations and landed costs. Therefore, the inventory value does not always match the result of the item quantity X the cost in the *Last Evaluated Price* field.
Inventory UoM	The unit of measure by which you manage the inventory, for example, box, carton, or case. The unit of measure for an item is defined on the *Inventory* tab in the *Item Master Data* window.

5. When the selected display method is *Detail Receipts/Releases*, the following report is displayed:

At first, you see the results of the report for the first item selected for valuation. Click (*Next Record*) and (*Previous Record*) to navigate through the list of the valuated items.

The information in the general area of the report is the same information as described when the display method is *Row per Item.* View the following report information:

Field	Description
Posting Date	The document posting date.
Document	The document number.
Whse	The warehouse in the document.
Qty	The quantity of the item in the document.
Price	The unit price of the item in the document (for inventory receipts) or the calculated price (for issue from stock).
Total	Total document value. The value is calculated as *Qty* X *Price.*
Cumulative Qty	The cumulative quantity of an item inventory after the goods are moved.
Cumulative Value	The cumulative value (in local or in foreign currency) after the goods are moved. **Note** The total balances for the quantities and values appear near the bottom of the list.
System Date	The document creation date.

6. To close the report, choose the *OK* button.

Printing Inventory Valuation Reports

SAP Business One lets you print the Inventory Valuation report using default printing templates.

Procedure

1. From the SAP Business One *Main Menu*, choose *Inventory* → *Inventory Reports* → *Inventory Valuation Report.*
2. Specify the selection criteria and run the report. For more information, see Generating Inventory Valuation Reports.
3. From the *Tools* menu, choose *Print Layout Designer*, or click  in the toolbar.
4. Choose the preferred printing template.
5. Print the document.

 Note

- When you print the report, you can also print the selection criteria on a separate page.
- You can edit the default templates or create new ones by using Print Layout Designer. For more information, see the document *How to Customize Printing Layouts with the Print Layout Designer* in the documentation area of SAP Business One Customer Portal at http://service.sap.com/smb/sbocustomer/documentation.

Examples of Inventory Valuation Reports for Different Calculation Methods

The following examples describe how SAP Business One valuates the inventory according to the selected calculation method for inventory valuation in the Inventory Valuation report. For more information, see Calculation Methods in a Nonperpetual Inventory System.

 Note

The following examples consider the Inventory Valuation report when the selected display method is *Detailed Receipts/Releases.*

Moving Average

Each new receipt to stock or issue from stock updates the *Cumulative Qty* and the *Cumulative Value* fields.

- Two goods receipt PO documents are added:
  - The first goods receipt PO (PD 2) contains a quantity of 20 with an item price of 12. The total cost is 240 = 20 X 12.
  - The second goods receipt PO (PD 3) contains a quantity of 7 with an item price of 15. The total cost is 105 = 7 X 15.

  As a result, the cumulative quantity is 27 and the cumulative value is 345.
- The item price when issuing from stock is calculated as the quotient of the cumulative value divided by the cumulative quantity: 12.78 = 345 / 27.
- A delivery (DN 1) containing a quantity of 8 is added. Therefore, the total cost is (-102.24) = (-8) X 12.78.

- The inventory value after the delivery was added is 242.76 = 345 – 102.24.

FIFO

Each new receipt to stock or issue from stock updates the *Cumulative Qty* and the *Cumulative Value* fields.

- Two goods receipt PO documents are added:
  - The first goods receipt PO (PD 2) contains a quantity of 20 with an item price of 12. The total cost is 240 = 20 X 12. As a result, a first FIFO layer with an item cost of 12 is created.
  - The second goods receipt PO (PD 3) contains a quantity of 7 with an item price of 15. The total cost is 105 = 7 X 15. As a result, a second FIFO layer with an item cost of 15 is created.

  As a result, the cumulative quantity is 27 and the cumulative value is 345.
- A delivery (DN 1) containing a quantity of 8 is added and consumes 8 units from the first FIFO layer. Therefore, the total cost is -96 = -8 X 12.
- A second delivery (DN 2) containing a quantity of 14 is added. The first 12 units are consumed from the first FIFO layer and close it. The total cost is -144 = -12 X 12.

  The other 2 units are consumed from the second FIFO layer. The total cost is -30 = -2 X 15.
- The inventory value after the deliveries were added is 75 = 345 – 96 – 144 – 30.

By Price List

Each receipt to stock or issue from stock uses the item price in the selected price list for valuating the inventory value.

- The unit price of item C1 in Price List 1 is 10.
- Two goods receipt PO documents are added:
    - The first goods receipt PO (PD 2) contains a quantity of 20. The total cost is 200 = 20 X 10.
    - The second goods receipt PO (PD 3) contains a quantity of 7. The total cost is 70 = 7 X 10.

  As a result, the cumulative quantity is 27 and the cumulative value is 270.
- A delivery (DN 1) containing a quantity of 8 is added. Therefore, the total cost is -80 = -8 X 10.
- The inventory value after the delivery was added is 190 = 270 – 80.

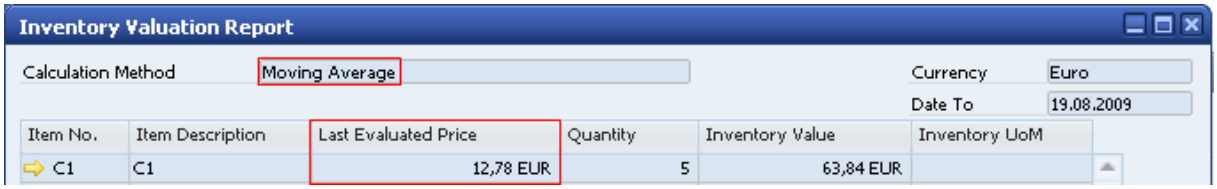
Posting Date	Document	Whse	Qty	Price	Total	Cumulative Qty	Cumulative Value	System Date
19.08.2009	PD 2	01	20	10,00 EUR	200,00 EUR	20	200,00 EUR	19.08.2009
19.08.2009	PD 3	01	7	10,00 EUR	70,00 EUR	27	270,00 EUR	19.08.2009
19.08.2009	DN 1	01	-8	10,00 EUR	-80,00 EUR	19	190,00 EUR	19.08.2009

Last Evaluated Price

Each time an Inventory Valuation report is generated, SAP Business One automatically updates the last evaluated price of the valuated items according to the selected calculation method for the item cost.

The last evaluated price is not maintained on a warehouse level but on an item level only.

For example, you generate the Inventory Valuation report for item C1 and you select the moving average as the calculation method. Therefore, the last evaluated price for item C1 is updated with the price of 12.78.



Item No.	Item Description	Last Evaluated Price	Quantity	Inventory Value	Inventory UoM
C1	C1	12,78 EUR	5	63,84 EUR	

Note

The above Inventory Valuation report example has *Row per Item* as the selected display method. The selected display method has no effect on the last evaluated price.

When you generate the same report for item C1 using the last evaluated price as the calculation method, the item price in all inventory transactions is the last evaluated price, with the updated price.

Allowing Negative Inventory in Inventory Valuation Reports

Items may occasionally have negative inventories. From an accounting perspective, no procedure is available for valuating negative inventories.

> **CAUTION**
>
> From an accounting perspective, we do not recommend using negative inventory. However, to use negative inventory, deselect the *Block Negative Inventory* checkbox in *Administration* → *System Initialization* → *Document Settings* → *General* tab.

> **Note**
>
> To allow negative inventories in the Inventory Valuation report, in the *Inventory Valuation Report – Selection Criteria* window, select the *Allow Negative Inventory* checkbox.

When you allow negative inventories, the following 2 situations are possible:

- An item has a negative inventory in the reporting period.
- An item has a negative inventory on the reporting date.

Negative Inventory in the Reporting Period

If a selected item has a negative inventory in the reporting period, then the item is valuated based on the selected valuation method.

When you select *Row per Item* as the display method, if SAP Business One finds such an item while generating the report, the row for that item is displayed in green in the report results. An appropriate message also appears in the window with the report results.

When you select *Detailed Receipts/Releases* as the display method, the row of the transaction that caused the negative inventory is displayed in red in the report results.

SAP Business One splits the transaction that changes the inventory from negative to positive into 2 rows:

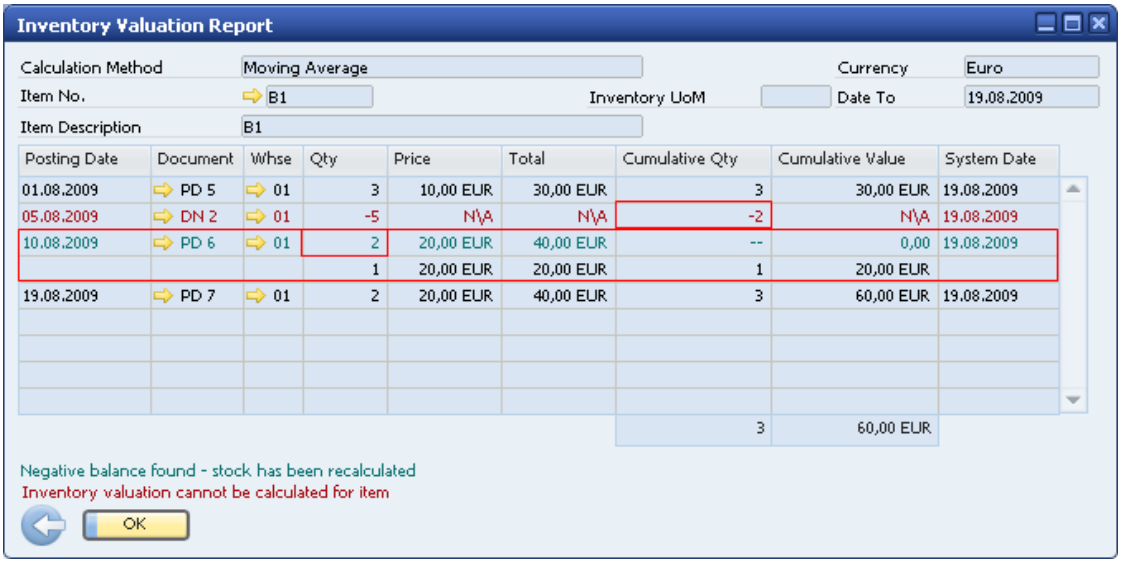
- The first row contains the quantity that brings the inventory to the zero point.
- The second row contains the remainder quantity of the transaction, if any exists.

Example

The in-stock quantity is (-2). A goods receipt PO was created with a quantity of 3.

SAP Business One splits the total quantity into 2 rows:

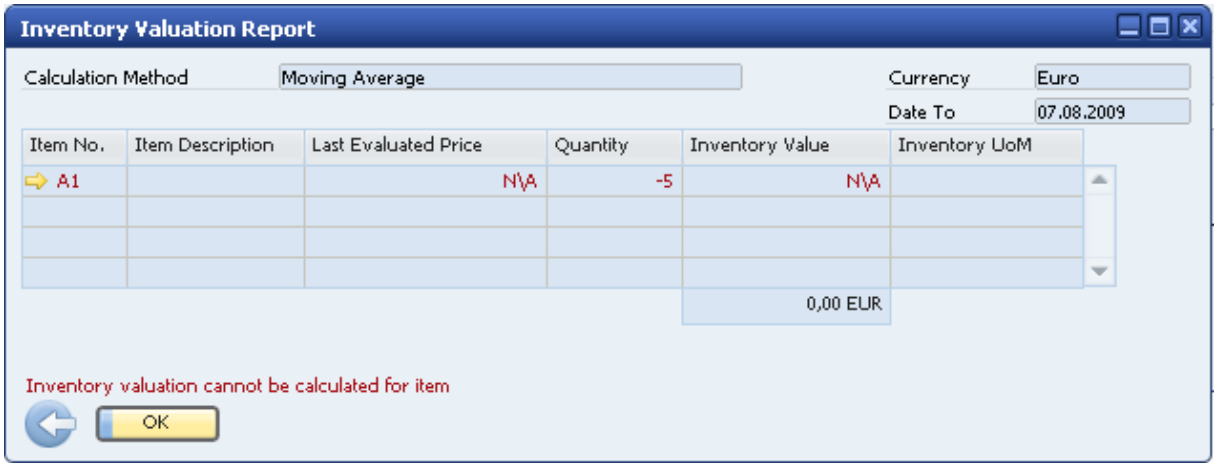
- To level the negative in-stock quantity of (-2), the first row contains 2 items.
- The second row contains the remainder quantity, which is 1 item.



Negative Inventory on the Reporting Date

If an item has a negative inventory on the reporting date, no valuation is possible and you do not obtain a result for the inventory value. For both *Row per Item* and *Detailed Receipts/Releases* display methods, the row for the item is displayed in red in the report results. In addition, the row for the item contains a N/A (not applicable) remark to indicate that no valuation was performed. An appropriate message also appears in the window with the report results.

Row per Item view:



Detailed Receipts/Releases view:

To avoid negative inventories on the reporting date, post a receipt document on or just before the reporting date.

Inventory Valuation Report Special Cases

A/P Invoice Based on a Goods Receipt PO

When you draw an A/P invoice based on a goods receipt PO and you change the price of the item, the value of the A/P invoice in the Inventory Valuation report reflects only the difference between the values of the documents according to the in-stock quantity of the item.

Note

- SAP Business one checks the in-stock quantity in all the company's warehouses and not only in the document warehouse.
- This scenario is relevant only when the calculation method is moving average.

Example

- A goods receipt PO (PD 12), which contains a quantity of 10 and an item price of 10, is created.

  In the Inventory Valuation report, the value of the goods receipt PO is 100 = 10 X 10.
- A delivery (DN 10), which contains a quantity of 3, is created. The in-stock quantity of the item is 7.
- An A/P invoice (PU 4) based on the goods receipt PO is created, and the item price is changed to 14.

When the Inventory Valuation report is generated, the value of A/P invoice is 28 = (14-10) X 7.

Landed Costs

When working with landed costs documents in a nonperpetual inventory system, SAP Business One lets you choose one of the following methods to evaluate the item cost:

- To evaluate the item cost by the goods receipt PO price, in the *Landed Costs* window, on the *Details* tab, from the *Inventory Valuation* dropdown list, choose *No*. This means the Inventory Valuation report ignores the landed costs and considers only the goods receipt PO.
- To evaluate the item cost by the landed costs price (the *Whse Price* field), in the *Landed Costs* window, on the *Details* tab, from the *Inventory Valuation* dropdown list, choose *Yes*. This means the Inventory Valuation report ignores the goods receipt PO and considers only the landed costs.

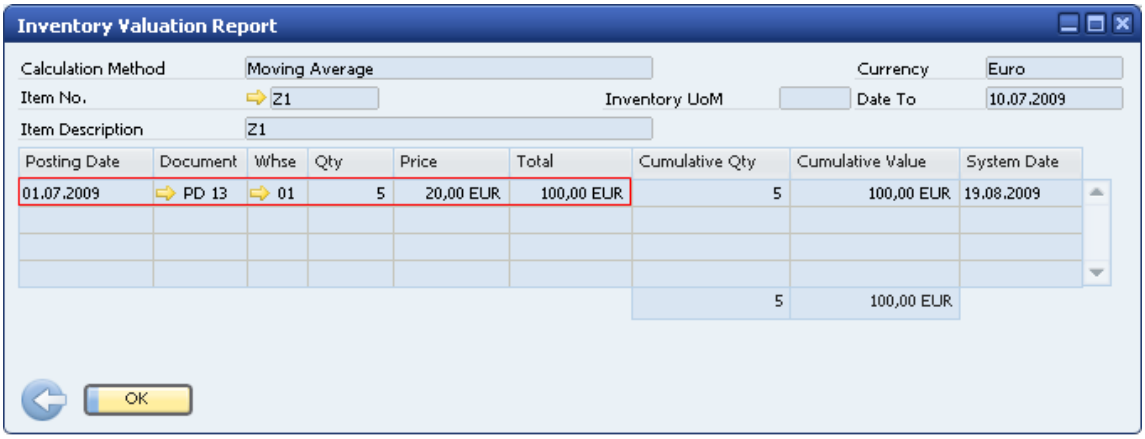
  Note

  When you select to evaluate the item cost by the landed costs price, in the Inventory Valuation report, the posting date of the landed cost document is the goods receipt posting date. The reason is that the goods receipt PO posting date is the date when the goods were received to stock.

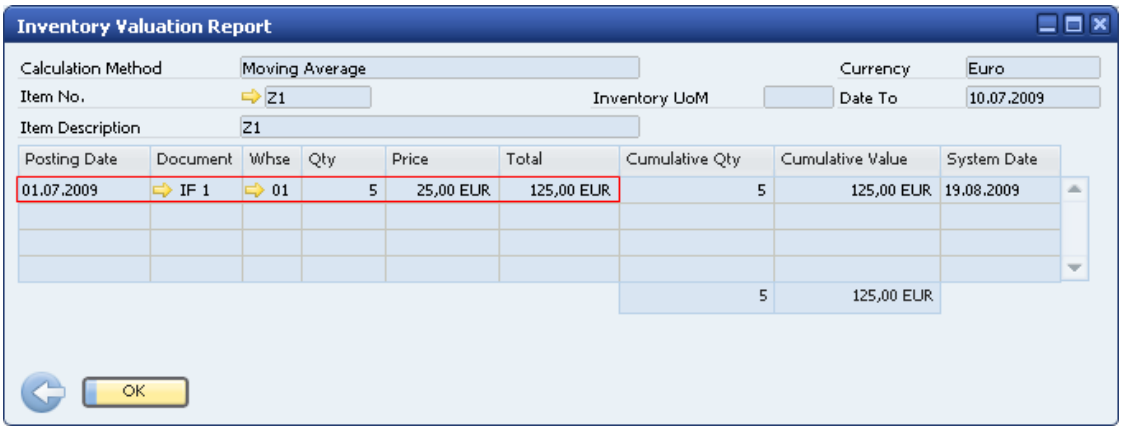
  Example

  - A goods receipt PO document was created with the following details:
    - Posting Date: July 1st.
    - Quantity of 5, item price is 20.
  - A landed costs document was created based on the goods receipt PO with the following details:
    - Posting Date: July 10th.
    - The item price after the additional costs is 25.

  If you choose *No* from the *Inventory Valuation* dropdown list on the *Details* tab of the *Landed Costs* window, the Inventory Valuation report ignores the landed costs and considers only the goods receipt PO.



However, if you choose *Yes*, the Inventory Valuation report ignores the goods receipt PO and considers only the landed costs.



Inventory Transfer

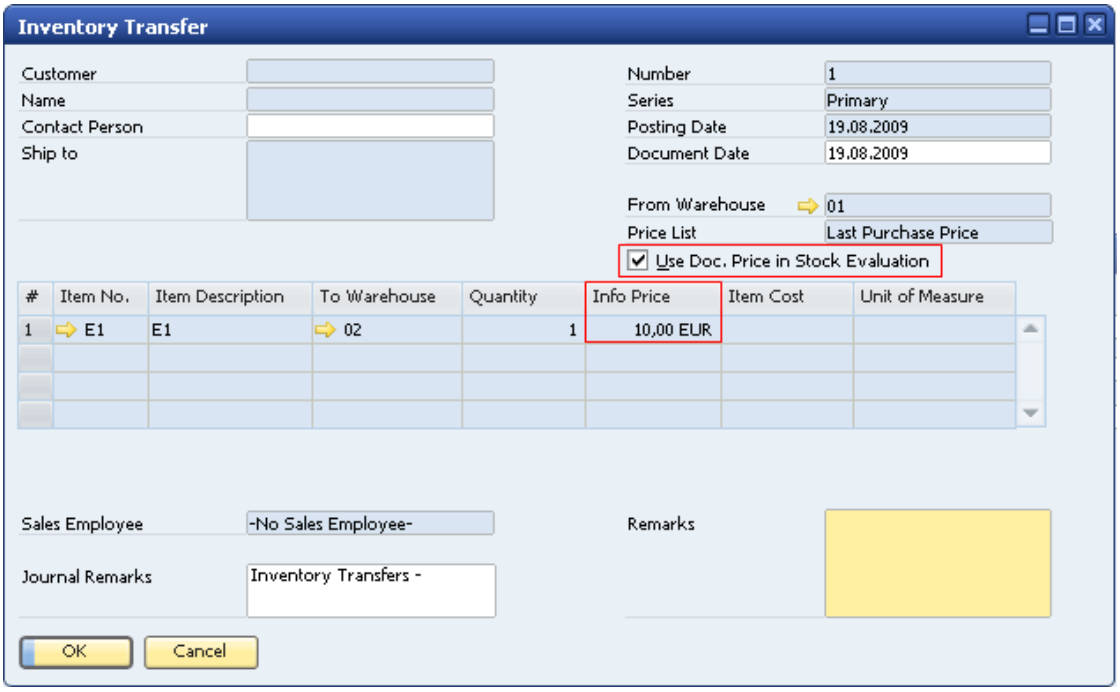
In an inventory transfer document, if you select the *Use Doc. Price in Stock Evaluation* checkbox in the *Inventory Transfer* window, SAP Business One uses the price in the *Info Price* field as the cost of the receipt items when you generate the Inventory Valuation report. The cost for the issued items is the calculated price according to the selected calculation method.

Note

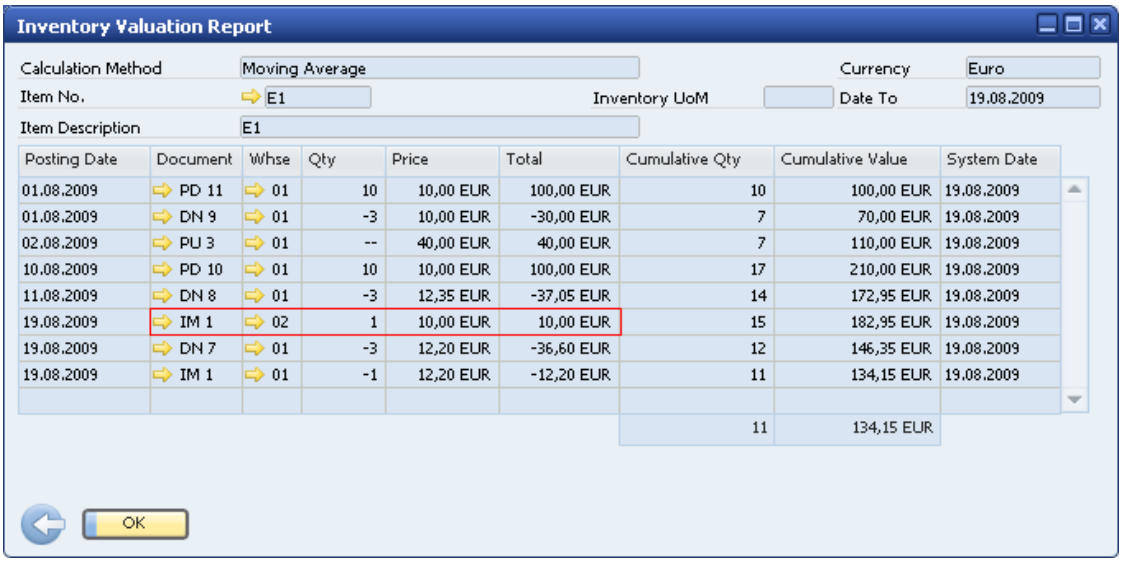
The *Info Price* field is not visible by default. To show this field in the *Inventory Transfer* window, click (*Form Settings*).

Example

You transfer 1 unit of item E1 from Warehouse1 to Warehouse2. In the *Info Price* field you specified a price of 25 for the item, and the *Use Doc. Price in Stock Evaluation* checkbox is selected.



When you generate the Inventory Valuation report, SAP Business One uses the price specified in the *Info Price* field as the cost of the receipt item in Warehouse 2.



Posting Date	Document	Whse	Qty	Price	Total	Cumulative Qty	Cumulative Value	System Date
01.08.2009	PD 11	01	10	10,00 EUR	100,00 EUR	10	100,00 EUR	19.08.2009
01.08.2009	DN 9	01	-3	10,00 EUR	-30,00 EUR	7	70,00 EUR	19.08.2009
02.08.2009	PU 3	01	--	40,00 EUR	40,00 EUR	7	110,00 EUR	19.08.2009
10.08.2009	PD 10	01	10	10,00 EUR	100,00 EUR	17	210,00 EUR	19.08.2009
11.08.2009	DN 8	01	-3	12,35 EUR	-37,05 EUR	14	172,95 EUR	19.08.2009
19.08.2009	IM 1	02	1	10,00 EUR	10,00 EUR	15	182,95 EUR	19.08.2009
19.08.2009	DN 7	01	-3	12,20 EUR	-36,60 EUR	12	146,35 EUR	19.08.2009
19.08.2009	IM 1	01	-1	12,20 EUR	-12,20 EUR	11	134,15 EUR	19.08.2009
						11	134,15 EUR	

Inventory Revaluation

Use the *Inventory Revaluation* window to modify the inventory value of an item. You can revaluate inventory values by:

- *Price Change* - Changing the price for a specific item.

  The inventory price is changed and inventory value is recalculated according to the new price.

- *Inventory Debit/Credit* - Changing the value of a specific quantity of inventory.

  The quantity of inventory remains unchanged, resulting in a change in the price.

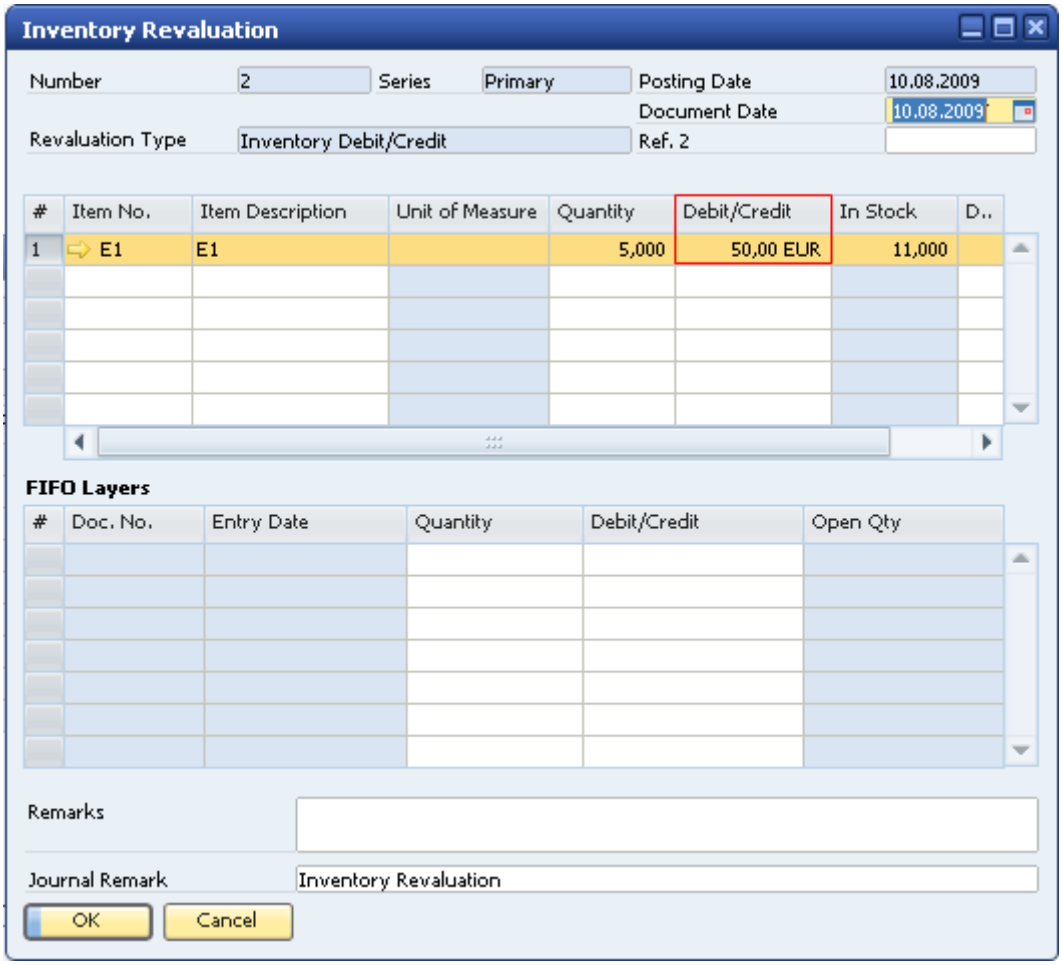
When you use a nonperpetual inventory system, only the *Inventory Debit/Credit* option is enabled. Then, when you generate the Inventory Valuation report, SAP Business One uses the value from the *Debit/Credit* field to add to (when positive) or subtract from (when negative) inventory value.

Note

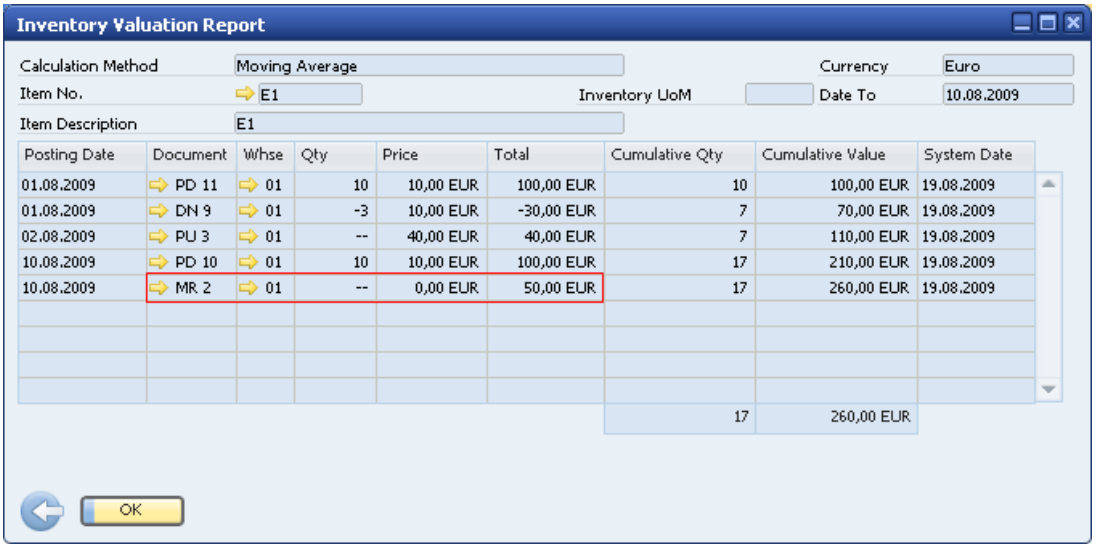
- Only the value in the *Debit/Credit* field affects the inventory value, regardless of the quantity specified in the inventory revaluation.
- For more information about the *Inventory Revaluation* window, see the document *How to Set Up and Manage a Perpetual Inventory System* in the documentation area of SAP Business One Customer Portal at http://service.sap.com/smb/sbocustomer/documentation.

Example

You increase the inventory value of item E1 by 50.



When you generate the Inventory Valuation report, SAP Business One uses the value in the *Debit/Credit* field to increase the inventory value of item E1.



Italy: Working with a Purchase Accounts Posting System

For the Italy localization only, when you work with nonperpetual inventory, you can also work with a purchase accounts posting system. Purchase accounting is a mechanism that allows the direct monitoring of the total purchase expense via the profit and loss (P&L) account. Purchase accounting adds a P&L account dimension to a purchase posting. The purchase account is debited to reflect the actual total inventory-related purchase cost. This enables the analysis of purchases by period in the P&L account report.

When you work with a purchase accounts posting system, the following documents are involved with the purchase accounts postings:

- Goods receipt POs
- Goods returns
- A/P invoices, A/P reserve invoices
- A/P credit memos

For information about initializing a purchase accounts posting system, see Setting Up a Nonperpetual Inventory.

Defining Purchase Accounts

When you maintain both a nonperpetual inventory system and a purchase accounts posting system, you have to define G/L accounts that reflect the purchasing transactions.

The following table describes the purchase accounts you have to define:

Type of Account	Description
Purchase Account	A profit and loss account that identifies the entire purchasing value including freight. This account is debited when purchasing goods against the purchase offset account or the business partner account.
Purchase Offset Account	An offset account to the purchase account. This account is a liability account that is equivalent to the allocation account in a perpetual inventory system.
Purchase Return Account	This account is credited when goods are returned.

Define those G/L accounts in the following tabs:

- *Administration* → *Setup* → *Financials* → *G/L Account Determination* → *Inventory* tab.
- *Administration* → *Setup* → *Inventory* → *Item Groups* → *Accounting* tab.
- *Administration* → *Setup* → *Inventory* → *Warehouses* → *Accounting* tab.

Examples for Journal Entry Structures Used When Working with a Purchase Accounts Posting System

Prerequisites

The following prerequisites apply for all the described examples:

- The business partner is exempt from tax.
- In the *Company Details* window on the *Basic Initialization* tab:
  - The *Use Purchase Accounts Posting System* checkbox is selected.
  - The *Use Negative Amount for Reverse Transaction* is deselected.
- There are sufficient in-stock quantities of all the items.

Goods Receipt PO and A/P Invoice

When creating a goods receipt PO containing a quantity of 1 and unit price of 10, the following journal entry is created automatically:

Account	Debit	Credit
Purchase account	10	
Purchase offset account		10

The purchase account is debited by the amount of the item's quantity multiplied by the unit price.

Later, the goods receipt PO is copied into an A/P invoice. You change the unit price to 15 and add a freight charge of 10. The following journal entry is created automatically:

Account	Debit	Credit
Vendor		25
Purchase offset account	10	
Purchase account	5	
Expense (freight)	10	

The purchase offset account is debited by the amount in the goods receipt PO. The price change difference between A/P Invoice and the goods receipt PO is posted to the purchase account.

Goods Return

When creating a goods return containing a quantity of 1 and unit price of 10, the following journal entry is created automatically:

Account	Debit	Credit
Purchase return account		10
Purchase offset account	10	

The purchase return account is credited by the amount of the quantity multiplied by the unit price.

 Note

This journal entry is also created when a goods return is based on a good receipt PO.

Closing Goods Receipt PO and Goods Return

When closing a goods receipt PO, the following journal entry is created automatically:

Account	Debit	Credit
Purchase account		10
Purchase offset account	10	

The purchase account is credited by the amount of the quantity multiplied by the unit price.

When closing a goods return, the following journal entry is created automatically:

Account	Debit	Credit
Purchase return account	10	
Purchase offset account		10

The purchase return account is debited by the amount of the quantity multiplied by the unit price.

A/P Credit Memo

When creating an A/P credit memo containing a quantity of 1 and unit price of 10, the following journal entry is created automatically:

Account	Debit	Credit
Vendor	10	
Purchase return account		10

The purchase return account is credited against the business partner.

 Note

This journal entry is also created when the A/P credit memo is based on an A/P invoice.

A/P Credit Memo Based on a Goods Return

When creating an A/P credit memo based on a goods return containing a quantity of 1 and unit price of 10, the following journal entry is created automatically:

Account	Debit	Credit
Vendor	10	
Purchase offset account		10

The purchase offset account is credited against the business partner.

Authorizations

For information about the authorizations required for using a nonperpetual inventory system, see the online help for SAP Business One. In addition, see the document *How to Define Authorizations* in the documentation area of SAP Business One Customer Portal at http://service.sap.com/smb/sbocustomer/documentation.

Database Tables Reference

For information about the tables used in a nonperpetual inventory system, see the *Database Tables Reference* chm file. You can download it from the SAP Community Network, as follows:

1. Go to https://www.sdn.sap.com/irj/sdn/businessone.
2. Under *BUSINESS ONE KNOWLEDGE CENTER*, click the link of the SAP Business One release version you want.
3. Click the SDK Help Center link.
4. In the *File Download* window, do one of the following:
    - To open the .zip file, choose the *Open* button; then extract the `REFDB.chm` file to your computer.
    - To save the .zip file to your computer, choose the *Save* button. You can open the .zip file and extract the `REFDB.chm` file later.

Appendix: Sorting Inventory Valuation Report Results

SAP Business One lets you sort the Inventory Valuation report results either by posting date or by system date. Sorting by system date *means the report results are sorted by the creation date* of the documents and by their sequence within the creation date.

When you sort the Inventory Valuation report results by posting date, documents created on the same date are sorted as follows:

First, SAP Business One displays all receipt documents in the following order:

1. Positive initial inventory
2. Goods receipt POs
3. A/P invoices
4. Goods receipts
5. Inventory transfers (the transactions for the receipt warehouse)
6. Negative A/R invoices
7. A/R credit memos and A/R returns
8. Negative A/R Deliveries
9. Inventory revaluations
10. Positive inventory postings

Then, SAP Business One displays all release documents in the following order:

1. Deliveries
2. A/R invoices
3. Inventory transfers (the transactions for the release warehouse)
4. Goods issues
5. Goods returns
6. Negative goods receipt POs
7. A/P credit memos
8. Negative A/P invoices
9. Negative inventory postings
10. Negative initial inventory

The reason for displaying first the receipt documents and then the release documents is to avoid as much as possible any negative zone within the same posting date.

Sorting by system date or by posting date might retrieve completely different results. For example, when the report results are sorted by posting date, there is no negative inventory. However, when the report results are sorted by system date, the inventory can be in the negative zone.

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