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Inventory Valuation reports do not balance to your Macola GL? Some things to look for.

Inventory out of balance situations happen when the G/L accounts are affected and the Subledger (Inventory Valuation Reports) are not, or vice-versa.

There are several setup issues and transactions that force an out of balance to happen by design. The purpose of this document is to review these situations.

This document applies to both Macola Progression and Macola ES. This document only applies if your Inventory Cost Method flag in IM Setup is set to A-Avg or S-Std.

Here are some of the more common that can actually <u>CREATE</u> an out of balance situation:

A Non-Stocked Item is mapped to an Inventory Account

This creates at out of balance condition at the time of a PO, POP or SFC Receipt. Remember that a stocked item, by definition, is an item where Macola maintains a qty on hand for the item. A non stocked item will then never appear on the inventory valuation report, whereas the GL inventory account will be debited at receipt time at either standard or average cost.

Non stocked items should be mapped to an expense account by using the material cost type-location records.

A Stocked Item is mapped to a Non-Inventory Account

Simply the converse of the situation mentioned above. The GL account numbers are governed by the Material Cost Type/Location records associated with the item on the receipt transaction. A receipt of a item setup like this will immediately increase the stock status valuation report, but have no inventory effect on the GL.

In OE Setup, the Cost to Use When Posting Flag is set to L-Line Item

It is very important to understand what this flag does. If you go to this field in OE setup and click on help, about this field, the explanation is very clear, but to recap, L-Line Item means that the cost of the item at the time the order is entered will be the cost that gets applied to the shipments of the order.

So in this case, if you change the cost for any legitimate reason and have open orders for the item, it will get a different cost. I have seen cases where a new item, under development, had an order created in OE. This item did not even have a bill of material yet, much less a cost. So since their flag was set to L, the order had a cost of zero which was captured at the time of order entry.

In the meanwhile, a BOM was developed, rolled up, the standard cost changed, and the item produced. When the POP order receipt happened, it happened at standard cost. However when the OE order was shipped, invoiced and posted, the cost of goods sold, and the credit to inventory, was zero, since the flag in question was set to L.

In POP Setup, the Create WIP Flag is set to W-Allocate with GL Distributions.

I have never understood why someone would want to set this flag up as W, but the title of the flag says it all. It allocates inventory (not consumes) AND creates GL distributions. So the GL is decremented by the value of the component items, but the Inventory Valuation report is not affected at all.

You have unposted Credit Memos with a Qty returned

Macola Progression and ES both increase the qty on hand when you enter the credit memo, while the associated journal entry cannot happen until you post it. As far as I am concerned this is a bug, I have not heard back from Exact as of this writing (6/5/2007).

3 Transactions you should NEVER perform:

1) Never make an inventory transaction of any type - quantity adjustment, cost adjustment, issue or receipt - to an inventory account.
2) Never charge any AP invoice or credit memo, directly to an inventory account.
3) Never make any sort of manual journal entry directly to an inventory account.

<u>Another setup consideration:</u>
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> Never map any variance account to an Inventory Account. This would have the effect of increasing the subledger by the standard cost versus increasing the GL by the total cost (if using std costing in IM setup).

 <u>The dreaded negative qty on hand effect on average cost</u>
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> If you are using average cost, this is a problem. Without going into Exact's algorithm in depth, when an item goes negative and is subsequently received, the average cost is skewed versus an item that never went negative. This is a long time problem that even Exact acknowledges.
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> If this happens, and you attempt to perform a cost adjustment transaction, the transaction itself creates a journal entry and you are STILL out of balance. SO the workaround is to unlock protected fields in IM setup, change your average cost manually in Item Location maintenance, and re-lock protected fields.

This is the list as I am aware of it. If anyone else has run across a situation that can create such problems, please let me know.

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