

PeopleSoft®

EnterpriseOne
Advanced Stock Valuation 8.9
PeopleBook

September 2003

EnterpriseOne
Advanced Stock Valuation 8.9 PeopleBook
SKU REL9ESV0309

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Stock Valuation System Overview

You use the Stock Valuation system to determine the current value of a company's stock. Stock is also referred to as inventory. Stock value is based on the total cost of the stock owned by a company at a specific time. The value of stock can vary, depending on the different methods used to calculate the total cost and the method used to value the stock.

System Integration

The Stock Valuation system integrates with the following systems:

Procurement	This system retrieves item costs based on the purchasing costing method that is defined for each item. When you receive a voucher for the item, the system updates the general ledger.
Inventory Management	This system stores item information that all of the other systems can use.
Bulk Stock Management	This system controls the storage, measurement, and movement of dynamic bulk inventory. This system lets you complete transactions that move bulk inventory. In addition, it accurately calculates product gains and losses for each bulk stock transaction.
Sales Order Management	This system retrieves item prices and costs from the Inventory Management system for sales orders. The system updates the general ledger and creates accounts receivable entries to record inventory, cost of goods sold, revenue, and tax transactions for use in cash receipts processing.
Distribution Contracts Management	This system allows you to manage contracts with business partners. You can accurately accommodate loans, borrows, and exchanges, and ensure that the stock involved is valued correctly.
Transportation Management	This system confirms the release of stock from your inventory and records the amount of stock in transit, thereby accurately reflecting the actual stock to be valued at the end of a period.

The systems that integrate with stock valuation store all inventory activity in a central table known as the Cardex, or the Item Ledger File table (F4111). The Cardex is the central repository of all inventory and cost movements. Programs from other systems that handle inventory create records in this table whenever inventory and cost are affected. The Stock Valuation system uses inventory information from the Cardex to ensure that the correct inventory is valued.

System Flow

Stock Valuation uses the Cardex (F4111) as the base for its processing. The system extracts the inventory activities from the Cardex by document number, type, and item. Based on the valuation methods, the system then determines the various balances and updates the valuation files. When you post the valuation, the system updates the general ledger and the Valuation Period Table (F39061).

The following process flow summarizes the tasks performed by the system:

Item Ledger File table (F4111)	The system retrieves records by specific document number, document type, and item for a given date range.
Item Pool Valuation Master table (F3904)	The system retrieves the item or pool valuation method and unit of measure.
Valuation Method Master table (F3905)	The system retrieves attributes of the valuation method.
Valuation Period Table (F39061)	The system retrieves the closing balance and other necessary information from the prior period's record.
Period Build report (R39120)	This batch application performs the following functions: <ul style="list-style-type: none"> • Updates the Historical Valuation Period Detail Table (F390619) with current information. • Builds layers in detail or summary, based on the valuation method, in the Valuation Layers Table (F39062). • Accumulates totals by document type to the Valuation Document Summary Table (F39064). • Writes and updates current information to the Period Additional Quantity Table (F39063).
Company G/L Update Method Master table (F39042)	The system retrieves the valuation method that is used to update the Account Ledger table (F0911).
From Valuation Layers Table (F39062)	The system updates layer information and combines layers at year-end.

General Ledger Post Report (R09801)	You run this batch application to update the general ledger from journal entries.
Stock Valuation GL Update report (R39130)	<p>This batch application performs the following functions:</p> <ul style="list-style-type: none"> • Updates the general ledger based on the valuation method that you defined. • Updates the Valuation Period Table (F39061), as posted.

Business Considerations

J.D. Edwards integration provides the flexibility needed to accommodate the many stock valuation methods throughout the distribution industries. Additional features support unique considerations of energy and chemical businesses and the demands placed on companies that must meet the requirements of many national and local regulatory agencies.

Stock valuation is a vital component of all distribution and manufacturing industries. It provides the information that you need for reporting purposes and to evaluate profit margins.

You calculate stock value on a periodic schedule - generally monthly, quarterly, and yearly. Business and government requirements determine when a company completes the reporting for the following reasons:

- Measure and manage stock levels and related cash flow
- Comply with the accounting standards that require companies to provide a true and fair value of the company's financial performance, and capital used

Stock valuation reporting is necessary for corporate, management, and statutory purposes. Corporate reporting analyzes the value of the company's stock and the cost of the stock that was sold (cost of goods sold). Management reporting verifies that your company's storage and handling methods comply with the laws enforced by various governmental organizations.

Identifying Inventory

To value your stock, you must be able to identify the items in your inventory. Possession of legal title of inventory is a fundamental criterion for determining whether items should be reflected in the inventory of a seller or a buyer. However, possession of title does not necessarily coincide with actual physical possession of the goods. For example, title to goods that are in the possession of a common carrier and in transit from the seller to the buyer should remain in the inventory of the seller until delivered. The integration of the various systems ensures that you can identify your entire inventory.

Many companies consolidate items into groups of similar items for stock valuation purposes. This process is called *pooling* or *product consolidation*. When you pool items, you can apply a single purchase price and associated costs to all items in that pool.

Whether each item is valued separately or as a pool varies from industry to industry. The Stock Valuation system allows you to value by individual items, pools, or both.

Many companies maintain contracts with other companies to store bulk product. Therefore, bulk stock might be commingled and belong to more than one owner. The Stock Valuation system allows you to exclude commingled stock from the valuation.

Identifying Costs

You generally post inventory at an amount that reflects the price paid plus all costs incurred to bring the items to the location and to make them salable.

In some distribution industries, especially energy and chemical businesses, the actual purchase cost from a supplier might not be known at the time that the items are received into your inventory or only become known after you issue a voucher for payment.

J.D. Edwards allows you to update, or recost, these open receipts and paid vouchers, which ensures that the value of your stock is represented by the actual cost.

Choosing Stock Valuation Methods

Determining which method is used to assign inventory costs to the Cost of Goods Sold (COGS) account in the income statement is a major management decision. Inventory items that are in a company's possession and available for sale throughout a period must acquire a period-end status of either Sold or On hand. If the items have been sold, you must reflect the costs assigned to those goods on the period's income statement. If the items remain unsold, you must be able to determine which portion of the cost of goods available for sale is to be assigned to the income statement, and which portion is to be assigned to the balance sheet.

Inventory items physically move out of the business when they are sold. Similarly the costs assigned to those items must move from the balance sheet to the income statement, where they are no longer reflected as an available resource, but as an operating expense for that period.

The Stock Valuation system provides the following valuation methods for all items in your inventory:

- First In/First Out (FIFO)
- Last In/First Out (LIFO)
- Weighted Average Cost
- Replacement/Current Cost

In this documentation, we refer to these methods as stock valuation methods to differentiate between the cost of an item and its current value. *Cost* refers to the cost of an item so that you can determine its selling value. *Valuation* determines the value of any item that is currently in your inventory for reporting and financial purposes.

Dual Currency

Businesses operating in an inflationary market need to be able to maintain a set of books in two currencies: the local currency and a stable currency, commonly U.S. dollars. The Stock Valuation system allows a business to value inventory based on a valuation method, such as LIFO, FIFO, and replacement or current cost. With the Dual Currency feature, a business can use a second ledger type to adjust its inventory in both the domestic and the stable currency.

Tables and Descriptions

The following list identifies the primary stock valuation tables and their contents:

Item Pool Valuation Master table (F3904)	<p>Contains information for all valuation methods, including the following:</p> <ul style="list-style-type: none"> • Item number or pool • Valuation method • User identification and update information
Valuation Category Master table (F39041)	<p>Contains information for valuation methods, including the following:</p> <ul style="list-style-type: none"> • Unit of measure • G/L class
Company G/L Update Method Master table (F39042)	<p>Contains information for valuation methods, including the following:</p> <ul style="list-style-type: none"> • G/L update method • Default branch/plant
Valuation Method Master table (F3905)	<p>Contains information for all valuation methods that you define for your company.</p>
Item Pool Valuation Cost Master table (F3908)	<p>Maintains the replacement cost of the items and pools.</p>
G/L Adjustment Table (F3910)	<p>Shows the adjustments made to the G/L table.</p>
Valuation Period Table (F39061)	<p>Contains all of the stock valuation information for the period, including the following:</p> <ul style="list-style-type: none"> • Opening quantities and amounts • Period incoming quantities and amounts • Period outgoing quantities and amounts • Closing quantities and amounts • Inventory and COGS adjustment • LIFO adjustment and adjustment cost • General ledger classification • Posted and closed information • User identification and update information

Valuation Layers Table (F39062)	<p>Contains all of the information for the historical layers for all stock valuation methods that you define for your company, including:</p> <ul style="list-style-type: none"> • Receipt information • Current quantity, amount, and allocations • Last allocation amount, quantity, and date • User identification and update information
Period Additional Quantity Table (F39063)	<p>Contains the valuation information for those methods that you defined to include not-in-stock inventory, in-transit inventory, or loan and borrow accommodations.</p>
Valuation Document Summary Table (F39064)	<p>Contains the cost information summarized by document type.</p>

See Also

- *Defining Valuation Methods* in the *Advanced Stock Valuation Guide* for more information about defining names and attributes for your valuation and auxiliary methods

Stock Valuation Processing

The central function of stock valuation is to establish the cost of your ending inventory based on the period's activity and the prior periods' layers. The accuracy of this value relies on information from other systems.

The systems that integrate with Stock Valuation store all inventory activity in a central table, the Item Ledger File table (F4111), which is also known as the Cardex. The Stock Valuation system does the following:

- Extracts the period's activity from this table
- Builds historical layers based on the activity
- Stores the information in a transaction table

Stock valuation provides vital information for reporting and profitability and helps your organization ensure that all stock is valued with the correct costs. Stock Valuation provides you with opportunities to review and analyze the results of the extraction before you update the general ledger. You can review and approve the valuation before you actually post it. With dual currency, you can value stock based on a stable currency in addition to the domestic currency.

Understanding Dual Currency

Businesses operating in an inflationary market need to be able to maintain a set of books in two currencies: the local currency and a stable currency, commonly U.S. dollars. The Stock Valuation system allows a business to value inventory based on a valuation method, such as LIFO or FIFO. With dual currency in Inventory, a second ledger type (XA) allows a business to adjust its inventory in both the domestic currency and the stable currency.

Dual currency in Stock Valuation works with multicurrency accounting, which allows you to do business in multiple currencies and follow the reporting and accounting requirements of the corresponding countries. You must set up multicurrency in order to use dual currency in Stock Valuation.

Note

Itemizing at the conversion rate results in a different total than if you add up all of your transactions and then multiply by the conversion rate.

Dual Currency Accounts

The system maintains dual currency for valuation layers by creating an additional ledger for the stable currency, using the current exchange rate to calculate the amount. The system writes a record for each currency in the Stock Valuation tables. For example, when data is extracted from the Cardex, two records are written: one containing the domestic currency amounts, and one containing the stable currency amounts.

See Also

- ❑ *Multicurrency Overview* in the *Multicurrency Guide*
- ❑ *Assigning Valuation Methods* in the *Advanced Stock Valuation Guide* for information about setting up dual currency in inventory

Determining the Value of Stock

You can run the stock valuation process as many times as you like during each accounting period. During processing, the system builds the valuation for all assigned methods for each item and pool. When the build is complete, you can print reports to verify the completeness and accuracy of the company's stock value before you post it for the period. You can also review the valuation built for all auxiliary valuation methods that you have assigned to each item and pool.

Before You Begin

- ❑ Verify that the programs that integrate with Stock Valuation are installed and set up.

Working with Period Build

You use the Period Build program (R39120) to build the Stock Valuation period activity tables for calculating the value of stock. Most users of the Stock Valuation system use two versions of the Period Build program to accomplish separate results. You can use a different version to rerun the program if you discover inaccurate information or omissions in the first version of the program that you run. If the system encounters any errors, it sends a message to the message center or includes a message on a report.

For dual currency, the program creates additional records for the stable currency for every layer of the domestic currency. If dual currency is active and the Cardex transaction is a reversal, the Period Build program uses the transaction date of the reversal to calculate the exchange rate.

The following table describes the two versions of Period Build program:

Stock Valuation Period Build	This version selects any records for the current period that were not previously processed.
Clear and Restart Period Build	This version clears the stock valuation tables for the period and reprocesses the entire period.

Before You Begin

- ❑ Verify that each item or pool has an assigned valuation method. See *Assigning Valuation Methods* in the *Advanced Stock Valuation Guide*.
- ❑ Verify that two versions of the Period Build program are set up. See *Creating a Batch Version* in the *Foundation Guide*.

During period build, if an accumulation for the year exists, the program starts at the beginning of the year and allocates the accumulated quantity forward throughout the layer. If a depletion for the year exists, the program starts at the end of the layer previous to the current year and subtracts the depleted amount backward throughout the layer.

The program uses the allocations to calculate the adjustment amounts for LIFO accumulation/depletion.

Running the Stock Valuation Period Build Program

From the Stock Valuation Updates menu (G3930), choose Stock Valuation Period Build.

The Period Build program (R39120) extracts the transactions by document type for specific date ranges to build the valuation tables.

Use this version to extract all records since the end of the previous period and post them to the general ledger. If you approve of the data, this is the only version that you need to run.

Processing Options for Stock Valuation Period Build (R39120)

Select Tab

These processing options indicate the date and type of transactions that the system uses to process the period build.

1. Enter the 'As Of' Date to Execute

Use this processing option to specify the date that the system uses to select data when it runs the period build. The system processes the records within the period, the date of which is less than or equal to the date that you enter.

2. Clear and Restart

Blank = select all transactions not previously generated.

1 = Clear and Restart; this will clear all previously processed transactions and select all transactions up to the 'As Of' date.

Note: when processing data in 'Annual' mode, this processing option must be set to Clear and Restart.

Use this processing option to specify whether the system chooses all transactions that were not previously processed, or clears all previously processed transactions before choosing all transactions up to the "as of" date. Valid values are:

Blank

The system chooses all transactions not previously processed.

1

Clear and restart. The system clears all previously processed transactions before choosing all transactions up to the "as of" date.

Note: When the Processing Mode constant is set to Annual, the system automatically sets this processing option to clear and restart.

Running the Clear and Restart Period Build Program

From the Stock Valuation Updates menu (G3930), choose Clear and Restart Period Build.

Use the Clear and Restart Period Build (R39120) program to correct errors, such as omitted documents or incorrect entries. This version completely clears the valuation table and runs the entire extraction again. The system does not clear any previous valuations that have been posted to the general ledger.

Processing Options for Clear and Restart Period Build (R39120)

Select Tab

These processing options indicate the date and type of transactions that the system uses to process the period build.

1. Enter the 'As Of' Date to Execute

Use this processing option to specify the date that the system uses to select data when it runs the period build. The system processes the records within the period, the date of which is less than or equal to the date that you enter.

2. Clear and Restart

Blank = select all transactions not previously generated.

1 = Clear and Restart; this will clear all previously processed transactions and select all transactions up to the 'As Of' date.

Note: when processing data in 'Annual' mode, this processing option must be set to Clear and Restart.

Use this processing option to specify whether the system chooses all transactions that were not previously processed, or clears all previously processed transactions before choosing all transactions up to the "as of" date. Valid values are:

Blank

The system chooses all transactions not previously processed.

1

Clear and restart. The system clears all previously processed transactions before choosing all transactions up to the "as of" date.

Note: When the Processing Mode constant is set to Annual, the system automatically sets this processing option to clear and restart.

Reviewing the Unit Cost Period Report

From the Stock Valuation Reports menu (G3920), choose Unit Cost Period Report.

After you run the Period Build program (R39120), you can generate a report to verify the accuracy and completeness of your valuation. The Unit Cost Period Report program (R39540) provides the average cost of each item or pool for selected periods, based on valuation method. You can specify in a processing option whether to display domestic or dual currency.

Processing Options for Unit Cost Period Report (R39540)

Process Tab

1. Enter the Fiscal Period

Blank = Company Fiscal Period

Use this processing option to enter the Fiscal Period to display on the report.

Valid values are:

Blank Displays the current fiscal period for the company.

2. Enter the Fiscal Year

Blank = Current Fiscal Year

Use this processing option to enter the Fiscal Year of the first period to display on the report.

Valid values are:

Blank Displays the current fiscal year for the company.

3. Cost for Closing Inventory

Blank = Cost for Incoming Transactions.

Use this processing option to display average unit costs for the closing period on the report.

Valid values are:

Blank Displays the average unit cost for incoming transactions.

1 Displays the average unit cost for closing inventory.

4. Dual Currency Amounts

Blank = No Dual Currency Amounts

Use this processing option to omit or include the dual currency amounts on the report.

Valid values are:

Blank Omits the dual currency amounts from the report.

1 Includes the dual currency amounts on the report.

Reviewing the Stock Valuation Summary Report

From the Stock Valuation Reports menu (G3920), choose Stock Valuation Summary Report.

Use the Stock Valuation Summary Report (R39500) to display a summary of stock valuation information by valuation method for each item and pool.

Processing Options for Stock Valuation Summary Report (R39500)

Dual Currency Tab

Dual Currency Amount

Blank = No Dual Currency Amount

Use this processing option to omit or include the dual currency amounts on the report.

Valid values are:

Blank Omits the dual currency amounts on the report.

1 Includes the dual currency amounts on the report.

Reviewing the Stock Valuation Detail Report

From the Stock Valuation Reports menu (G3920), choose Stock Valuation Detail Report.

Use this report to display FIFO, LIFO, weighted average cost, or replacement cost valuation methods in detail by item and pool.

For each item and pool, this report shows the openings, incomings, outgoings, and closings for the year to date or for the current period. This report also displays the G/L Update methods.

Processing Options for Stock Valuation Detail Report (R39400)

Print Report Tab

1. G/L Update valuation method

Blank = All valuation methods

Use this processing option to print the report using valuation methods.

Valid values are:

Blank Prints the report using all valuation methods.

1 Prints the report using the G/L update valuation method for each item pool.

2. Period incoming and outgoing for LIFO

Blank = No period incoming and outgoing

Use this processing option to omit or include the period incoming and outgoing quantities along with the amount on the LIFO report.

Valid values are:

Blank Omits the period incoming and outgoing quantities along with the amount from the report.

1 Prints the period incoming and outgoing quantities on the report along with the year to date quantities and amounts for LIFO valuation methods.

3. Dual currency amounts

Blank = No dual currency amounts

Use this processing option to omit or include dual currency amounts on the report.

Valid values are:

Blank Omits the dual currency amounts on the report.

1 Includes the dual currency amounts on the report.

Reviewing the General Ledger Update Summary Report

From the Stock Valuation Reports menu (G3920), choose General Ledger Update Summary Report.

Use this report to display a summary of the stock valuation information that will be updated to the general ledger.

Processing Options for General Ledger Update Summary Report (R39510)

G/L Update Sum Tab

Dual Currency Amount

Blank = No Dual Currency amount

Use this processing option to omit or include dual currency amounts on the report.

Valid values are:

Blank Omits the dual currency amounts from the report.

1 Includes the dual currency amounts on the report.

Reviewing Results

After you run any version of the Period Build program (R39120), you can use several forms to review the valuation information. You can use these forms to research any problems with the build before you run another version or accept the results of the valuation. You can review different aspects of the valuation continuously throughout the period until you post the valuation for the next period.

With most of these review options, you can review item or pool information by a specific valuation method. When it displays valuation information, the system uses one of the methods that is assigned to an item in the Item Pool Valuation Maintenance program (P3904).

Note

When you define a valuation method to include in-transit inventory or loan and borrow accommodations, the system includes these amounts in the valuation. You can use the Work With Additional Quantities form to review this information on separate detail lines from the Valuation Period Review (P39061) and Work With Stock Valuation (P39060) programs.

See Also

- ❑ *Assigning Valuation Methods* in the *Advanced Stock Valuation Guide*
- ❑ *Defining Valuation Methods* in the *Advanced Stock Valuation Guide*

Working with Stock Valuation

You can review a summary of the valuation for any item or pool, and you can also review a specific valuation method. You can choose between domestic and dual currency modes.

► To work with stock valuation

From the Daily Operations menu (G3910), choose Stock Valuation Review.

1. On Work With Stock Valuation, complete the following field:
 - Company
2. Complete the following optional fields and click Find:
 - Valuation Method
 - Item Number
 - Item Pool
 - Business Unit
 - Current Period / Year

Reviewing Item or Pool Quantities

You can review the opening, incoming, outgoing, and period-ending values of any item or pool for a specific valuation method. When you review specific valuation methods, you can choose between domestic and stable currency modes.

► To review item or pool quantities

From the Daily Operations menu (G3910), choose Valuation Period Review.

1. On Work With Valuation Period Review, complete the following fields:

- Company
 - Valuation Method
 - Period/Year
2. Complete one of the following fields:
- Item Number
 - Item Pool
- While reviewing item or pool quantities, you can access the Work With Additional Quantities form to review stock status, accommodations, and in-transit quantities.
3. If the valuation method is allocated within all branch/plants, complete the following field and click Find:
- Business Unit

Reviewing Historical Layers

Layers are receipts of product that you enter into the system. You can review the historical layers for your ending inventory. You can choose between domestic and dual currency modes.

You can identify and review the layers in one of two formats. The system displays the information in either detail or summary format, depending on how you define the valuation method, as follows:

- If you define the valuation method to use detail mode, each receipt is a layer.
- If you define the valuation method to use summary mode, each period is a layer. At year-end, the layers for prior years are combined into one layer.

See Also

- *Defining Valuation Methods* in the *Advanced Stock Valuation Guide*
- *Valuation Calculations* in the *Advanced Stock Valuation Guide*

► To review historical layers

From the Daily Operations menu (G3910), choose Valuation Layers Review.

1. On Work With Valuation Layers, complete the following fields:
 - Company
 - Valuation Method
2. Complete one of the following fields:
 - Item Number
 - Item Pool

3. If the valuation method is allocated within all branch/plants, complete the following field:
 - Business Unit
4. To view the depleted layers, click the following option and then click Find:
 - Layer Depleted

Reviewing Methods

Use Valuation Method Comparison to compare the valuation differences between two different methods. You can choose between domestic and stable currency modes.

► To review methods

From the Daily Operations menu (G3910), choose Valuation Method Comparison.

1. On Work With Valuation Method Comparison, complete one of the following fields:
 - Item Number
 - Item Pool
2. Complete the following fields and click Find:
 - Period/Year
 - Company
 - Business Unit
 - Valuation Method
 - Valuation Method

Reviewing by Document Type

When you need to resolve problems that might have been caused by missing or inaccurate document type information, you can review a summary of transactions by document type.

You can choose specific transaction types, such as incoming, outgoing, or both. If you review transactions by a specific item or pool, the system also displays totals by quantity and amount. In addition, you can alternate between domestic and dual currency modes.

► To review by document type

From the Daily Operations menu (G3910), choose Document Summary Review.

1. On Work With Document Summary Review, complete the following fields:
 - Company

- Period / Year
2. Complete one of the following optional fields:
 - Item Number
 - Item Pool
 3. Complete the following optional fields and click Find:
 - Business Unit
 - Transaction Type

Reviewing G/L Adjustments

You can view stock valuation adjustments to the general ledger with the General Ledger Adjustment Inquiry program (P3910). You can choose between domestic and dual currency modes.

► To review G/L adjustments

From the Daily Operations menu (G3910), choose General Ledger Adjustment Inquiry.

1. On Work with G/L Adjustment Inquiry, complete the following field:
 - Company
2. To choose a pool or item, complete one of the following optional fields:
 - Item Number
 - Item Pool
3. To choose a specific G/L date, complete the following field:
 - G/L Date
4. Complete the following optional field and click Find:
 - Adjustment Type

Reviewing Unit Cost Inquiry

You can review the average cost for current and prior periods, based on valuation method.

► To review unit cost inquiry

From the Daily Operations menu (G3910), choose Unit Cost Inquiry.

1. On Work With Unit Cost Period Inquiry, complete the following field:

- Company
2. Complete one of the following optional fields and click Find:
- Item Number
 - Item Pool
 - Business Unit

Processing Options for Unit Cost Inquiry (P39210)

Unit Cost Tab

Cost for Closing Inventory.

Blank = Cost for Incoming Transactions

Use this processing option to display average unit costs.

Valid values are:

Blank Displays the average unit cost for incoming transactions.

1 Displays the average unit cost for closing inventory.

Running the Stock Valuation G/L Update

From the Stock Valuation Updates menu (G3930), choose Stock Valuation G/L Update.

Run the Stock Valuation G/L Update program (R39130) after you review the data from the Stock Period Build program (R39120). The Stock Valuation G/L Update program updates the general ledger for the valuation methods that are defined as general ledger update methods. The program updates the general ledger based on one valuation method for each item number or item pool.

The Period Build program calculates the amounts to be updated. The Stock Valuation G/L Update program performs the update after you have reviewed the data. Additionally, records for the next period are built for the Valuation Period Table (F39061) and Period Additional

Quantities Table (F39063). These records contain the opening balance for the next period. For dual currency, the program writes a record to the general ledger for the stable currency.

You can run proof and final versions of the Stock Valuation G/L Update program. When you run the proof version, the system does not update the general ledger. After you review the proof version, you run the final version to update the general ledger.

Before you update the general ledger, you can review and approve batches produced by the system. After you approve the general ledger updates, you can post them to the account ledger. Posting completes the valuation process and posts the actual stock value for the period end.

Note

The Stock Valuation G/L Update program writes accumulations and depletions to separate accounts. If the offset amount for the LIFO accumulation or depletion amount is positive, the program writes a journal entry to the Asset for LIFO AAI. If the offset is negative, the update writes a journal entry to the Liability for LIFO AAI.

See Also

See the following topics in the General Accounting Guide:

- ❑ *Reviewing Transaction Batches* for information on reviewing and approving batches before posting
- ❑ *Approving Transaction Batches* for information on reviewing and approving batches before posting
- ❑ *Posting Journal Entries* for information on posting journal entry batches and verifying journal entry posts

Processing Options for Stock Valuation G/L Update (R39130)

Defaults Tab

1. Update/Proof Mode

Blank = Proof mode

1 = Update

Use this processing option to specify whether to run the report in proof or update mode.
Valid values are:

Blank

Proof mode. Updates do not occur.

1

Update mode. The system creates journal entries and sets the update flag on the period detail file.

1. G/L Date

Blank = Current date

1 = G/L date

Use this processing option to specify the date that the system uses to run the report. Valid values are:

Blank

Use the current date to run the report.

1

Use the G/L date to run the report.

2. Document Type

Blank = Use 'JE'

Use this processing option to specify the document type (UDC 00/DT) that the system uses. If you leave this processing option blank, the system uses document type JE.

3. Domestic Ledger Type

Blank = Use 'AA'

Use this processing option to define the domestic ledger type (UDC 09/LT) that the system uses. If you leave this processing option blank, the system uses the AA ledger type.

4. Dual Currency Ledger Type

Blank = Use 'XA'

Use this processing option to specify the ledger type (UDC 09/LT) that the system uses for dual currency when dual currency is activated. If you leave this processing option blank, the system uses the XA ledger type for dual currency.

5. Summarize Entries

Blank = Detail entries

1 = Summarize entries

Use this processing option to specify whether the system creates detailed or summarized entries by account. Valid values are:

Blank

Create detailed entries.

1

Summarize entries by account.

6. Version ID

Blank = Use 'ZJDE0001'

Use this processing option to specify the version of the G/L journal entry program that the system uses. If you leave this processing option blank, the system uses version ZJDE0001.

7. Roll Up FIFO Layers

Blank = No roll up

1 = Roll up

Use this processing option to specify whether the system rolls up the remaining FIFO layers for year-end processing. Valid values are:

Blank

Do not roll up remaining FIFO layers for year-end processing.

1

Roll up remaining FIFO layers for year-end processing.

8. Do Not Create G/L Entries.

Blank = G/L entries are created in update mode

1 = G/L entries are NOT created when run in update mode

Use this processing option to specify whether the system creates G/L entries when the batch is run in update mode. Valid values are:

Blank

Create G/L entries

1

Do not create G/L entries

1. By Pass Date Edit

Blank = Normal Date Editing

1 = By Pass Date Editing - to be used for initial setup only.

Use this processing option to specify whether the system bypasses date editing. Typically, you bypass date editing only during the initial setup of data (for example, when you load the previous year's data into a live environment). Valid values are:

Blank

Use date editing.

1

Bypass date editing.

Process Tab

Setup Tab

What You Should Know About Processing Options

Year-end processing (7)	For LIFO valuations, the system always rolls up all layers at the end of the year into a single layer for the opening balance for the next year. If you want the FIFO valuations to roll up into one layer, enter 1 in this option. Otherwise, the system does not roll up the FIFO valuations into one layer.
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Stock Valuation Setup

Before you can use the Stock Valuation system, you must complete certain tasks to define information that the system uses during processing. You can customize much of this information to meet the business needs of your company.

System Setup Requirements for Stock Valuation

User defined codes	User defined codes define customized codes, such as document types and pools, that are appropriate for your business needs.
Valuation methods	Valuation methods define the attributes for all of the valuation methods that you want to use to value your stock.
Pools and items	Pools identify all of the items associated with an item pool and assign the valuation methods that you use for each item and pool.
Company selection	You must set up the companies to use when you extract the valuation by company.
Automatic accounting instructions	Automatic accounting instructions define the rules for the chart of accounts and establish how the system creates automatic entries.

Activating Stock Valuation

Before you can use Stock Valuation with other systems, you must activate the Stock Valuation system using the Activate Stock Valuation program (P99410).

► **To activate Stock Valuation**

From the Stock Valuation Setup menu (G3940), choose Activate Stock Valuation.

1. On Work With J.D. Edwards ERP System Control, choose the row containing the data item SY39, and click Select.
2. On J.D. Edwards ERP System Control - Revisions, click the following option, and then click OK.
 - Yes

Activating Dual Currency

As part of working with different currencies, you need to be able to convert foreign currencies to domestic currencies, revalue currencies, and restate the amount into one common

currency rate. For dual currency to work in the Stock Valuation system, you need to verify or set the correct currency code.

Before You Begin

- Verify that multicurrency is set up. See *Setting Up Multicurrency Constants* in the *Multicurrency Guide* for information about multicurrency setup.

► To activate dual currency

From the *General Accounting System Setup* menu (G0941), choose *Ledger Type Master Setup*.

1. On *Work with Ledger Types*, choose the record for the XA ledger type.
2. Verify the correct code for the following field:
 - Currency Code
3. To change the currency code for XA, click *Select*.

PeopleSoft

Select Workspace: Active Foundation

Active Foundation Personalize Change Role Sign Out

Ledger Type Rules Setup

OK Cancel Form Tools

Ledger Type XA Alternate Ledger

Units Ledger Type

Financial Rules

Close to Retained Earnings Account Roll Original Budget to Next Year

Ledger is Required to Balance Override Budget "Do Not Spread" Code

Create Intercompany Settlements Use as Restatement "To" Ledger

Prevent Direct Balance Update Prevent Creation of Journal Entry

Ledger Comparison Column Titles

Upper

Lower

Ledger Currency

Denominated Currency Code USD U.S. Dollar

4. On *Ledger Type Rules Setup*, complete the following field and click *OK*:
 - Denominated Currency Code

Setting Up User Defined Codes

You can define most standard information in user defined codes (UDCs). Generally, you define these codes for your business purposes. Many of these codes are set up by J.D. Edwards and are included when you install your system. When a UDC is referred to as hard-coded, you should not change it. Programming has been defined to work with hard-coded UDCs. If you change the UDC, the programming will not work correctly.

Each system has its own UDC types. Stock Valuation is system 39. It also integrates with other systems, such as the Inventory Management system. UDCs are referenced by the system number and type. Therefore, 39/OD indicates that OD (Outgoing Doc Types) is a UDC type for the Stock Valuation system.

The following table lists the UDCs associated with stock valuation:

Valuation Type (39/VA)	These UDCs include valuation types such as LIFO, FIFO, Weighted Average Cost, and Replacement/Current Cost.
Allocation by Branch or Company (39/WT)	These UDCs include options for defining valuation methods by either branch or company.
Item Category Code 05 (41/05)	These codes include all pool codes that you use to group items for valuation purposes.

Setup Considerations

Document type	You can classify document types as incoming, outgoing, or both. Document types classified as "both" indicate that this type of document can represent a transaction that is either bringing stock into inventory or taking stock out of inventory. Bulk stock movements that use "from" and "to" transactions are examples of transactions that use a document type of both.
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See Also

- *UDCs, UDC Types, and Category Codes* in the *Foundation Guide* for more information about adding or changing UDC values

Defining Valuation Methods

You must define the name and attributes for your primary valuation method and each of your auxiliary methods. You need to consider all of your company's valuation requirements before you can use Stock Valuation. These definitions tell the system how to value the stock, what to include in the valuation, and how to display and report the results.

The following descriptions provide an overview of the stock valuation methods available with J.D. Edwards systems:

First In/First Out (FIFO)	This method assumes that the first inventory items purchased or manufactured are the first items sold. With FIFO, the cost of the most recently acquired items are the costs associated with the ending balance.
Last In/First Out (LIFO)	This method assumes that the last inventory items purchased or manufactured are the first items sold. The system assigns the most recent inventory costs to the current period's cost of goods sold, leaving the oldest costs in the balance sheet account. LIFO accounting requires an understanding of inventory layers and inventory liquidation. If you receive or increase inventory from one period end to the next, a new LIFO layer is created in the system. If you have a net decrease in inventory from one period end to the next, no new layer is added to the system. However, if you have a net decrease in inventory and no new layer is added, the prior period's layer is liquidated or reduced by the amount of the decrease.
Weighted Average Cost	This method calculates the inventory on a weighted average of all the purchases.
Replacement/Current Cost	This method reflects the current value of inventory for a given period. In effect, it is the cost of replacing the inventory for a specific period. You can specify the cost that will be used during the valuation, instead of using a calculated cost.

It is not unusual for a company to need more than one method for valuating stock. For example, local governments might require a different method for financial reporting than the method that you use within the company. Tax authorities might require a different method than that used for profitability reports within a company.

With the J.D. Edwards Stock Valuation system, you can choose one primary method of stock valuation per company to update the general ledger for standardized accounting and reporting. You can also assign auxiliary methods to use for comparison or other reporting purposes.

By choosing one of the four valuation methods in the Valuation Method Master program (P3905), you can customize both the unit cost and the negative inventory.

See Also

- *Valuation Calculations* in the *Advanced Stock Valuation Guide* for examples of how the Stock Valuation system calculates the stock value using FIFO, LIFO, Weighted Average Cost, and Replacement Cost methods

► **To define valuation methods**

From the Stock Valuation Setup menu (G3940), choose Valuation Method Maintenance.

1. On Work With Valuation Method Master, click Add.

PeopleSoft

Select Workspace: Active Foundation

Active Foundation Personalize Change Role Sign Out

Valuation Method Master Revisions

Valuation Method Description

Valuation Type

FIFO

LIFO

Weighted Average

Replacement Cost

LIFO Adjustment

Neg. Inventory Bus. Function

Unit Cost Business Function

Allocation by

Company

Branch

Layer by Period

Detail

Summary

Include In-transit

Include Accommodations

2. On Valuation Method Master Revisions, complete the following fields:
 - Valuation Method
 - Description
 - Neg. Inventory Bus. Function
3. Under the Valuation Type heading, click one of the following options:
 - FIFO
 - LIFO
 - Weighted Average
 - Replacement Cost
4. If the valuation method that you selected is LIFO, click the following:
 - LIFO Adjustment
5. If the valuation method that you selected is Weighted Average, complete the following field:
 - Unit Cost Business Function
6. Under the Allocation by heading, click one of the following:
 - Company

- Branch
7. Under the Layer by Period heading, click one of the following:
- Detail
 - Summary
- If the valuation type you choose is Weighted Average or Replacement Cost, these fields will be grayed out.
8. Click either of the following options and click OK:
- Include In-transit
 - Include Accommodations

Working with Pools and Items

The Stock Valuation system can compute the value of stock at the item level or the pool level. If you want to value stock at the item level, the system calculates the cost and value of each item. To value stock at the pool level, group items of similar products and relatively similar purchase prices, using the following guidelines:

- If you define the pool's valuation method to use a summary layer, the system applies a single purchase price to all items in the pool for a period.
- If you define the pool's valuation method to provide detailed layers, the system uses each purchase as a layer to determine the pool's value.

You can value part of your stock at the item level and part of your stock in pools. The primary method of valuation (the method that the system uses to update the general ledger) must be the same for all items and pools within a company.

Assigning Pools

You assign pools only for items that you want to value at the pool level. If you want to value an item only at the individual item level, do not assign a pool to that item. If you are assigning pool codes to items, you must enter the pool code at the branch/plant level for each item that you want to include in a pool.

Before You Begin

- ❑ Set up user defined codes for pools. See *Setting Up User Defined Codes* in the *Advanced Stock Valuation Guide*.
- ❑ Set up an item during item setup. See *Entering Item Master Information* in the *Inventory Management Guide*.

Setup Considerations

Kit items are priced at the master item (kit) level, but costs are set up at the component level. The system maintains inventory for each component item of the kit, not the master kit number. Therefore, the master kit item has no stock valuation.

See Also

- *Entering Item Master Records for Kits in the Inventory Management Guide*

Assigning Default Pools for New Items

When you first set up a new item, you must assign a pool code if you want that item included in a pool for stock valuation purposes. The system automatically enters the pool code that you enter on the Category Codes form in the Item Master Class Codes program (P4101) onto the Category Codes form in the Branch Plant Class Codes program (P41026).

► To assign default pools for new items

From the Stock Valuation Setup menu (G3940), choose Item Master Class Codes.

1. On Work With Item Master Browse, complete the following field and click Find:
 - 2nd Item Number
2. Choose the row for which you want to assign default pools, and then choose Category Codes from the Row menu.
3. On Category Codes, verify or change the following field so that it is part of a pool:
 - Item Pool Code

Assigning Branch/Plant Pools for Existing Items

If you are assigning pool codes to items that you set up previously, you must enter the pool code at the branch/plant level for each item that you want to include in a pool.

Note

The Stock Valuation system uses only the information designated at the branch/plant level. You do not need to change the information in the Item Master Class Codes program (P4101) if you previously set up this item.

► To assign branch/plant pools for existing items

From the Stock Valuation Setup menu (G3940), choose Branch Plant Class Codes.

1. On Work With Item Branch, complete the following field and click Find:
 - 2nd Item Number
2. Choose the row for which you want to assign branch/plant pools, and then choose Category Codes from the Row menu.
3. On Category Codes, verify that the information imported from the Item Master Class Codes program (P4101) correct.

Assigning Valuation Methods

You must assign a valuation method to each item and pool that you want to value. The system uses this information to calculate the value of your stock. If you want to update the general ledger, you must assign only one method as the general ledger update for all items and pools. The valuation method that you use to update the general ledger is often called the primary method.

You can assign any number of auxiliary methods. The system uses the auxiliary methods to track the value of stock for comparison or reporting purposes, but does not post the auxiliary results to the general ledger.

When you use the Item Pool Valuation Maintenance (P3904) program to add an item or pool, the system verifies that it does not yet exist in this table. The system does not allow you to make duplicate entries for the same item or pool.

If you are using dual currency, you can specify for each valuation method within a company and item/pool whether to enable dual currency.

Before You Begin

- ❑ Define the valuation methods. See *Defining Valuation Methods* in the *Advanced Stock Valuation Guide*.

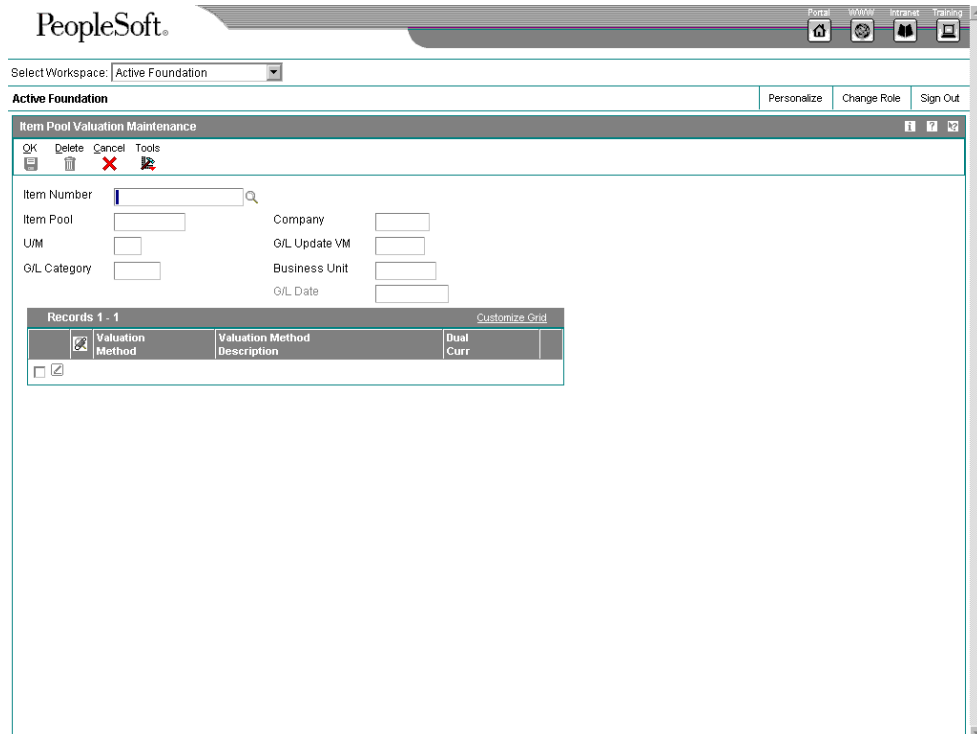
See Also

- ❑ *Understanding Dual Currency* in the *Advanced Stock Valuation Guide*

► To assign valuation methods

From the Stock Valuation Setup menu (G3940), choose Item Pool Valuation Maintenance.

1. On Work With Item Pool Valuation Maintenance, click Add.



2. On Item Pool Valuation Maintenance, complete one of the following fields:
 - Item Number
 - Item Pool
3. Complete the following fields:
 - Company
 - U/M
 - G/L Category
 - Business Unit
4. To specify the valuation method that you want the system to use to update the general ledger, complete the following field:
 - G/L Update VM
5. On a separate line for each, enter the primary and all of the auxiliary valuation methods that you want to use for this number or pool in the following field:
 - Valuation Method
6. If you use dual currency, complete the following field:
 - Dual Curr

7. Click OK.

Assigning Unit Cost

Instead of using a calculated cost, you can specify a cost for each item and pool that you want to value stock using the replacement/current cost method. The system uses this information to calculate the value of your stock.

You can maintain the replacement cost of the items and pools, as well as the specified effective dates. If multicurrency is active for the company, you can choose to store the values in domestic or dual currency.

Before You Begin

- ❑ Define the valuation methods. See *Defining Valuation Methods* in the *Advanced Stock Valuation Guide*.

► To assign unit cost

From the *Stock Valuation Setup* menu (G3940), choose *Item Pool Cost Maintenance*.

1. On *Work With Item Pool Cost*, complete the following field:
 - Company
2. To enter values for a stable currency, click the following option:
 - Dual Currency
3. Click *Add*.

The screenshot shows the PeopleSoft interface for the 'Item Pool Cost Maintenance' form. At the top, the 'PeopleSoft' logo is visible on the left, and navigation links for 'Portal', 'Work With', 'Intranet', and 'Training' are on the right. Below the logo, there is a 'Select Workspace' dropdown menu set to 'Active Foundation'. The main header area includes 'Active Foundation', 'Personalize', 'Change Role', and 'Sign Out' buttons. The form title is 'Item Pool Cost Maintenance'. Below the title, there are buttons for 'OK', 'Cancel', and 'Tools'. The form contains several input fields: 'Company' with a search icon and the value '00001' (with 'Financial/Distribution Company' as a suggestion), 'Item Number', 'Item Pool', and 'Currency Code' set to 'USD' (with 'U.S. Dollar' as a suggestion). Below these fields is a table with the following structure:

Records 1 - 1		Customize Grid
Unit Cost	Effective Thru Date	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	

4. On Item Pool Cost Maintenance, complete one of the following optional fields:
 - Item Number
 - Item Pool
5. Complete the following fields in the detail area and click OK:
 - Unit Cost
 - Effective Thru Date

Setting Up Automatic Accounting Instructions for Advanced Stock Valuation

Automatic Accounting Instructions (AAIs) tell the system how to create general ledger entries for programs that generate automatic journal entries. AAIs are the user-defined link between program functions, your chart of accounts, and financial reporting. AAIs direct transactions to the appropriate general ledger accounts.

The system already has AAIs in place. You need to ensure that these AAIs are appropriate for your business needs. You can revise existing AAIs and set up additional AAIs as needed to accommodate growth and change in your business functions and financial reporting. Follow the same setup steps to create a new AAI or to revise an existing AAI.

For distribution systems, you must create AAIs for each unique combination of company, transaction, document type, and general ledger class that you will use. Each AAI identifies a specific general ledger account consisting of a business unit, an object, and a subsidiary. When the system processes a transaction, it creates accounting entries.

When setting up each AAI item, verify that a default value exists for company 00000. For each company requiring specific instructions, verify that there is a business unit or object account.

You can attach explanatory messages to any AAI. Choose the memo function and enter your message. When you attach a message, a "See Memo" message appears next to the AAI.

See Also

- *Working with AAIs in the General Accounting Guide*

Extracting Stock Valuation Records

From the Stock Valuation Updates menu (G3930), choose Stock Valuation Extraction.

Use the Stock Valuation Extraction program (R39600) to retrieve data from the following tables:

- Item Ledger File (F4111)
- Agreements Transaction Ledger (F38111)
- Load In-transit Ledger (F49631)

With the data from the previously-listed tables, the Stock Valuation Extraction program updates the following tables:

- Period Detail Work File (F39120W)
- Additional Quantity Work File (F39121W)

You can also use this program to automatically update the Stock Valuation tables, rather than turning on the stock valuation triggers.

Before you begin using the Advanced Stock Valuation system, you must run Stock Valuation Extraction program to gather information from the item transaction tables.

Purging Stock Valuation Records

From the Stock Valuation Updates menu (G3930), choose Valuation File Purge.

After Stock Valuation is complete for the selected periods, run the Valuation File Purge program (R39900) to delete last year's records from the following tables:

- Valuation Period Table (F39061)
- Period Additional Quantity Table (F39063)
- Valuation Document Summary Table (F39064)

You can run this purge in final or proof mode. You can also print a report and write the purged data to historical files.

Valuation Calculations

The Stock Valuation system uses FIFO and LIFO calculations to determine stock valuations. The value of the inventory is based on the activity that occurred on a year-to-date basis instead of a rolling inventory balance that is carried forward. To facilitate this type of processing, when the system applies the calculation method for each period, it reverses the entries for the prior period, which makes the new entries the current year-to-date values. This reversal occurs for all periods except for the last period of the year.

The reversals for every period also keep the opening inventory constant until the end of the year. Thus, because the prior period's entries are reversed, the opening inventory is always the same regardless of what transpired in the prior period.

The system stores the total purchase quantity, amount, and average price for each period of the year. The stored information allows the system to allocate the closing inventory, starting with the current period and allocating to prior periods.

You might not always know the price of an item when you receive it. Because a quantity without a price can cause a large fluctuation in the average price, you can enter and use an override price for each period.

The information that follows includes examples of FIFO and LIFO calculations.

First In/First Out (FIFO) Calculations

The FIFO costing method assumes that the first inventory items purchased are the first ones sold. This method results in an ending inventory balance based on the costs associated with the most recent purchases. The allocated ending inventory and value become the opening inventory for the next period.

Suppose that you apply the FIFO costing method to four receipts that include five items each. The following table illustrates the price that you paid for the items on each receipt:

Receipt 1	1.00 USD
Receipt 2	1.50 USD
Receipt 3	2.00 USD
Receipt 4	2.50 USD

The total value of the inventory is 35.00 USD, which you can calculate using the following equation:

$$(1 \times 5) + (1.5 \times 5) + (2 \times 5) + (2.5 \times 5) = 35.00$$

Suppose that you are using the FIFO costing method and you sell five items for 1.00 USD each. In this case, the total value of the inventory is 30.00 USD, which you can calculate using the following equation:

$$(1.5 \times 5) + (2 \times 5) + (2.5 \times 5) = 30.00$$

Next, suppose that you sell another five items for 1.50 USD each. In this case, the total value of the inventory is 22.50 USD, which you can calculate using the following equation:

$$(2 \times 5) + (2.5 \times 5) = 22.50$$

Last In/First Out (LIFO) Calculations

The LIFO costing method assumes that the last inventory items purchased are the first ones sold. This costing method determines the stock value and cost of goods sold based on the sale of the newest stock first. That is, the inventory that has been in stock the shortest amount of time is sold first. This method results in an ending inventory balance based on the costs associated with the oldest inventory. This method also requires that the system record historical costs for all years with stock remaining for that year.

Because the purpose of the LIFO method is to reflect the inventory value accumulation or depletion at the end of the year, you must adjust the entries that you log at the end of each period to remove the effect of any accumulation or depletion. This adjustment is called a *LIFO adjustment*. You must do a LIFO adjustment for all periods except the last period of the year. The system records the LIFO adjustment against the income statement and balance sheet accounts.

Suppose that you apply the LIFO costing method to four receipts that include five items each. The following table illustrates the price that you paid for the items on each receipt:

Receipt 1	1.00 USD
Receipt 2	1.50 USD
Receipt 3	2.00 USD
Receipt 4	2.50 USD

The total value of the inventory is 35.00 USD, which you can calculate using the following equation:

$$(1 \times 5) + (1.5 \times 5) + (2 \times 5) + (2.5 \times 5) = 35.00$$

Suppose that you are using the LIFO costing method and you sell five items for 2.50 USD each. In this case, the total value of the inventory is 22.50 USD, which you can calculate using the following equation:

$$(1 \times 5) + (1.5 \times 5) + (2 \times 5) = 22.50$$

Next, suppose that you sell another five items for 2.00 USD each. In this case, the total value of the inventory is 12.50 USD, which you can calculate using the following equation:

$$(1 \times 5) + (1.5 \times 5) = 12.50$$

Weighted Average Cost Calculations

The weighted average cost method calculates the inventory value based on a cost that is a weighted average of the purchases for a given period.

Average Cost in Inventory Management

In Inventory Management, sales order costs depend on the current average cost, not the period average cost. The timing of a purchase also significantly affects the cost of the inventory. The following example illustrates the effect of the purchase price on the cost of inventory:

You have two receipts that contain the following information:

Receipt Date	Quantity	Price Per Item	Total Price
1/1/05	100	1.00 USD	100.00 USD
1/15/05	100	2.00 USD	200.00 USD

The average cost per item is 1.50 USD, which you can calculate using the following equation:

$$(100 + 200)/200 = 1.50 \text{ USD}$$

On 1/15/05, you sell 50 items for 1.50 each, for a total sales price of 75.00 USD. The average cost per piece is 1.50 USD, which you can calculate using the following equation:

$$225/150 = 1.50$$

If you had made the sale before you received the second receipt, then the cost that appears on the sales order would have been different, and the entire value of the stock would have also been different.

Average Cost in Stock Valuation

When you use the average cost method in Stock Valuation, timing is not an issue. The system first calculates the average cost for all incoming receipts, without considering when the outgoing transaction occurred. Incoming transactions are the true value of the stock; they indicate what you paid for the items.

To calculate the true cost of goods sold, the system calculates all incoming transactions and bases the outgoing values on that amount.