

Advanced Business Manager Pty Ltd



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Support Bulletin # 51 When ABM triggers a Stock Revaluation

ABM Stock Revaluation Process

There are five main occasions that will trigger a stock revaluation process. They are listed below & followed by a detailed explanation for each.

1. **Purchase of stock when product has negative stock**
2. **Purchase invoice processed where price is different from the delivery**
3. **Data check**
4. **Change of Standard Cost within product maintenance**
5. **Stock Take AS AT Date**
6. **Large exchange rate fluctuations between purchase delivery and purchase invoice.**

1. **Purchase of stock when product has negative stock**

When a product is oversold the product quantity and value is negative. If a purchase invoice or delivery is made which brings the product quantity back to zero or above then an adjustment is made that equals the current value of the product less the new value.

Example: Product 0001 has negative stock of -10 and value – 1000

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Open Product 0001 - USB Memory Stick 2GB

Save and Close Copy Print Send to Excel Margins

Sales Graph Invoice History Movements Orders Specials
 Prices & Status Financial Sales Information Purchasing Locations Components

Product Group: Hardware
 Category:
 GST Category: Free of GST

Revalue Product

Purchase Rebate: 0.00

Stock	Quantity	Value	Average
On Hand	-10	-1,000.00	100.00
Last Delivery Details	5	500.00	100.00

Sales	Value	Cost	Gross Profit
This Period	0.00	0.00	0.00
This Year	1,800.00	1,500.00	300.00

Stock Ageing

June	0%
May	0%
April	0%
March	0%
February	0%
January	0%
December	0%
November	0%
October	0%
September	0%
August	0%
July	0%
Older	0%

Calculate Ageing

Then a purchase invoice is processed for qty 15 at a cost of 120 =1800.00

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Purchase Invoices

Open Printing Options Line Items Cancel Save & New Save & Close

Invoice Header Product Item Text Item Ledger Item Job Item

Product Code: [] Gross Amount ex.GST: 0.00

Description: [] Discount %: 0.00 %

Qty. Invoiced: 0 GST Code: Free of GST

Qty. Delivered: 0 GST Amount: 0.00

Qty. Ordered: 0 Update Selling Prices

Location: Main Location

Delivery: 08/06/2006 Cancel Item Next Item

Code	Description	Quantity	Price	Discount	Exc.GST	GST	Inc.GST
0001	USB Memory Stick 2gB	15	120.00	0.00	1,800.00	0.00	1,800.00
Line No.2	Batch Total 0.00		Totals	0.00	1,800.00	0.00	1,800.00

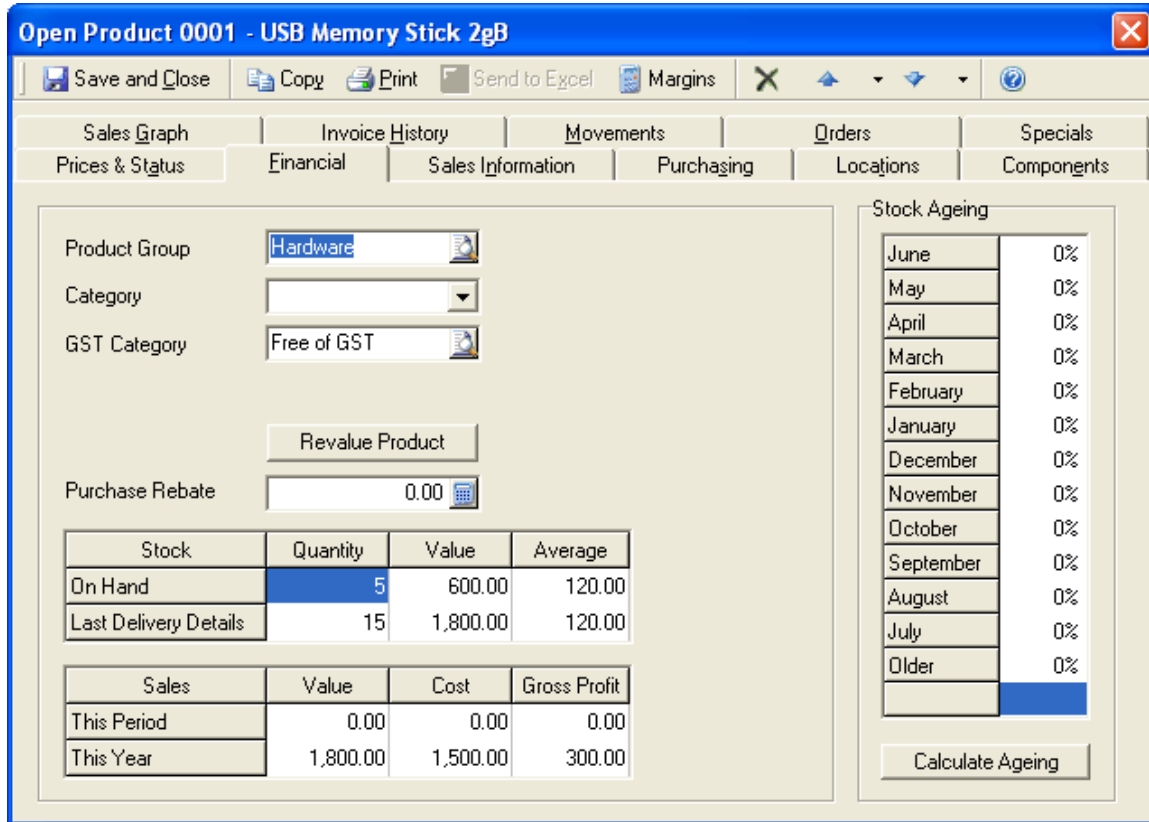
In this case the quantity would be 5 and resulting total value would be 800 (15@120 = 1800-1000). So ABM will adjust the 5 remaining to a cost of 120 each and the new value will be 600

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Therefore, there will be a revaluation of -200 to bring the value back to 600.

The process calculation is therefore:-

Status	Quantity	Unit Cost	Total Value
Neg. Stock on Hand	-10	100.00	-1000.00
Stock Purchase	+15	120.00	+1800.00
Interim Result	+5	160.00	+800.00
Should be	+5	120.00	+600.00
Revaluation reqd			-200.00

See the batch report below

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Report Preview

powered by crystal

Evaluation NoWH

Transaction Batch Listing

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For the last batch.

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Reference	Account No	Account Title	Date	Transaction Type	Tax Amount	Amount Incl Tax
Batch No: 665					Batch Entered by User Number: 1	
S100319	0020	Job Revenue	8-Jun-06	Automatic Journals		(909.09)
S100319	0510	Trade Debtors	8-Jun-06	Automatic Journals		1,000.00
S100319	0620	GST Payable	8-Jun-06	Automatic Journals		(90.91)
Total for Ledger Account						0.00
Type	Code	Description	Quantity	Price		
Job :	test-6	test 6	1.00	\$0.00		\$0.00
S100319	B005CX	B Browne	8-Jun-06	Customer Invoice	90.91	1,000.00
Total for Debtors Account						90.91
Total for Batch No. 665						90.91

Ledger Summary

	Debits	Credits	Net
General	1,000.00	1,000.00	0.00

This only applies if stock is valued at average or average by location.
 It does not apply when FIFO or Standard Costing is used.

Note: This would also apply where a Sales Credit or a product transfer (from elsewhere) is processed and the product is negative resulting in the product going to zero or positive.

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2. Purchase invoice processed where price is different from the delivery:

If a purchase invoice is processed and the unit cost of the product is different from the unit cost at the time of processing the delivery then a revaluation will be made to reflect the change in unit cost.

Example

Delivery of 10 items @ 100 this will increase the stock on hand value by 1000.

Purchase invoice has a unit cost of 120 total value of 1200.

In this case the revaluation will be 200.

If 5 of the product had been sold prior to the purchase invoice being processed, then the revaluation would only reflect the number of items left, and therefore, the adjustment would be 100 ($5 * (120 - 100)$).

This does not apply if Standard Costing is used.

3. Data check:

When a data check is run in ABM and the option to "Check product quantities" is selected then ABM will calculate the quantity on hand, based on the related movements of that product, and calculate the value of the product based on the cost associated with such movement.

The data check will update the PLocDetails table and a further process will check to see if there is a product which has a value but no quantity.

If this is the case it will revalue the product to write off that value.

It will then check for products which have a negative quantity and positive value or positive quantity and negative value and will revalue that product based on the quantity on hand multiplied by the last cost.

- If the costing method is Average overall this will be done based on the overall quantity and overall value.
- If the costing is Average by Location then it will be done for each location.
- If the costing method is Standard then it will process a revaluation if the value on hand does not equal the quantity on hand multiplied by the standard cost.

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4. Change of Standard Cost within product maintenance.

If the standard unit cost is changed for the product when editing a product then a revaluation will be processed for the value on hand plus or minus the quantity on hand multiplied by the new standard cost.

5. Stock Take AS AT Date.

When a stock take is processed with an AS AT date (with the date being earlier than the current date) then ABM will check the product status once the stock take is processed to verify that the adjustment in the previous period has not resulted in the product now having a positive quantity with a negative value.

If such a case arises than a revaluation will be processed to correct the current stock value.

Example:-

10 units of a product with total value 7000 are purchased in April.

Sales of 5 since purchase = net stock 5.

Process stock take at 30th April and we have a quantity 4 value 3600 (4 @900)

The result of the stock take would be that the product now has a negative quantity of -1 and a positive value of 100.

An adjustment will be made at this point to revalue the product using the quantity on hand (now) multiplied by the last cost (700).

Therefore, the adjustment will be 800 in the current period.

Status	Quantity	Unit Cost	Total Value
Stock Purchase	+10	700.00	+7000.00
Stock Sold	-5	700.00	-3500.00
Interim Result	+5	700.00	+3500.00
Stocktake	+4	900.00	+3600.00
Stocktake result	-1	100.00	-100.00
Revaluation reqd to adjust to 4 x 700 instead of 900	+4	-200.00	-800.00

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6. Large Exchange Rate Fluctuations between Purchase Delivery and Purchase Invoice

A change in exchange rate between delivery and invoice on a foreign currency supplier will change the local unit cost and a revaluation will occur.

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