

Enterprise by HansaWorld

Cost Accounting



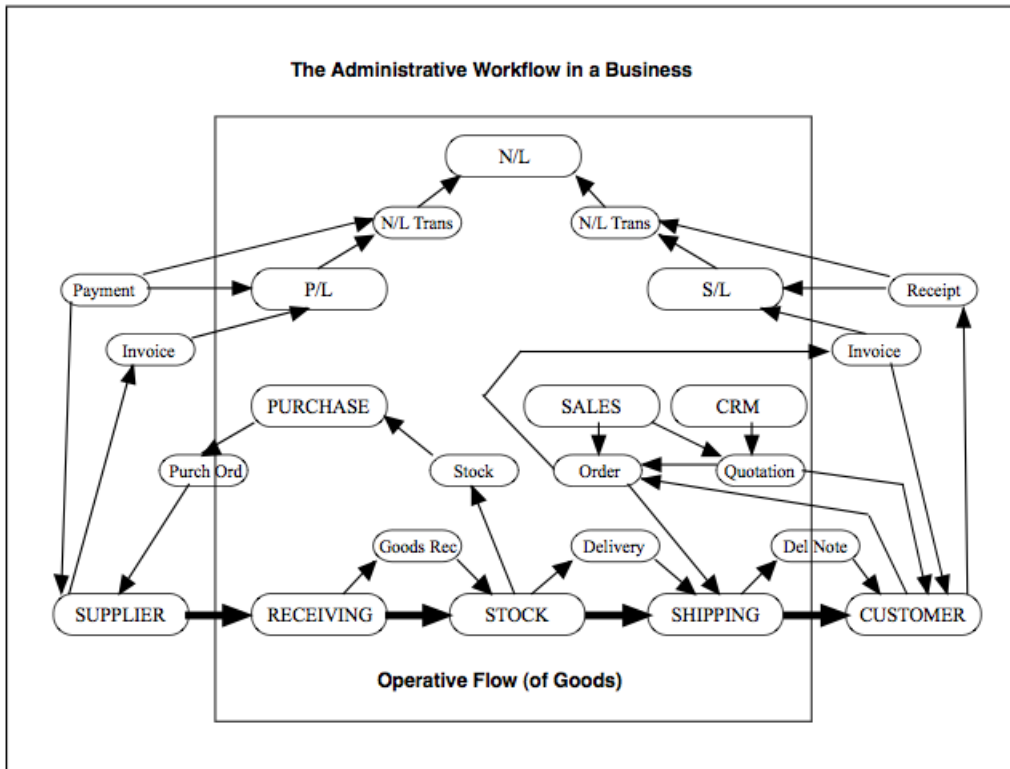
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INTRODUCTION

The administration of a company is always associated with a certain flow of tasks and work. In a typical trading company, items are purchased from a group of suppliers, goods are received and put into stock, sales orders are processed, stock levels are checked, goods are shipped and invoices issued, and payments are made and received. All transactions are logged and recorded, and financial events are recorded in the accounting subsystem.

A modern financial system like Enterprise by HansaWorld is designed to automate as many administrative tasks as possible. When information is entered into one part of the system, there should be no need to enter it again elsewhere. Information should be recorded for re-use, and it should be available throughout the system.



The above illustration shows a simplified interaction of functions and information (messages) in a traditional trading business. The basic physical flow is shown at the bottom, with "operative" functions handling the goods as they are received, stocked and shipped. The ovals above the operative flow are "administrative" functions that handle the flow of information in the business. The smaller ovals are messages containing information that is passed around in the business. The dashed frame is the boundary of the business: although Suppliers and Customers are on the outside, there is an continuous exchange of information with them.

Why you should use the Stock Module?

Many companies will be happy to keep track of stock values by running monthly stock valuation reports, updating Balance Sheet and keeping the monthly cost of sales constantly up to date using Nominal Journals (Nominal Ledger), with the benefit that accurate Balance Sheets and Profit & Loss reports can be produced at any time. For these users, when goods are received into or sold from stock, Enterprise can generate automatic Nominal Ledger postings for the cost of goods (inward stock movements), and the cost of sales (outward stock movements) updating stock valuations in the Nominal Ledger.

For cost accounting transactions to take place, the Items concerned usually must be Stocked Items, although there is an option to create cost accounting transactions for Plain and Serviced Items. Once you have configured Enterprise as described below, cost accounting will take place automatically.

These training materials should give an overview of the cost accounting functionality in Enterprise by HansaWorld, and you will find different methods for cost accounting due to different countries having different approaches to this issue. This documentation will bring some light into how to set it up.

Terminology

What is 'Cost Accounting' all about?

Cost Accounting is about setting up the right accounts, and the right cost model in order to enable accurate stock movement transactions and valuations of your items in stock.

There are two kinds of Stock Movements. First of all, Inward Stock Movements refer to goods that are received into stock. Secondly, Outward Stock Movements refer to items that are removed from stock, for example through sales and delivery.

Enterprise offers several cost models. Before choosing your preferred cost model, we recommend for you to check with local legislation as to which method is appropriate for your country of operation.

Hierarchy of Accounts

In the next section of this document you will find explanations and examples of different scenarios concerning the usage of accounts. However, you should know that an account can be taken from different settings, for example:

Stock account

You must decide if the Stock account should be

1. As Default (taken from the Account Usage Stock setting)
2. Per item group
3. Per location

Purchase Accruals account

1. As Default (taken from the Account Usage Stock setting)
2. Per item group
3. Per location

If you set the 'Purchase Control Account' to be per Item Group, you must set up the Purchase Invoice setting to 'Transfer Each Row Separately' in the Purchase Order Item Transfer Control.

Cost account

1. As Default (taken from the Account Usage Stock setting)
2. Per item group
3. Per location
4. Per item

Sales account

1. As Default (taken from the Account Usage Stock setting)
2. Per item group
3. Per location
4. Per item

If Accounts are set up per item they have always precedence over the default accounts. Only if the accounts for the items are set as default, the accounts per item group or location will be used. If these are blank or set to be default, then the default accounts from the setting 'Account Usage Stock' will be used. For more details about how to set up different accounts per item group, please refer to the corresponding chapter later in these materials.

If you find that nominal ledger transactions for cost of sales are not being created despite this having been specified in the subsystem setting, the likely cause is that the default cost model has been set to none or you're using the option 'don't book cost on deliveries' in the Cost Accounting setting.

COST ACCOUNTING TRANSACTIONS

This section is a small excursus into the cost transactions system. It will explain which accounts are debited and credited in transactions for outward stock movements (sales) and inward stock movements (purchases).

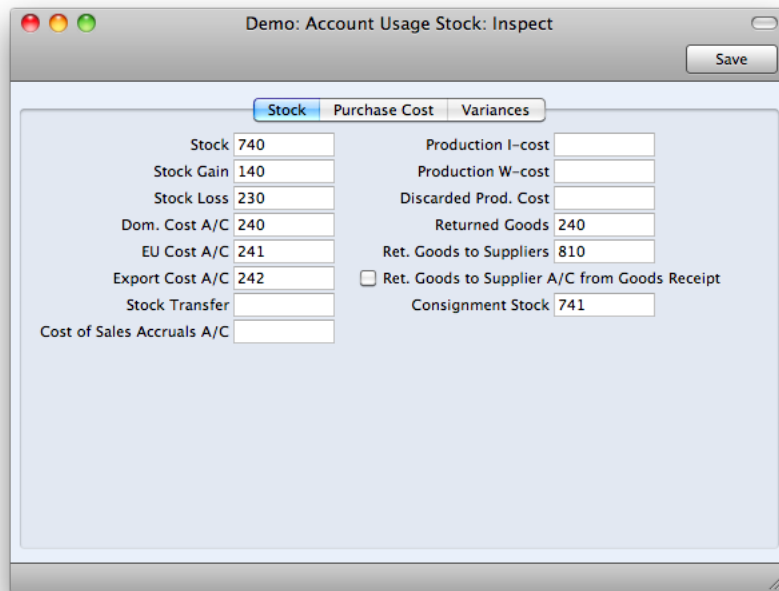
Inward Stock Movements

Cost Accounting Transactions for inward stock movements are those generated by Goods Receipts.

In a Goods Receipt, the following accounts will be involved:

- The Stock Account will be debited
- The Purchase Accruals Account will be credited.

The setting that controls default accounts for Inward Stock Movements is Account Usage Stock in Stock Module.



The screenshot shows a window titled "Demo: Account Usage Stock: Inspect" with a "Save" button. It contains three tabs: "Stock", "Purchase Cost", and "Variances". The "Stock" tab is active, showing a list of accounts and their values:

Account	Value
Stock	740
Stock Gain	140
Stock Loss	230
Dom. Cost A/C	240
EU Cost A/C	241
Export Cost A/C	242
Stock Transfer	
Cost of Sales Accruals A/C	
Production I-cost	
Production W-cost	
Discarded Prod. Cost	
Returned Goods	240
Ret. Goods to Suppliers	810
<input type="checkbox"/> Ret. Goods to Supplier A/C from Goods Receipt	
Consignment Stock	741

The Stock Account: This Stock account will be pasted automatically on the Goods Receipt (if Stock account is not defined on Item Group or Location). The Stock account will be debited.

The Purchase Accruals Account: The Purchase Accruals account will be pasted automatically on the Goods Receipt (if Purchase Accruals account is not defined on Item Group or Location).

The appropriate purchase accrual account for the Zone of the supplier (Domestic, EU, Outside EU) will be credited.

Outward Stock Movements

Cost Accounting Transactions for outward stock movements are those generated by Deliveries or Invoices. If your transactions are created out of deliveries or invoices, accounts should be specified in advance. For details how to set up the necessary settings, please refer to the corresponding section above, (page six), under the section 'Cost Accounting Transactions'.

In Deliveries or Invoices, the following accounts will be involved:

- The Stock Account will be credited
- The Cost (of Sales) Account will be debited.

The setting that controls default accounts for Outward Stock Movements is Account Usage Stock in Stock Module.

The Stock Account: This Stock account will be pasted automatically on Delivery or Invoice (if Stock account is not defined on Item Group or Location). The Stock account will be credited.

The Cost (of Sales) Account: The Cost (of Sales) Account will be pasted automatically on Delivery or Invoice (Account Usage setting will be used as default if the cost account is not defined for Location, Item Group or Item). The cost account for the Zone of the customer (Domestic, EU, Outside EU) will be debited.

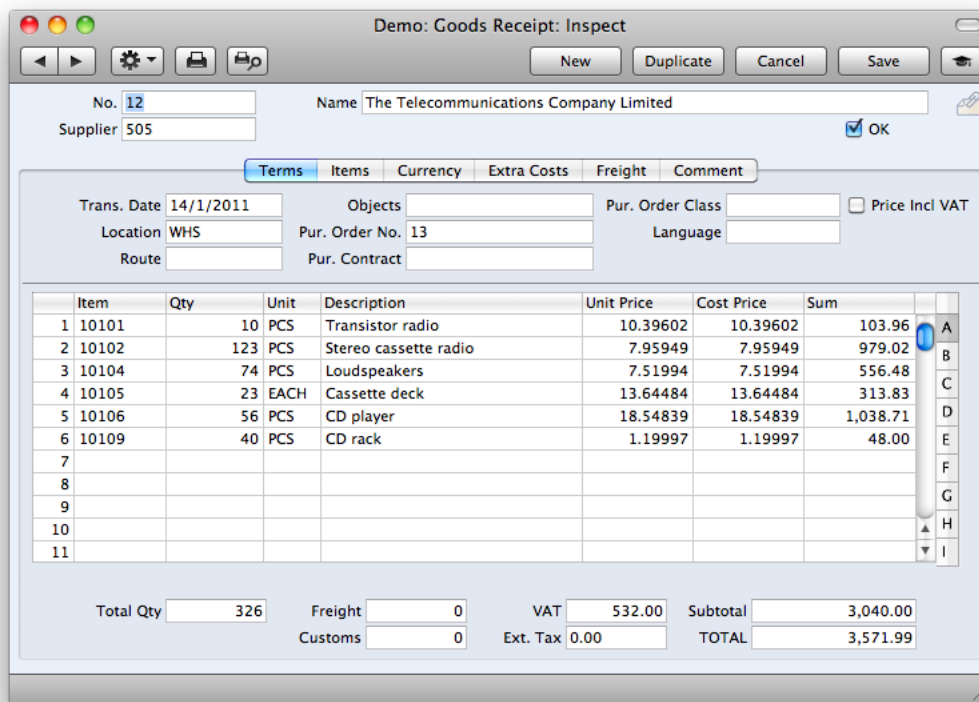
For more details about how to set up different accounts per Item Group, please refer to the corresponding chapter later in these materials.

REGISTERS THAT CREATE COST ACCOUNTING TRANSACTIONS

Let us now look at the records that create Cost Accounting transactions. As mentioned before, Inward Stock Movement record is Goods Receipt and Outward Stock Movement record is Delivery or Invoice.

Goods Receipt

A Goods Receipt is used to receive goods into stock against a Purchase Order. It is available on the Operations menu both in the browse window and in the record window for an individual Purchase Order.



The screenshot shows a software window titled "Demo: Goods Receipt: Inspect". It contains a form with various fields and a table of items. The form fields include:

- No. 12, Name: The Telecommunications Company Limited
- Supplier 505, OK button
- Trans. Date: 14/1/2011, Objects, Pur. Order Class, Price Incl VAT (checkbox)
- Location: WHS, Pur. Order No. 13, Language
- Route, Pur. Contract

The table below shows the items being received:

Item	Qty	Unit	Description	Unit Price	Cost Price	Sum	
1	10	10101 PCS	Transistor radio	10.39602	10.39602	103.96	A
2	123	10102 PCS	Stereo cassette radio	7.95949	7.95949	979.02	B
3	74	10104 PCS	Loudspeakers	7.51994	7.51994	556.48	C
4	23	10105 EACH	Cassette deck	13.64484	13.64484	313.83	D
5	56	10106 PCS	CD player	18.54839	18.54839	1,038.71	E
6	40	10109 PCS	CD rack	1.19997	1.19997	48.00	F
7							G
8							H
9							I
10							
11							

Summary fields at the bottom of the window:

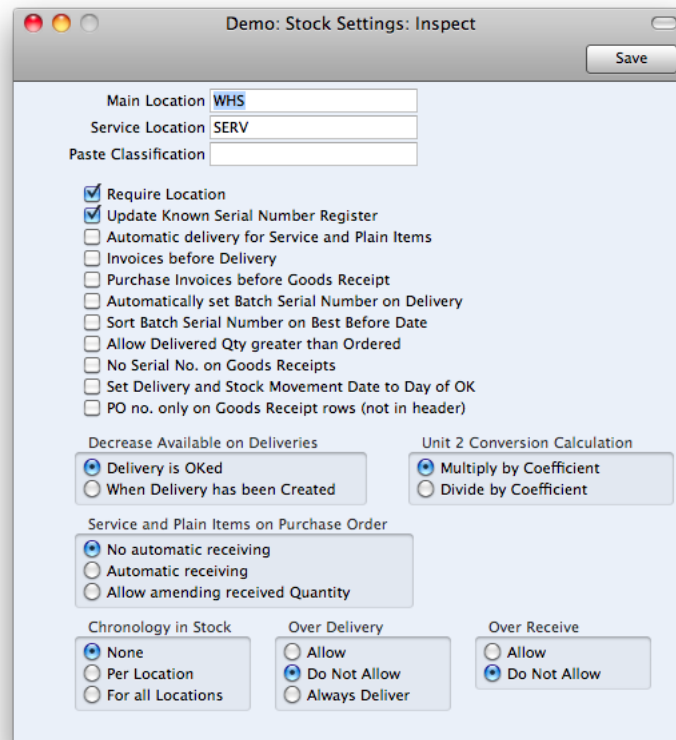
- Total Qty: 326
- Freight: 0
- VAT: 532.00
- Subtotal: 3,040.00
- Customs: 0
- Ext. Tax: 0.00
- TOTAL: 3,571.99

The Goods Receipt record can also be entered manually straight into the register, you don't necessarily have to have a Purchase Order raised. In this case however, we are normally talking about a Stock Adjustment and instead of the Purchase Accrual account being debited, this will debit the Stock Gain account.

The Goods Receipt record takes its information from the Purchase Order, and usually assumes that all Items not yet received are on the current shipment.

An important field specification on the Goods Receipt is the **Stock Location**, to which the goods shall be received.

The Quantity of one or more rows on the Goods Receipt screen can be amended as appropriate. You can also remove entire rows by clicking on the row number to the left and pressing the Backspace key. You can receive into stock a greater Quantity than was ordered as long as this setting is allowed. The setting that controls whether it is possible to receive greater Quantity is found in Stock Settings (Stock module) and Over Receive section: Allow or Do not Allow.



The screenshot shows a window titled "Demo: Stock Settings: Inspect" with a "Save" button in the top right corner. The window contains several sections of settings:

- Main Location:** WHS
- Service Location:** SERV
- Paste Classification:** (empty field)
- Checkboxes:**
 - Require Location
 - Update Known Serial Number Register
 - Automatic delivery for Service and Plain Items
 - Invoices before Delivery
 - Purchase Invoices before Goods Receipt
 - Automatically set Batch Serial Number on Delivery
 - Sort Batch Serial Number on Best Before Date
 - Allow Delivered Qty greater than Ordered
 - No Serial No. on Goods Receipts
 - Set Delivery and Stock Movement Date to Day of OK
 - PO no. only on Goods Receipt rows (not in header)
- Decrease Available on Deliveries:**
 - Delivery is OKed
 - When Delivery has been Created
- Unit 2 Conversion Calculation:**
 - Multiply by Coefficient
 - Divide by Coefficient
- Service and Plain Items on Purchase Order:**
 - No automatic receiving
 - Automatic receiving
 - Allow amending received Quantity
- Chronology in Stock:**
 - None
 - Per Location
 - For all Locations
- Over Delivery:**
 - Allow
 - Do Not Allow
 - Always Deliver
- Over Receive:**
 - Allow
 - Do Not Allow

The important part that affects the cost accounting is the value of the item received into Stock. Before OKing the Goods Receipt make sure you have entered correct values for the items received. Note that the price of the goods received into Stock will be the price in the **Cost Price** column. This column contains the value of the goods in home currency (or Base Currency 1).

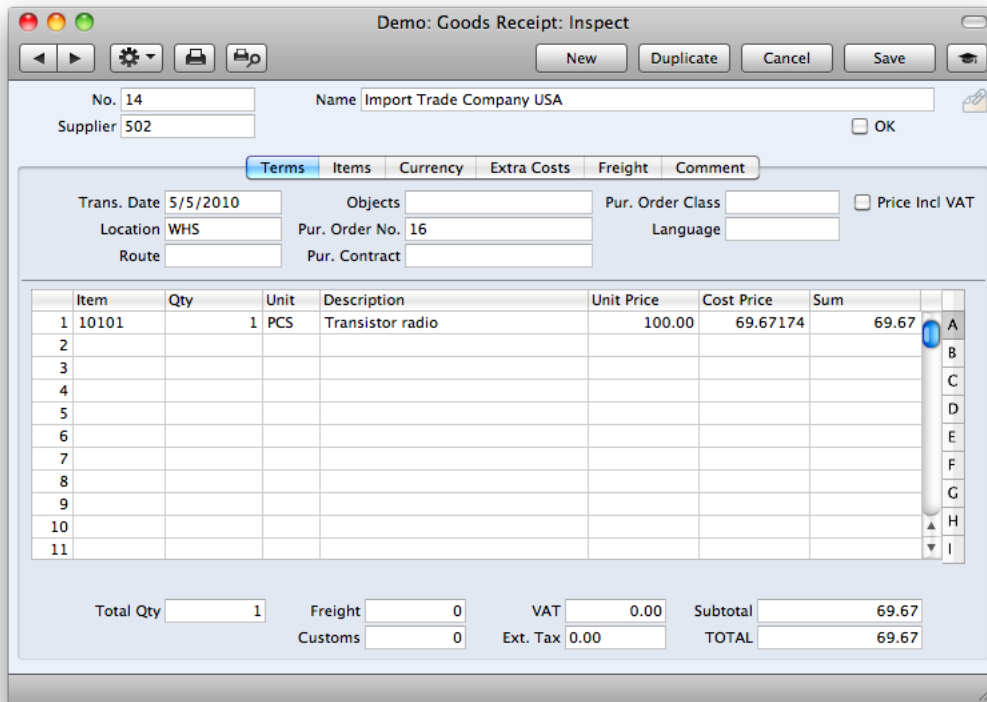
This value is calculated taking into consideration:

- the items Unit price,
- if currency is used then the Currency rate; and
- any additional costs marked either on the rows of the Goods Receipt or on the Extra Costs card or the footer of the Goods Receipt.

To illustrate with an example, the Item Cost is calculated as follows:

Base Currency 1 is GBP. Purchase Order has one item with quantity 1. Unit Price for the Item on Purchase Order is 100 USD. Exchange rate is 1 GBP=1.5 USD. Freight for this item 1 is 1 GBP and Extra Cost is 2 GBP.

Cost Price = $100/1.5+1+2=69.67$ GBP



No. 14 Name Import Trade Company USA
 Supplier 502 OK

Terms Items Currency Extra Costs Freight Comment

Trans. Date 5/5/2010 Objects Pur. Order Class Price Incl VAT
 Location WHS Pur. Order No. 16 Language
 Route Pur. Contract

Item	Qty	Unit	Description	Unit Price	Cost Price	Sum	
1	10101	1 PCS	Transistor radio	100.00	69.67174	69.67	A
2							B
3							C
4							D
5							E
6							F
7							G
8							H
9							I
10							
11							

Total Qty 1 Freight 0 VAT 0.00 Subtotal 69.67
 Customs 0 Ext. Tax 0.00 TOTAL 69.67

When the Goods Receipt has been checked, click the OK check box. This signifies that the Goods Receipt has been approved. The stock balance (for the stock Location specified for the Goods Receipt) will now be updated.

If you have determined that Nominal Ledger Transactions are to be created at the point of Goods Receipt, then these Transactions will now be posted on the ledger. You will no longer be able to modify the Goods Receipt. You will not be able to create a Purchase Invoice for the Items on the Goods Receipt until it has been approved.

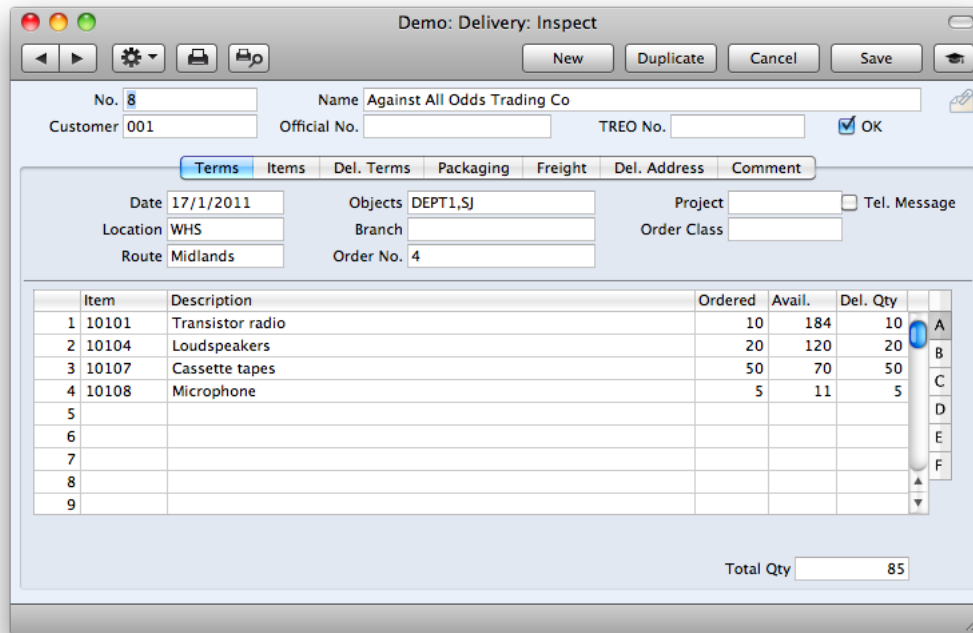
If the Create Goods Receipt function does not create a Goods Receipt, the probable causes are:

1. The Purchase Order has been marked as Closed.
2. All Items on the Purchase Order have already been received.
3. There is no valid record in the Number Series - Goods Receipts setting (in the Stock module). This might be a fault in the setting itself, or it might be because the default Goods Rec. Number on the 'Ser Nos' card of the current user's Person record, or in the Number Series Default setting (in the System module), is not in a valid Number Series. This problem will usually occur at the beginning of a new year. If a change is made to the 'Ser Nos' card of the Person record, you will need to quit Enterprise and restart for it to take effect.

Delivery

To issue a Delivery from a Sales Order, select 'Create Delivery' from the Operations menu. For the function to have any effect, all changes to the Sales Order must have been saved first (use the [Save] button).

A new record is created in the Delivery register (in the Stock module). It is opened in a new window, entitled 'Delivery: Inspect'. This means that it has been created, saved, and is being opened for amendment and approval.



Demo: Delivery: Inspect
 No. 8 Name: Against All Odds Trading Co
 Customer: 001 Official No. TREO No. OK

Terms Items Del. Terms Packaging Freight Del. Address Comment

Date: 17/1/2011 Objects: DEPT1,SJ Project: Tel. Message
 Location: WHS Branch: Order Class:
 Route: Midlands Order No.: 4

Item	Description	Ordered	Avail.	Del. Qty
1	10101 Transistor radio	10	184	10
2	10104 Loudspeakers	20	120	20
3	10107 Cassette tapes	50	70	50
4	10108 Microphone	5	11	5
5				
6				
7				
8				
9				

Total Qty: 85

The Delivery record takes its information from the Order, and tries to ship as many Items on the Order as possible. For Stocked Items, Enterprise will usually check the stock balance for the stock Location specified (on the 'Del Terms' card of the Order), and suggest a shippable quantity for each item. If no location is specified, the stock balance across all Locations will be checked.

If you would like the default value to always be the ordered quantity, even if there is insufficient stock, use the Always Deliver option in the Stock Settings setting in the Stock module.

If you need to make a part shipment, change the Quantity of one or more rows on the Delivery screen as appropriate. You can also remove entire rows by clicking on the row number to the left and pressing the Backspace key. Enterprise will prevent you delivering a greater Quantity than was ordered unless you have checked the Allow Del Qty greater than Ordered box in the Stock Settings setting.

For Stocked Items, you can also prevent delivering more than you have in stock by checking the Do Not Allow Over Delivery option in the same setting.

If a part shipment has been made, when the time comes to ship the remainder of the Order, Enterprise will again attempt to ship as many of the remaining Items on the Order as possible. The default quantity on the second Delivery will be the same, irrespective of whether the first Delivery has been approved.

The Date of the Delivery can default to the current date or to the Planned Delivery Date of the Order, depending on which Delivery Date Based On option has been selected on the 'Delivery' card of the Customer record. The default Delivery Date can be changed if necessary.

When the Delivery is completed, click the OK check box. This signifies that the Delivery has been approved. If you have determined that cost accounting transactions are to be created at the point of delivery, stock transactions will now be posted into the Nominal Ledger (they may otherwise be raised after invoicing). You will no longer be able to modify the Delivery. You will not be able to raise an Invoice for the Delivery until it has been approved.

If the 'Delivery' function is run from the Operations menu of the 'Orders: Browse' window, it will only create a Delivery for the first highlighted Order. If you need to create Deliveries in batches, use the 'Create Deliveries from Orders' Maintenance function.

If the function does not create a Delivery, the probable causes are—

1. The Order has been marked as Closed.
2. All Items on the Order have already been delivered.
3. The Customer has exceeded their Credit Limit, and you have specified in the Credit Limit setting in the Sales Ledger that Deliveries should not be created for such Customers. In this case, a message will appear explaining the situation.

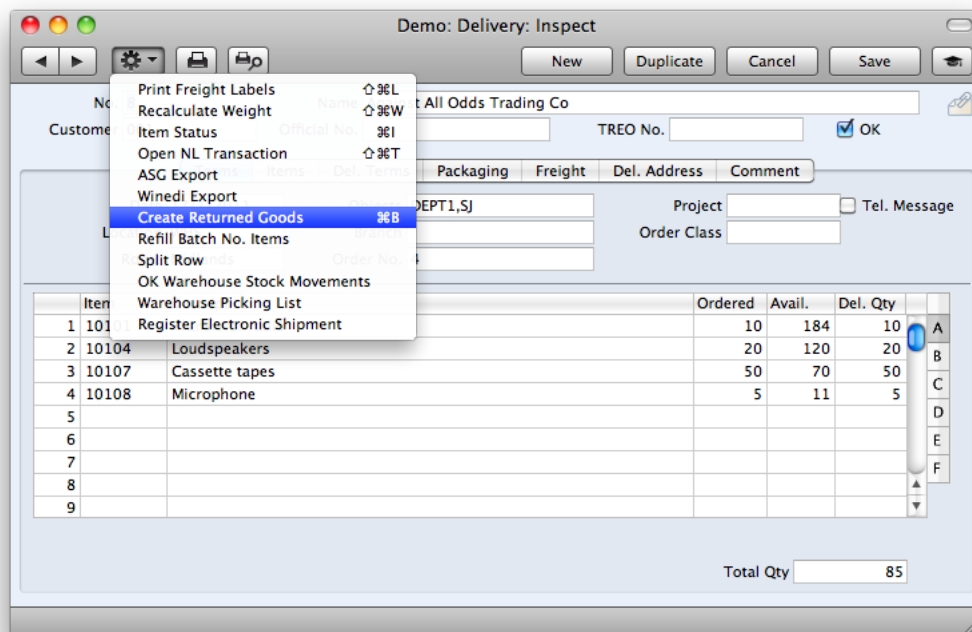
4. The Customer is on hold (the 'On Hold' box on the 'Terms' card of their Customer record has been checked).
5. There is no valid record in the Number Series - Deliveries setting (in the Stock module).

Returned Goods

Returned Goods register is used to register goods returned by our customers (due to quality, quantity or other problems) to our stock. You can't record it directly in the Returned Goods register by opening it and clicking on the [New] button in Browse window.

To register this kind of movement you need to go to Deliveries register, open the browse window and find the delivery previously sent to the customer that you want to make a return of goods on.

Open this Delivery and go to Operations menu. There is a function called "Create Returned Goods". When you click on it, there will be a new Record window opened "Returned Goods" with an Inspect status. It means the new record is already created and saved.



You will notice that the most important information and data is already pre-filled from the original Delivery record onto the Returned Goods record as below:

- Customer, Delivery number, Order Number
- Item rows with codes, quantities, costs values
- Accounts, objects

Note! You can create a similar operation directly from the Sales Order if the Order Settings in Sales Order module are correctly set up; in that the "Do not allow Return Goods from Order" is unticked.

Demo: Returned Goods: Inspect

No. 1 Name New World Import/Export Co
 Customer 002 Official No. OK

Date 13/4/2011 Objects DEPT1,ML
 Location WHS Order No. 3
 Reason Delivery No. 7

Reduce Quantities
 Delivered Only Update Stock
 Ordered and Delivered Price Incl VAT

Item	Qty	Description	Item Cost	Extra Cost	Unit Cost	
1	30106	1 Colour TV	193.88		193.88	A
2						B
3						C
4						
5						
6						
7						
8						
9						
Total Qty		1				

If necessary, you can change the Location code in the header of the Returned Goods record to indicate the proper place where the returned goods are now stocked.

Depending on the reason and method of returning the goods by the customer, you can modify the Item matrix (rows with items) and leave in this place only the goods (and quantities) which are declared by the customer to be returned. Alternatively this item has already been returned into your stock and your purpose is just to record this event in the system.

When the document is saved again and Ok-ed, the Nominal Ledger transaction is generated automatically. The Stock account is debited and Cost of Sales account is credited with the amount of Item cost presented in the Item Cost field on the Returned Goods record.

Demo: Transaction: Inspect

No. 1 Trans. Date 13/4/2011 Reference
 Text 002 New World Import/Export Co, GBP

Account	Objects	Description	Base 1 Debit	Base 1 Credit	V-Cd
1	740	Stock Valuation	193.88		A
2	240 DEPT1,ML,VIDEO	Cost of Sales, Domestic		193.88	B
3					C
4					D
5					E
6					F
7					G
8					
9					
10					
11					
Difference Base 1			0.00		
Difference Base 2			0.00		
Total			193.88	193.88	
Total			216.58	216.58	

If you need to create another return of goods from the same Delivery, (where you have already registered Returned Good

documents), open the Delivery again and once again use the Operations menu with the function "Create Returned Goods".

The system will open a new record window to register this return of goods with pasted information from the delivery, but the actual quantity of items will be updated to reflect the goods return that has already been processed (i.e if the original delivery has a quantity 10 for item X and there is a previously entered returned goods document linked with this delivery for quantity 2 for item X; when the next Returned Goods document is opened, it will suggest quantity 8 to be returned).

A Returned Goods record is always linked with a delivery (along with the Sales Order). You can click on the attachment icon and open the original delivery. From the delivery you can also open the sales order and returned goods records.

IMPORTANT !! - The Returned Goods register cannot be used if the Sales orders module is not installed. A returned goods record may not be entered manually as it demands a link to either a Delivery or Sales Order.

It is possible to deliver goods from stock using only an invoice with the check box 'update stock' ticked, without a sales order and delivery record being created. In this circumstance, because of the lack of a sales order, if such goods are returned to you, the returned goods register cannot be used to receive them back into stock.

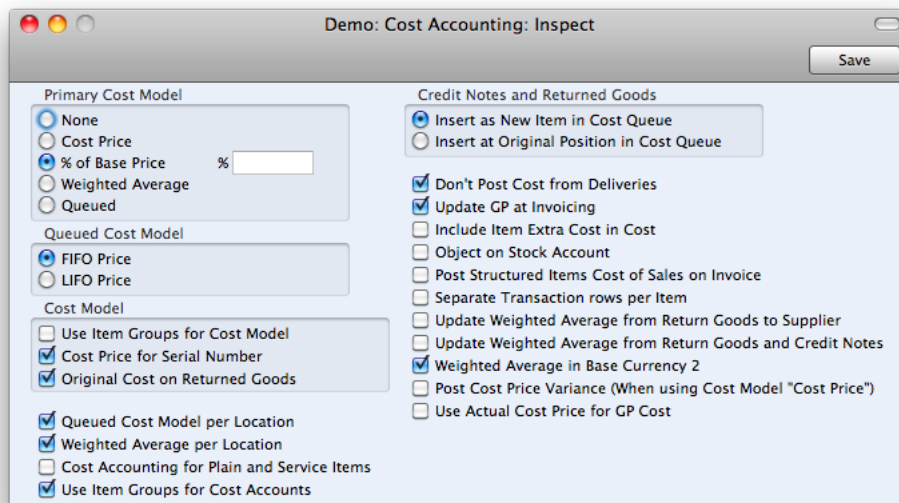
Returning items to stock without a Returned Good record

1. Credit the invoice. When the credit note is created and the payment terms field is changed to "CN" (or any payment term equivalent defining credit notes), the update stock check box on the 'Delivery' card is switched off. This should not be switched on again as doing so will mean that the nominal ledger stock evaluation will become inaccurate as the wrong FIFO value will be used. Instead, approve the credit note (to update the sales ledger and the debtor, VAT and sales accounts in the nominal ledger).

2. Receive the item back into stock using the goods receipt register in the stock module. This will correctly updated stock levels and if you have so determined in the sub systems setting, the nominal ledger stock evaluation. Because the system cannot obtain a FIFO valuation, it is recommended that you set the cost prices manually in the goods receipt record: you may need to find out the true value of the returned goods from the original invoice record first (the FIFO field on flip C shows the average unit FIFO value of the Items delivered).

There are few important settings related to Returned Goods functionality

This settings are placed in the Stock module, Cost accounting :



Original Cost on Returned Goods : by ticking the checkbox, you can choose whether to retain the original stock value of returned Items (to copy it from Deliveries to Returned Goods records) or to use the standard Cost Price of Items in Returned Goods records

Credit Notes and Returned Goods section : If you are using a Queued Cost Model, you can choose if returned goods can go back to their original positions in the FIFO/LIFO queue, or they can go to new positions, as if they were newly received Items

Update WA from Return Goods and Credit Notes : You can choose whether the Weighted Average value of Items will be updated by Returned Goods.

To maintain a correct stock valuation it is recommended that You follow these steps when a Customer returns goods to your stock and when you need to issue Credit Notes:

1. When the Item being returned was originally issued on a Delivery raised from a Sales Order, return to the Sales Order or Delivery and enter a record to the Returned Goods register by selecting 'Create Returned Goods' from the Operations menu. You can then either issue a replacement using another Delivery or, if no replacement is required, create a Credit Note. You can do this using the 'Create Credit Note' function on the Operations menu of the Returned Goods record, or using the 'Create Credit Note' functionality on the Operations menu of the original Invoice. Stock levels will be updated by the Returned Goods record, and the Nominal Ledger transaction will be created with amounts related to stock valuations (if its specified in the Sub Systems setting in the Nominal Ledger).
2. When there is NO Sales Order, you will have originally issued the Item being returned using an Invoice. You should first credit this Invoice, by opening it and selecting 'Create Credit Note' from the Operations menu. The Update Stock check box on the Delivery card will be switched off automatically. You should not switch this on again, especially if you are using a Queued Cost Model (FIFO or LIFO), as doing so will mean that the Nominal Ledger stock valuation will become inaccurate (the stock valuation may be updated with an incorrect FIFO value). Instead, save and OK the Credit Note (to update the Sales Ledger and the Debtor, VAT and Sales Accounts in the Nominal Ledger). Then, receive the Item back into stock using the Good Receipt register in the Stock module. To find out the true value of the returned Item for entering in the Goods Receipt, refer to flip C of the original Invoice. This will correctly update stock levels and the Nominal Ledger stock valuation. (if the Sub Systems setting was determined to do it)

COST MODELS

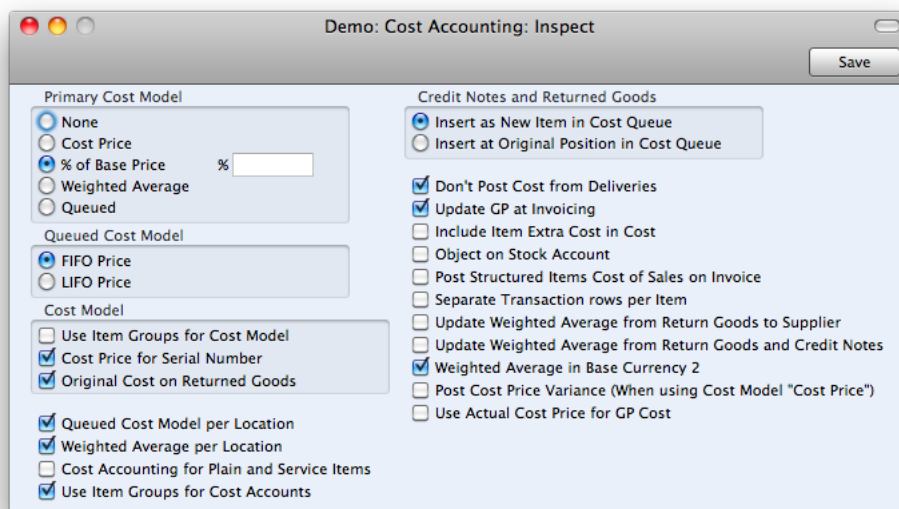
The Primary Cost Model

The Cost Model is used for two purposes.

First, if you are using cost accounting (maintaining stock valuations in the Nominal Ledger), when you approve an outgoing stock transaction (e.g. Invoice, Delivery, Work Sheet or Stock Depreciation), Enterprise will automatically calculate the cost of the goods issued and debit this figure to a Cost Account and credit it to a Stock Account.

Second, the Cost Model is used by several reports like the Item History report and the Stock List, to calculate the value of your stock.

In both cases, the stock value, or the costs, of an Item will be calculated using the Cost Model specified in the relevant Item or Item Group record. Only if the Cost Model is set to default, this Primary Cost Model will be used.



The Cost Models Enterprise offers are:

Primary Cost Model: None

Select this option if you do not wish to use a Cost Model. Stock quantities will be updated as normal from Goods Receipts and Deliveries or Invoices, but no cost accounting transactions will be created.

You will need to choose a cost model each time you produce a Stock list report, otherwise it will not contain a valuation (you can specify the cost model on the report specification window).

Stock related records will create the following transactions:

- Goods Receipt Record does not create a transaction
- Purchase Invoice creates a Debit posting to the Cost of Goods Sold account (Possibly accounts need to be set up on Item Group Purchase Accruals.)
- Delivery does not create a transaction
- Sales Invoice creates a Credit posting to the Income Account

If you do not wish to operate cost accounting also make sure that you have set the following:

- In the Sub Systems setting in Nominal Ledger, ensure Deliveries, Goods Receipts and Returned Goods to Suppliers will not generate Nominal Ledger Transactions by switching off these options.

- In the Cost Accounting setting in the Stock module, ensure that the Primary Cost Model Option is set to None
- On the 'Cost Model' card on each Item and Item group, ensure that the selected Cost Model is either default or None.

Primary Cost Model: Cost Price

The Cost Model Cost Price is often referred to as Standard Costing. If you choose this option, you use the exact Cost Price of the Item. This figure is visible on the 'Costs' card of the Item record.

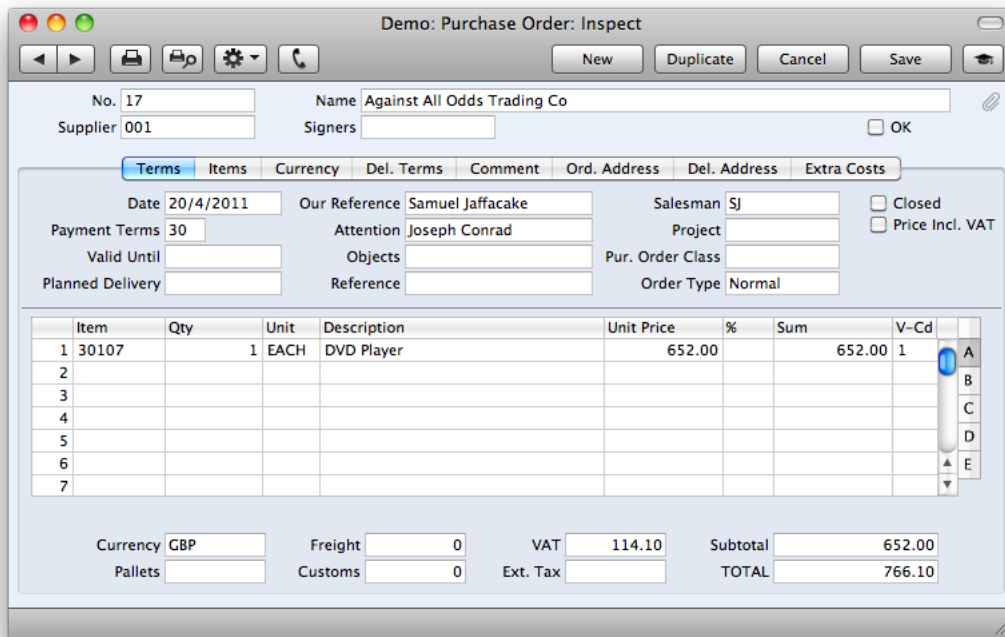
Example workflow from setup till receipting the item in

Firstly, make sure you have set up the following settings:

- In the Cost Accounting setting in the Stock module, ensure that the Primary Cost Model Option is set to Cost Price
- In the Sub Systems setting in Nominal Ledger, ensure Deliveries, Goods Receipts and Returned Goods to Suppliers will generate transactions
- On the 'Cost Model' card on each Item and Item group, ensure that the selected Cost Model is either default or Cost Price.

After the initial set up is done, the following transactions will be generated from Stock related records

1. Create a Purchase Orders and a Goods Receipt from the Purchase Order Operations Menu



The screenshot shows a software window titled "Demo: Purchase Order: Inspect". It contains various input fields and a table. The "Terms" tab is selected.

Order Details:

- No. 17, Name: Against All Odds Trading Co
- Supplier: 001, Signers: (empty)
- Date: 20/4/2011, Our Reference: Samuel Jaffacake, Salesman: SJ
- Payment Terms: 30, Attention: Joseph Conrad, Project: (empty)
- Valid Until: (empty), Objects: (empty), Pur. Order Class: (empty)
- Planned Delivery: (empty), Reference: (empty), Order Type: Normal

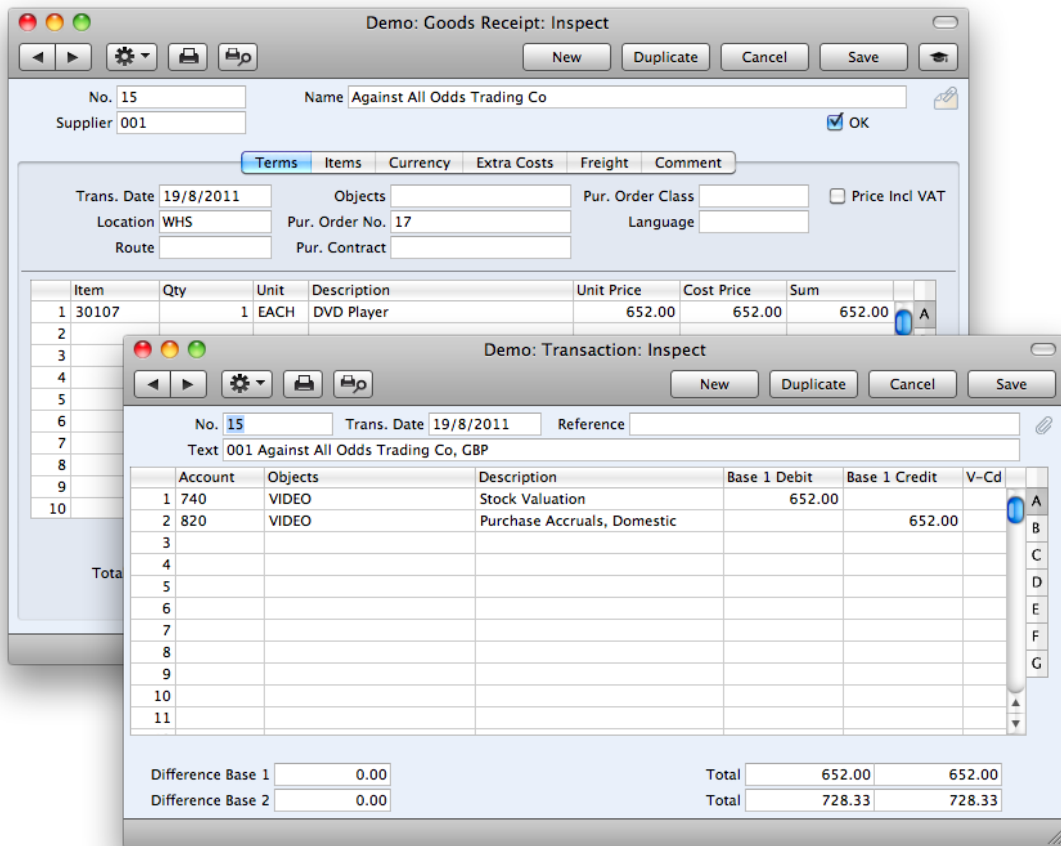
Table with columns: Item, Qty, Unit, Description, Unit Price, %, Sum, V-Cd

Item	Qty	Unit	Description	Unit Price	%	Sum	V-Cd
1	30107	1 EACH	DVD Player	652.00		652.00	1
2							
3							
4							
5							
6							
7							

Summary:

- Currency: GBP, Freight: 0, VAT: 114.10, Subtotal: 652.00
- Pallets: (empty), Customs: 0, Ext. Tax: (empty), TOTAL: 766.10

The Inward Stock transaction is debiting Inventory account and crediting the Purchase Accruals with the Cost Price Value from the Item Card.



However, very often Suppliers change the price of the items or the exchange rate changes. When using Cost Price Cost Model stock should be updated with exactly the value that the user has set on the Item Card Cost Price Field.

To illustrate this with an example, let us purchase the same item now with a unit price of \$700 instead of the set Cost Price of \$652. The Goods receipt has a Unit Price and Cost Price \$700 (there are no extra Costs).

Demo: Goods Receipt: Inspect

No. Name OK
 Supplier

Terms | Items | Currency | Extra Costs | Freight | Comment

Trans. Date Objects Pur. Order Class Price Incl VAT
 Location Pur. Order No. Language
 Route Pur. Contract

Item	Qty	Unit	Description	Unit Price	Cost Price	Sum
1	30107	1 EACH	DVD Player	700.00	700.00	700.00
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						

Total Qty Freight VAT Subtotal
 Customs Ext. Tax TOTAL

If you now look at the generated NL transaction we can see that the Inventory has been updated with the Cost Price of the Item Card, which is \$652. The Supplier is of course sending you an invoice for \$700 and therefore the Purchase Accruals Account needs to be credited with \$700 (when Purchase Order is fully received and invoiced the Purchase Accruals account balance should be 0). The difference of \$48 is posted to a variance account.

DEMO: Transaction: Inspect

No. Trans. Date Reference
 Text

Account	Objects	Description	Base 1 Debit	Base 1 Credit	G-Cd
1 11300	AUDIO	Inventory	652.00		A
2 53400	AUDIO	Price Variance - Purchase Accruals	48.00		B
3 21550	AUDIO	Purchase Accruals		700.00	C
4					D
5					E
6					F
7					G
8					
9					
10					
11					
12					

Difference Base 1 Total
 Difference Base 2 Total

The settings that control the posting of Cost Price Variance are:

- In Account Usage Stock setting in Stock Module, on the Variance Card Cost Price, the Variance field is to be

filled in with the appropriate Account Code.

- In Cost Account setting in Stock Module a tick box 'Post Cost Price Variance (When using Cost Model "Cost Price")' should be ticked.

The Cost Price of the Item needs to remain the same regardless of fluctuating purchase prices. You need to make sure that on the Item Card, on the Costs Tab, the Update Cost Price at Goods Receipt option is ticked No.

Primary Cost Model: % Of Base Price

Using this cost model, you calculate the cost by applying a specified percentage to the Base Price (i.e. the retail price) of the Item. Specify the percentage in the % field immediately to the right. You can use this option in cases where a consistent gross margin is required. Also companies who sell services/licenses that have royalty costs attached to them, might find this cost model useful.

If you choose the Cost Price, % of Base Price or Weighted Average options, make sure that the appropriate field contains values for each Item. Otherwise, this may result in cost accounting Transactions and Stock List valuations with a zero value.

Primary Cost Model: Weighted Average

Using this Cost Model, you will value your items calculating the average unit price of all previous purchases. The Weighted Average of an Item is updated each time you receive a unit into stock, using the following formula:

$$WA = \frac{((Qty \text{ in stock} \times \text{Current WA}) + (Qty \text{ on GR} \times \text{Unit Pr. on GR}))}{(Qty \text{ in stock} + Qty \text{ on GR})}$$

(where GR means Goods Receipt).

The current Weighted Average value is visible on the 'Costs' card of the Item record.

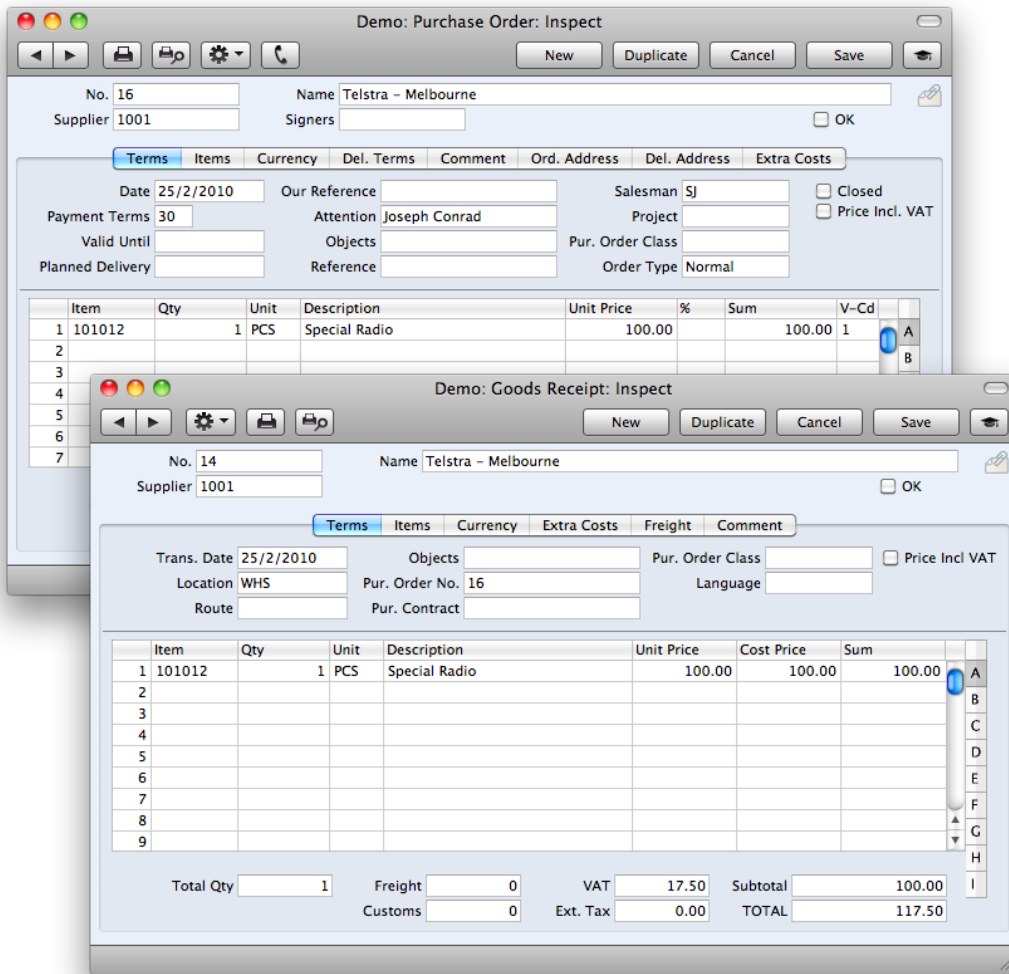
Example workflow from setup to receipting of item

Firstly, make sure you have defined the following settings:

- In the Cost Accounting setting in the Stock module, ensure that the Primary Cost Model Option is set to Weighted Average
- In the Sub Systems setting in Nominal Ledger, ensure Deliveries, Goods Receipts and Returned Goods to Suppliers will generate transactions
- On the 'Cost Model' card on each Item and Item group, ensure that the selected Cost Model is either default or Weighted Average.

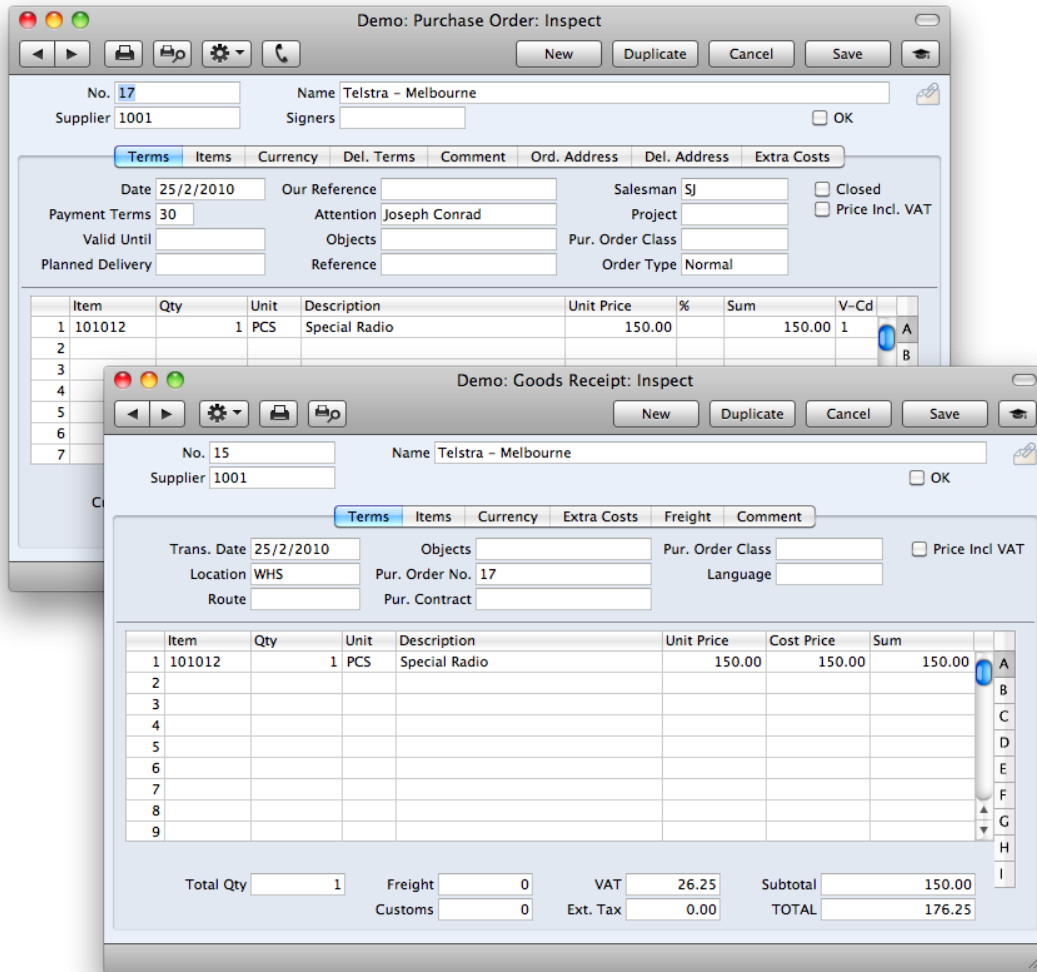
To demonstrate how weighted average gets calculated follow the working example below:

Create a PO for item 101012 (new item) Qty 1 and price \$100. From Purchase Order create a Goods Receipt:



Now there is one item in stock with value \$100.

Next, create another Purchase Order for 101012, but this time the Purchase Price is \$150.



If we now calculate the Weighted Average using the formula noted:

$$WA = 125 = \frac{((1 \times \$100) + (1 \times 150))}{(1 + 1)}$$

Stock List report gives the same result:

DEMO: Stock List

RESTRICTED Stock List
HansaWorld Australia Demo

HansaWorld, Print date: 25/02/2010 15:04
Items 101012
All Groups
All Contact Classifications
Exchange Rates at Goods Receipt
Method: Weighted Average

Include Consignment Stock

Item No	Name	Balance	Unit Cost	Value
101012	Special Radio	2	125.00	250.00
		2		250.00

Queued Cost Model

In this case, when you receive Items into stock, they are placed in a queue. When you deliver the Items or remove them from stock, it will be in the queue order. There exists two different queue orders, namely FIFO and LIFO:

FIFO (First In, First Out): In this case, the items are taken out of stock in the order in which you received them.

LIFO (Last In, First Out): which is a reversed queue order, i.e. the last goods entered into the stock will be taken out first. LIFO is legally only allowed in a few countries, and only in specific circumstances. Please check the local legislation for more details as to which cost model is appropriate for you.

Example workflow from setup to receipting of item

Firstly, make sure you have set up the following settings:

- In the Cost Accounting setting in the Stock module, ensure that the Primary Cost Model Option is set to **Queued**
- In the Sub Systems setting in Nominal Ledger, ensure Deliveries, Goods Receipts, Returned Goods to Suppliers will generate transactions
- On the 'Cost Model' card on each Item and Item group, ensure that the selected Cost Model is either default or **Queued**.

When we do the same Stock Transactions as on the previous example the Item history report will show as that First we received item 101013 with cost \$100 and then with \$150.

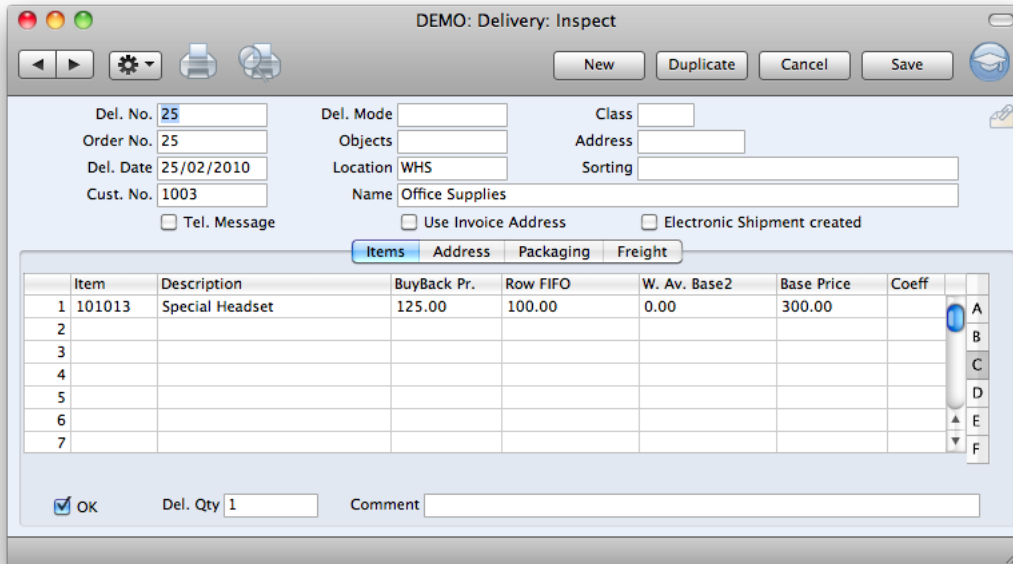
DEMO: Item History

RESTRICTED Item History
HansaWorld Australia Demo
Only Stocked Items

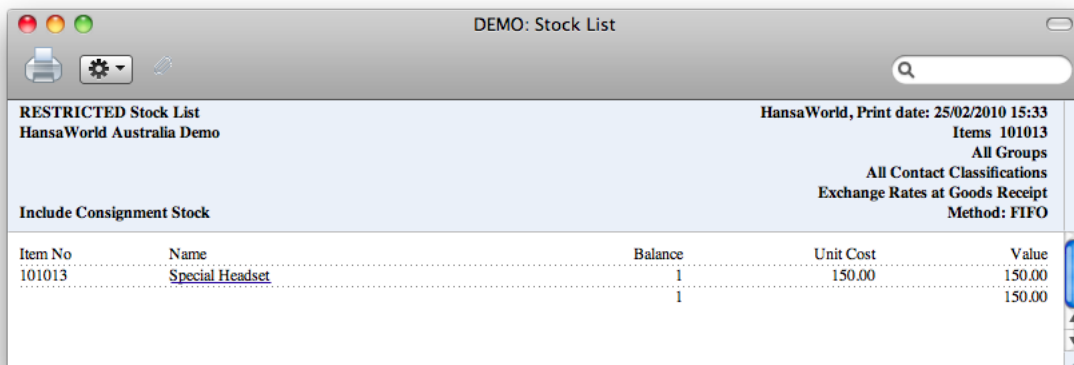
HansaWorld, Print date: 25/02/2010 15:19
Period 01/07/2008 : 30/06/2010
Items 101013
Deliveries, Goods Receipts, Invoices, Production Orders, Productions, Return Goods
Ret. Goods To Supplier, Stock Depreciation, Stock Movements, Stock Transfers, Work Sheet
With Values
Don't show Quantity 2

Date	Type	No	Location	Qty	P-Price	Sum
101013		Special Headset				
	Fwd Balance			0		0.00
25/02/2010	G.Rec.	67	WHS	1	100.00	100.00
25/02/2010	G.Rec.	68	WHS	1	150.00	150.00
				2		250.00
				2		250.00

If we now remove this item from stock with delivery or Invoice, the first item to be removed will be the item initially recorded with value \$100.



In stock, we are left with one item with cost \$150 and therefore the current stock value is \$150.



Other Cost Accounting Settings:

Cost of Sales Transactions

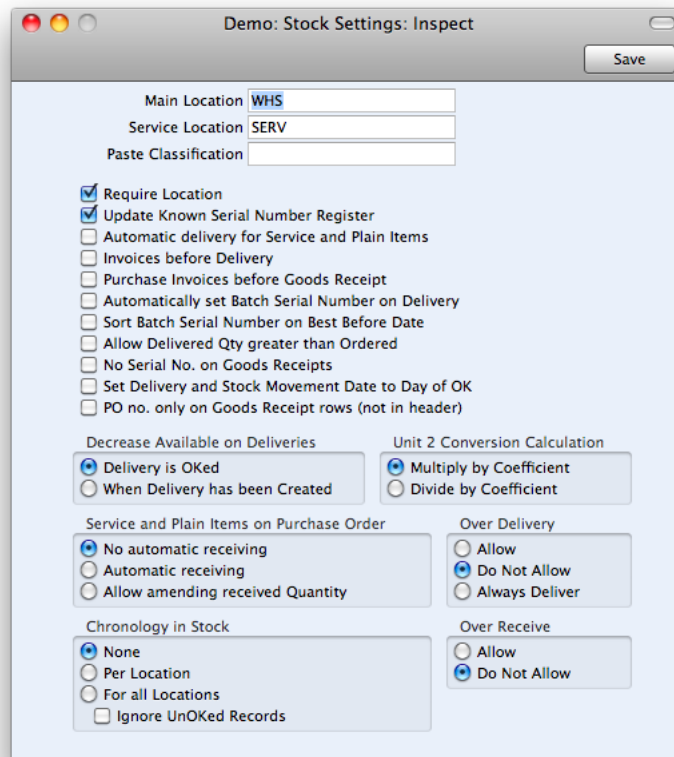
If you are using the Sales Orders module, you can decide whether you want outward cost accounting postings (Cost of Sales postings) to be made from Invoices or from Deliveries. If you want them to be made from Invoices, check the option 'Don't Book Cost On Deliveries' and the option 'Invoices Update Stock' in the setting 'Account Usage S/L' in the Sales Ledger. If you want Cost of Sales postings to be made from Deliveries, do not check the option 'Don't Book Cost On Deliveries'. In this case, Cost of Sales transactions will not be created from Invoices, but it is still a good idea to additionally check the option 'Invoices Update Stock'.

For a detailed description about this setting and its different options, please refer to the corresponding chapter later in these materials.

Stock Settings

In the Stock settings, you can specify some options to ensure your cost accounting work correctly without human errors.

If you are using the Queued Cost Model, you must make certain that you enter all stock transactions in a strict chronological order. Failure to do this may cause your FIFO/LIFO queue to be incorrect. Do not, for example, enter a Delivery with yesterday's date if you have already entered an outgoing stock transaction of any kind (e.g. Delivery, Stock Depreciation) with today's. It is also recommended that you always approve stock transactions when you save them for the first time. Do not go back to an earlier unapproved stock transaction and approve it if there are approved ones later, unless you change the later date too.



To ensure the correct chronology there are 2 sections in this setting:

Chronology in Stock: If you are using this feature, you will not be able to approve a stock transaction (i.e. Goods Receipt, Delivery, Stock Movement, Returned Goods record or Stock Depreciation) if there are unapproved stock transactions (in any of those registers) with an earlier Transaction Date, or approved stock transactions with a later Transaction Date. Use the For all Locations option if all stock transactions are to be considered by the chronology check, or the Per Location option to restrict the feature to stock transactions affecting the location of the new record.

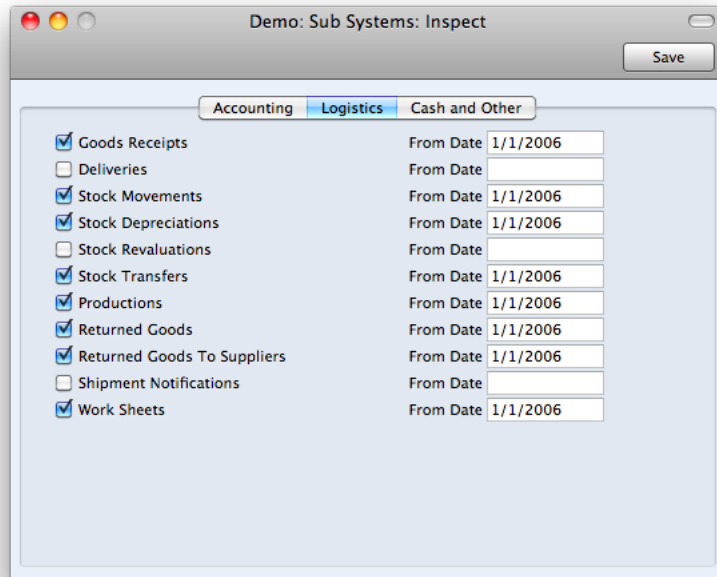
Set Delivery and Stock Movement Date to Day of OK: This check box marks the Delivery date and Sent date automatically to today's date.

If you are using the Queued Cost Model (FIFO or LIFO) to calculate cost accounting values, you must use the Do Not Allow option. If you are using the Allow or Always Deliver options and try to deliver an Item that is not in stock, a negative stock will be created, but the FIFO/LIFO value of the Item will not be known and so the value of the cost accounting transaction will be incorrect.

Sub Systems (Nominal Ledger)

Sub Systems is a setting in the Nominal Ledger.

Use this Sub Systems setting to specify that cost accounting transactions will be created in the Nominal Ledger when you approve Goods Receipts, Invoices etc, if you so decided below.



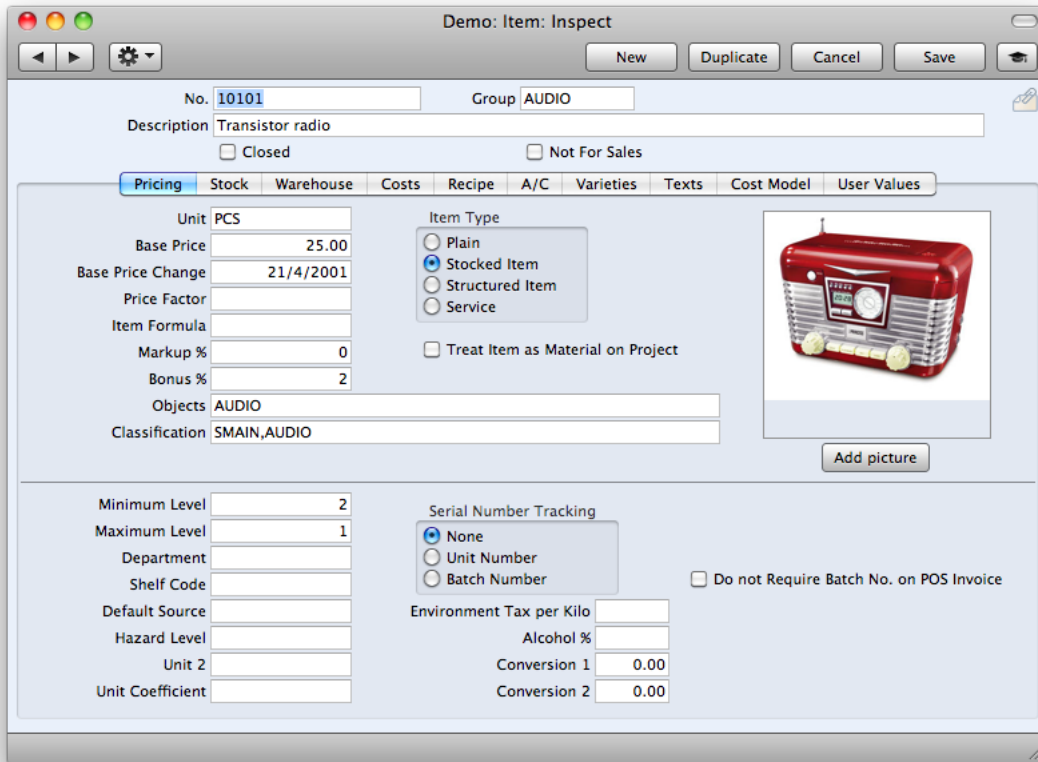
If you would like outward cost accounting postings (Cost of Sales postings) to be created when you approve Deliveries, switch on the option 'Deliveries'. You should always switch on the option 'Invoices' (even if Cost of Sales postings will be made from Deliveries) because otherwise you will prevent posting to the Sales, VAT and Debtor Accounts as well.

If you are using the Service Orders module, you should also switch on the Work Sheets option on the 'Cash and Other' card. Cost of Sales postings will not be created from Service Order Invoices, so if you need them they must be created from Work Sheets. Such transactions will update the Nominal Ledger stock valuation when you remove spare parts from the stock to effect a repair.

You should also switch on the Goods Receipts option. This will ensure inward cost accounting postings are made to balance the outward postings made on Invoice or Delivery.

THE ITEM REGISTER

The Item register is used to store information about the products and services you sell. It is accessible from the Sales Orders, Purchase Orders, Stock and Sales Ledger modules, and from the Contracts, Production, Quotations, Service Orders, Job Costing and Stock modules if installed.



Demo: Item: Inspect

No. Group

Description

Closed Not For Sales

Pricing | Stock | Warehouse | Costs | Recipe | A/C | Varieties | Texts | Cost Model | User Values

Unit Item Type
 Plain
 Stocked Item
 Structured Item
 Service

Base Price Treat Item as Material on Project

Base Price Change

Price Factor

Item Formula

Markup %

Bonus %

Objects

Classification

Minimum Level Serial Number Tracking
 None
 Unit Number
 Batch Number

Maximum Level Do not Require Batch No. on POS Invoice

Department

Shelf Code

Default Source

Hazard Level

Unit 2

Unit Coefficient

Environment Tax per Kilo

Alcohol %

Conversion 1

Conversion 2

Header

Group: Enter the Item Group to which this Item belongs. If you have entered a Default Item Group in the Item Settings setting, it will be entered here automatically. Items of a similar type can be grouped together using Item Groups. All Items of the same Group can be given the same default Sales and Cost Accounts, Credit Account and VAT Codes, saving you having to specify these for all Items individually. Defining and assigning Item Groups also makes modification of, for example cost accounts, easier.

If information is specified both for an Item Group and for an Item that belongs to that Group, information entered for the Item will take precedence.

Closed: Check this box if the Item is no longer to be used - Item records cannot be deleted if they have been used on Orders or Invoices as they have created a history. Closed Items will appear in the 'Items: Browse' window but not in the Items 'Paste Special' list. You will not be able to use a closed Item on Orders or Invoices. A closed Item can be re-opened at any time.

Pricing Card

Unit: Specify here the quantity to which the Base Price refers. In the majority of cases, this will be a single item, otherwise it might be a pair or a dozen.

Base Price : Enter the normal sales price for the Item here. This price should always be in your home Currency.

Price Factor: Use the Price Factor to define the Base Price of the Item for a certain quantity; e.g. a price per box.

If a box contains 12 units and the Item is usually sold by the box, enter "12" in this field to indicate that the Base Price refers to a box of 12.

Item Type: The Item Type selected here determines how the Item will be treated elsewhere in Enterprise.

Plain: Select this option if the Item is one for which there is no requirement to record or maintain stock values.

Stocked: Select this type for when you want to keep track of stock quantities going in and out of the system, i.e. normal stocked Items, when the stock module is installed.

Structured Item: An assembled Item is constructed by your company from individual components bought for that purpose.

Service: A Service Item is a special type of Item used in the Job Costing and Service Orders modules.

When entering a new Item, the Item Type selected as a default will be chosen in the Item Settings setting in the Sales Ledger.

Image: By attaching an image to the attachment folder, the image will be displayed on the Pricing card. Only one image can be uploaded, and the format should be of a jpeg type. If you want to upload several images for several items, use the 'Attach Pictures to Items' maintenance from the Technics module. The images names will have to match either the Item code or the Item Alternative Code for the function to work.

Stock Card

Min. Level: This is the minimum quantity of the Item that can be held in the stock.

The 'Create Purchase Orders' function in the Purchase Orders module (on the Operations menu of the 'Purchase Orders: Browse' window) will create Purchase Orders with sufficient quantities to ensure that the stock balance for this Item is increased to this minimum stock level.

Max. Level: This is the maximum quantity of the Item that can be held in stock.

Shelf Code: The Shelf Code recorded here will be printed on the Stocktaking List report and on Picking Lists.

Default Source: This field can be used to record the origin of the Item (e.g. the manufacturer, producer or importer). This can be shown in Orders (flip F) and Deliveries (flip D).

Costs Card

Cost Price: The Cost Price of the Item should be recorded here, in the home Currency. Since the figure will be used in calculating the Gross Profit of Sales Orders, it is important that it be determined by the same Unit and Price Factor values as the Base Price on the 'Pricing' card. It is also used as a default when creating Purchase Items and can be used to set the Purchase Price when using the 'Create Purchase Orders' Maintenance function in the Sales Orders module. Depending on the setting of the Update Cost Price at Purchase options, the figure can be updated automatically when included on Goods Receipts.

Extra Cost: Enter here any extra costs involved in the purchase of this Item. The figure will be included in the cost when calculating Gross Profit.

Weighted Average: This figure records the average unit cost price of this Item in the home Currency (including extra costs such as freight and customs duties). It is updated automatically from Goods Receipts.

Last Pur. Cost: This figure records the last unit cost price (including extra costs such as freight and customs duties) used when purchasing this Item. It is updated automatically from approved Goods Receipts.

Last Pur. Price: This field is similar to the one above, but in this case the figure does not include any extra costs such as freight and customs duties.

Last Pur. Currency: This field records the last Currency used when purchasing this Item (it is updated automatically).

Upd. Cost Price at Purchase: Enterprise can update the Cost Price of an Item automatically. If this feature is used, the update will occur whenever a Goods Receipt is approved, not when a Purchase Order is raised.

The automatic updating of Cost Prices can be useful if you are using cost accounting (maintaining stock values in the Nominal Ledger) and your goods-out values are based on Items' Cost Prices. In this scenario, it is advantageous if the Cost Prices are always kept up-to-date.

Note that changes to the Cost Price made here will not directly affect future Purchase Orders until the change is transferred to the equivalent Purchase Item.

The following options are used to control this feature:

No: Select this option if this feature is **not** to be used for this Item.

Last Purch. Cost Price: If this option is chosen, the Cost Price is changed to the Cost Price of the Items on the last Stock Receipt (i.e. the price including extra costs such as carriage and customs duties). This option will be used for Items whose prices do not change often, or where the long-term pattern is for prices to fall or rise.

Weighted Average: This option changes the Cost Price to the average unit Cost Price of all previous Goods Receipts and Returned Goods. This option will be useful where prices fluctuate without a pattern, perhaps due to changing exchange rates.

Where the Item has been used in Stock Movements and Returned Goods, any Extra Cost in those transactions will be taken into account when changing the Cost Price.

When entering a new Item, the option selected as a default will be that chosen in the Item Settings setting in the Sales Ledger.

A/C Card

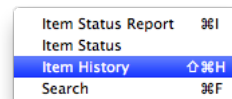
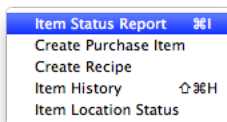
Sales Accounts: When using this Item in Orders or Invoices, one of the three Sales Accounts entered here is offered as a default, depending on the Zone of the Customer. It will override any Sales Accounts specified for the Item Group or in the Account Usage S/L setting. If there is a record in the Price register for the appropriate Item/Price List combination which has a Sales Account specified, that Sales Account will take precedence over the one entered here.

The Accounts specified here will usually be used in both Invoices and Credit Notes. If you would like to use different Accounts in Credit Notes, these should be specified on the 'Credit A/C' cards of your Item Group records and on card 4 of the Account Usage S/L setting. You should also check the Use Credit Sales Accounts box on card 1 of the Account Usage S/L setting.

VAT Codes: When entering Orders or Invoices and including this Item, one of the three VAT Codes entered here will be default, depending on the Zone of the Customer. It will override any VAT Code specified for the Item Group or in the Account Usage S/L setting. However, if the Customer has a VAT Code specified, this will take precedence over any entry here.

Cost Account: If you are maintaining stock valuations in the Nominal Ledger, specify here the Account to be debited with the calculated cost of goods when examples of this Item are sold (removed from stock). The cost of goods is calculated using the Cost Model chosen in the Cost Accounting setting in the Stock module. If this entry is blank, the Stock Cost Account on card 5 of the Account Usage S/L setting will be debited.

Operations Menu



The Operations menus for Items are shown above. On the left is for the item card. On the right is for the 'Items: Browse' window.

Item Status Report

The 'Item Status Report' function provides a quick overview showing stock, order positions and prices in the different price lists.

Demo: Item Status

RESTRICTED Item Status HansaWorld, Print date: 22/8/2011 12:12

Item		10101		Transistor radio			
Department		Shelf		Weight	1	Volume	0.5
Group	AUDIO	VAT	1 3 2	Warranty	0	Unit	PCS
Base Price	25.00	Cost Per	10.02	Extra		Unit Cost	10.40
In Stock	176	Sales Order	6	Purch. Order			140
		Location	In Stock				
		IRELAND	2				
		WHS	174				
Price List				Price Excl. VAT		Price Incl. VAT	
	Base Price		1	25.00		29.38	
PL1	Special Client Price List		1	21.28		25.00	
TRADE	Trade Price		1	20.00		23.50	
Customer Prices				Price Excl. VAT		Price Incl. VAT	
Planned Goods Receipts							
Purchase	Planned date	Qty	Supplier	Name			
14	16/1/2009	100.00	503	UK Trading Company Ltd			
Total		100.00					
Purchase Item							
Supplier	Name	Default	Comment	Cost Price	Currency		
501	European Trading Co	✓	Transistor radio	14.00	USD		

The "In Stock" figure can be updated (i.e. reduced by the quantity delivered) when Deliveries are created or when they are approved. This is controlled using the Decrease Available on Deliveries options in the Stock Settings setting in the Stock module. The Purchase Order figure includes both approved and unapproved Purchase Orders. Goods Receipts will update the In Stock and Purchase Order figures when they are approved.

Item Status

This function provides instant feedback for each Item affecting the quantity in stock, the quantity on order, how many can be shipped and the current gross profit.

The function is available on the Operations menus for Sales Orders, Purchase Orders, Invoices, Deliveries, Stock Depreciation records and Stock Movements.

You can specify which fields you want to display in the Item Status Settings setting in the Sales Ledger module.

Demo: Item Status

Item	Stock	Order	P. Order	Shippable	Not Reserved	GP	GP %	Disc.U.Pr.	Stock 2	Date	Var	Loc	Future
10101	176	6	140	170	176				0				

When you open the 'Item Status' window from other windows, for example from an Invoice or Order, it displays information about the Item in the row containing the cursor. As you move the insertion point to different rows, the data in the 'Item Status' window is immediately updated. If you then select 'Paste Special' from the Item Number field of an Invoice or Order row and highlight an Item in the 'Paste Special' window, the 'Item Status' window is updated to show values for the highlighted Item.

The Stock, Stock 2 and Order figures can be updated (i.e. reduced by the quantity delivered) when Deliveries are created or when they are approved in the same way as the Item Status report. The Shippable figure is reduced by the quantity ordered as soon as a new Order is saved, so it assumes that the stock is immediately allocated to that Order. The Purchase Order figure includes both approved and unapproved Purchase Orders. Goods Receipts will update the Stock, Stock 2, Shippable and Purchase Order figures when they are approved. The Stock 2 figure is the quantity in stock expressed using a second unit of measurement: it will only be shown for Items that have a Unit 2 and a Unit Coefficient specified on their 'Stock' cards.

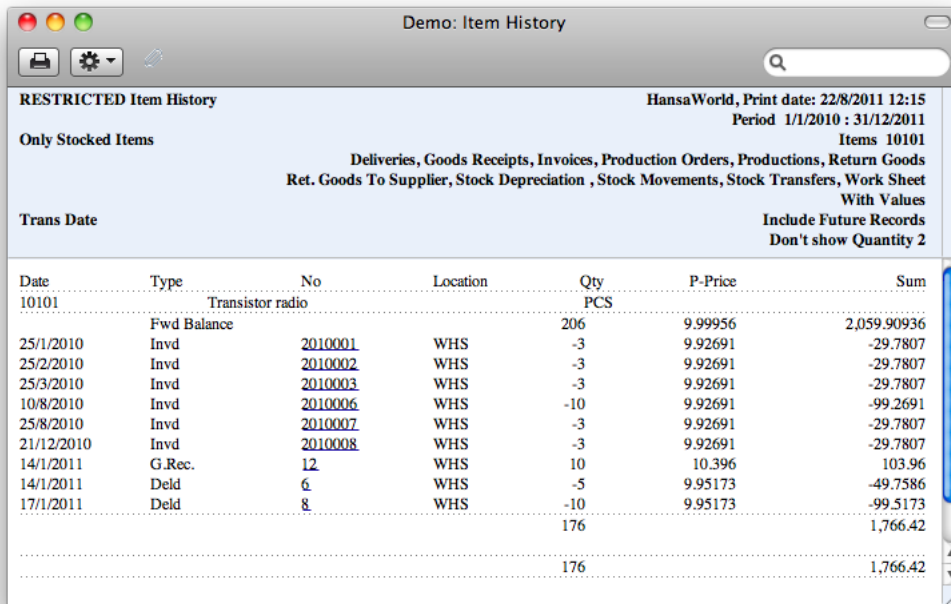
You can move the window and put it where you want on the screen. Use the Window menu (Windows) or the ⌘-Shift-S keystroke (Macintosh) to ensure it is opened in that position the next time it is used.

You can choose to have the 'Item Status' window opened automatically whenever you open a record window whose Operations menu features the 'Item Status' function. To do this, use the Show Item Status option in the Item Settings setting in the Sales Ledger. The Item Settings setting is described later in this chapter.

Item History

The 'Item History' function provides a quick report listing all incoming and outgoing stock movements for the Item. The report period is the first one entered in the Reporting Periods setting in the System module.

The Item History report can also be produced from the Stock module.



Date	Type	No	Location	Qty	P-Price	Sum
RESTRICTED Item History						
HansaWorld, Print date: 22/8/2011 12:15						
Period 1/1/2010 : 31/12/2011						
Items 10101						
Only Stocked Items						
Deliveries, Goods Receipts, Invoices, Production Orders, Productions, Return Goods						
Ret. Goods To Supplier, Stock Depreciation , Stock Movements, Stock Transfers, Work Sheet						
With Values						
Trans Date						
Include Future Records						
Don't show Quantity 2						
10101 Transistor radio						
	Fwd Balance			206	9.99956	2,059.90936
25/1/2010	Invd	2010001	WHS	-3	9.92691	-29.7807
25/2/2010	Invd	2010002	WHS	-3	9.92691	-29.7807
25/3/2010	Invd	2010003	WHS	-3	9.92691	-29.7807
10/8/2010	Invd	2010006	WHS	-10	9.92691	-99.2691
25/8/2010	Invd	2010007	WHS	-3	9.92691	-29.7807
21/12/2010	Invd	2010008	WHS	-3	9.92691	-29.7807
14/1/2011	G.Rec.	12	WHS	10	10.396	103.96
14/1/2011	Deld	6	WHS	-5	9.95173	-49.7586
17/1/2011	Deld	8	WHS	-10	9.95173	-99.5173
				176		1,766.42
				176		1,766.42

Create Purchase Item

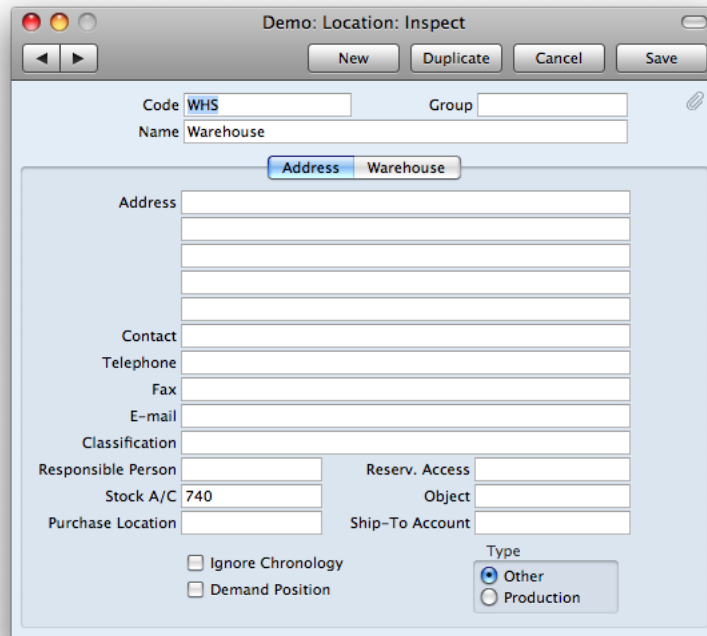
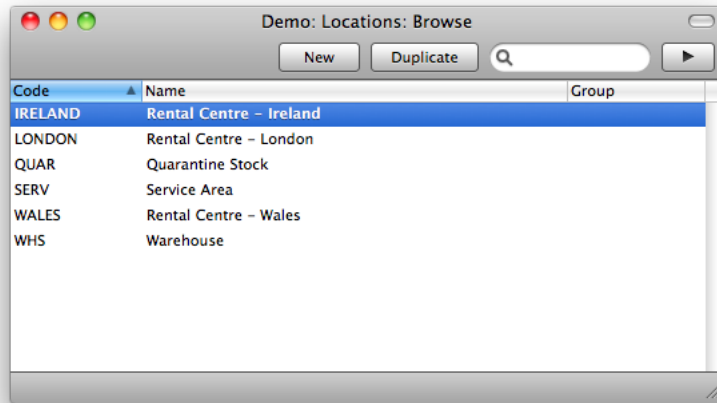
This function is active only if the Purchase Orders module is installed.

With this command, you can create a record in the Purchase Item register of the Purchase Orders module.

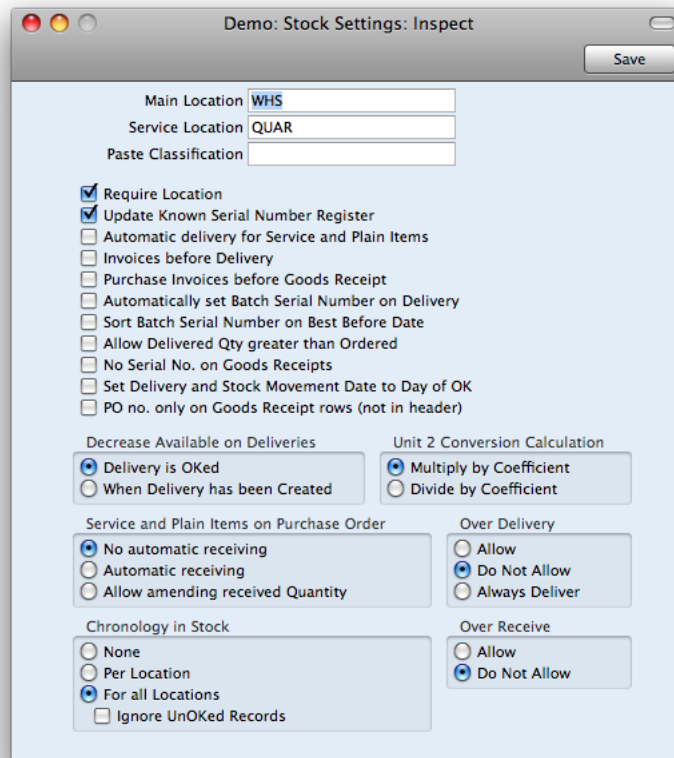
MAIN SETTINGS FOR COST ACCOUNTING

Locations

Use this setting to enter locations, if you have more than one Location where stock will be stored. For each Location, you can define a separate Stock Account to be debited whenever stock is received into the Location and credited when stock is delivered.



If you are using Locations, it's recommended that you specify some additional features in the setting 'Stock Settings' in the Stock Module. A Main Location should be entered as well as enabling the 'Require Location' checkbox, in order to ensure that a Location would always be specified when adding or removing items from the stock.



Demo: Stock Settings: Inspect

Main Location: WHS
 Service Location: QUAR
 Paste Classification: []

Require Location
 Update Known Serial Number Register
 Automatic delivery for Service and Plain Items
 Invoices before Delivery
 Purchase Invoices before Goods Receipt
 Automatically set Batch Serial Number on Delivery
 Sort Batch Serial Number on Best Before Date
 Allow Delivered Qty greater than Ordered
 No Serial No. on Goods Receipts
 Set Delivery and Stock Movement Date to Day of OK
 PO no. only on Goods Receipt rows (not in header)

Decrease Available on Deliveries
 Delivery is OKed
 When Delivery has been Created

Unit 2 Conversion Calculation
 Multiply by Coefficient
 Divide by Coefficient

Service and Plain Items on Purchase Order
 No automatic receiving
 Automatic receiving
 Allow amending received Quantity

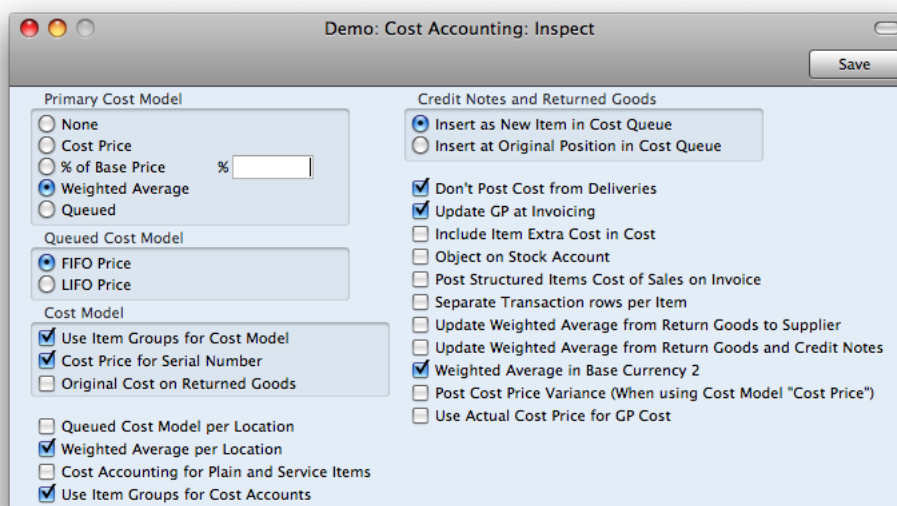
Over Delivery
 Allow
 Do Not Allow
 Always Deliver

Chronology in Stock
 None
 Per Location
 For all Locations
 Ignore UnOKed Records

Over Receive
 Allow
 Do Not Allow

Save

Cost Accounting



Demo: Cost Accounting: Inspect

Primary Cost Model
 None
 Cost Price
 % of Base Price % []
 Weighted Average
 Queued

Queued Cost Model
 FIFO Price
 LIFO Price

Cost Model
 Use Item Groups for Cost Model
 Cost Price for Serial Number
 Original Cost on Returned Goods

Queued Cost Model per Location
 Weighted Average per Location
 Cost Accounting for Plain and Service Items
 Use Item Groups for Cost Accounts

Credit Notes and Returned Goods
 Insert as New Item in Cost Queue
 Insert at Original Position in Cost Queue

Don't Post Cost from Deliveries
 Update GP at Invoicing
 Include Item Extra Cost in Cost
 Object on Stock Account
 Post Structured Items Cost of Sales on Invoice
 Separate Transaction rows per Item
 Update Weighted Average from Return Goods to Supplier
 Update Weighted Average from Return Goods and Credit Notes
 Weighted Average in Base Currency 2
 Post Cost Price Variance (When using Cost Model "Cost Price")
 Use Actual Cost Price for GP Cost

Save

Cost Model: Nominal Ledger Transactions for outward cost accounting postings (Cost of Sales postings) can be created whenever you remove an Item from the stock (e.g. when you deliver an Item to a Customer). The value of each Cost of Sales posting will be calculated using the Primary Cost Model described below, unless you have specified a Cost Model per Item or Item Group.

Use these options to specify how the Cost Model should behave in certain specific circumstances.

Use Item Groups for Cost Model: Ticking this checkbox enables Nominal Ledger Transactions to be calculated according to the cost model of the Item Group (unless there is a specific cost model defined for a specific item. This always takes precedence.)

If you do not tick this checkbox and there is no Cost Model on the item card, the Primary Cost Model will be used, instead of the Item Groups'.

If you are using this option, it is recommended that all Stocked Items belong to Item Groups and that all Item Groups have Cost Models specified.

Cost Price for Serial Number: In many cases you might want to apply serial numbers to your items.

If you check this checkbox, the individual Cost Prices and Serial Numbers will be linked. When you sell an Item with a particular Serial Number, the appropriate Cost Price for that Serial Number will be used in the resulting cost accounting transaction. The Stock List report will use the appropriate Cost Prices for the Serial Numbers in stock. This applies to Items with Serial Numbers only. In short, this means that the Primary Cost Model chosen in this setting will be bypassed for these Serial Number Items. This method is recommended in situations where stock can occasionally be purchased at special prices.

If you do not check this checkbox, by default, the Cost Prices will be independent of Serial Numbers and the value of the cost accounting transaction will be calculated using the Cost Model specified in the Item or Item Group, or in this setting.

Once you have made a decision as to whether Cost Prices and Serial Numbers are to be linked, you should not change the state of this checkboxes

If you switch the option to be on or off once you have started using the Stock module, it is very likely that inaccuracies will be introduced to the FIFO schedule. If you do change the status of this check box, you should immediately run the 'Rebuild Stock' Maintenance function in the Technics module (described later in these materials).

Original Cost on Returned Goods to Supplier: One specific way in which you can remove an Item from stock is to return it to its Supplier.

In this case there are two options concerning the cost calculation of the items. The first option is to use the usual Cost Model (i.e. as if it was a normal removal from stock). The second option is to use the actual cost of that Item from the original Goods Receipt. Tick this checkbox if you want to use the second option.

The implications of this choice can best be explained with an example:

For example, you are using the FIFO Cost Model and you have three Items in stock with costs 100, 200 and 300.

When you sell an Item, the first good that has been received into stock will be taken out first. Thus, 100 will be removed from stock.

If you return the last Item to its Supplier, you would find the original Goods Receipt and create a Returned Goods to Supplier record from it.

If you are using this option, 300 will be removed from your stock value, since this was the precise cost of the returned Item in the Goods Receipt. If you are not using this option, 100 will be removed from your Nominal Ledger stock value, since this was the value of the first Item received into stock (i.e. as calculated using the FIFO Cost Model).

Original Cost on Returned Goods: One specific way in which you can receive an Item into stock is to receive a previously delivered Item back from a Customer.

In this case there are two options concerning the cost calculation of the items. The first option is to use the standard cost price for the item from the item register. The second option is to use the actual cost of that Item from the original Delivery. Tick this checkbox if you want to use the second option.

The implications of this choice can be best explained using an example:

For example, you are using the FIFO Cost Model and you have three Items in stock with costs 100, 200 and 300. The Cost Price in the Item record is 150.

When you sell an Item, 100 will be removed from your Nominal Ledger stock value, since this was the value of the first Item received into stock.

If the Customer returns the Item, you would find the original Delivery and create a Returned Goods record from it.

If you are using this option, the Item Cost and Unit Cost in the Returned Goods will be 100, since this was the precise cost of the returned Item in the Delivery. If you are not using this option, the Item Cost and Unit Cost in the Returned Goods will be 150, the Cost Price from the Item.

If you are using a Queued Cost Model (FIFO or LIFO), the option that you choose here and the Credit Notes and Returned Goods choice immediately below may be mutually dependent.

Original Cost on Disassemble Productions: This setting is applicable to the Production module. If it is switched

off, the component (the In item) of a production that is disassembled will go back into stock at the item's cost price when it went into production.

For example, I have a production record with the following data:

Item	Description	In	Out	I-Cost
10102	Stereo cassette radio	1		7.95949
10103	Receiver	1		12.1004
BUN1	Bundle 1		1	20.05989

The Quantity specified is 5 (in the header of the Production record). When the Original Cost on Disassemble Productions is not ticked and one selects the Disassemble option from the Production's Operations button, a new Production record will be created with the following data:

Item	Description	In	Out	I-Cost
BUN1	Bundle 1	1		46.56216
10102	Stereo cassette radio		1	46.56216
10103	Receiver		1	46.56216

When you run an Item history report for Item 10102 5 items will be booked back in for the value of 46.56216.

If the setting is switched on, and one selects the Disassemble option from the Production's Operations button, a new Production record will be created with the following data:

Item	Description	In	Out	I-Cost
BUN1	Bundle 1	1		20.05989
10102	Stereo cassette radio		1	7.95949
10103	Receiver		1	12.1004

When you run an Item history report for Item 10102 5 items will be booked back in for the value of 7.95949.

Queued Cost Model per Location: By default, Enterprise maintains a single FIFO/LIFO queue of your items. When you remove an Item from stock, the oldest (FIFO) or newest (LIFO) Item will always be removed, irrespective of the Location in which it is stored or specified in the outgoing stock transaction (e.g. Delivery or Invoice).

However, if you are using several Locations and a Queued Cost Model, you might want to have separate FIFO/LIFO Queues for different locations. This method will be appropriate where the Locations represent separate buildings or warehouses. To use this method, ensure this check box is switched on.

In this case, when you remove an Item from stock, the oldest (FIFO) or newest (LIFO) Item in the specified Location will be removed.

As mentioned before, once you made a decision as to whether you want to use the Queued Cost Model per Location feature, you should not change the state of this checkboxes.

If you switch the option on or off once you have started using the Stock module, it is very likely that the FIFO/LIFO queue gets messed up. If you do change the status of this check box, you should immediately run the 'Rebuild Stock' Maintenance function in the Technics module (described later in this chapter).

Weighted Average per Location: By default, Enterprise maintains a single overall Weighted Average figure for an Item, visible on the 'Costs' card of each Item record.

However, if you are using several Locations, you might want separate Weighted Average figures for each Item in each Location as well. Ticking this checkbox allows you to use this feature. The weighted average figures per location will be visible in the Weighted Average setting.

As previously mentioned, once you have made a decision as to whether you want to use the Weighted Average per Location feature, you should not change the state of this checkbox.

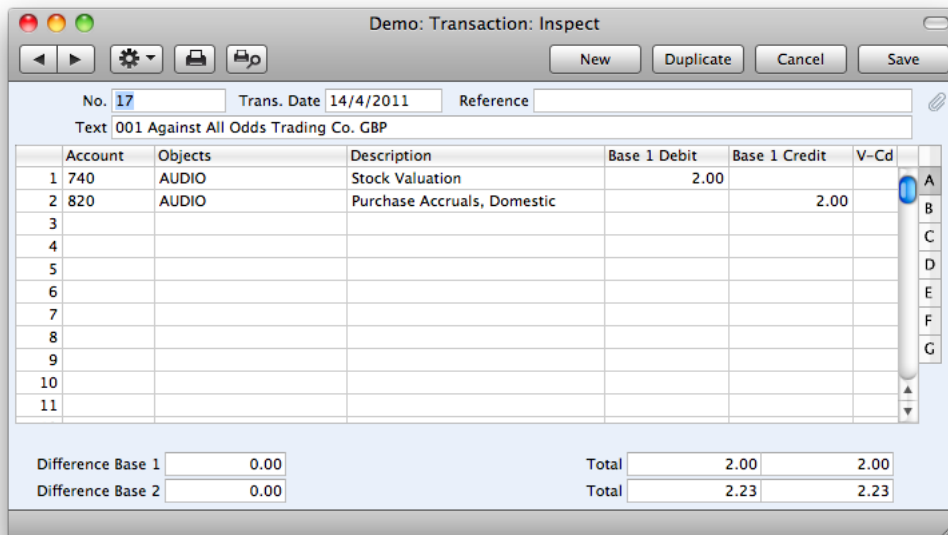
If you switch the option on or off once you have started using the Stock module, it is very likely that inaccuracies will be introduced to the Weighted Average schedules. If you do change the status of this check box, you should immediately run the 'Rebuild Stock' Maintenance function in the Technics module (described later in this chapter).

Cost Accounting for Plain Items: Usually cost accounting transactions will only be created for Stocked Items. Use this option if you want them to be created for Plain and Service Items as well.

If you use this option, it is recommended that you do not use a Queued Cost Model with Plain and Service Items. Either set up your Primary Cost Model so that it is not Queued. Otherwise, if your primary cost model is Queued, set up a separate cost model for your service and plain items.

This has a simple reason: there is no check in Enterprise that prevents negative stock for these items. There is an option called 'Do not Allow Over Delivery' in the setting 'Stock Settings', but this does only apply to Stocked items. Negative stock would render the FIFO/LIFO queue inaccurate.

If this checkbox is ticked all cost accounting transactions are created for Plain Items similarly as it's happening with a Stocked Items. So for example when the Purchase Order is created and from this document you will create Good Receipt (with plain items) and OK it, system will raise the Nominal Ledger transaction as below.



Account	Objects	Description	Base 1 Debit	Base 1 Credit	V-Cd
1 740	AUDIO	Stock Valuation	2.00		
2 820	AUDIO	Purchase Accruals, Domestic		2.00	
3					
4					
5					
6					
7					
8					
9					
10					
11					
Difference Base 1			0.00		
Difference Base 2			0.00		
Total			2.00	2.00	
Total			2.23	2.23	

Use Item Groups for Cost Accounts: For Nominal Ledger Transactions, Enterprise allows you to specify accounts for item groups, different than the default accounts specified in the setting 'Account Usage Stock'. If you select this option, Enterprise will give priority to the Accounts entered for each Item Group.

If you are using this option, it is recommended that all Stocked Items belong to Item Groups and that all Item Groups have Cost and Stock Accounts specified.

Credit Notes and Returned Goods: These options are used only if you are using a Queued Cost Model (FIFO or LIFO).

These options control what happens in the queue if a Customer returns an Item that you have previously delivered.

Insert as New Item in Cost Queue: In this case, the returned item is treated as if it has been received into stock as a new item. The returned item is placed at the end of the queue (FIFO) or the beginning of the queue (LIFO). The Returned Goods record therefore acts in the same way as a new Goods Receipt. This option is the recommended one, otherwise your FIFO/LIFO values will be messed up.

Insert at Original Position in Cost Queue: The returned Item is placed in its original position in the queue, sorted by date. If you are using FIFO, therefore, the item appears to be the oldest item in stock and therefore is placed at the front of the queue and will be the next item you deliver.

The problem concerning this option appears when you have already delivered newer items before you receive older ones back. In this case your FIFO values will be messed up and your reports won't be correct.

Don't post Cost from Deliveries: Enterprise by HansaWorld allows you two costing options concerning outward accounting transactions. They can either be created from the Invoice or from a Delivery.

Tick this checkbox if you want them to be created from an invoice. Additionally, turn off the option 'Deliveries' in the Sub Systems setting in the Nominal Ledger, and turn on the option 'Invoices Update Stock' in the Account Usage S/L setting. If one of these options is not set as described, there is a risk that cost accounting postings will not be created at all.

If you would like outward cost accounting postings to be created from Deliveries, switch this option off and turn on the option 'Deliveries' in the Sub Systems setting.

In some countries such as the UK it is a requirement that sales transactions and related Cost of Sales postings should have the same dates, and therefore they need to be created from the Invoice.

Update GP at Invoicing: 'GP' is the abbreviation for Gross Profit.

When you invoice orders, the Cost Price of the items on the Invoice (and therefore its gross profit) can be taken from the Order or from the cost price specified on the Item record. Tick this checkbox if you wish to use the latter alternative.

This can be more accurate if you are routinely updating Items' Cost Prices from Goods Receipts. A Goods Receipt with the latest Cost Price is likely to be recorded after the entry of the Sales Order, and this Goods Receipt will have updated the Item record.

Object on Stock Account: When you approve a Delivery, a Nominal Ledger Transaction will be created, debiting the Cost Account and crediting the Stock Account. Any specified Objects on the delivery will automatically be assigned to the debit posting of the Cost Account. Checking this box will also assign the credit posting to the Stock Account.

Post Structured Items Cost of Sales on Invoice: When a Structured Item is included in an outward cost accounting transaction created from a Delivery, the Accounts, Cost Model and stock values will be taken from each component. Similarly, if the Structured Item is one whose Paste Components During Entry box is on and it is included in an outward cost accounting transaction created from an Invoice, the Accounts, Cost Model and stock values will be taken from each component. However, if the Structured Item is one whose Paste Components During Entry box is off and it is included in an outward cost accounting transaction created from an Invoice, the Accounts, Cost Model and stock values will be only be taken from each component if you are using this option. Otherwise, Structured Items whose Paste Components During Entry boxes are off will not be included in outward cost accounting transactions created from Invoices (i.e. the Nominal Ledger stock valuations for the components will not be updated from Invoices).

Separate Transaction rows per Item: If a Goods- in or Goods- out transaction contains several Items that use the same Cost, Purchase Accruals and/or Stock Account, the resulting Nominal Ledger Transaction can contain separate double-sided postings for each Item, or a single accumulated posting. Check this box to use the first method.

Update Weighted Average from Returned Goods to Supplier: Use this option if you would like the Weighted Average values of your Items to be updated when you return goods to your Suppliers. In this case the Weighted Average value will change with the removal of the goods from Stock, and correspond to the value they would have if the goods never had entered the stock.

Update Weighted Average from Returned Goods and Credit Notes: Use this option if you would like the Weighted Average values of your Items to be updated when goods are returned to you from Customers. If you would like Weighted Averages to be updated from Credit Notes, you should use this option and you should also switch on the option 'Credit Notes Update Stock' in the setting 'Optional Features' in the System module.

In this case the Weighted Average value will change with the return of the goods into Stock, and corresponds to the value they would have if the goods had never left the stock.

Weighted Average in Base Currency 2: Like any modern financial system, Enterprise is a Multi Currency system. This means, that you can enter different Base Currencies, which you can use to calculate your costs, prices and values of your items. In most records and reports you can choose whether you want the numbers to be shown in Base Currency 1 or 2.

When you create an outward Cost Accounting Transaction, the value in that Transaction will be calculated in Base Currency 1 as a default. This figure will usually then be converted to base Currency 2 using the current rate.

If you use this option, the value in Base Currency 1 will be calculated using the Cost Model as normal. But this figure will not be converted to Base Currency 2: instead, the value of the field 'Weighted Av., Base 2' on the 'Costs' card of the Item record will be taken.

COST ACCOUNTING PER ITEM GROUP

The chapters above describe how to set up a default Cost Accounting System using the Cost Accounting setting and the Account Usage Stock setting.

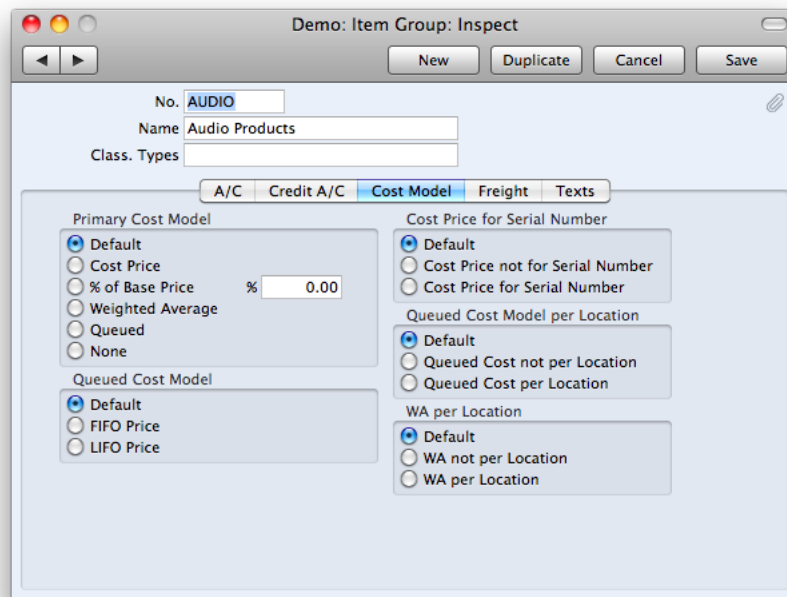
In the Cost Accounting setting you can specify the Primary Cost model to be applied as a default for outward cost accounting transactions (i.e. from Invoices and Deliveries). In the setting 'Account Usage Stock', you can specify default accounts to be applied for cost accounting transactions.

However, Enterprise allows you to set up a differing cost model and/or accounts for each Item Group. This Cost Model and/or accounts are set up on the record of the item group directly and, they precede the default settings from the 'Account Usage Stock' setting.

This allows for use of efficient Item Group Management and an easy and smooth change of the cost model and/or accounts of a particular item group if required.

By default the card 'A/C' will be shown, on which you can enter the accounts to be applied on cost accounting transactions for this particular item group.

In order to enter a differing Cost Model, go to the card 'Cost Model':



If you want to set up different accounts for each Item Group, switch on the options 'Use Item Groups for Cost Accounts' and 'Use Item Groups for Cost Model' in the Cost Accounting setting. For more details on this setting please refer to the chapter above.

If you do not switch on these options, the Accounts and Cost Models specified in Item Groups will play no part in your cost accounting structure.

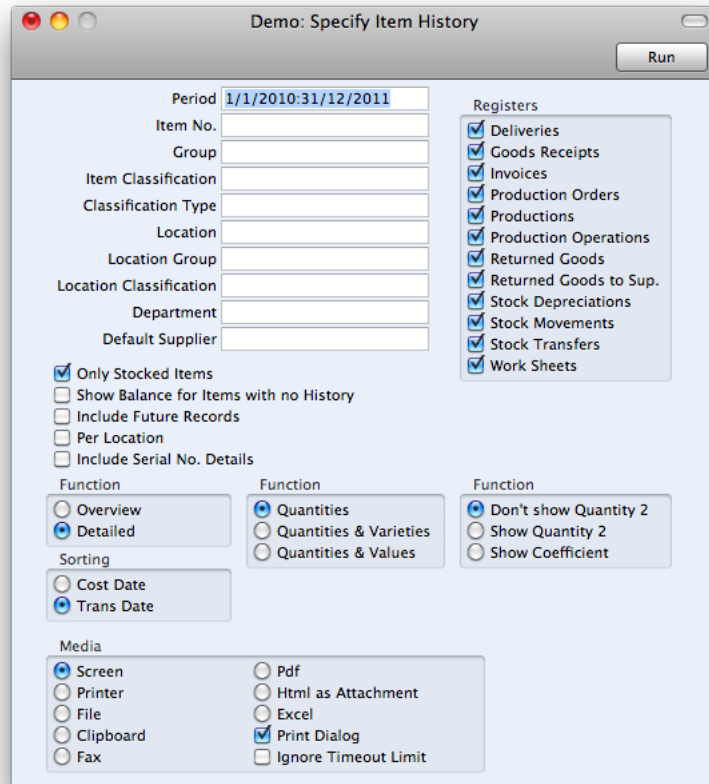
Ensure that each Item has been defined as a Stocked Item. If you are using different Cost Accounting for item groups, allocate all Stocked Items to Item Groups.

You can also define a specific Cost Account and/or Cost Model for a particular Item itself. Do this using the 'A/C' and 'Cost Model' tabs on the Item record directly.

REPORTS FOR COST ACCOUNTING

Item History Report

The Item History is a report listing each Goods- in and Goods- out transaction for individual Items within a specified period:



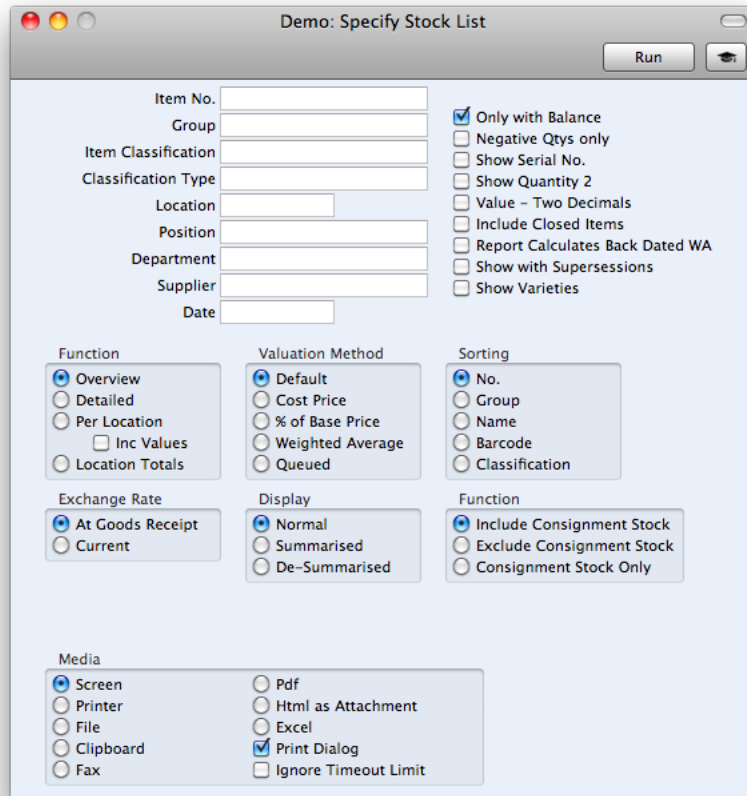
In this report you can specify the item or item group you want this report to run for. If you leave these two fields empty, the report will include all Items. You can run the report for specific locations or departments or for a single supplier, depending on which data you want to see.

On the right hand side, you can choose the registers to be included. These registers can all cause goods to be moved within, out or into the stock. Use the checkboxes to select one or more transaction types for inclusion in the report.

You can use this report also to check on the cost prices of the goods. This is especially valuable when you have chosen the Queued Cost Model and evaluate your goods according to FIFO or LIFO. To use this feature tick the radio button 'Amounts' from the button set 'Function'. This will list every movement of the item and the corresponding prices.

Stock list

This report shows the stock situation, balances etc. for all or selected Items, stock Locations etc.



Demo: Specify Stock List [Run] [Help]

Item No.
 Group
 Item Classification
 Classification Type
 Location
 Position
 Department
 Supplier
 Date

Only with Balance
 Negative Qtys only
 Show Serial No.
 Show Quantity 2
 Value - Two Decimals
 Include Closed Items
 Report Calculates Back Dated WA
 Show with Supersessions
 Show Varieties

Function
 Overview
 Detailed
 Per Location
 Inc Values
 Location Totals

Valuation Method
 Default
 Cost Price
 % of Base Price
 Weighted Average
 Queued

Sorting
 No.
 Group
 Name
 Barcode
 Classification

Exchange Rate
 At Goods Receipt
 Current

Display
 Normal
 Summarised
 De-Summarised

Function
 Include Consignment Stock
 Exclude Consignment Stock
 Consignment Stock Only

Media
 Screen
 Printer
 File
 Clipboard
 Fax
 Pdf
 Html as Attachment
 Excel
 Print Dialog
 Ignore Timeout Limit

New to the Stock list report is to have consignment stock included in or excluded from the report output. It is also possible to view only consignment stock on this report.

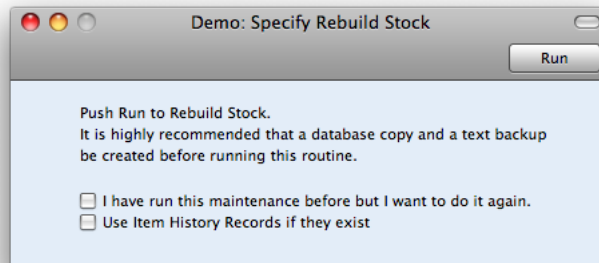
Various stock valuation models are available for calculating stock values. Be careful when comparing the results of this report with the balance on the Stock Account in the Nominal Ledger: the latter may be based on a different stock valuation to that selected here.

When running the stock list and balance sheet at month end, many customers will find that the numbers from the stock account don't match the stock list. A reason for this could be that the value on the goods receipt (that updates the stock list) differs from the value on the purchase invoice. It might also be that you have received goods into stock, but not received the invoice. To find this amount, you can run the Purchase order status report. This report shows the value for purchase orders where goods has been received, but no invoice.

If any discrepancy is found, you have to book this with a manual transaction (cost account against the stock account).

REBUILD STOCK MAINTENANCE

This is a Maintenance Function in the Technics Module.



Once you have specified the Cost Accounting methods, it is not recommended to change the specifications. If you change them once you have started using the Stock module, it is very likely that inaccuracies will be introduced, your numbers won't be correct any longer and the reports will consequently show wrong results.

However, in some cases it might appear to be necessary to make some changes. In this case, you should immediately run the 'Rebuild Stock' Maintenance function in the Technics module following the change.

This option is possible but not recommended as it is linked to several difficulties:

Running this maintenance does not change the original records like Goods Receipts or Deliveries. What will be recalculated are not the records, just the stock reports like Item History. This means, that the reports will show the numbers according to the new specification you chose in the Cost Accounting Setting. However, your original records will still contain the old numbers. This includes your Cost Accounting Transactions.

If you change your specifications and run this maintenance, you would need to adjust your transactions manually and your other reports like the stock depreciation, will have different values than are shown in the Item History.

The implications of this can best be explained using an example: If you use the Cost Model FIFO, and you OK a delivery at the cost of 10, this number, 10 will be posted on the Nominal Ledger Transaction. Your Item History Report will also show the cost of 10.

Imagine now, that you change your Cost Model to Weighted Average and run the Rebuild Stock maintenance. A new Weighted Average cost of 12.5 (example) will show in the item history report. You see delivery reduced this item by value 12.5. However, when you drill down to the delivery, you see on flip D, that the FIFO is 10. And when you look at the created Nominal Ledger transaction, the stock is credited with the amount of 10.

The reasons why it is not recommended to change your Cost Accounting System once you have started working with stock are obvious. The actual purpose of this maintenance is connected to upgrading from previous Enterprise versions:

Plain Items:

Plain Items on the Purchase Order will not appear on the Goods Receipt if the Automatic receiving of Service and Plain Items option in the Stock Settings setting is being used.

Plain Items are shipped without any checking of stock levels, but will not appear on the Delivery at all if the Automatic delivery for Service and Plain Items option in the Stock Settings setting is being used.

EXERCISES

Theory Questions

1. For which type of items are cost accounting transactions usually created? Is there a way to also include other item types?
2. What are the two kinds of stock movements as described in the materials? Shortly explain them.
3. Name the 4 Cost Models Enterprise by HansaWorld offers. How do you decide which Cost Model you will apply?
4. What are the two alternatives of the Queued Cost Model? Explain what their abbreviations mean.
5. If you work with several locations, which additional features should you switch on in order to ensure efficient Cost Accounting per location?
6. What are the two alternatives to create outward cost accounting postings?
7. If you have specified that deliveries create Nominal Ledger Transactions in the Sub Systems setting, but no transaction has been created, what might be the reason for this?
8. If you set up a Purchase Control Account per Item Group, what do you have to set up for the account to actually work per item group?
9. When you value your stock according to a Queued Cost Model, how should you treat Credit Notes and Returned Goods? Explain in one sentence why.

Practical Exercises

1. Download an Enterprise version and start it up in an empty database. Import the demo data with zero stock balance provided by the lecturer.
2. Go to the setting 'Account Usage Stock' in the Stock module and make sure the right accounts are set up.
3. Go to the setting 'Locations' and make sure that at least two locations are entered. One has to be called WHS and should be specified as you main location in the corresponding setting. You want the use of locations to be obligatory.
4. Set up your accounting system so that your Primary Cost Model is Queued and the Queued cost model is FIFO. You want your cost accounting to consider locations.
5. You want your Cost of Sales Transactions to be made from Invoices, not deliveries. Make sure you consider all settings necessary for such a system to work properly
6. Go through the Sub Systems setting in the Nominal Ledger and make sure the correct options are chosen for the specified Cost Model.
7. Go to the Item Register and open the Item Record of the Item 10101, Transistor Radio. On the 'Cost Model' card specify this item is to be valued according to a different Cost Model, namely LIFO. You do NOT want LIFO for this item to be per location.
8. Save the changes. Now as all settings are done, lets start with the happy ordering. You have imported a Demo Data with zero stock balance, so the first thing to do is to get some goods into stock.

During this exercise you will enter several Purchase Orders. For the first time, the steps will be described in detail:

9. Go to the Purchase Order Module and open the Register 'Purchase Orders'. Click on [New] and enter a new purchase order. You want to buy 4 units of the item 10101 from any supplier (choose one). Make sure you enter a price in the field 'Unit Price'.

OK it and save it but don't close it. From the Operations Menu choose the function 'Create Goods Receipt'. A 'Goods Receipt' window will appear with the details already filled in from the Purchase order. OK the Goods Receipt and close it. This is the usual procedure to receive goods into stock, in this case 4 Transistor radios.

10. Create another Purchase Order for another item. Choose the item yourself but make sure it is a stocked item. There is an easy way to open the item record: on the field containing the item number just press on the keyboard F2 (Windows, Linux) or Apple-Shift-V (on Macintosh). This will open the record directly. Make also sure that this item has the default Cost model specified.
11. OK and save this Order and create a Goods Receipt (don't forget to enter a location, the main location) which you OK and save as well.

12. The happy ordering continues and we order more goods. Create a new purchase order. On this Purchase order you order a few units of the item 10101 and a few units of the other item you have ordered just before.

Make sure that on the edit field 'Unit Price' you enter a price DIFFERENT than the one from the first two orders. This has a simple reason: First of all, we want to create as realistic exercises as possible and secondly, this will make the FIFO and LIFO queue and their values very nicely visible on the report we will run later.

13. OK and save the order and create a Goods Receipt again. On the Goods Receipt don't forget to enter a location (a different location to the main location) for the second item. OK it and save it.
14. OK, now it's time to start selling some goods, which we do with creating sales orders and deliveries and invoices.

During this exercise you will enter several sales orders. For the first time, the steps how to enter one will be described in detail:

15. Go to the Sales Orders module and open the register 'Sales Orders'. Click on [New] and enter a new sales order (choose any customer). The customer will order some units of the item 10101. OK the order and save it but don't close it. From the Operations Menu choose the function 'Create Delivery'. A Delivery window will appear with the data already filled in from the order. OK the delivery, save it and close it. Go back to the order and from the Operations Menu choose the function 'Create Invoice'. An Invoice window appears with the details already filled in. OK it and save it. Our first sale is done.
16. Create another Sales order, again choosing the customer yourself. The order contains some more units of the item 10101 and some of the second item you have ordered. OK, Save it and Create a Delivery and Invoice as described above.
17. So far so good. The transactions we have created so far have been very usual stock transactions in the daily business. Run the item History report, detailed mode, with the function to show amounts. Go through it and understand where the values come from.
18. Drill Down to the underlying Invoices and Goods Receipts. From the open Goods Receipts and Invoices records go to the Operations menu and choose the option 'Open N/L Transaction' which opens the Nominal Ledger Transaction created. Go through some of the transactions and understand where the values come from.
19. Run the Stock List Report, per location, print both reports out and hand them in.
20. Make a database text backup (please consult your lecturer about this process if you are unsure) and send it to your lecturer.

Additional Exercise

21. This exercise can only be done AFTER you have run the reports above and done the database text backup. Go to the Cost Accounting setting and change your Primary Cost Model to 'Weighted Average'. Save and run the Rebuild Stock Maintenance.
22. Run the Item History report again (remember the values). Drill down to the underlying records and compare the values and explain what has occurred.

APPENDIX

Rebuild Stock Maintenance, upgrading to Enterprise by HansaWorld version 5.1 or later

When you upgrade from an Enterprise version previous to 5.1, you have to run the Rebuild Stock Maintenance, due to changes that has been added to the Stock Module. This section should act as an overview about what should be taken into consideration.

In the Old version, the Cost Accounting setting has been two separate settings. You could find the Cost Model setting in the Sales Ledger and the Cost Accounting setting, which only contained the checkboxes in the Stock Module. In Enterprise by HansaWorld 5.1 these two settings have been merged. The new setting is now only called Cost Accounting - it is in the Stock Module and it contains both prior settings.

The Cost Model, Delivery in the old Cost Model setting corresponds to the 'Don't Post Cost on Deliveries' check box in the new Cost Accounting setting.

When upgrading from a version prior to 5.1, before running the Rebuild Stock Maintenance, you have to check that the Cost Accounting setting in the new version contains the same specifications as the Cost Accounting and Cost Model settings in the old version. Your Stock will be rebuilt according to what you have specified in this setting. Only if the settings of both Enterprise versions are identical, your item history records, reports and numbers will be correct and you can proceed to work in the new version without discrepancies.

After Rebuild Stock maintenance you should run the Stock list report both in new and old version and see if the results match. If you see any differences between quantities or values in these reports, we suggest to order a consultant on site, who can help you finding the problems. Usually the problems are related to chronology issues.

Terminology between different versions of english language

The language used in this material is British English. There can be slight differences between other versions of the English language, which can lead to confusions. This table should help to clear these up. Sorted alphabetically.

British	USA	Canada	Australia + New Zealand	Singapore
Cheque	Check	Cheque	Cheque	Cheque
Colour/coloured	Color/colored	Colour/coloured	Colour/coloured	Colour/coloured
Credit Note(CN)	Credit Memo (CN)	Credit Memo (CM)	Credit Note (CN)	Credit Note
Dialogue	Dialog			
Instalment	Installment			
Jewellery	Jewelry	Jewellery	Jewellery	Jewellery
Licence (noun)	License	Licence	Licence	Licence
Mileage Claim	Miles	Way Lists	Mileage Claim	Mileage Claim
Miles	Miles	KM	KM	KM
Mobile	Cell	Mobile	Mobile	Mobile
Nominal Ledger (NL)	General Ledger (GL)	General Ledger (GL)	General Ledger (GL)	General Ledger (GL)
Post Code	ZIP Code	Post Code	Post Code	Post Code
Purchase Ledger	Payable (PL = AP)	Payable (PL = AP)	Purchase Ledger	Purchase Ledger
Sales Ledger	Receivable (SL=AR)	Receivable (SL=AR)	Sales Ledger	Sales Ledger
Salesman	Salesperson	Salesperson	Salesman	Salesperson
Stock	Inventory	Inventory	Stock	Inventory
Stocktake	Inventory Count	Inventory Count	Stocktake	Inventory Count
Stock Depreciation	Inventory Adjustment	Inventory Adjustment	Stock Depreciation	Inventory Adjustment
Supplier	Vendor	Vendor	Supplier	Vendor
VAT	Sales Tax or Tax	Tax (ideally GST/PST)	GST	GST/SST/HST