

## Procedure write-up: How to correct average cost?

Identification: How do I find the items that have an incorrect or skewed unit cost?

Option A – Check BOM cost rollups (assumes components show correct unit cost)

Option B – Compare with Last Cost (assumes last cost is correct)

Bill of Material

NOTES ACTIVITIES FILES NOTIFICATION

SAVE & CLOSE [Icons] ACTIONS REPORTS CREATE ECR

\* BOM ID: BOM00001517 \* Inventory ID: 14-011 - 1" POLY TUBING, 250' ROLL, 1.06" ID X  
\* Revision: A \* Warehouse: MAIN - 1210 Activity Dr  
Status: Active Start Date: 6/13/2019 End Date:  
Description: 14-011

* Operation ID	* Work Center	Oper Desc	* Setup Time	Run Units	* Run Time	Machine Units	* Machine Time
0010	WC01	Work Center 01	0 h 00 m	0.000000	1 h 00 m	0.000000	1 h 00 m

MATERIALS STEPS TOOLS OVERHEAD

* Inventory ID	Description	Qty Required	* UOM	Unit Cost	Planned Cost	Material Type
14-010	TUBING, 1" BLACK POLY, 1....	250.000000	EA	0.055719	13.93	Regular
39-012	LABEL FOR POLY TUBIN	1.000000	EA	0.047000	0.05	Regular

Note: A GI must be added to identify potential cost discrepancies where the BOM cost rollup differs from the Avg Cost.

BOM COST ROLLUP

Inactive Fields

Inventory	Planned Cost	Average Cost
14-002	10.72	10.09
14-004	1.19	1.19
14-005	2.34	2.33
14-006	9.37	4.62
14-007	11.50	11.48
14-008	22.94	23.16
14-009	0.05	0.00
14-010	0.11	0.00
14-011	13.98	5.19
14-012	27.91	3.48
14-013	0.04	0.00
14-015	2.51	0.00

## Prevention: How did it get this way in the first place?

Stock Items -> Inquiries -> Transaction History

In the example below

Inventory Transaction History CUSTOMIZATION T

* Inventory ID:	14-011 - 1" POLY TUBING, 250' ROLL	Start Date:	4/1/2019
Warehouse:		End Date:	
Location:		<input type="checkbox"/> Summary By Day <input type="checkbox"/> Include Unreleased <input type="checkbox"/> Include Landed Cost in Unit Cost	

  

Date	Tran. Type	Reference Nbr.	Warehou	Location	Released	Beginning Qty.	Qty. In	Qty. Out	Ending Qty.	Unit Cost	SO Order Type	SO Order Nbr.
11/15/2019	Adjustment	000003	MAIN	VISTA	<input checked="" type="checkbox"/>	0.000000	31.000000	0.000000	31.000000	13.595161		
12/20/2019	Invoice	001802	MAIN	VISTA	<input checked="" type="checkbox"/>	31.000000	0.000000	2.000000	29.000000	13.595000	SO	SC0000344
1/10/2020	Credit Memo	002237	MAIN	RETURNS	<input checked="" type="checkbox"/>	29.000000	11.000000	0.000000	40.000000	28.930000	RC	RA0000040
1/15/2020	Receipt	001805	MAIN	VISTA	<input checked="" type="checkbox"/>	40.000000	100.000000	0.000000	140.000000	0.047000		
1/15/2020	Receipt	001805	MAIN	VISTA	<input checked="" type="checkbox"/>	140.000000	1.000000	0.000000	141.000000	14.110000		
1/15/2020	Invoice	002529	MAIN	VISTA	<input checked="" type="checkbox"/>	141.000000	0.000000	6.000000	135.000000	5.186667	SO	SC0000524
1/15/2020	Invoice	002538	MAIN	VISTA	<input checked="" type="checkbox"/>	135.000000	0.000000	5.000000	130.000000	5.186000	SO	SC0000797
1/16/2020	Invoice	002542	MAIN	VISTA	<input checked="" type="checkbox"/>	130.000000	0.000000	40.000000	90.000000	5.186500	SO	SC0000409
1/29/2020	Issue	003198	MAIN	RETURNS	<input checked="" type="checkbox"/>	90.000000	0.000000	11.000000	79.000000	5.186364		
3/2/2020	Invoice	005605	MAIN	VISTA	<input checked="" type="checkbox"/>	79.000000	0.000000	5.000000	74.000000	5.186000	SO	SC0000509
3/20/2020	Invoice	007508	MAIN	VISTA	<input checked="" type="checkbox"/>	74.000000	0.000000	25.000000	49.000000	5.186800	SO	SC0003443
3/24/2020	Issue	007890	MAIN	VISTA	<input checked="" type="checkbox"/>	49.000000	0.000000	30.000000	19.000000	5.186667		

The Valuation shows that \$98.54 is on hand (19 x \$5.186667)

Inventory Valuation ☆

Account	Sub.	Total Qty.	Total Cost
1220	00-105	19.000000	98.54

  

Warehouse	Inventory ID	Description	Qty. On Hand	Total Cost
MAIN	14-011	1" POLY TUBING, 250' ROLL, 1.06" ID X 1.200"	19.000000	98.54
<b>Total:</b>			<b>19.000000</b>	<b>98.54</b>

## How to correct average cost

Therefore, to fix, you need to adjust out of stock items and receive back at the correct average cost.

### Scope of correction

This fix is not retro-active. However, [using the Inventory Transaction History Inquiry] identify the receipt following the last invoice and correct as of that date (or for the new period). This way any new invoices will inherit the correct cost. Also, notice that the net effect of the adjustments will reduce or increase cost of goods sold in total on the P&L in the period in which the correcting entries are posted. However, past invoices and P&L balances are still going to be off.

### Steps to correct

Go to Adjustments (ScreenId=IN3030PL)

Enter negative quantity to issue wrong cost so that quantity shows 0. Release.

Because prior periods are closed.

Reference Nbr.: <NEW> External Ref.: 202004-CORRECT Total Qty.: -19.000000  
Status: Balanced Total Cost: -549.67  
Description: Issue wrong cost

\* Date: 4/1/2020  
\* Post Period: 04-2020

* Inventory ID	* Warehouse	Location	Quantity	* UOM	Unit Cost	Ext. Cost	Receipt Nbr.	Reason Code
14-011	MAIN	VISTA	-19.000000	EA	5.186667	-98.54		INADJUST

Enter positive quantity to receive back at correct unit cost so that quantity shows 19. Release.

Reference Nbr.: <NEW> External Ref.: 202004-CORRECT Total Qty.: 19.000000  
Status: Balanced Total Cost: 265.62  
Description: Receive correct cost

\* Date: 4/2/2020  
\* Post Period: 04-2020

* Inventory ID	* Warehouse	Location	Quantity	* UOM	Unit Cost	Ext. Cost	Receipt Nbr.	Reason Code
14-011	MAIN	VISTA	19.000000	EA	13.980000	265.62		INADJUST
		<SPLIT>	0.000000		0.000000	0.00		

Observe the financial result.  
Cost of Goods Sold – Inventory Adjustments

Account Details ☆

CUSTOMIZATION

RECLASSIFY RECLASSIFY ALL RECLASSIFICATION HISTORY

* Ledger:	ACTUAL - Actual Ledger	From Date:		<input type="checkbox"/> Show Summary	Beginning Balance:	0.00
* From Period:	04-2020	Period Start Date:	4/1/2020	<input type="checkbox"/> Include Unposted	Turnover:	-167.08
* To Period:	04-2020	To Date:		<input type="checkbox"/> Include Unreleased	Ending Balance:	-167.08
* Account:	4550 - INVENTORY ADJUST	Period End Date:	4/30/2020	<input checked="" type="checkbox"/> Include Reclassified		
Subaccount:				<input type="checkbox"/> Show Currency Details		

			Module	Batch Number	Tran. Date	Period ID	Description	Ref. Number	Account	Subaccou	Beg. Balance	Debit Amount	Credit Amount	Ending Balance
>			IN	013376	4/1/2020	04-2020	1" POLY TUBING, 250' ROLL, 1....	000008	4550	00-000	0.00	98.54	0.00	98.54
			IN	013377	4/2/2020	04-2020	1" POLY TUBING, 250' ROLL, 1....	000009	4550	00-000	98.54	0.00	265.62	-167.08