



# Understanding the Inventory Valuation Report

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## Don Riggs – Business Process Improvement Owner / Sr. AX Applications Architect / Microsoft MVP

Don Riggs is a well-seasoned veteran with 30+ years of implementation consulting and 15+ years of Microsoft Dynamics AX experience. In his career, he has been involved in anything from helping design ERP systems, developing and marketing ISV solutions, to delivering a number of successful AX ERP implementations. As a regular participant in AXUG, he has delivered many courses and presentations. Don is considered by many to be an AX expert, particularly in the areas of inventory costing, manufacturing, AX project module, and implementation processes. Having attained APICS certification in the early 1980's, Don considers himself a manufacturing consultant by trade and his love and enthusiasm for the industry has never waned. Always interested in new challenges, his branching out into other areas of the product has allowed him to become very knowledgeable in many areas.

### AXUG Credentials

PARTNER MEMBER  
SUMMIT 2015  
SUMMIT 2016  
SUMMIT 2017  
TOP CONTRIBUTOR  
2016 GRANITE AWARD  
2018 GRANITE AWARD

### Professional Credentials

Certified in Production and Inventory Management (CPIM)  
Microsoft Certified Trainer (MCT)  
Certified Dynamics AX Trade & Logistics  
Certified Dynamics AX Finance  
Certified Dynamics AX Production  
Certified Dynamics AX Projects  
Certified at the “Master” level by MBS  
Granite Award for 2016 (AXUG Participation Award)  
Selected as Microsoft MVP for 2017 - 2019

To learn more about Don and his company Business Process Improvement(BPI) visit their website at <http://busproc.com>.



# Objectives

- Problem Solving
- Reasons For Inventory Being Out of Balance with Ledger
- Inventory Value Report Setup
- Inventory Report Usage
- Other Valuable Reports
- Inventory Best Practices

# Problem Solving Starts With Understanding Process



# What Can Be The Problem?

- Incorrect or incomplete Inputs
- Incorrect Process
- Incorrect Assumptions of Outcome

# What are some of the examples

- Inputs
  - Setups
  - Ledger Postings
  - Incomplete Processes
- Incorrect Process
  - Incomplete
  - Incorrect
- Incorrect Assumptions of Outcome
  - Bad Standards
  - Bad Assumptions

# Reasons For Inventory Being Out of Balance with Ledger

- Poor Item Setup
  - Service Item pointing to Item Group meant for inventory
- Poor Processes
  - Open transactions not Processed (Picking and Registration)
  - Incomplete Inventory Close
- Incorrect Assumptions of Outcome
  - Bad Conversions
  - Bad Data Selected

# Inventory Value Report - Setup

General

Date interval

Range

Dimension set

Columns

FINANCIAL POSITION

Inventory  
 Yes

WIP  
 No

Deferred COGS  
 No

COGS  
 No

Profit and loss  
 No

COMPARE ON-HAND INVENTORY VALUE TO CUMULATIVE ACCOUNTING VALUES

Print cumulative account values for c...  
 Yes

Inventory account

INVENTORY DIMEN

<input checked="" type="checkbox"/>	Name	MA+CC	MA+FE	MA+Ownership	MA+WRK	Main Account
<input type="checkbox"/>	Configurat	MainAcct+Filial		科目-股东权益变动项		
<input type="checkbox"/>	Size					
<input type="checkbox"/>	Color					
<input type="checkbox"/>	Style	Main Account				Main Account
<input type="checkbox"/>	Site	<input type="checkbox"/>	<input type="checkbox"/>			
<input type="checkbox"/>	Warehouse	<input type="checkbox"/>	<input type="checkbox"/>			
<input type="checkbox"/>	Location	<input type="checkbox"/>	<input type="checkbox"/>			

RESOURCE ID

View  
 No

Total  
 No

RESOURCE GROUP

View  
 Yes

Total  
 No



# Inventory Value Report - Setup

WIP account

Deferred COGS account

COGS account

**SUMMARIZE**  
Summarize physical and financial val...  
Yes

**INVENTORY TRANSACTIONS**  
Include not posted to ledger  
No

**AVERAGE UNIT COST**  
Calculate average unit cost  
No

**PRINT TOTAL**  
Total quantity and value  
No

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Rows

<b>RESOURCE TYPE</b>	Labor	Indirect cost	<b>DETAIL LEVEL</b>
Material	No <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Level
Yes <input checked="" type="checkbox"/>		Direct outsourcing	Totals <input type="text"/>
		No <input checked="" type="checkbox"/>	Include beginning balance
			No <input type="checkbox"/>

# Inventory Value Report

## Inventory value

Contoso Entertainment System USA

From 1/1/2016  
To 12/31/2016

Material	Resource group	Reference	Inventory: Quantity	Inventory: Amount
	Audio	Ending balance	1,675.00	227,511.26
	AudioRM	Ending balance	12,829.00	351,922.43
	CarAudio	Ending balance	83.00	16,461.29
	CarAudioRM	Ending balance	102.00	3,312.96
	Consume	Ending balance	0.00	
	TV&Video	Ending balance	534.00	592,160.00
<b>Material Totals</b>			15,223.00	1,191,367.94

Report summary	Sum Inventory: Quantity	Sum Inventory: Amount
	15,223.00	1,191,367.94

Inventory	Ledger account	Account name	Amount	Percent
	140100	Raw Materials Inventory	355,235.39	
	140200	Finished Goods Inventory	1,015,932.55	
		Total	1,371,167.94	
		Discrepancy	-179,800.00	-15.09

# List of potential conflicts - inventory and general ledger

Go to ◯ ◀ ▶ ▷ Find ◯ Zoom ◯ ↻ Export ◯

**List of potential conflicts - inventory and general ledger.**  
 Contoso Entertainment System USA

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 8/22/2019  
 11:31 AM

**Date interval code**  
**From date** 1/1/2016  
**To date** 12/31/2016  
**Exclude physical to ledger** No  
**Exclude blank dimension values** Yes  
**Dimension name**  
**Dimension value**

Module	Balance
Inventory	1,191,368.00
General ledger	1,371,168.00
<b>Discrepancy</b>	<b>-179,800.00</b>

**Inventory**

Item number	Date	Lot ID	Reference	Value	Comment
1000	12/10/2016	012002	Purchase order	179,800.00	The posting type Cost of purchased materials received has been posted to a main account that does not represent inventory.
1000	12/12/2016	012002	Purchase order	-179,800.00	The posting type Cost of purchased materials received has been posted to a main account that does not represent inventory.
1000	12/16/2016	012003	Purchase order	-188,790.00	The posting type Cost of purchased materials received has been posted to a main account that does not represent inventory.
1000	12/16/2016	012003	Purchase order	188,790.00	The posting type Cost of purchased materials invoiced has been posted to a main account that does not represent inventory.
1000	12/18/2016	011986	Fixed assets	-179,800.00	The posting type Fixed asset issue has been posted to a main account that does not represent inventory.
1000	12/18/2016	012001	Purchase order	-179,800.00	The posting type Cost of purchased materials received has been posted to a main account that does not represent inventory.
1000	12/18/2016	012001	Purchase order	179,800.00	The posting type Cost of purchased materials invoiced has been posted to a main account that does not represent inventory.
<b>Total</b>				<b>-179,800.00</b>	

**General ledger**

Main account	Date	Posting type	Voucher	Value	Comment
140100	12/31/2016	Ledger journal	GNJL000796	-5,000,000.00	Direct postings on this main account representing inventory will cause imbalance.
140100	12/31/2016	Ledger journal	GNJL000805	5,000,000.00	Direct postings on this main account representing inventory will cause imbalance.
140200	12/31/2016	Ledger journal	GNJL000796	-2,000,000.00	Direct postings on this main account representing inventory will cause imbalance.
140200	12/31/2016	Ledger journal	GNJL000805	2,000,000.00	Direct postings on this main account representing inventory will cause imbalance.
<b>Total</b>					
<b>Grand total</b>				<b>-179,800.00</b>	

# Incorrect Item Group Assignment

RELEASED PRODUCT DETAILS

Filter

Item number ↑	Product name	Search name	Product type	Product subtype	Item group	Item model group
1000	Surface Pro 128 GB	1001	Item	Product	Consume	FIFO

## Purchase order

Account type	Main account
Cost of purchased materials rec...	180100
Purchase expenditure, un-invoic...	200140
Cost of purchased materials inv...	606300
Purchase expenditure for product	618900
Discount	
Fixed receipt price profit	
Fixed receipt price loss	

# Inventory Value Report with COGS - Summary

Go to ◯ ◀ ▶ ▶ Find ◯ Zoom ◯ Export ◯

## Inventory value

Contoso Entertainment System USA

From 12/1/2016  
To 12/31/2016

Material	Resource group	Reference	Inventory: Quantity	Inventory: Amount	Deferred COGS: Quantity	Deferred COGS: Amount	COGS: Quantity	COGS: Amount
	Audio	Ending balance	1,675.00	227,511.26	341.00	104,925.38	1,909.00	430,608.40
	AudioRM	Ending balance	12,829.00	351,922.43	0.00		0.00	
	CarAudio	Ending balance	83.00	16,461.29	120.00	23,799.46	236.00	46,805.59
	CarAudioRM	Ending balance	102.00	3,312.96	0.00		0.00	
	Consume	Ending balance	0.00		0.00		0.00	
	TV&Video	Ending balance	534.00	592,160.00	228.00	185,120.00	746.00	766,880.00
<b>Material Totals</b>			15,223.00	1,191,367.94	689.00	313,844.84	2,891.00	1,244,293.99
<b>Report summary</b>			<b>Sum Inventory: Quantity</b>	<b>Sum Inventory: Amount</b>	<b>Sum Deferred COGS: Quantity</b>	<b>Sum Deferred COGS: Amount</b>	<b>Sum COGS: Quantity</b>	<b>Sum COGS: Amount</b>
			15,223.00	1,191,367.94	689.00	313,844.84	2,891.00	1,244,293.99

# Inventory Value Report with COGS - Inventory

Inventory				
Ledger account	Account name	Dimension set	Amount	Percent
<b>140100</b>	<b>Raw Materials Inventory</b>		<b>355,235.39</b>	
140100		140100~Audio	0.00	
140100		140100~AudioRM	0.00	
140100		140100~CarAudio	0.00	
140100		140100~CarAudioRM	0.00	
140100		140100~Consume	0.00	
140100		140100~Services	0.00	
140100		140100~TV&Video	0.00	
140100		140100~	355,235.39	
<b>140200</b>	<b>Finished Goods Inventory</b>		<b>1,015,932.55</b>	
140200		140200~Audio	0.00	
140200		140200~AudioRM	0.00	
140200		140200~CarAudio	0.00	
140200		140200~CarAudioRM	0.00	
140200		140200~Consume	0.00	
140200		140200~Services	0.00	
140200		140200~TV&Video	0.00	
140200		140200~	1,015,932.55	
<b>149999</b>	<b>Total</b>		<b>1,371,167.94</b>	
149999		149999~	1,371,167.94	
149999		149999~Audio	0.00	
149999		149999~AudioRM	0.00	
149999		149999~CarAudio	0.00	
149999		149999~CarAudioRM	0.00	
149999		149999~Consume	0.00	
149999		149999~Services	0.00	
149999		149999~TV&Video	0.00	
	Discrepancy		-179,800.00	-15.09

# Inventory Value Report with COGS - COGS

## Deferred COGS

Ledger account	Account name	Dimension set	Amount	Percent
	Discrepancy		313,844.84	100.00

## COGS

Ledger account	Account name	Dimension set	Amount	Percent
<b>500100</b>	<b>COGS - Finished Goods</b>		<b>1,244,294.03</b>	
500100		500100~Audio	477,414.03	
500100		500100~AudioRM	0.00	
500100		500100~CarAudio	0.00	
500100		500100~CarAudioRM	0.00	
500100		500100~Consume	0.00	
500100		500100~Services	0.00	
500100		500100~TV&Video	766,880.00	
500100		500100~	0.00	
<b>500110</b>	<b>COGS - Raw Materials</b>		<b>0.00</b>	
500110		500110~Audio	0.00	
500110		500110~AudioRM	0.00	
500110		500110~CarAudio	0.00	

# Other Valuable Reports

- Work In Process (Production Control)
  - Materials in Process
  - Work in Process
  - Indirect Cost in Process
- Cost estimates and costings (Production Control)
- Variance analysis statement (Cost Management)



# Inventory Best Practices?


- Make sure the Item Groups are set up correctly
  - Know Your Postings!
- Make sure non-tangible (Service or Non-Stocked) Items are not pointed to inventory accounts
- Use Item Group as a Financial Dimension
- Complete your processes
- Understand the impact of Cycle Counting
  - Causes problems with picked and registered
- Do Inventory Closing every Accounting Period
- Do Not post to an inventory account from General Journal

# Transactions Left Open

A0001	Sales order	000748		Reserved...	-10.00	Pcs
A0001	Work	USMF-000001		Reserved...	-10.00	Pcs
A0001	Work	USMF-000001	Ordered		10.00	Pcs
A0001	Sales order	000751		Reserved...	-10.00	Pcs
A0001	Sales order	000752		Reserved...	-10.00	Pcs
A0001	Work	USMF-000002		Reserved...	-10.00	Pcs
A0001	Work	USMF-000002	Ordered		10.00	Pcs
A0001	Purchase order	000009	Quotation rec...		10.00	Pcs
A0001	Purchase order	00000044	Registered		10.00	Pcs
A0001	Purchase order	00000046	Registered		1,000.00	Pcs
A0001	Sales order	000776		Reserved...	-10.00	Pcs
A0001	Sales order	000776		Picked	-25.00	Pcs

# Incorrect Item Setup

✓ Item number ↑	Product name	Search name	Product type ▾	Product subtype	Item group
M0051	Firmware	Firmware	Service	Product	Audio
S0001	Installation services	Installation service	Service	Product	Services
S0021	Insurance	Insurance	Service	Product	Services

Item group	Name
Audio	Audio Products 

Sales order	
Account type	Main account
Cost of units, delivered	140200
Cost of goods sold, delivered	500150
Cost of units, invoiced	140200
Cost of goods sold, invoiced	500100
Revenue	401100
Discount	
Commission	602150

Questions?

