MM - Material Price Change (MM-IV-MP)

HELP.MMIVMVAL

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SAP™

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Contents

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Purpose

Material Valuation is part of *Materials Management* (MM). This includes the following application areas:

- Purchasing
- Inventory Management
- Logistics Invoice Verification

Material Valuation determines or records the stock value of a material. The stock value is calculated using the formula:

Stock value = stock quantity x material price

Thus, if the stock quantity or the material price changes, the stock value changes.

Implementation Considerations

Material Valuation is not an independent application area, since most Material Valuation functions take place automatically in the SAP System. Depending on how a company is structured, tasks that have to be carried out manually belong to either Inventory Management or Invoice Verification.

Integration

Material Valuation represents a link between *Materials Management* (MM) and *Financial Accounting* (FI), since it updates the G/L accounts in Financial Accounting.

Features

Material Valuation serves the following purposes:

- Adjusting material prices to market prices
- Performing revaluations
- Executing balance sheet valuation

See also:

Control of Material Valuation [Page 8]

Valuation Structure [Page 9]

Changes in Material Valuation [Page 12]

Price Control [Page 13]

Balance Sheet Valuation (MM-IM-VP) [Ext.]

Control of Material Valuation

Use

Material Valuation is basically controlled by two factors:

- System settings
- Material master record

Features

System Settings

By customizing the SAP System, you adapt *Material Valuation* to the requirements of your company. Below are some of the questions you answer when you configure the system:

- At which level are materials valuated?
- Which types of goods movements are relevant for valuation?
- Which accounts must be posted to during a transaction?

Material Master Record

As a rule, a material master record is created for every material. The information contained in this record includes valuation data for the material. When maintaining the material master record, you must decide the following:

- Whether a particular material should be valuated at all
- Whether different sub-stocks of a material should be valuated differently
- Whether the stock of a material should be valuated at a constant price (standard price) or whether the price should change in accordance with the delivered price (moving average price)
- Which G/L account the stock value of a material should be managed in

The stock quantity and value of a material and the material price are also recorded in the material master record.

Valuation Structure

Data on a material is valuated using the following structure:

- Valuation area
- Valuation class
- Valuation category
- Valuation type
- Material type
- Movement type

Valuation Area

Organizational level at which material valuation is carried out. You can define a valuation area as follows:

- **Valuation area = company code**

  All stocks of a particular material in this company code are valuated together.

- **Valuation area = one plant**

  The stocks of a particular material in this individual plant are valuated together. Stocks in other plants are not included in this valuation area.

You define in Customizing the level at which valuation should take place.

Valuation Class

You group together different materials with similar properties into valuation classes so that you do not have to manage a separate stock account for every material.

The following table contains examples of possible valuation classes:

Valuation class	Description
3001	Colors
3002	Paints
3030	Operating supplies
3100	Trading goods

Which valuation class a material can be assigned to depends on the material type. You can define the following assignments in Customizing:

- All materials with the same material type are assigned to just one valuation class.
- Different materials with the same material type are assigned to different valuation classes.
- Materials with different material types are assigned to a single valuation class.

Valuation Structure

A material is assigned to a valuation class in the material master record. The system checks whether the material type allows the material to be assigned to the valuation class specified.

The system refers to the valuation class of a material to determine which stock account to post to when a posting is made for this material.

Valuation Category

Criterion according to which split valuation is carried out:

- **Procurement**

  You can valuate a material differently depending on whether it is manufactured in-house or procured externally.

- **Origin**

  You can valuate a material differently depending on where it comes from (such as home or abroad).

- **Status**

  You can valuate a material differently depending on its status (such as new, used, repaired).

You define the valuation categories in Customizing. A material is assigned a valuation category in the material master record.

Valuation Type

The valuation type specifies the individual characteristic of the valuation category, such as *internal* or *external*, in the case of Procurement. Within the valuation category *Origin*, you can define the different countries as the valuation types. You define valuation types in Customizing. You first determine all the valid valuation types for a valuation category.

You define in the material master record which valuation types are allowed for a particular material. For every material subject to split valuation, you must enter all the valuation types allowed in the material master record.

Material Type

You assign every material to a material type when you create it. Examples of material types in the standard system include *raw materials*, *operating supplies* and *finished products*.

The material type controls the properties of a material and which data must be maintained for the material. The following control features are important for valuation:

- Is the material managed by quantity?
- Is the material managed by value?
- Which price control type may be used for the material?
- Which valuation class can the material be assigned to?

The system administrator can create or change material types in Customizing.

Movement Type

For every material movement, there is a movement type in the SAP System. The movement type controls the properties of the movement, for example, which entries you must make when

entering a material movement, and which updates are carried out when the movement is posted. The following control features are important for valuation:

- Does the material movement cause the quantity to be updated?
- Does the material movement cause the value to be updated?
- Does the material movement lead to postings in Accounting?
- Is the material movement relevant for LIFO/FIFO valuation?

The system administrator can create or change movement types in Customizing.

Changes in Material Valuation

Use

There are two types of changes in Material Valuation:

- Automatic changes
- Manual changes

Features

Automatic Changes

Changes in Material Valuation due to goods receipts and invoice receipts are carried out automatically when the relevant transaction is posted.

The extent to which the stock value changes depends on the sequence in which the goods receipts and invoice receipts are posted. The SAP System allows for both possibilities:

- When goods are received before the invoice, the stipulations in the purchase order are used as the basis for posting.
- When the invoice is received before the goods, the details on the invoice are used as the basis for posting.

Manual Changes

You can change the valuation manually. The following changes are possible:

- **Revaluation of a material due to:**
  - A price change

    If the material price no longer corresponds to the current market price, you can adjust it by making a price change.
  - A material debit or credit

    If the stock value of a material is to be increased or decreased, you can make a direct credit or debit posting for this material.
- **Posting of physical inventory differences**

  If a physical inventory reveals differences in quantity between the physical stocks and the book inventory, you must correct the book inventory balance manually, that is, the physical inventory differences must be posted. Adjusting the stock quantity leads to a change in the value of the stock.

See also:

Value Changes in Inventory Management [Page 20]

Value Changes in Logistics Invoice Verification [Page 50]

Value Changes From Cash Discounts [Page 58]

Price Control

Use

In the SAP System, there are two types of price control:

- Standard price
- Moving average price

These two types of price control differ in how they handle price variances resulting from goods receipts or invoice receipts.

Integration

You determine the price control that should be used for a material when you create the material and enter the accounting data for it. You enter one of the following indicators in the *Price control* field to determine how the price is controlled:

- **S** for standard price control
- **V** for moving average price control

Features

Standard Price

Valuation using a **standard price** has the following features:

- All inventory postings are carried out at the standard price
- Variances are posted to price difference accounts
- Variances are updated
- Price changes can be monitored

If a material is assigned a standard price (S), the value of the material is always calculated at this price. If goods movements or invoice receipts contain a price that differs from the standard price, the differences are posted to a price difference account. The variance is not taken into account in valuation.

For more information, see Standard Price: Value Calculation [Page 15].

Moving Average Price

Valuation using a **moving average price** results in the following:

- Goods receipts are posted at the goods receipt value.
- The price in the material master is adjusted to the delivered price.
- Price differences occur only in exceptional circumstances.
- Manual price changes are usually unnecessary. However, they are possible.

If a material is assigned a moving average price (MAP), the price is automatically adjusted in the material master record when price variances occur. If goods movements or invoice receipts are posted using a price that differs from the moving average price, the differences are posted to the stock account; as a result, the moving average price and the value of the stock change.

Changes in Material Valuation

The moving average price displayed in the material master record is rounded off. For valuation calculations, the system always uses the exact price (stock value / stock quantity).

For more information, see Moving Average Price: Value Calculation [Page 16].

See also:

Changing the Type of Price Control [Page 17]

Standard Price: Value Calculation

When a material is valuated at a standard price, the system calculates the value of goods movements in the following way:

$$\text{Quantity}_{new} = \text{Quantity}_{old} + \text{Quantity}_{receipt}$$

$$\text{Value}_{new} = \text{Value}_{old} + \text{Quantity}_{receipt} * \frac{\text{Price}_{material\ master}}{\text{Price unit}_{material\ master}}$$

$$\text{Price}_{new} = \text{Price}_{old} = \text{Price}_{material\ master}$$

For more information and examples of postings and value calculations for materials subject to valuation at a standard price, see:

- Postings at Goods Receipt and Invoice Receipt [Page 19]
- Postings in the case of a price variance for material with standard price [Ext.]
- Postings in the case of price and quantity variances for material with standard price [Ext.]
- Postings in the case of a purchase order price quantity variance [Ext.]
- Postings in the case of a credit memo for material with standard price [Ext.]

Moving Average Price: Value Calculation

When a material is subject to moving average price control, the system calculates values for goods movements in the following way:

$$\text{Quantity}_{new} = \text{Quantity}_{old} + \text{Quantity}_{receipt}$$

$$\text{Value}_{new} = \text{Value}_{old} + \text{Quantity}_{receipt} * \frac{\text{Price}_{receipt}}{\text{Price unit}_{receipt}}$$

$$\text{Price}_{new} = \frac{\text{Value}_{new}}{\text{Quantity}_{new}} * \text{Price unit}_{material\ master}$$

For more information and examples of postings and value calculations for materials subject to moving average price control, see:

- Postings at Goods Receipt and Invoice Receipt [Page 19]
- Postings in the case of a price variance for material with moving average price with stock coverage [Ext.]
- Postings in the case of a price variance for material with moving average price without stock coverage [Ext.]
- Postings in the case of price and quantity variances for material with standard price [Ext.]
- Postings in the case of a purchase order price quantity variance [Ext.]
- Postings in the case of a credit memo for material with moving average price [Ext.]
- Postings for GR/IR Clearing Account Maintenance [Page 56]
- Value change due to cash discount: Gross Goods Receipt – Gross Invoice Receipt [Page 59]
- Value change due to cash discount: Gross Goods Receipt – Net Invoice Receipt [Page 60]
- Value change due to cash discount: Net Goods Receipt – Gross Invoice Receipt [Page 61]

Changing the Type of Price Control

Under certain conditions, you can change the type of price control:

- **From standard price to moving average price**

  You can make this change at any time. The moving average price (which until now has been updated for informational purposes only) replaces the standard price and is used for valuation from now on.

- **From moving average price to standard price**

  You cannot make this change in the following two cases:

  – If the material master record is set up as a valuation header record for a material subject to split valuation For more information, see Split Valuation [Page 62].

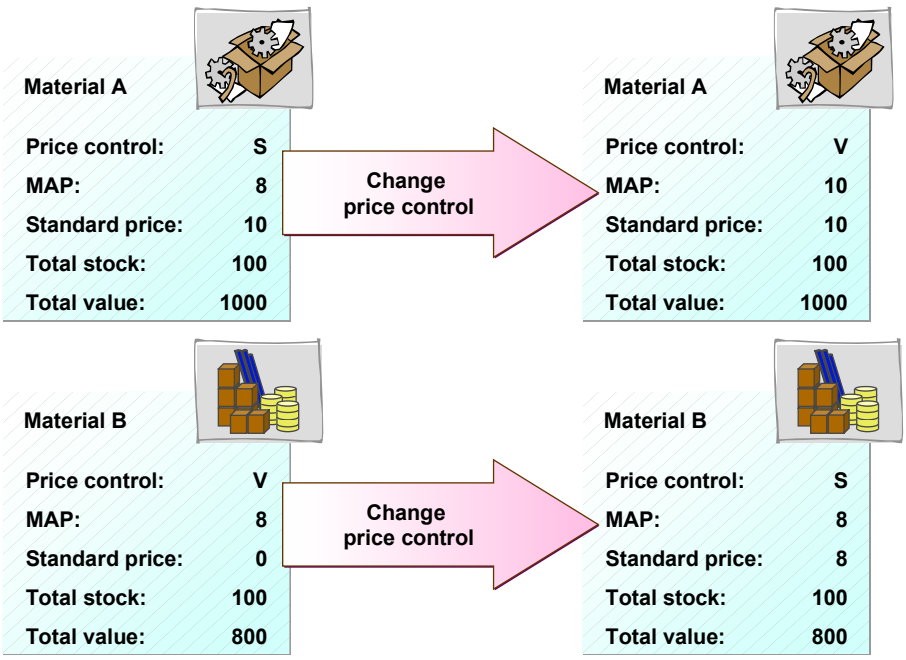
  – If the standard price comes from costing and is not equal to the moving average price

  If the change is possible, the moving average price becomes the standard price, which is then used for valuation.

You change the type of price control by overwriting the price control indicator in the material master record with the new indicator.

Changing the type of price control for a material does not change the value of the material stock, since in both cases the current price becomes the new price. This is shown in the following graphic:

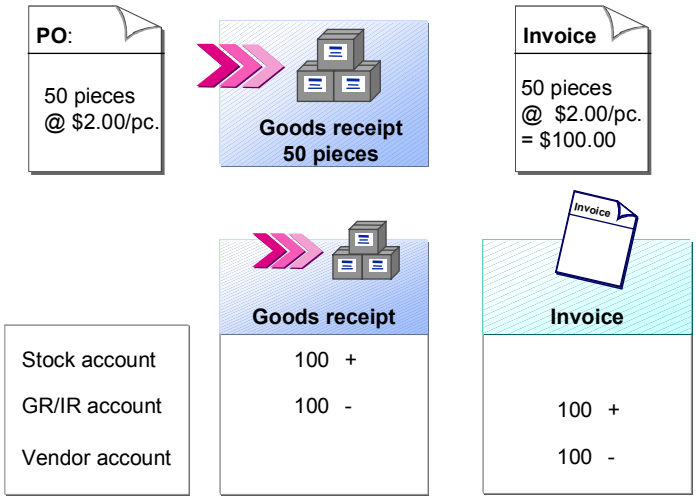
Changing the Type of Price Control



Postings at Goods Receipt and Invoice Receipt

In the SAP System, goods receipts and invoice receipts are offset to a clearing account (the GR/IR clearing account).

A Simple Example of a Goods Receipt Posting and an Invoice Receipt Posting



When you receive goods, the system credits the value of the goods (goods receipt quantity x net order price) to the stock account and posts the offsetting entry to the GR/IR clearing account. The GR/IR clearing account is cleared when the invoice is posted to the vendor account.

Value Changes in Inventory Management

Use

Most goods movements in Inventory Management lead to changes in stock quantity and therefore in stock value: In the case of goods receipts, the stock value increases and in the case of goods issues, the stock value is reduced.

Features

For materials valuated at a moving average price, the material price can also change in the case of goods receipts for purchase orders [Page 21]. This is the case if the purchase order price differs from the material price.

Planned Delivery Costs [Page 26] for a purchase order are also included in valuation when goods are received. When the goods receipt is posted, provisions are created for planned delivery costs; thus the material is immediately valuated at the expected price. A subsequent debit/credit [Page 53] when the invoice is received is only necessary if there are variances between the stipulations of the order and the invoice.

It is also possible to post the net value of goods received. In this way, cash discounts that have been agreed upon are taken into account in valuation at this point. This means that when a goods receipt is posted for a material with moving average price control, the value of the order minus the cash discount is debited.

Material price changes can also occur during the following transactions in Inventory Management:

- Delivery Free of Charge [Page 29]
- Transfer Posting [Page 31]
- Goods Receipt Without a Purchase Order [Page 28]
- Initial Entry of Inventory Data [Page 37]
- Goods Issue [Page 40]
- Goods Receipt Reversal [Page 41]

See also:

Standard Price: Value Calculation [Page 15]

Moving Average Price: Value Calculation [Page 16]

Goods Receipt for a Purchase Order

Use

Usually, a goods receipt for a purchase order is valuated. How the material is valuated depends on the value calculation used and the postings carried out.

Features

A distinction is made between two ways in which the value of the goods receipt can be calculated:

- **Goods Receipt Before Invoice Receipt**

  Generally, you receive the invoice after the goods. Consequently, the value of the delivery is not known at the time of goods receipt. In this case, the value calculation is based on the purchase order. The value of the goods receipt is calculated based on the quantity received and the net order price.

Value Calculation: Goods Receipt Before Invoice Receipt

Purchase order:	100 pieces of material A at $10/piece
Goods receipt:	70 pieces
The value of the goods receipt is calculated as follows:	70 pieces x $10/piece = $700

- **Invoice Receipt Before Goods Receipt**

  If an invoice has been posted for a purchase order before the goods are received, the value of the delivery is known at the time of goods receipt. In this case, the value calculation is based on the invoice. The value of the goods receipt is calculated based on the quantity received and the invoice price. If the invoice was for only part of the quantity, only the actual quantity invoiced is valuated at the invoice price at goods receipt. The remaining quantity is valuated at the purchase order price.

Value Calculation: Invoice Receipt Before Goods Receipt

Purchase order:	100 pieces of material A at $10
Invoice:	50 pieces at $12/piece = $600
Goods receipt:	70 pieces
The value of the goods receipt is calculated as follows:	50 pieces x $12/piece + 20 pieces x $10/piece = $800

See also:

Postings: Goods Receipt for a Purchase Order [Page 23]

Goods Receipt for a Purchase Order

Planned Delivery Costs [Page 26]

Postings: Goods Receipt for Purchase Order

Use

The value of the goods receipt is posted to the GR/IR clearing account; the offsetting entry depends on the type of price control for the material.

Features

Standard Price

In the case of a material valuated at a standard price, only the value of the delivered quantity x standard price can be posted to the stock account. If the net order price (or, in the case of invoice receipt before goods receipt, the invoice price) differs from the standard price, this results in a difference between this value and the value of goods delivered. The system posts this difference to a price difference account. Since only the value of the delivered quantity x standard price is posted to the stock account, there is no change of value in the material master record.

Moving Average Price

In the case of a material valuated at a moving average price, the delivered quantity x net order price (or invoice price) is posted to the stock account.

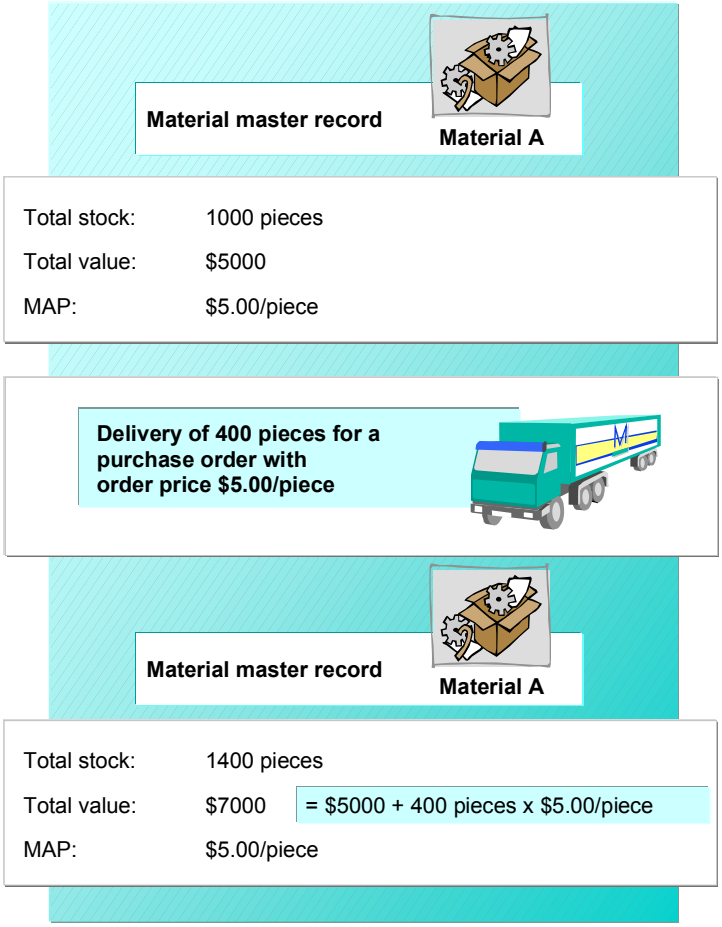
If the purchase order price (or the invoice price) is the same as the price in the material master record, there is no change in the value per piece.

If the purchase order price (or the invoice price) is not the same as the price in the material master record, there is a change in the value per piece.

Goods Receipt Without Price Variance [Page 24]

Goods Receipt with Price Variance [Page 25]

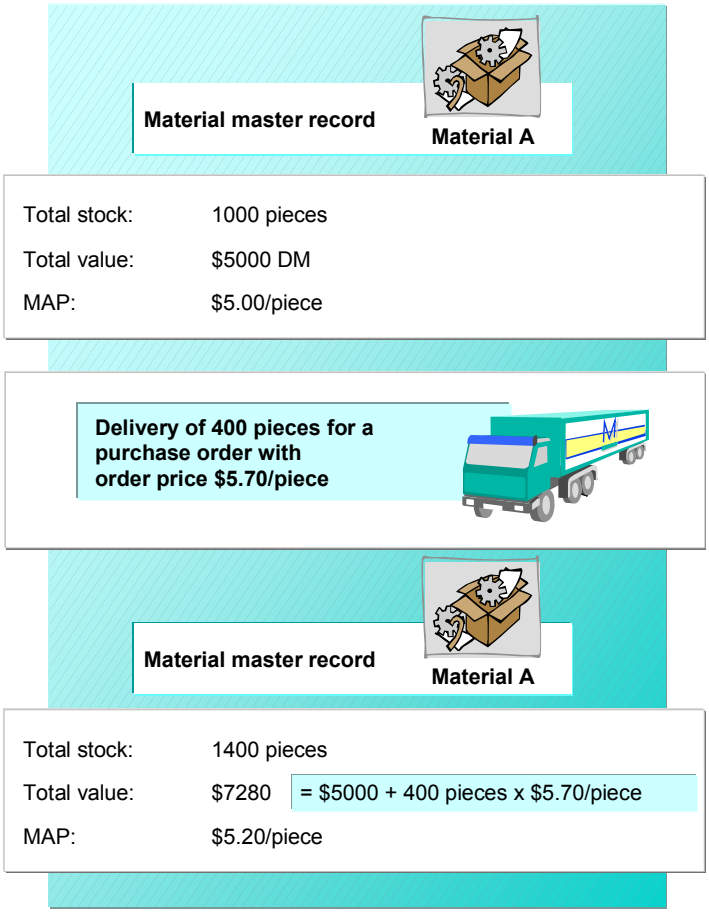
Goods Receipt Without Price Variance



Since the purchase order price is the same as the moving average price, the ratio of total value to total quantity remains unchanged when the goods receipt is posted:

5000/1000 = 2000/400 = (5000 + 2000)/(1000 + 400) = 5.00

Goods Receipt with Price Variance



Since the purchase order price is higher than the moving average price in the material master record, the ratio of total value to total quantity increases when the goods receipt is posted:

$7280/1400 pieces = $5.20/piece > $5.00/piece

If the purchase order price is lower than the moving average price, the moving average price is reduced when the goods receipt is posted.

Planned Delivery Costs

Use

In the SAP System, you can enter planned delivery costs in a purchase order. In the standard system, there are the following types of delivery costs:

- Freight costs
- Customs charges
- Miscellaneous costs

You can define additional types of delivery costs in Customizing.

Features

If a goods receipt is posted for a purchase order with planned delivery costs, the delivery costs amount planned for the quantity received is posted to a clearing account (there is a separate clearing account for each type of delivery costs). The offsetting entry is posted to either the stock account or a price difference account, depending on the type of price control defined for the material.

The corresponding clearing account is cleared when the goods invoice or a separate invoice is posted in Invoice Verification.

Postings: Planned Delivery Costs

Purchase order: 100 pcs @ $1.30/pc.
Planned delivery costs: Freight $0.10 /pc.
Customs $6.00

Goods receipt for this purchase order: 100 pcs

Invoice:			
	100 pcs @ $1.30/pc.	=	$130.00
	plus Freight $0.10/pc.	=	$10.00
	Customs	=	$6.00
			$146.00

	Goods receipt	Invoice
Stock account	146 +	
GR/IR account	130 -	130 +
Vendor account		146 -
Freight clearing	10 -	10 +
Customs clearing	6 -	6 +

See also:

Planned and Unplanned Delivery Costs [Page 55] in Invoice Verification

Goods Receipt Without a Purchase Order

Use

If you post a goods receipt without a purchase order, the goods receipt is valuated on the basis of the valid price in the material master record. Thus, the price in the material master record is not changed by the transaction; the stock quantity and the stock value increase proportionally.

A goods receipt without a purchase order is posted to the stock account; the offsetting entry is made to a "stock change" account.

Delivery Free of Charge

Use

If a delivery free of charge is posted for a material, for example as a rebate in kind, a goods receipt is posted for this material, but no invoice receipt. The account postings at goods receipt depend on the price control defined for the material.

Features

Standard Price

When a delivery free of charge is posted, the stock of the material increases by the quantity of goods received.

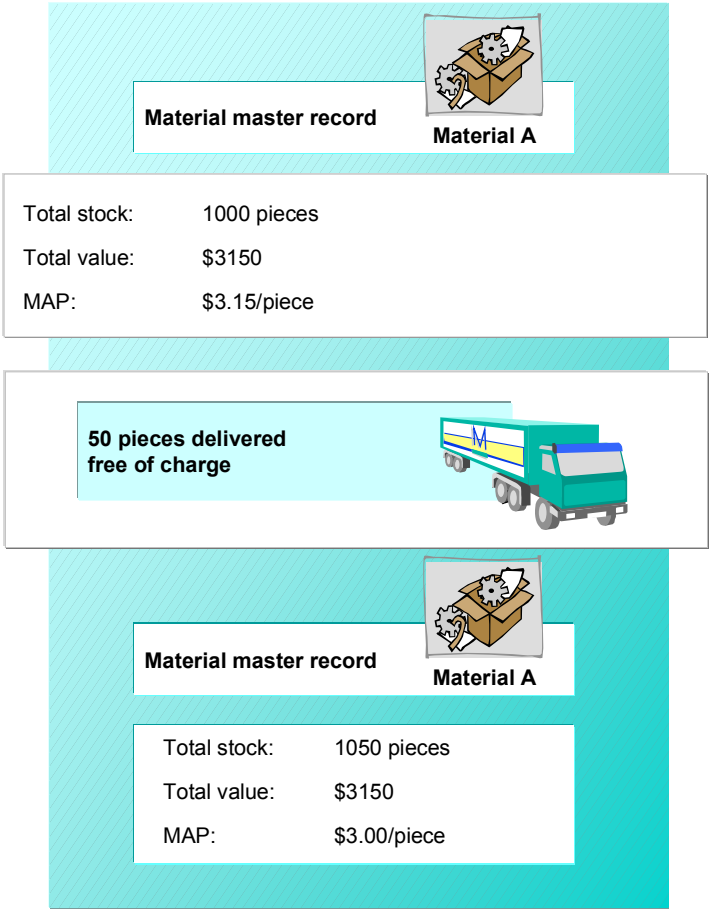
For a material valuated at a standard price, the total value of the material must increase in relation. Therefore, the stock account is credited with the value of the delivered quantity x standard price. The offsetting entry is made to the "Income from price differences" account.

Moving Average Price

For a material valuated at a moving average price, no accounts are credited or debited when the delivery free of charge is posted, since there is no change in value. The total stock quantity of the material increases in the material master record, while the total value remains unchanged. Thus, the moving average price decreases.

Value Change in the Case of a Delivery Free of Charge for a Material Subject to Moving Average Price Control

Delivery Free of Charge



Transfer Posting

Definition

There are various types of transfer postings. A material document is created for every transfer posting. An accounting document is only created for transfer postings that lead to a change in value. These are:

- Transfer Posting: From Plant to Plant [Page 32]
- Transfer Posting: From Consignment to Company-Owned Stock [Page 34]
- Transfer Posting: From Material to Material [Page 35]
- Transfer Posting: From Valuation Type to Valuation Type [Page 36]

Transfer Posting: From Plant to Plant

Use

There are two ways to make a transfer posting from plant to plant:

- **In Two Steps**

  First you post the stock withdrawal in the issuing plant. Later you post the receipt into stock at the receiving plant. In the time between the two postings, the material is placed in "stock in transfer" at the receiving plant. Two material documents are created.

- **In One Step**

  You post the stock withdrawal in the issuing plant and the receipt into stock at the receiving plant simultaneously. One material document is created.

Features

The value of the stock transfer is posted upon withdrawal of the material. The material master records change as follows:

- In the **issuing plant**, the stock is reduced by the quantity transferred, and the value is reduced accordingly:

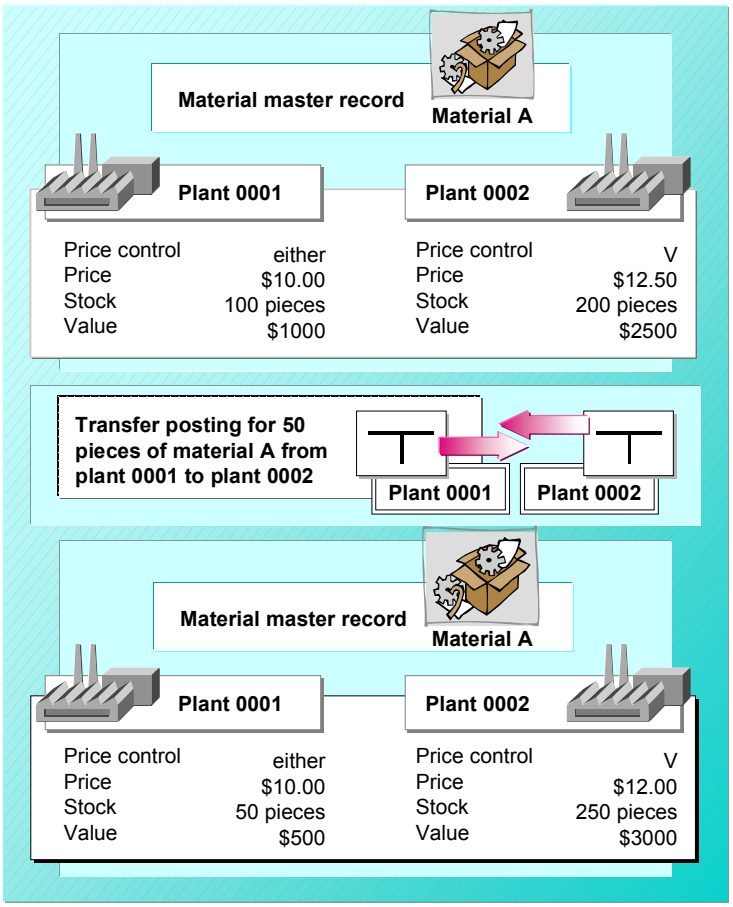
  Transfer posting value = transfer posting quantity x price in issuing plant

- In the **receiving plant**, the stock is increased by the quantity transferred, and the value is increased in accordance with the price control defined for the material.

If the price in the receiving plant differs from that in the issuing plant, the transfer posting results in price differences. These differences are posted to the stock account (in the case of price control **V**) or to an “Expense/income from stock transfer” account (in the case of price control **S**), depending on the type of price control defined in the receiving plant.

Value Change: Transfer Postings from Plant to Plant

Transfer Posting: From Plant to Plant



The value of the transfer posting is calculated based on the price in the issuing plant: 50 pieces x $10/piece = $500. Consequently, the total value is reduced by $500 in the issuing plant and increased by $500 in the receiving plant.

The transfer posting leads to the creation of an accounting document. If the plants involved belong to different company codes, an accounting document is created for each company code. In this case, the offsetting entry is made to the company code clearing account.

Transfer Posting: From Consignment to Company-Owned Stock

Use

Consignment goods are goods that are stored at your company site but belong to a vendor. The vendor makes the goods available to you but does not invoice them right away. The goods are invoiced at a previously agreed-upon consignment price once you have withdrawn them from storage.

Features

Consignment stock is not subject to valuation in your company. When you transfer consignment stock to company-owned stock, the quantity transferred is valuated as follows:

Transfer posting value = quantity transferred x consignment price

The transfer posting value is posted to the material's stock account and the offsetting entry is made to the "Payables from consignment stores" account. This account is cleared by Invoice Verification when the consignment withdrawal is settled.

If the consignment price differs from the material price, the transfer posting leads to price differences. Depending on the type of price control, these differences are posted to the stock account (price control **V**) or to an “Expense/income from consignment withdrawal” account (price control **S**).

Transfer Posting: From Material to Material

Use

If you manage similar materials under different material numbers, you may occasionally need to transfer the stock of one material to another material.

Features

The material master records change due to the transfer posting as follows:

- The stock of the **issuing material** is reduced by the quantity transferred, and the value is reduced accordingly:

  Value = quantity x price of the issuing material

- The stock of the **receiving material** is increased by the quantity transferred. The increase in value depends on the type of price control:

  If the price of the receiving material differs from that of the issuing material, the transfer posting results in price differences. These differences are posted to the stock account (in the case of price control **V**) or to an “Expense/income from stock transfer” account (in the case of price control **S**), depending on the price control defined for the receiving material.

Transfer Posting: From Valuation Type to Valuation Type

Use

In the case of materials subject to split valuation, you can transfer stock from one valuation type to another.

Features

The material master records change due to the transfer posting from one valuation type to another as follows:

- The stock of the **issuing valuation type** is reduced by the quantity transferred, and the value is reduced accordingly:

  Value = quantity x price of the issuing valuation type

- The stock of the **receiving valuation type** is increased by the quantity transferred. The increase in value depends on the type of price control defined.

  If the price of the receiving valuation type differs from that of the issuing valuation type, the transfer posting results in price differences. These differences are posted to the stock account (in the case of price control **V**) or to an “Expense/income from stock transfer” account (in the case of price control **S**), depending on the type of price control defined for the receiving valuation type.

  If you post a transfer from a valuation type subject to price control S to a valuation type subject to price control V, the valuation header record does not change. However, If you post a transfer from a valuation type subject to price control V to a valuation type subject to price control S, the valuation header record changes when price differences occur. Because the price differences are posted to a price difference account, the value of the total stock managed in the valuation header record changes.

Initial Entry of Inventory Data

Use

You enter initial inventory data when you transfer stocks (for example, from an existing system) into the SAP System. This procedure is first performed at the beginning of the production phase with the SAP System. In addition, it is possible to enter initial inventory data when the SAP System is active, both for new materials and for materials for which stocks already exist.

Prerequisites

If you want to enter initial inventory data for a new material, you must create a material master record for this material.

Features

The valuation of the stocks to be entered depends on two factors:

- The price and type of price control defined in the accounting data of the material master record
- If you enter a value for the quantity entered

Material with Standard Price

For a material valuated at a standard price, the initial entry of inventory data is valuated on the basis of the standard price. If you enter an alternative value during the initial entry of inventory data, the system posts the difference to a price difference account.

Initial Entry of Inventory Data: Material with Standard Price [Page 38]

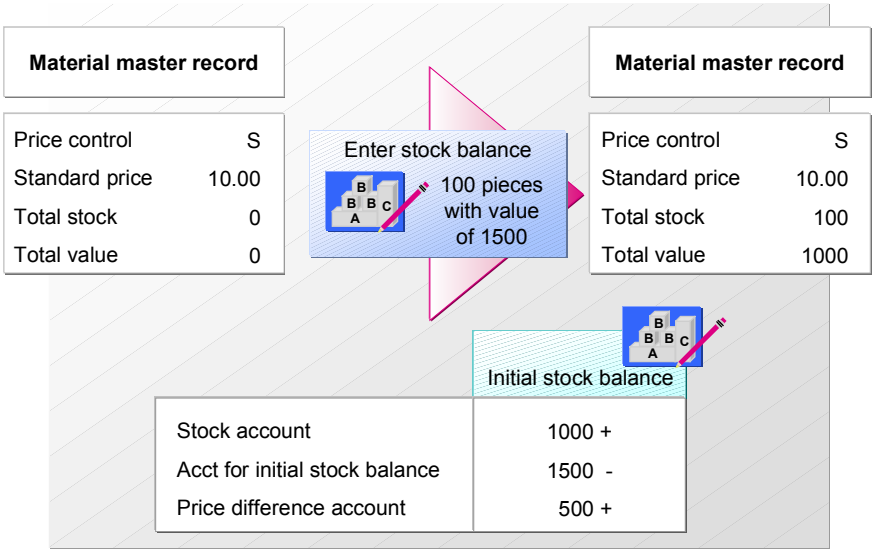
Material with Moving Average Price

For a material valuated at a moving average price, the initial entry of inventory data is valuated as follows:

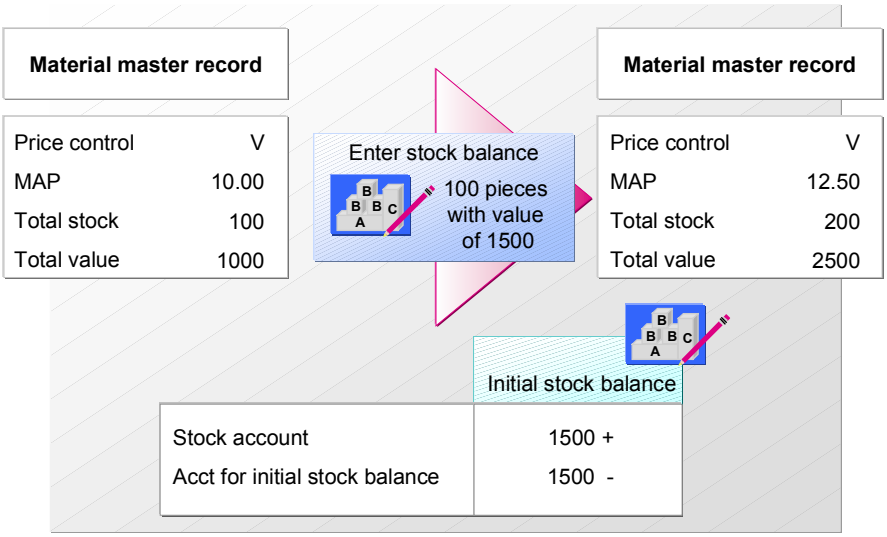
- If you enter a value when entering initial data, the quantity entered is valuated at this price. If the quotient of the value and the quantity of the initial data differs from the moving average price, the moving average price changes when initial data is entered.
- If you do not enter a value when entering initial data, the quantity entered is valuated at the moving average price. In this case, the moving average price does not change.

Initial Entry of Inventory Data: Material with MAP [Page 39]

Initial Entry of Inventory Data: Material with Standard Price

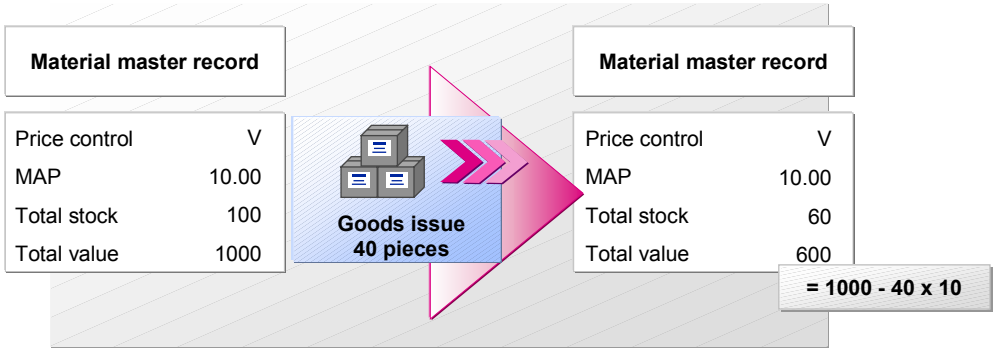


Initial Entry of Inventory Data: Material with MAP



Goods Issue

For both materials valuated at a standard price and materials valuated at a moving average price, goods issues are always valuated at the current price. Consequently, a goods issue reduces the total value and the total quantity in relation to the price, and the price remains unchanged.



Goods issues do not change the moving average price that is recorded for informational purposes for materials with standard price control.

Goods Receipt Reversal

Use

Goods-Receipt-Based Invoice Verification

In the case of goods-receipt-based invoice verification, the system can assign the reversal of a goods receipt to the original document, thus the postings are generally reversed.

No Goods-Receipt-Based Invoice Verification

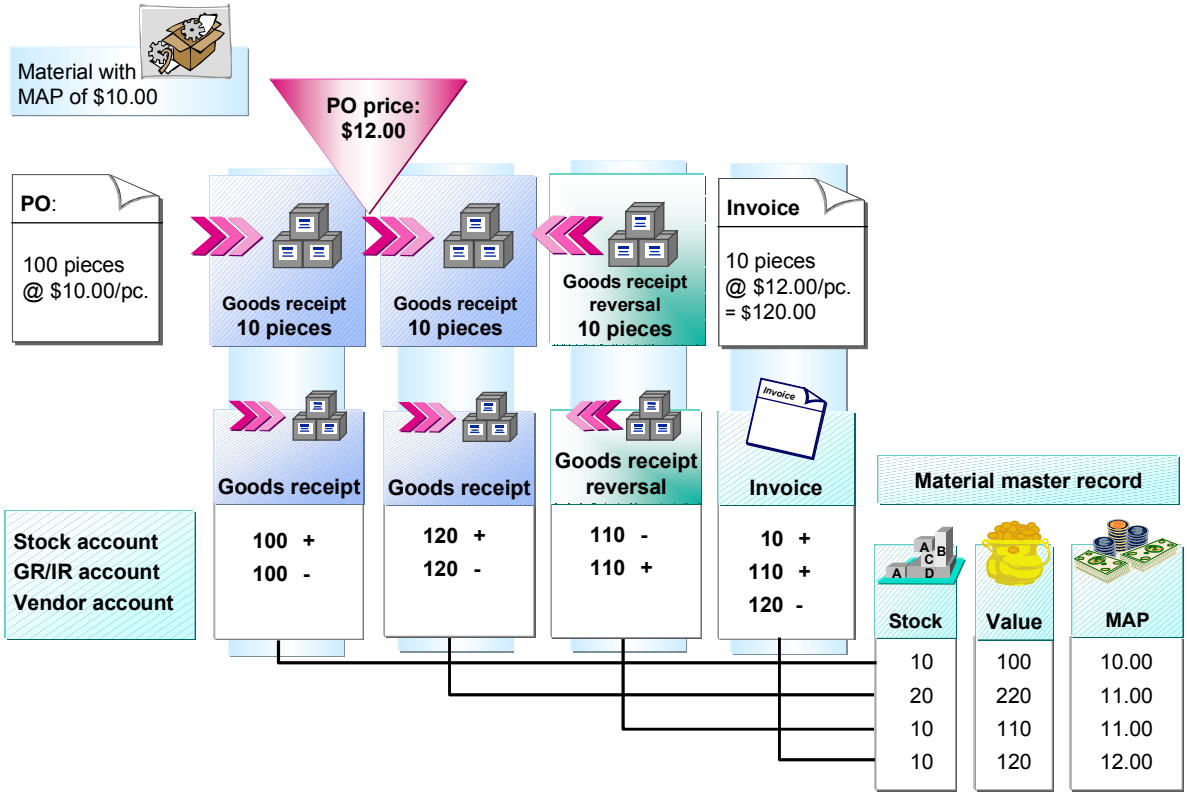
If goods-receipt-based invoice verification has not been defined and several goods receipts have been posted with different order prices, the system posts the reversal of the goods receipt with the average receipt value of the goods receipts, that is, the postings are not necessarily reversed. This type of valuation is used when posting in the following functions:

- Reversing **delivery costs** and negative delivery costs, such as rebate accruals
- Reversing goods receipts for **returns items**
- Reversing **goods receipts for subcontracting orders that are valuated differently**. The return delivery is valuated at the average value of the original postings.
- Reversing goods receipts with **different values in the local currency**. The order price has not changed, but various exchange rates between the local currency and the foreign currency are used for the goods receipts. The system valuates the return delivery with the average receipt value in local currency.

The examples below show that when you reverse goods receipts, different postings can take place to those made at goods receipt.

Goods Receipt Reversal

Postings Made when Reversing a Goods Receipt After Goods Receipts That Are Valuated Differently



First Goods Receipt

The stock account is posted with the receipt value based on the purchase order price.

Delivered quantity * PO price
10 pieces * $10/pc. = $100

The offsetting entry is posted to the GR/IR clearing account.

Value Calculation

The stock and value in the material master record increase in proportion to the goods receipt quantity. The material price does not change.

After the document is posted, the price in the purchase order is changed.

Second Goods Receipt

The stock account is posted with the receipt value based on the changed purchase order price.

Delivered quantity * PO price

10 pieces * $12/pc. = $120

The offsetting entry is posted to the GR/IR clearing account.

Value Calculation

The purchase order price is different to the moving average price: The stock and value in the material master record do not increase in proportion to the goods receipt quantity, thus the moving average price changes.

Goods Receipt Reversal

The stock account is credited with the average receipt value.

$$\text{Quantity} * \frac{\text{Goods receipt value}}{\text{Goods receipt quantity}}$$

$$10 \text{ pcs} * \frac{\$220}{20 \text{ pcs}} = \$110$$

The offsetting entry is posted to the GR/IR clearing account.

Value Calculation

The return delivery is posted based on the moving average price: The value and stock are reduced in proportion to the goods receipt quantity. The moving average price does not change.

Invoice

The GR/IR clearing account is cleared with the average receipt value. The offsetting entry is posted based on the invoice price on the vendor account. The difference between the GR/IR clearing account and the vendor account is posted to the stock account if there is sufficient stock coverage.

Value Calculation

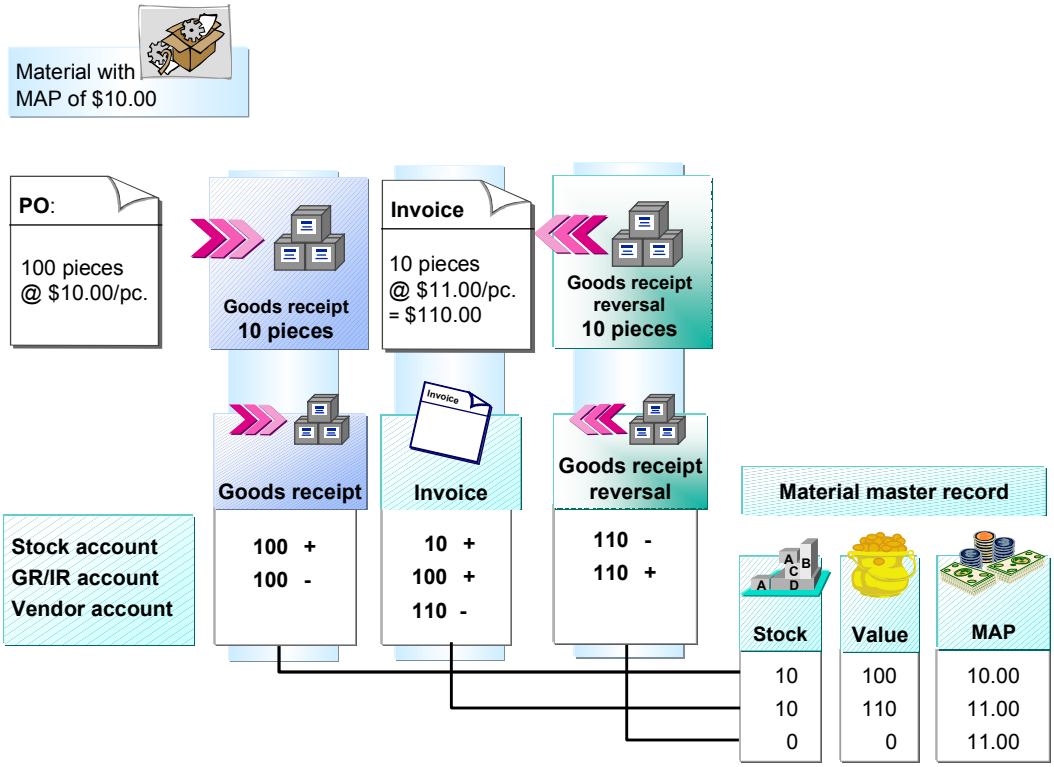
The invoice price is different to the average receipt value: When the invoice is posted, the system corrects the value in the material master record, the stock level remains the same, so the price in the material master record changes.

See also:

Goods Receipt Reversal After Goods Receipt and Invoice Receipt [Page 44]

Goods Receipt Reversal with Purchase Order Price Quantity Variance [Page 46]

Goods Receipt Reversal After Goods Receipt and Invoice Receipt



Goods Receipt

The stock account is posted with the receipt value based on the purchase order price.

Delivered quantity * PO price
10 pieces * $10/pc. = $100

The offsetting entry is posted to the GR/IR clearing account.

Value Calculation

The stock and value in the material master record increase in proportion to the goods receipt quantity. The material price does not change.

Invoice

The GR/IR clearing account is cleared on the basis of the purchase order price:

Invoice quantity * Invoice price
10 pieces * $11/pc. = $110

The posting for the offsetting entry is based on the invoice price on the vendor account.

For a material with a moving average price, the difference between the GR/IR clearing account and the vendor account is posted to the stock account if there is sufficient stock coverage.

Value Calculation

The invoice price is different to the purchase order price: When the invoice is posted, the system corrects the value in the material master record, the stock level is unchanged, thus the moving average price in the material master record changes.

Goods Receipt Reversal

The GR/IR clearing account is cleared on the basis of the invoice price. The offsetting entry is posted to the stock account.

Value Calculation

The stock and value in the material master record are reduced in proportion to the goods receipt quantity reversed, so the moving average price does not change.

Goods Receipt Reversal with PO Price Quantity Variance

In the purchase order, a purchase order price unit (OPUn) different to the purchase order unit (OUn) has been defined.

A variance in purchase order price quantity at goods receipt applies in the following cases:

- **Goods Receipt Before Invoice Receipt**

  The ratio (goods receipt quantity in purchase order price units) : (goods receipt quantity in purchase order units) is different to the ratio (ordered quantity in purchase order price units) : (ordered quantity in purchase order units).

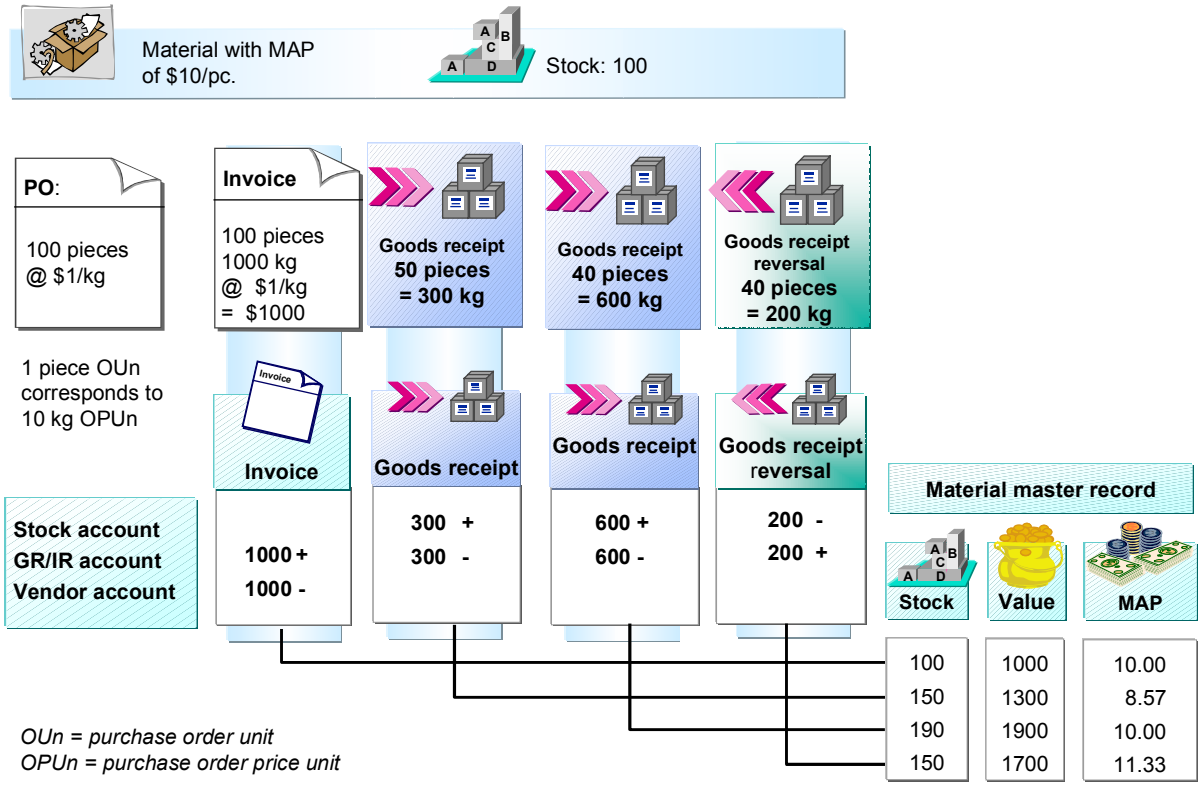
- **Invoice Receipt After Goods Receipt**

  The ratio (goods receipt quantity in purchase order price units) : (goods receipt quantity in purchase order units) is different to the ratio (invoice quantity in purchase order price units) : (invoice quantity in purchase order units).

The system posts goods receipts and return deliveries with a different purchase order price unit as follows:

Example 1:

Postings and Extract from Material Master Record for a Material with Moving Average Price



Invoice

The invoice is posted before the goods receipt, so the posting to the GR/IR clearing account is based on the invoice price.

Invoice quantity * Invoice price
1000 kg * $1/kg = $1000

The offsetting entry is posted to the vendor account.

Value Calculation

The value, stock, and material price in the material master record do not change.

First Goods Receipt

The invoice was posted before the goods receipt, so the GR/IR clearing account is cleared as follows:

Goods Receipt Reversal with PO Price Quantity Variance

Goods receipt quantity in OPUn * Invoice price
300 kg * $1/kg = $300

The offsetting entry is posted to the stock account for a material with a moving average price with sufficient stock coverage.

Second Goods Receipt

The invoice was posted before the goods receipt, so the GR/IR clearing account is cleared as follows:

Goods receipt quantity in OPUn * Invoice price
600 kg * $1/kg = $600

Value Calculation

The stock and value in the material master record do not change in proportion to the goods receipt, so the moving average price changes as well.

Return Delivery

At the time of the return delivery, the stock account is reduced by the goods receipt reversal quantity based on the invoice price.

GR reversal quantity in OPUn * Invoice price
500 kg * $1/kg = $600

The offsetting entry is posted to the GR/IR clearing account.

Value Calculation

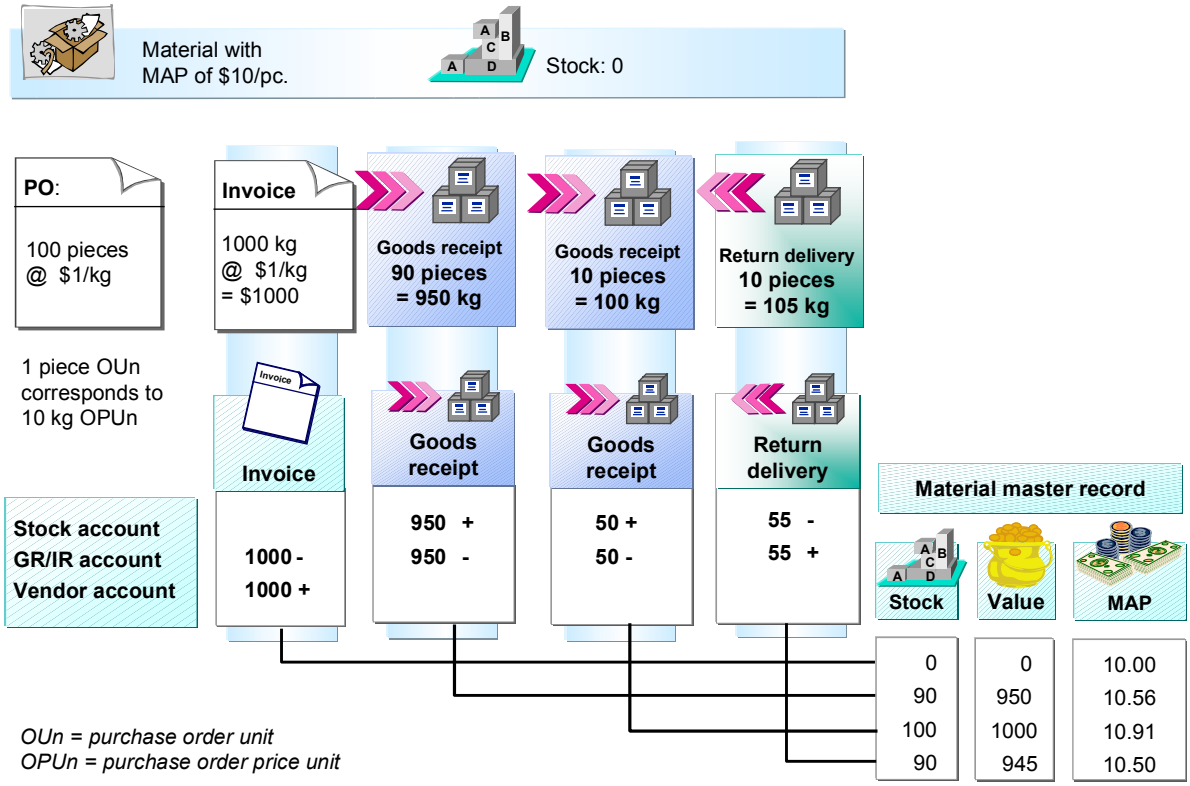
The stock and value in the material master record are not reduced in proportion to the goods receipt, so the moving average price changes as well.

Example 2:

The following example shows a special case:

If the goods receipt quantity in purchase order units is the same as the invoice quantity and the goods receipt quantity in purchase order price units is greater than the invoice quantity, the following account movements take place:

Goods Receipt Reversal with PO Price Quantity Variance



See also:

Order Price Quantity Variances [Ext.]

Value Changes in Logistics Invoice Verification

Use

When you post an invoice, the stock quantity of a material remains unchanged; thus, a change in stock value can only occur if the material price changes. If a material has a moving average price, this occurs if the purchase order price and the invoice price differ. When this is the case, the material received could not have been valuated at the actual delivered price when the goods receipt was posted. Valuation must therefore be adjusted to the actual delivered price of the material when the invoice is posted.

Invoices for Delivery costs [Page 55] cause a change in valuation if they are entered as unplanned delivery costs. Planned delivery costs cause a change only if they differ from the amount posted at goods receipt.

Cash discount [Page 58] granted in an invoice is taken into account in valuation only if an invoice is posted at net value. If a goods receipt is posted at net value, a change in value only occurs if the amount of cash discount granted in the invoice is different to that specified in the purchase order.

See also:

Invoices for Purchase Orders [Page 51]

Subsequent Debits/Credits [Page 53]

Credit Memos [Ext.]

GR/IR Clearing Account Maintenance [Page 56]

Standard Price: Value Calculation [Page 15]

Moving Average Price: Value Calculation [Page 16]

Invoices for Purchase Orders

Use

Invoice Verification generally happens at the end of the material procurement process: The vendor presents an invoice for a delivery made on the basis of a purchase order.

Features

In the SAP System, the goods receipt and invoice receipt are managed using a GR/IR clearing account. Either the goods receipt or the invoice receipt for a purchase order can be entered first. When a goods receipt is entered before an invoice, the posting of the invoice clears the GR/IR clearing account. When an invoice is entered before a goods receipt, the posting of the goods receipt clears the GR/IR clearing account. If there are price differences between the purchase order and the invoice, the account movements vary depending on the sequence of goods receipt and invoice receipt.

- **Invoice Receipt Before Goods Receipt**

  If the invoice receipt is posted before the goods receipt, the invoice price becomes the basis for the posting. The goods receipt that follows is posted with the value posted at invoice receipt.

- **Goods Receipt Before Invoice Receipt**

  Goods are generally received before the invoice. In this case, the goods receipt is posted at the net order price. If the invoice price differs from the net order price, the value posted at goods receipt must be corrected when the invoice is posted.

In either case, the invoice receipt is posted at the value of the invoice (invoiced quantity x invoice price). The account movements depend on the price control defined for the material:

- **Standard Price**

  For a material valuated at a standard price, the price difference is posted to an income or expense account.

- **Moving Average Price (MAP)**

  For a material valuated at a moving average price, the price difference is posted to the stock account, provided there is sufficient stock coverage for the quantity invoiced. If sufficient stock coverage is not available, only the amount for the available quantity is posted to the stock account; the remaining amount is posted to a revenue or expense account.

  Postings in the case of a price variance for Material with Standard Price [Ext.]

  Postings in the case of a price variance for Material with Moving Average Price with Stock Coverage [Ext.]

  Postings in the case of a price variance for Material with Moving Average Price Without Stock Coverage [Ext.]

  Postings in the case of price and quantity variances for Material with Standard Price [Ext.]

Invoices for Purchase Orders

Postings in the case of price and quantity variances for Material with Moving Average Price with Stock Coverage [Ext.]

Subsequent Debits/Credits

Use

If a transaction has already been invoiced and additional costs are invoiced later, a subsequent debit is necessary. In this case, you can debit the material with the additional costs.

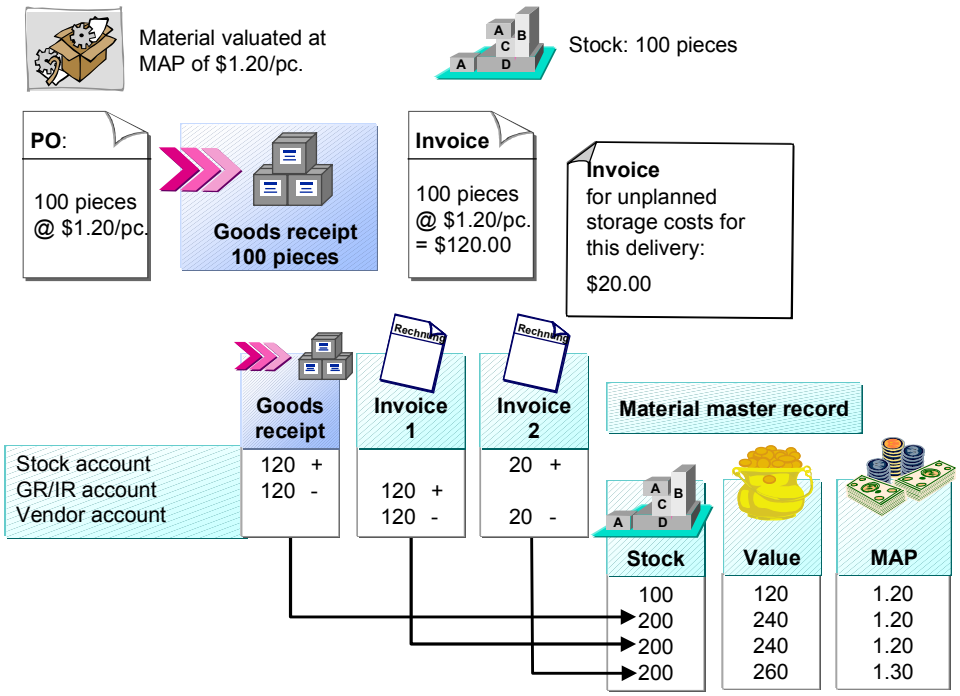
It is also possible to credit the material if costs already posted are reduced at a later date.

Features

When entering a subsequent debit/credit, you must specify the quantity for which the costs are to be posted. If stock coverage does not exist for this quantity, only the portion for the available stock is posted to the stock account. The rest is posted to a price difference account.

When a material is valuated at a standard price, the subsequent debit/credit is posted to a price difference account. This way, the posting does not cause a change in value in the material master record.

Postings and Extract from the Material Master Record for a Material Valuated at a Moving Average Price (MAP) in the Case of a Subsequent Debit/Credit



Credit Memo

Definition

The term credit memo always refers to a credit memo **from** the vendor. Therefore, posting a credit memo always leads to a debit posting on the vendor account.

Use

As in the case of invoices, credit memos refer to purchase orders or goods receipts. They are used to correct the purchase order history if the quantity invoiced was too high, for example, if an invoice was too high or if part of the quantity was returned.

When you post a credit memo, the total quantity in the purchase order history is reduced by the credit memo quantity.

If you do not want the total quantity invoiced to be reduced, you must post the credit memo as a subsequent credit [Ext.].

See also:

Posting Credit Memos [Ext.]

Postings for Credit Memos [Ext.]

Delivery Costs

Use

In the SAP System, delivery costs can be:

- Planned
- Unplanned

Planned Delivery Costs

Planned delivery costs are entered in the purchase order. At goods receipt, a provision is posted to a freight or customs clearing account. This account is cleared when the invoice is posted.

If there are no price differences between the delivery costs planned in the purchase order and the delivery costs specified in the invoice, the material master record does not change when the invoice is posted.

If there are price differences, these are dealt with in exactly the same manner as price variances for ordered materials.

Unplanned Delivery Costs

Unplanned delivery costs are delivery costs that were not specified in the purchase order and are only entered when you enter the invoice. They are posted in exactly the same manner as subsequent debits/credits.

For a material subject to moving average price control, unplanned delivery costs are posted to the stock account, provided that there is sufficient stock coverage. For a material subject to standard price control, unplanned delivery costs are posted to a price difference account.

GR/IR Clearing Account Maintenance

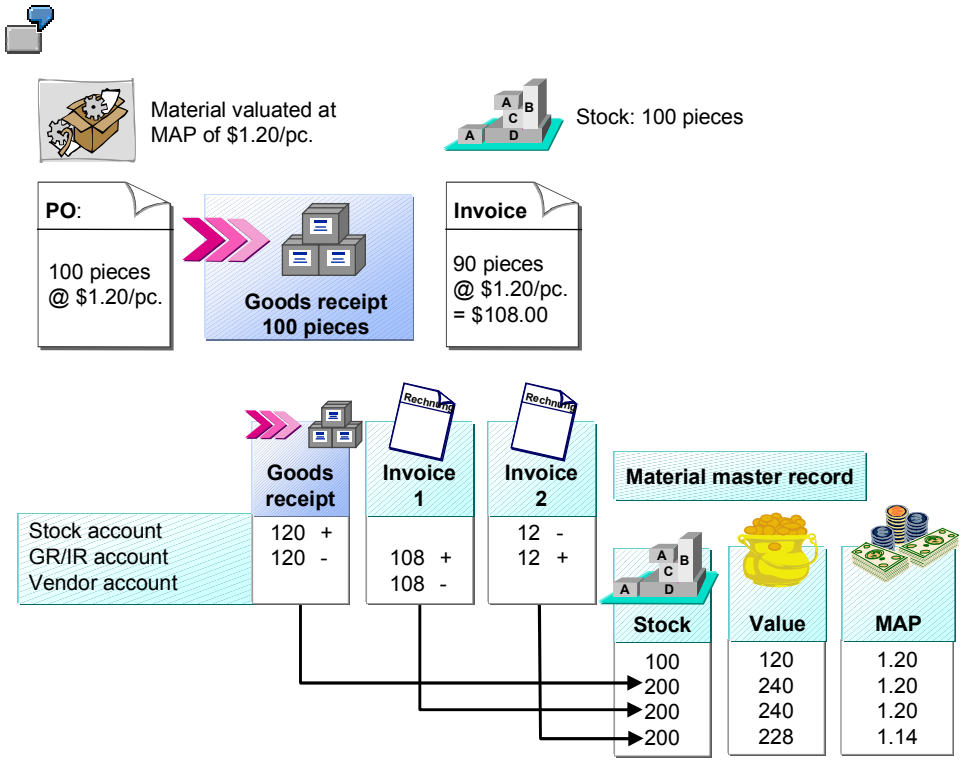
Use

If there is a quantity variance between the goods receipt and the invoice for a purchase order, this results in a balance on the GR/IR clearing account. The system expects an additional goods receipt or an additional invoice to clear this balance. If this is not done, you must clear the GR/IR clearing account manually.

Features

For a material subject to moving average price control, the offsetting entry for clearing the GR/IR clearing account is posted to the stock account (provided that there is sufficient stock coverage for the quantity difference):

- If there is a delivery surplus on the GR/IR clearing account, the material was debited with too high a value when the goods receipt was posted. When the GR/IR clearing account is cleared, the material is credited accordingly.
- If there is an invoice surplus on the GR/IR clearing account, the material was debited with too low a value when the goods receipt was posted. When the GR/IR clearing account is cleared, the material is debited accordingly.



If there is insufficient stock coverage for this quantity, only the portion corresponding to the available stock is posted to the stock account. The rest is posted to a price difference account.

For a material subject to standard price control, the offsetting entry to clear the GR/IR clearing account is made to a price difference account. Thus, there are no value changes in the material master record.

Value Changes from Cash Discounts

Use

When creating a purchase order, the buyer can enter cash discount terms that have been agreed with the vendor. These cash discount terms appear as default values in Invoice Verification and can be changed if the terms have changed.

There are two ways to post cash discount amounts:

- **Gross Posting**

  In the case of gross posting, the cash discount amount is not taken into account at goods receipt or invoice receipt. The cash discount amount is not posted until the payment program is run, and then it is posted to a non-operating income account instead of to the stock account in question.

- **Net Posting**

  In the case of net posting, the cash discount amount is credited directly to the stock account. However, this procedure affects the stock account only if the material is valuated at a moving average price. If the material is valuated at a standard price, the cash discount is posted as a type of price variance. You can use net posting for goods receipts and in Invoice Verification. If you post the goods receipt net, it is best to post the invoice net; otherwise, the net posting at goods receipt would be canceled.

The document type determines which procedure is to be used:

- For goods receipt, the document type is determined in Customizing. As a result, either all goods receipts are posted gross or all goods receipts are posted net.
- In Invoice Verification, you can decide for each document whether you want to post the invoice gross or net. Note, however, that this choice only makes sense if the goods receipt was posted gross.

See also:

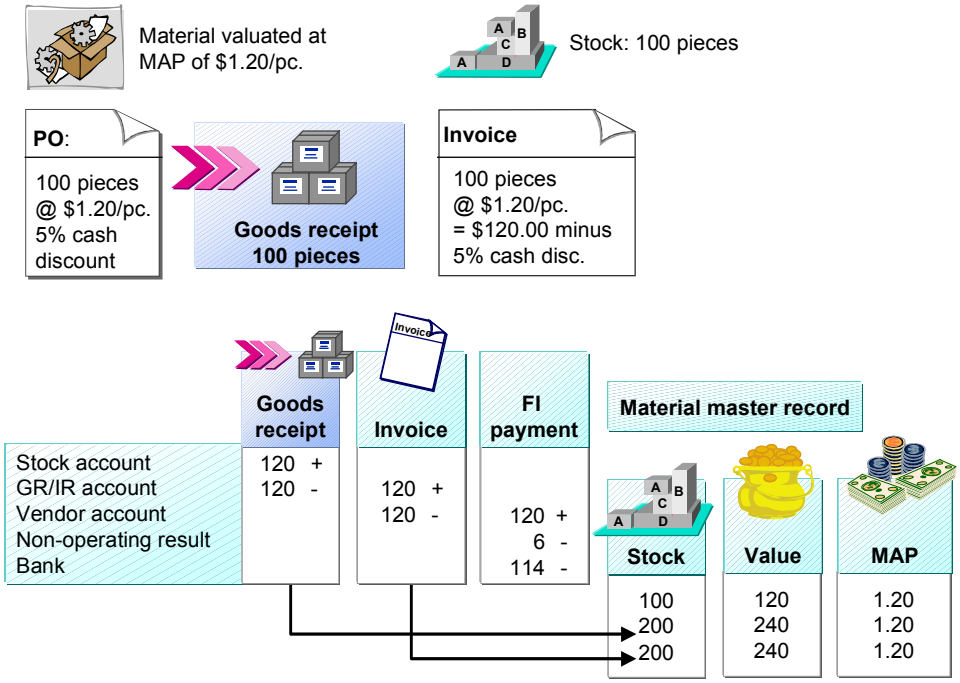
Gross Goods Receipt – Gross Invoice Receipt [Page 59]

Gross Goods Receipt – Net Invoice Receipt [Page 60]

Net Goods Receipt – Net Invoice Receipt [Page 61]

Gross Goods Receipt – Gross Invoice Receipt

Postings and Extract from the Material Master Record When Posting the Goods Receipt and the Invoice Receipt Gross

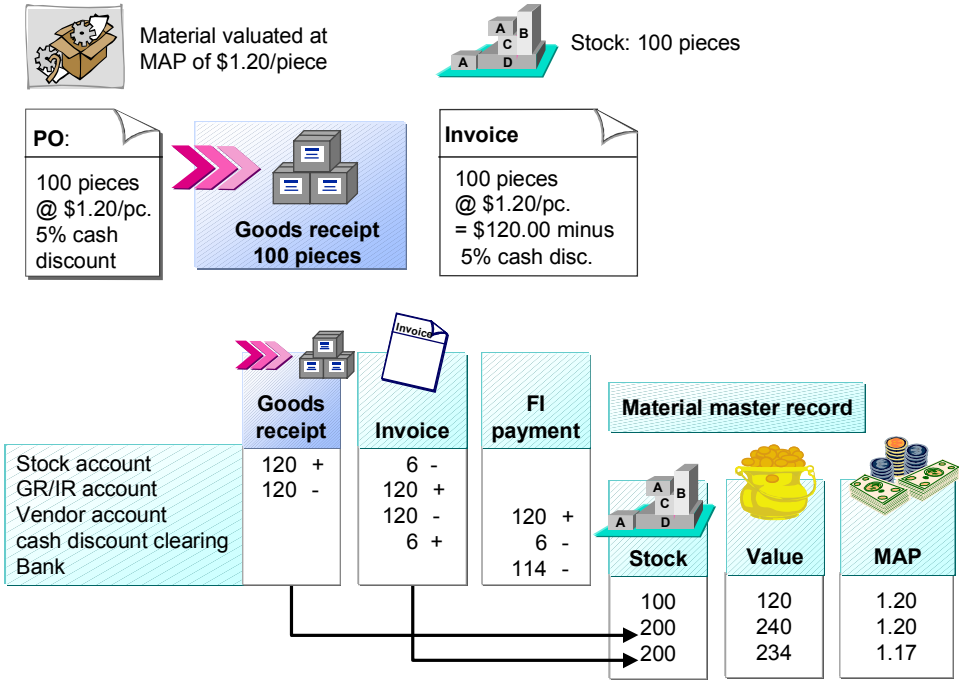


Since both the goods receipt and the invoice receipt are posted gross, cash discounts are not taken into account in Materials Management. For this reason, the moving average price of the material does not change.

The cash discount amount is only posted to a non-operating revenue account at the payment run.

Gross Goods Receipt – Net Invoice Receipt

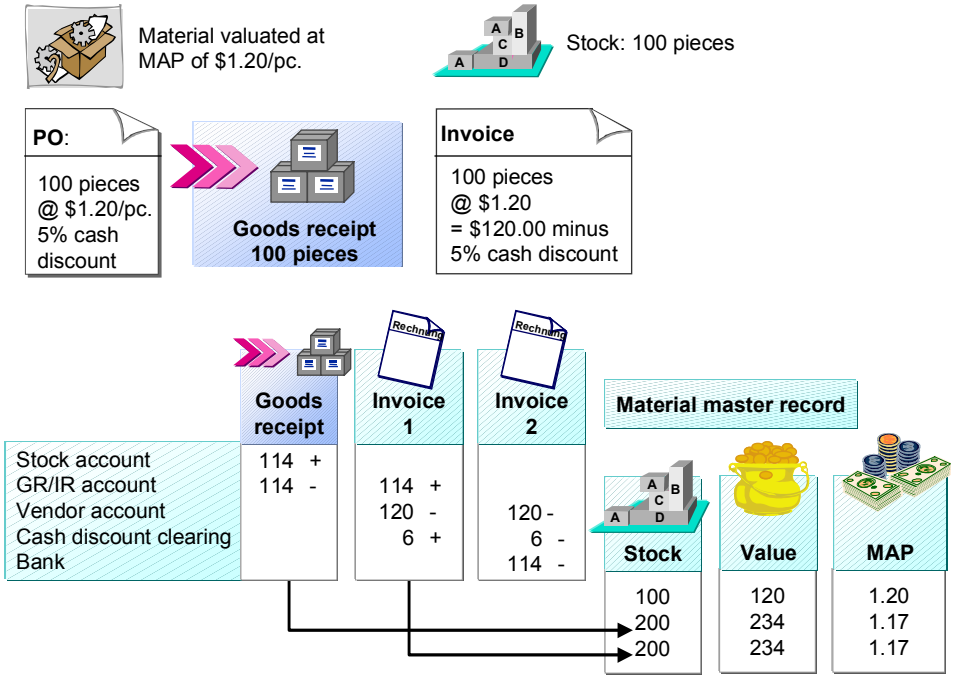
Postings and Extract from the Material Master Record When Posting the Goods Receipt Gross and the Invoice Receipt Net



The cash discount amount is taken into account when the invoice is posted. Since the goods receipt was posted gross, net posting of the invoice receipt leads to a correction of the stock value and, therefore, of the moving average price. The offsetting entry is made to a cash discount clearing account, which is cleared at payment.

Net Goods Receipt – Net Invoice Receipt

Postings and Extract from the Material Master Record When Posting the Goods Receipt and the Invoice Receipt Net



The cash discount amount is taken into account during goods receipt. The amount posted is the value of goods delivered reduced by 5% (that is, by $6).

The posting of the invoice does not lead to a change in value in the material master record.

If the invoice were posted gross, the system would post the $6 to the stock account instead of the cash discount clearing account. Consequently, the effect of the net posting at goods receipt would be canceled.

Split Valuation

Use

For certain materials, it is necessary to valuate the various stocks in a particular valuation area separately. Reasons for this include:

- Different origins of the material
- Different grades of quality for the material
- Different statuses for the material
- Differentiation between in-house production and external procurement
- Differentiation between different deliveries

Features

If a material is subject to split valuation, the material is managed as several partial stocks, each partial stock is valuated separately.

Each transaction that is relevant for valuation, be it a goods receipt, goods issue, invoice receipt or physical inventory, is carried out at the level of the partial stock. When you process one of these transactions, you must always specify which partial stock is involved. This means that only the partial stock in question is affected by a change in value, the other partial stocks remain unaffected.

Alongside the partial stocks, the total stock is also updated. The calculation of the value of the total stock results from the total of the stock values and stock quantities of the partial stocks.

You define whether the material is subject to split valuation on the accounting view of the material master record. There are two fields for this:

- The valuation category specifies which criterion should be used as the basis for differentiating between the various partial stocks.
- The valuation type specifies an individual characteristic of a partial stock.

See also:

Valuation Category [Page 63]

Valuation Type [Page 64]

Creating Material Subject to Split Valuation [Page 66]

Stocks Subject to Split Valuation [Page 67]

Valuation Category

Use

The valuation category specifies which criterion should be used as the basis for differentiating between the various partial stocks.

The standard system contains several default valuation categories, for example:

- **B** for procurement type

  The stock is divided up according to whether the material is manufactured in-house or procured externally.

- **H** for origin

  The stock is divided up according to where it was delivered from.

Prerequisites

The system administrator can set up additional valuation categories in Customizing. For each valuation category you must define which valuation areas it is valid in.

Features

Every material subject to split valuation is assigned to a valuation category in the material master record. The material can then be managed using the valuation types defined for this valuation category.

The valuation category **X** is a special case: no valuation types are predefined for this category. At goods receipt, a batch is created for the material entered. This also serves as its valuation type. This makes it possible to valuate every goods receipt separately, for example, by using the order number as the valuation type.

In the case of partial deliveries for a purchase order, you can only valuate each partial delivery separately if goods-receipt-based Invoice Verification has been defined in the purchase order (the field *GR based IV* must be selected on the order item screen). If goods-receipt-based Invoice Verification has not been defined, the valuation type that you enter for the first partial delivery is binding for the following partial deliveries.

Valuation Type

Use

There are valuation types for each valuation category, which specify which individual characteristics exist for that valuation category. If you give the valuation types meaningful keys, each valuation type in some way represents the name of a sub-stock.

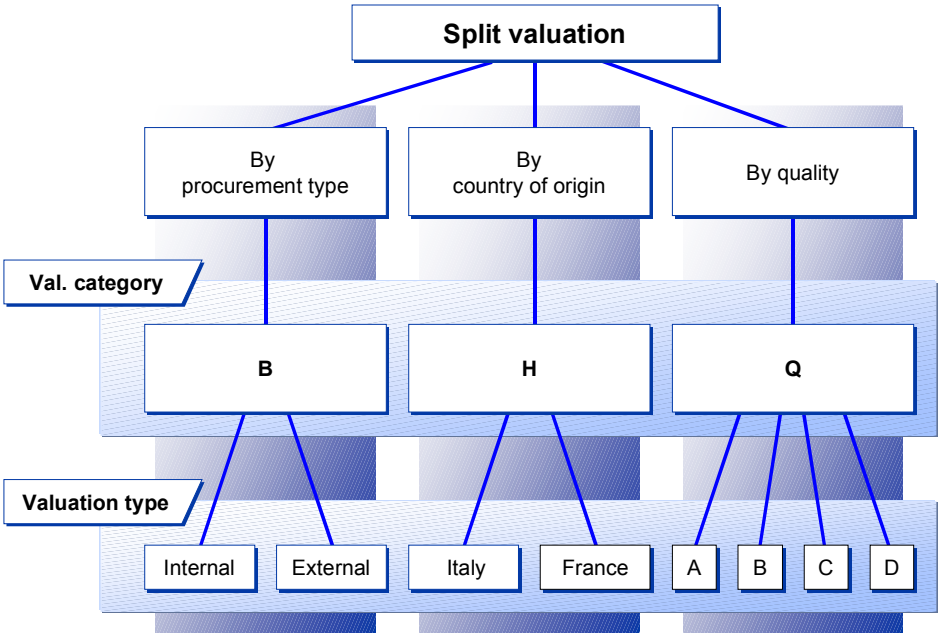
Fixed valuation types are defined in the system for each valuation category except valuation category X.

Prerequisites

In Customizing, the system administrator can define as many valuation types as required. Each valuation type must be assigned to a valuation category.

Features

The following graphic shows three examples of split valuation.



Example 1:

You procure a material both from in-house production and from external vendors. You want to valuate the stocks from each source separately. In this case, you select **Procurement type** as the valuation category (**B**) and **Internal** and **External** as valuation types.

Example 2:

You procure a material from several countries. You want to valuate the stocks from each country separately. In this case, you select **Origin** as the valuation category (**H**). As valuation types, you define the relevant countries, for example, **Italy** and **France**.

Example 3:

You procure a material in different grades. You want to valuate the stocks of each class separately. In this case, you select **Quality** as the valuation category (**Q**). As valuation types, you could define **A**, **B**, **C**, and **D**.

Creating Material Subject to Split Valuation

1. First create a **valuation header record** for this material. This is where the individual stocks of a material are managed cumulatively.

   To do this, fill in the *Valuation category* field on the accounting screen when you create the material master record and leave the *Valuation type* field blank. In the *Price control* field, enter **V** (moving average price), since a moving average price is constructed in the valuation header record from the values and quantities of the individual stocks. When you save, the system creates the valuation header record.

2. Then create the material for a valuation type.

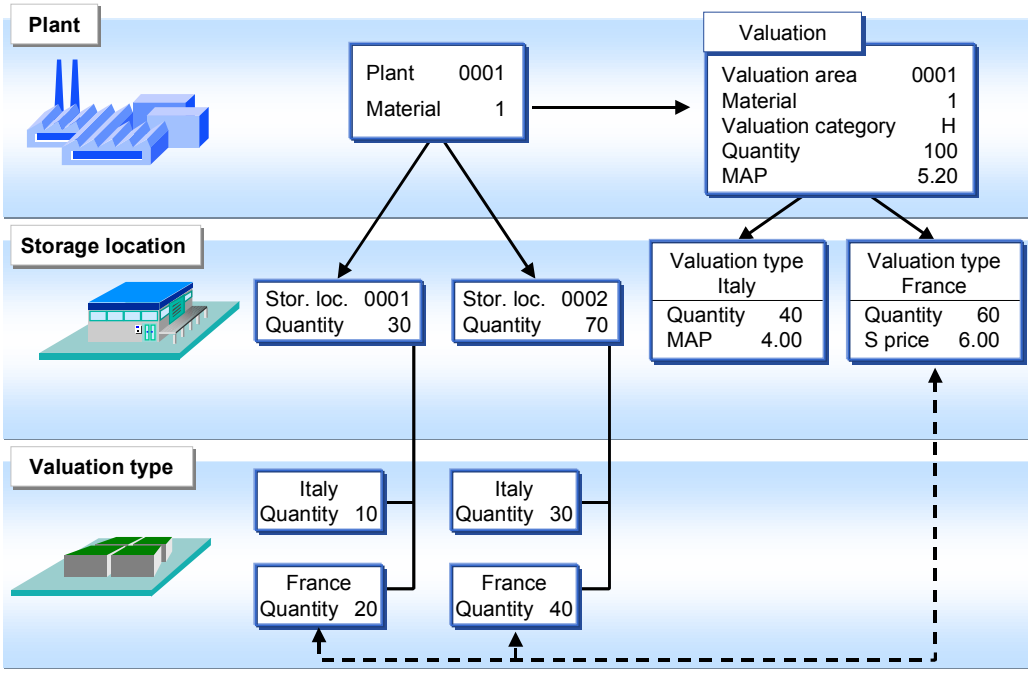
   To do this, call up the material in creation mode again. Due to the fact that a valuation header record exists, the system requires you to enter a valuation type for the valuation category.

3. Repeat step two for every valuation type planned.

Stocks Subject to Split Valuation

The stocks of a material subject to split valuation are managed separately for each valuation type. They are cumulated in the valuation header record: This is where all the individual stock quantities and stock values are added together and managed. A moving average price is calculated from the values of the various valuation types and the stock quantities.

The following graphic shows an example of split valuation:



Material 1 is managed separately according to origin (valuation category **H**). The valuation types **Italy** and **France** have stocks. The fact that these stocks are in different storage locations is not important for valuation.

In the valuation header record, the separate stocks are cumulated:

- The total stock in the plant is 100.
- The moving average price is calculated from valuation of the individual stocks:

  Average price = total value / total quantity

Value **Italy**:	40 x 4.00 = 160.00
Value **France**:	60 x 6.00 = 360.00
Total value:	= 520.00
Average price:	520.00 / 100 = 5.20

Revaluation

Price Changes

Use

Using this function, you can change prices, mark prices for change, and release prices for material valuation.

If the material ledger is **active,** a price change for a material with price determination 3 (single- and multilevel material price determination) is only possible if there have been no goods movements relevant to valuation and no incoming invoices for the material in the period.

If the material ledger is **not active**, you can always change material prices regardless which price control has been set for the material.

- If a material is valuated at the standard price, it is always valuated at the same price. The development of delivered prices is included in the material master for statistical purposes, but not used for material valuation. The price differences are posted to a price difference account.
- If a material is valuated at the moving average price, the price changes with every goods movement and incoming invoice if the purchase order price or invoice price varies from the moving average price. In other words, the price automatically reflects the delivered price.

You can make a price change in the following ways:

- In a processing step with immediate effect
  For more information, see Changing Material Prices [Page 81].
- In a two-step procedure
  For more information, see Determining Future Prices [Page 75] and Releasing Planned Prices [Page 77].

When making changes with immediate effect, you can post a price change to the previous period or year. For more information, see Posting a Price Change to the Previous Period or Year [Page 82].

Features

If you **activated** the material ledger, you can maintain valuation prices independent of one another in up to three currencies and/or valuations. If the material ledger is **not active**, you only maintain the valuation prices in company code currency with legal valuation. You can perform the following functions:

Change Material Prices

You can **change** current material valuation prices retroactively or at the current date. To do so, enter the posting date and company code in the selection screen.

Debit/Credit Materials

You can **debit and credit** materials retroactively and at the current date. To do so, enter the posting date and company code in the selection screen.

Maintain Future Prices

You can **maintain** future price for materials as follows:

- Manually with a validity date in the material master.
- Through self-defined translation rules between currencies/valuations in the rule maintenance of the transaction Maintain Future Prices [Page 75].
- Through manual individual maintenance in the transaction Maintain Future Prices [Page 75]. With rule maintenance, you determine the translation rules between currencies and valuations with which the future prices are calculated. If you are performing manual individual maintenance, you can manually overwrite the prices calculated by the system.

Release Planned Prices

You can **release** planned prices for material valuation in the following ways:

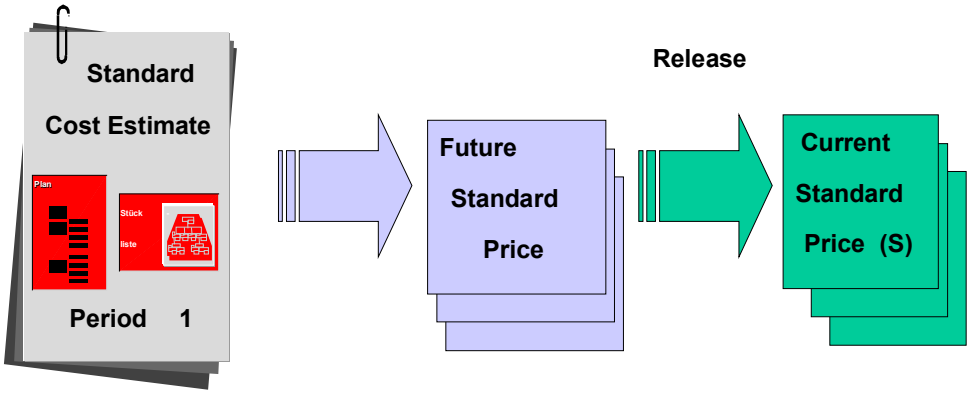
- **Manually** using the price release functions
- **Automatically** using the settings for *Dynamic Price Release* in Customizing
  Planned prices are released automatically upon the first goods movement or invoice receipt in a period. A manual price release is necessary for materials **with no goods movements or invoice receipts**.

Future planned prices are calculated in the standard cost estimate. The results of a standard cost estimate take first priority as the valuation price for materials with price control S. For more information, see Product Cost Planning [Ext.].

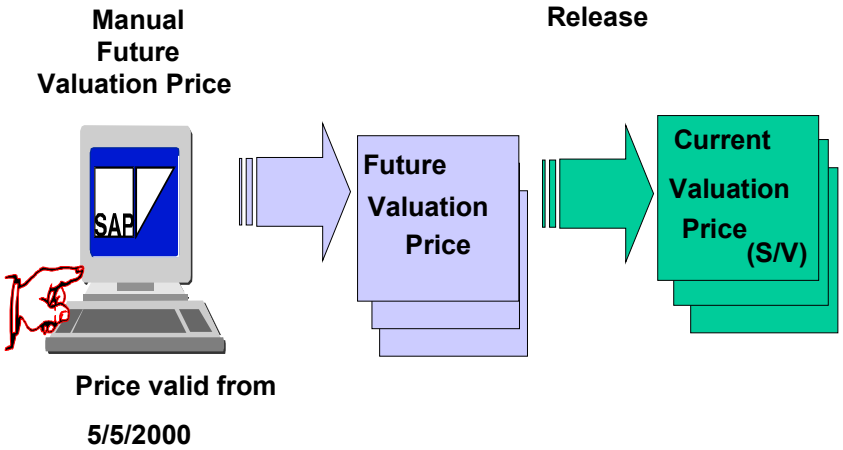
If multiple planned prices exist for a material, the system selects a price according to the following priorities:

1. Marked standard cost estimate

Price Changes



2. Manually maintained future valuation price



Influence on Currency Translation

In order to simplify maintaining valuation prices independent of one another in the transaction *Maintain Future Prices*; you can influence how the amounts in the different currencies and valuations are translated from currency to currency and valuation to valuation. You can overwrite the translated amounts manually if you activate manual individual maintenance in the transaction.

Maintaining future valuation prices in the material master record is possible in all currencies set. Translation into further currencies is performed with the exchange rate set in *Financial Accounting*.

See also:

Debiting / Crediting Materials [Page 74]

Determining Future Prices [Page 75]

Releasing Planned Prices [Page 77]

Changing Material Prices [Page 81]

Displaying Price Change Documents [Page 86]

Material Valuation in the SAP System [Page 7]

Debiting / Crediting Materials

If you have **activated** the material ledger, then all other currencies are also displayed with the company code currency. If the material ledger is **not** active, then you will only see the company code currency.

Procedure

1. Choose *Logistics* → *Materials Management* → *Valuation* → *Material Price Change* → *Debit/Credit Materials*

   or

   Choose *Accounting* → *Controlling* → *Product Cost Controlling* → *Actual Costing/Material Ledger* → *Material Ledger* → *Set Prices* → *Debit/Credit Materials*.

2. Enter the necessary data and choose *Enter*.

   The overview screen appears.

3. Fill in the fields in the overview screen.

4. Choose *Save*.

Result

The system makes the following postings:

- For materials whose price control indicator is set to **S**, the revaluation amount is posted to a price difference account.

- For materials whose price control indicator is set to **V**, the revaluation amount is posted to a price difference account or a material stock account depending on the base quantity.

  Example:

  The base quantity of a material valuated at the moving price (V) is 100 units; the inventory quantity is 50 units with an inventory value of USD 500. With an adjustment of USD 100, USD 50 is posted to the material stock account and USD 50 is posted to the price difference account.

Determining Future Prices (Automatically)

Procedure

1. Choose *Logistics* → *Materials Management* → *Valuation* → *Material Price Change* → *Maintain Future Prices*

   or

   Choose *Accounting* → *Controlling* → *Product Cost Controlling* → *Actual Costing/Material Ledger* → *Material Ledger* → *Set Prices* → *Maintain Future Prices*
2. Enter the data for the material for which you want to maintain the future valuation price.
3. Enter the validity date of the marking.
4. If you want to maintain future valuation prices **automatically**, choose *Rule Maintenance*.

   ### The Material Ledger Is Not Active

   Set the following criteria for determining future valuation prices:

   i. Which existing price (such as *standard price* or *periodic unit price*) is to be used.

   ii. By what factor the result is to be multiplied (for example, with a factor of 0.5 the price will be halved)

   ### The Material Ledger Is Active

   Set the following criteria for determining future valuation prices in each currency and valuation:

   i. Which currency or valuation is to be used

   ii. Which existing price (such as *standard price* or *periodic unit price*) is to be used.

   iii. The date from which the translation exchange rate is taken (only in cases with different currencies)

   iv. The exchange rate type (*average rate*, for example) (only for differing currencies)

   v. By what factor the result is to be multiplied (for example, with a factor of 0.5 the price will be halved)

Maintain the values.

Choose *Execute*.

Result

The new future valuation prices are updated in all currencies and valuations in the material ledger data and also in the company code currency in the material master record.

If you have activated the *actual cost component split*, the cost component split data of the reference price is transferred during automatic price maintenance.

You can release the new future valuation prices. For more information, see Releasing Planned Prices [Page 77].

See also:

Determining Future Prices (Automatically)

Determining Future Prices (Manually) [Ext.]

Releasing Planned Prices

Prerequisites

The planned prices must exist in the system and they must be valid (validity date). If no valid planned prices exist in the system, the materials will continue to be valuated with the valuation price used up to this point.

If the material ledger is **active** and you have set the *price determination* indicator in the material master to *3*, then the following prerequisites must be fulfilled:

- The status of the material ledger data for the current period is as follows: *Period opened* or *Price change complete* This means that there has been no goods movement, invoice, or order settlement posted for the material after execution of the period closing program.
- The closing entries for the previous period's material price determination have not yet been made.

Procedure

1. Choose *Logistics* → *Materials Management* → *Valuation* → *Material Price Change* → *Release Planned Prices*

   or

   Choose *Accounting* → *Controlling* → *Product Cost Controlling* → *Actual Costing/Material Ledger* → *Material Ledger* → *Set Prices* → *Release Planned Prices*.
2. Enter data as required.
3. Enter threshold values for the price changes, if necessary.
4. Specify whether the program should be run as a test run or an update run.
5. Choose *Execute*.

   A list with information about price changes and the corresponding revaluations appears.
6. To see the log, choose *Message list*.

Result

The system does the following:

- Updates the valid future prices (in the various currencies and valuations) as the current standard price or valuation price.
- Calculates a revaluation amount for the specific inventory quantity and revaluates the inventory value by this amount.

  The offsetting entry takes place in the revaluation account in accordance with account determination.

  If no material stock exists, only the price is changed.
- Creates documents for the price change
- Creates change documents for the material master

See also:

Releasing Planned Prices

Displaying Price Change Documents [Page 86]

Dynamic Release of Planned Prices

Use

For each Plant [Ext.], you can specify that a planned price is to be released as the valuation price upon the first goods movement in a new period (as long as the validity date has been reached). You do this in Customizing, under

Controlling → Product Cost Controlling → Actual Costing / Material Ledger → Activate Valuation Areas for the Material Ledger

When using **dynamic price release**, the planned prices are handled by the system with the following priority:

1. Marked standard cost estimate
2. Manually maintained future valuation price

It is a good idea to use dynamic price release if it would pose organizational problems for you to release the planned prices between the program for period closing and the first goods movement. In this case, use dynamic price release so that the goods movements in this period are valuated with the new price. Note that you must release the planned prices before the end of the period for materials that are not moved in this time.

Dynamic price release occurs when an order is settled, an invoice is created, or whenever a goods movement occurs for a material.

For more information, see Releasing Planned Prices [Page 77].

Integration

You can use this function even if you have not installed the material ledger. If you have installed the material ledger, you can use this type of activation for both material price determination settings.

Features

The first goods movement that triggers dynamic price release is valuated with the new price.

The existing inventory is revaluated by the system and the following documents are generated:

- Material document for the goods movement
- Accounting document for price changes
- Material ledger document with the following items:
  - Update (UP)
  - Material price determination (CL) for materials whose prices were determined with transaction-based price determination
  - Price change (PC) with the new and the old prices for the material as well as the revaluation amount

Dynamic Release of Planned Prices

- Change document in the material master

Changing Material Prices

Prerequisites

If the material ledger is **active**, the material prices of materials whose *price determination* indicator is set to *3* can only be changed at the beginning of the period before all price-relevant transactions.

If the material ledger is **not** active, you can change the material prices at any time.

Procedure

1. Choose *Logistics* → *Materials Management* → *Valuation* → *Material Price Change* → *Change Material Prices*
   or
   Choose *Accounting* → *Controlling* → *Product Cost Controlling* → *Actual Costing/Material Ledger* → *Material Ledger* → *Set Prices* → *Change Material Prices*
2. Enter data as required.
3. An overview screen appears.
4. Fill in the fields in the overview screen.
5. Choose *Save*.

Result

Inventory is revaluated with all price controls, including valuation with standard price and valuation with periodic unit price.

Posting a Price Change to the Previous Period or Previous Year

Use

In Customizing for Invoice Verification, your system administrator can configure the posting of price changes to previous periods in two ways:

- The price change only applies to the previous period or to the previous year.

  If this setting is chosen, the system only changes the price in the previous period or in the previous year. The account movements that took place in the previous period or previous year are reversed again in the current period.

  See: example [Page 83]

- Price changes not only apply to the previous period or to the previous year but also to the current period.

  If this setting is chosen, the system changes the price not only in the previous period or previous year, but also in the current period. If the quantities and previous prices are the same in the previous period or year, account movements only occur in the previous period. If this is not the case, account movements also occur in the current period. These account movements reverse the postings in the previous period and result in the current price change.

  See: example [Page 84]

You post a price change to the previous period or year by entering a posting date from the previous period or year on the initial screen for making price changes.

Price Change in the Previous Period Only

Material Master Records

	Previous period	Current period
Quantity	150	200
Price	10.00	11.00
Value	1500	2200

Price change valid in previous period only:

New price: 12.00

Account Movements

	Previous period	Current period
Stock account	300 +	300 -
Expenditure/income	300 -	300 +

Material Master Record After Price Change

	Previous period	Current period
Quantity	150	200
Price	12.00	11.00
Value	1800	2200

Price Change in the Previous and Current Period

Material Master Record

	Previous period	Current period
Quantity	150	200
Price	10.00	11.00
Value	1500	2200

Price change in the previous period and in the current period:

New price: 12.00

Account Movements

	Previous period	Current period
Stock account	300 +	100 -
Expenditure/income	300 -	100 +

Material Master Record After Price Change

	Previous period	Current period
Quantity	150	200
Price	12.00	12.00
Value	1800	2400

Price Change Document

Definition

Document created by the system with the following:

- Material debits and credits
- Price changes
- Price releases
  - of a future price
  - from a cost estimate

Use

The price change document documents price changes as well as material debits and credits.

Displaying Price Change Documents

Procedure

1. Choose *Accounting → Controlling → Product Cost Controlling → Actual Costing/Material Ledger → Information System → More Reports → Price Change Document.*
2. Enter data as required.
3. To display the header data for the document, choose *Header*.

Result

The price change document appears.

Postings Made When Revaluation Is Carried Out

Price Change

When a price changes, the value of the stock changes, since the value is calculated from the price:

Total value = total quantity x price

Consequently, a price change creates a posting to the stock account that amounts to total quantity x price difference. The offsetting entry is made to an income or expense account.

Material Debit or Credit

Debiting or crediting a material account has the following effects: The stock quantity of the material remains unchanged. The value of the material is increased or reduced. As a result, a change of price occurs, but only for a material subject to moving average price control. Consequently, the account movements for a material debit or credit differ depending on the type of price control.

Material with Standard Price

For a material subject to standard price control, the material debit or credit is posted to a price difference account. The offsetting entry is made to an income or expense account. Consequently, a material debit or credit for a material subject to standard price control does not lead to a revaluation.

Material with Moving Average Price

For a material subject to moving average price control, a material debit or credit results in a posting to the stock account. The system checks whether stock coverage exists for the quantity to be debited or credited, then acts accordingly:

- If the quantity to be debited or credited is equal to or smaller than the total stock quantity:

  The amount to be debited or credited is posted to the stock account. The offsetting entry is made to an income or expense account.

- If the quantity to be debited or credited is larger than the total stock quantity:

  The amount to be debited or credited is divided proportionally. Only a portion of the amount to be debited or credited is posted to the stock account, as the table below shows:

	Total stock
Amount to be debited*	----------
	Quantity to be debited
or	
	Total stock
Amount to be credited*	----------
	Amount to be credited

Postings Made When Revaluation Is Carried Out

The rest is posted to a price difference account. The offsetting entry is made to an income or expense account.

Posting to a Previous Period

Use

At the end of every period, the system administrator runs a program that puts the data from the current period to the previous period and the data from the previous period into the period before that, and so on. This is known as the **period closing program**. The following data in particular is affected:

- Stock quantities and values
- Prices and price units

Features

The final data of the previous period is taken over as the starting data for the new period.

If, after the period-end closing program has been run, you need to enter transactions with a posting date in the previous period, data is updated in both the current period and the previous period.

Goods movements can only be posted to the previous period; transactions in Invoice Verification can be posted to the previous period or previous year, that is, the final period of the previous year.

It is essential that the valid posting periods for the accounts to be posted to are correctly defined in Financial Accounting.

You post to a previous period by entering a date from the previous period in the *Posting date* field when you enter the transaction in the system.

See also:

Posting Goods Movements to the Previous Period [Page 90]

Posting Invoices to the Previous Period [Page 91]

Postings Made When Posting to a Previous Period [Page 93]

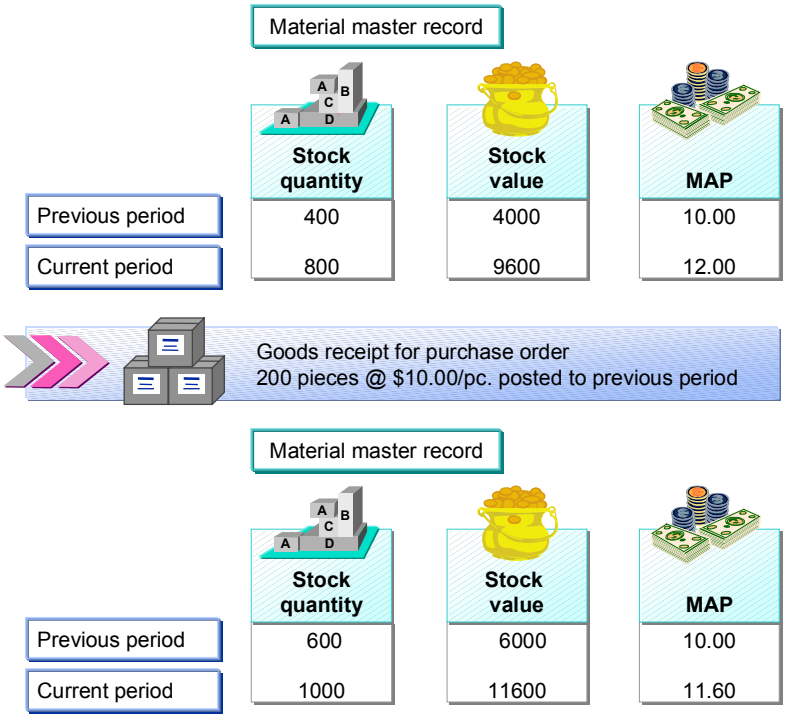
Posting to a Previous Period after a Price Change [Page 94]

Posting Goods Movements to the Previous Period

Use

In the SAP System, you can post goods movements to the previous period. As a result, the stock quantity and the stock value change in both the previous period and the current period.

Posting a Goods Receipt to a Previous Period for a Material Subject to Moving Average Price Control (MAP).



The data from before the goods were received shows that goods receipts (400 pieces with a value of 5,600) have already been posted in the current period.

Posting the goods receipt to the previous period leads to a change in stock quantity and stock value in both the previous period and the current period. Since the purchase order price for the goods receipt does not differ from the moving average price (MAP) in the previous period in this example, the MAP does not change in the previous period. However, the MAP does change in the current period.

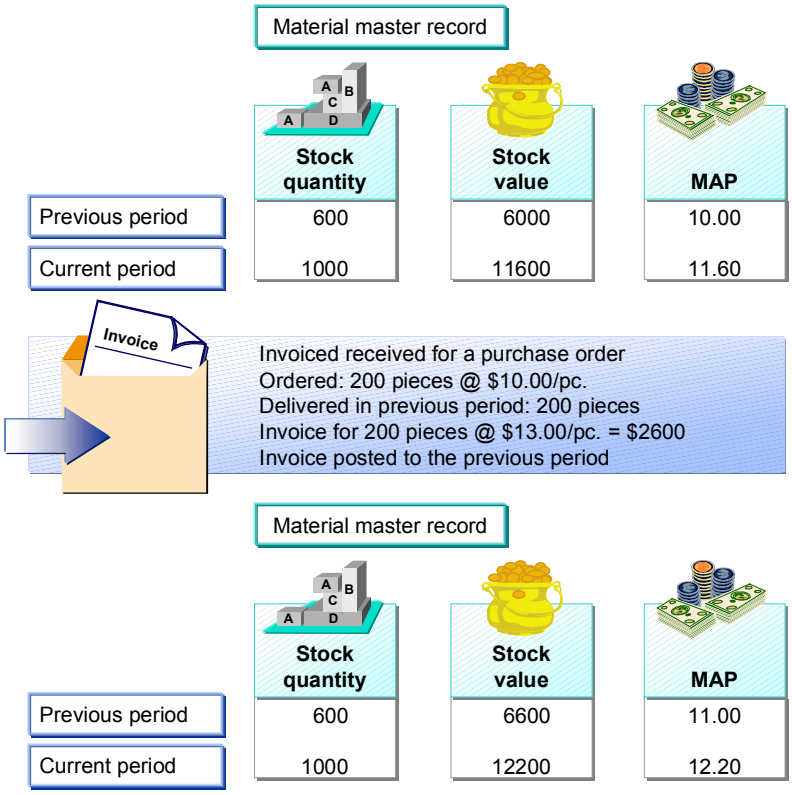
Posting Invoices to the Previous Period

Use

In the SAP System, you can post invoices to the previous period or the previous year. Changes in stock value only occur if there are price variances for a material subject to moving average price control. In this case, the stock value changes in both the previous period and the current period.

Features

Posting an Invoice to the Previous Period for a Material Subject to Moving Average Price Control



Since the invoice price exceeds the order price by $3.00, the stock is debited with the price variance (200 x $3.00). Thus the stock value is increased in both the previous period and the current period by $600. As a result, the moving average price increases in each case.

Posting to the Previous Year

You can post an invoice to the last period of the previous year. The procedure is the same as for posting to the previous period.

You must note the following feature: If you post an invoice receipt before the goods receipt to the previous year, a balance results on the GR/IR clearing account. Since you cannot post a goods receipt to the previous year, this item cannot be cleared in the previous year. The open item is

carried over into the current fiscal year as a balance carried forward; it can then be cleared by the goods receipt posting.

Postings Made When Posting to a Previous Period

When you post a goods receipt and invoice receipt to a previous period, the same postings occur as when you post in the current period:

- At goods receipt, the system makes postings to the stock account and the GR/IR clearing account.
- At invoice receipt, the GR/IR clearing account is cleared by the posting to the vendor account.

Automatic Corrections when Posting to a Previous Period

There are two cases in which it is necessary to make adjustment postings for postings to the previous period:

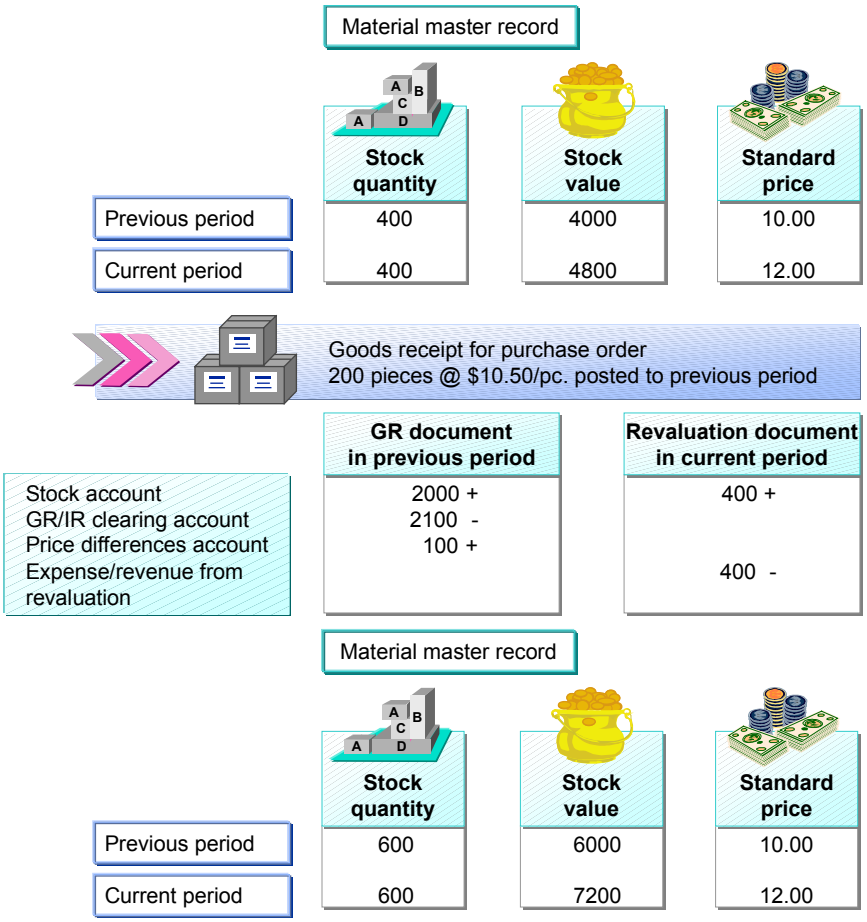
- Posting to previous period for material valuated at a standard price [Page 94]
- Stock shortage in the current period for material valuated at a moving average price [Page 95]

The system automatically carries out these adjustment postings when you post to a previous period. In these cases, therefore, two documents are created when the goods receipt or invoice receipt is posted to the previous period.

Posting to a Previous Period after a Price Change

For a **material subject to standard price control**, the stock account can only be debited with the value resulting from the product of goods receipt x standard price. When posting to a previous period, the standard price from the previous period is used. If the standard price was changed in the current period, the posting to the stock account must be corrected; to a certain extent, the price is subsequently changed for the quantity received.

Postings for a Material for Which the Standard Price Was Changed at the Beginning of the Current Period.

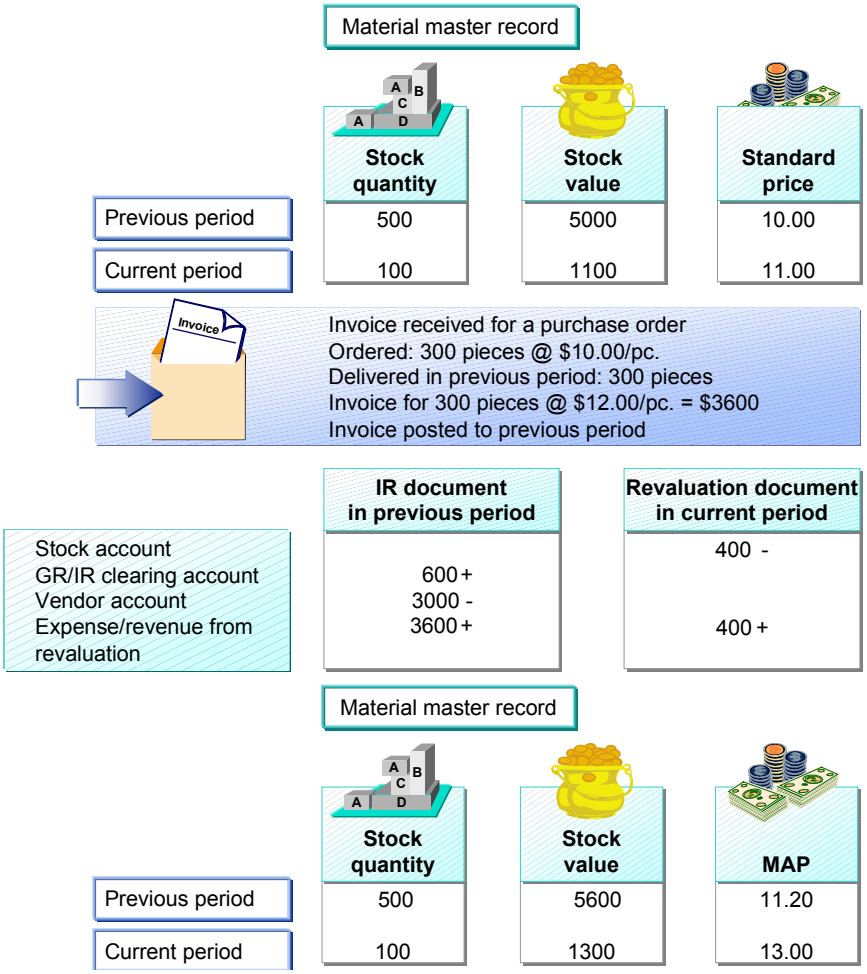


At the beginning of the current period, the standard price was increased by $2/piece. Posting the goods receipt to a previous period causes the stock quantity and the stock value to change in both the previous period and the current period by 200 pieces and $2,000. So that the standard price remains unchanged in the current period, the system automatically makes a revaluation posting. This means that the price change at the start of the current period is taken into account: The stock value in the current period is increased by 200 pieces x $2/piece = $400.

Stock Shortage in the Current Period

If price variances occur for an invoice for a **material subject to moving average price control**, the resulting value is debited from the stock account, provided there is sufficient stock coverage for the quantity invoiced. If there is stock coverage for the quantity invoiced in the previous period, but not in the current period, you can post the entire invoice quantity to a previous period, but you must make an adjustment posting for the current period.

Postings for a Material Valuated at a Moving Average Price for Which Stock Coverage Exists in the Previous Period, But Not in the Current Period.



When you post to the previous period, the value resulting from the price variance (300 pieces x $2/piece) is first debited to the stock account. The stock value changes in the previous period accordingly. In the current period, there are only 100 pieces in stock, therefore the stock account can only be debited $200 (100 pieces x $2/piece). The system automatically posts the $400 difference to a revaluation account. Thus the stock value in the current period increases by only $200.

Stock Shortage in the Current Period