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document.

Any questions regarding this document should be forwarded to:

P2 Energy Solutions
1670 Broadway, Suite 2800
Denver, CO 80202
United States
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Course Overview

Inventory Accounting Module Overview

The IDEAS Materials Management System (MMS) is a fully integrated, comprehensive capability for requisitioning, procurement, warehousing and inventory accounting for oil and gas development projects. Effective materials management involves a complex set of interactions between processes, suppliers, inventory, and the data that links them all together. IDEAS MMS analyzes and balances these interactions to drive improvement and cost savings. The Inventory Accounting module is an integral part of this functionality.

Course Description

This course covers the IDEAS Inventory Accounting module utilities, transaction processing, journalization, and standard reports.

Audience, Course Level and Prerequisites

This basic level class is recommended for those who use the IDEAS Inventory Accounting module within the Materials Management System (MMS). Prerequisites: IDEAS UI Navigation modules and Introduction to IDEAS.

What You Will Learn

- Inventory Accounting Utilities
- Inventory Accounting Transaction Processing
- Inventory Accounting Journalization
- Inventory Accounting Standard Reports
Lesson One: UTILITIES

Accounting Period Control Dates

The Accounting Period Control Dates utility allows you to define the current accounting period, the beginning and ending dates for the period, and the current fiscal accounting year. The fiscal period and year entered are used to segregate the inventory transactions per the period in which the transactions were processed for accounting purposes.
Beginning Stock Setup

The Beginning Stock Setup process is used to set up the beginning stock when the Inventory Accounting system is first installed. The stock numbers must initially be set up in the Purchase Document module before the Beginning Stock Setup can begin, on the Stock Master Maintenance function under the Utilities menu.

This process requires completion of the **Company**, **Location**, and **Stock No** (number) input fields before the entire screen is displayed. If the stock number is a pooled item, certain fields are displayed, and if the stock number is a specific item, a different set of field items display. If the Inventory Accounting system is segregated during initial setup, flags on Inventory Accounting Configuration Setup must initially be set to integrated (I) to set up the beginning stock. Once initial set up is complete, the flags can be changed to segregated (S). The beginning stock setup data will then be exported to the various locations.
Non-Purchase Accounts Setup

Non-Purchase Accounts Setup is used to define “Fully Qualified Accounts” (FQAs) for purchasing nonPRCH “Charge Types” codes. This feature allows non-purchase costs to be expensed directly, instead of being included in inventory valuations.
Company Parameters Setup

Company Parameters Setup is used to define new Inventory Accounting entity to the system. Within the screen the user will specify the Ledger ID, whether inventory accounting is single or dual currency, indicate the primary and optional secondary inventory currencies, setup all required inventory accounting journals, and input all purchase currencies and their corresponding warehouse accrual journals.

Before entering currencies in Company Parameters Setup, the currency code must first be created in the Currency Conversion module’s Currency Codes Administration screen. Journals must be defined in the General Ledger module’s Journal Definition screen before they are available in the Company Parameters Setup screen.
Miscellaneous Setup

The Miscellaneous Setup utility is used during the installation process for Inventory Accounting. Contact IDEAS support or your IDEAS consultant for more information.
Inventory Accounts Setup

Field Descriptions

- **Inventory Account FQA**— Enter the Inventory Account FQA that corresponds to the group code for the location. For warehouse type locations, the Inventory Account FQA should be a balance sheet type FQA for controllable stock types and an expense type FQA for noncontrollable stock types. For non-warehouse type locations, the Inventory Account FQA should reflect the charge to location cost type for the inventory type in the selected Group.
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- **Un-Priced Inventory FQA** - Enter the Un-Priced Inventory Account FQA for the warehouse location. The Un-Priced Inventory FQA is used to accumulate the warehouse cost of inventory on open Purchase; the PO is closed and processed in the Inventory Accounting module, and then we move from the Un-Priced Inventory FQA to the Inventory FQA.

- **Accrual FQA for Estimated Inventory Movements** - Enter the Accrual FQA for Estimated Warehouse Movements for warehouse location. The Accrual FQA for Estimated Warehouse Movements is used to accumulate estimated inventory costs for warehouse.
Inventory System Accounts Setup

*Inventory Adjustment Material in Transit FQA Tab*

![Image of Inventory System Accounts Setup with Material in Transit FQA tab highlighted]
**Field Descriptions**

- **Inventory Adjustment FQA** – Enter the Inventory Adjustment FQA for the warehouse location. The Inventory Adjustment FQA is used to offset the inventory FQA for all warehouse adjustment type transactions, such as Quantity Adjustments (QA) and Value Adjustments (VA).

- **Material in Transit FQA** – This is the warehouse location. The Material in Transit FQA is used to offset the inventory FQA in all warehouse-to-warehouse movements. It is a debit for Transfer Issue (TI) transaction type and a credit for the Transfer Receipt (TR) transaction type.

- **Un-Priced Inventory FQA** - Enter the Un-Priced Inventory Account FQA for the warehouse location. The Un-Priced Inventory FQA is used to accumulate the warehouse cost of inventory on open Purchase; the PO is closed and processed in the Inventory Accounting module, and then we move from the Un-Priced Inventory FQA to the Inventory FQA.

- **Allocation Pool FQA** - Enter the Allocation Pool FQA for the warehouse location. The Allocation Pool FQA is used to accumulate non-purchase costs invoiced on Purchase Orders flagged for allocation.
**Accrued FQA Tab**

![Image of Inventory System Accounts Setup](image.png)

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Field Descriptions

- **Accrued Inventory FQA** - Enter the Accrued Inventory FQA for the warehouse location. The Accrued Inventory FQA is used to journalize warehouse Receipt (R) transaction types of controllable warehouse stock on purchase orders where goods have not been invoiced. The entry is created in PO currency and will be reversed in the Accounts Payable module when the invoice for the goods is processed and journalized.

- **Accrued Liability FQA** - Enter the Accrued Liability FQA for the warehouse location. The Accrued Liability FQA is the offset account to the Accrued Inventory FQA for warehouse receipts. It will be reversed in the Accounts Payable module in the same manner as the Accrued Inventory FQA.
Gain/Loss FQA Tab

![Gain/Loss FQA Tab](image)
Field Descriptions

- **Gain/Loss on Sale FQA** - Enter the Gain/Loss on Sale FQA for the Gain/Loss on Sale FQA warehouse location. The Gain/Loss on Sale FQA is used for the warehouse Sale (SL) transaction type and is calculated as the difference (the warehouse cost of goods sold and the sales value received). The account may have a debit or credit transaction amount.

- **Offset to Gain/Loss and Inventory FQA for Sales** – Accounts Receivable (A/R) account for sales transactions
**Lesson Two: TRANSACTION PROCESSING**

**Inventory Sales Price Entry**

This function enables a user to record a sales price for a stock item. Inventory Accounting will calculate a profit or loss on the stock item based on the cost method chosen for the item.

Inventory Sales Price Entry is used to input the actual value received for inventory stock items that are sold. The sales price received per unit is entered, and the system records the sale and the inventory gain/loss using the item’s book value. This sales value must be input for each sales transaction before Process Warehouse Transactions can process the sales transaction.
Return Price and Exchange Rate Entry

Returns Price and Exchange Rate Entry is used to adjust the price and exchange rate for inventory returns. These values must be input for return transactions before the Process Warehouse Transactions process has been executed.
Inventory Value Adjustment

Inventory Value Adjustments is used to record inventory value adjustments. Enter either the adjustment value or the final adjusted value and the system will compute the other field.
Process Closed Purchase Document Lines

Process Closed Purchase Document Lines is used to process all newly closed Purchase Documents items in a batch mode. After the purchase order line items have been set to Closed, the Process Closed Purchase Document Lines process can be run.

Process and Journalize Warehouse Accruals

Process and Journalize Warehouse Accruals calculates and journalizes stock transactions that cannot be priced from values in the transaction record. If a stock transaction must be accrued, it is accrued at the SAP in the Stock on Hand record or the estimated price in the stock master, if SAP does not exist.
Process Warehouse Receipts and Vendor Returns

The objective of the Warehouse Receipts and Vendor Returns process is to determine whether a warehouse receipt, against a stock Purchase Order line, should be accrued. If the quantity received at the warehouse has already been covered by quantity invoiced and journalized, then the warehouse transaction is flagged as complete and no further action is taken on the receipt. If the quantity received has not been invoiced, then the receipt will be valued at the PO unit price in the currency of the PO. The “Unit Price” on the PO will be in the purchase units of the PO, not the control units. Therefore, to accurately value the receipt quantity, the PO Unit Price must be converted to the unit price of the control units to calculate the accrual amount. There may also be situations where receipts are partially offset by invoice the quantity received. The Accrual Process will only create source accrual journals. These Journals are designed to convert to Inventory currency.
Process Warehouse Transactions

Process Warehouse Transactions journalizes a journal voucher for all transactions other than Receipt transactions. The Journalize Warehouse Transactions program will perform the Journalization process for warehouse transactions that have been processed by the Process Warehouse Transactions program. In a dual currency system, the process will create journals in both the primary and secondary warehouse currencies. A single currency system will journalize only in the primary warehousing.
Lesson Three: JOURNALIZATION

Journalize Warehouse Receipts

Journalize Warehouse Receipts performs the Journalization process for “Receipt” warehouse transactions for quantities received.

Journalize Warehouse Transactions

This function attaches a processed warehouse transaction to a journal and system-generated batch number.
Accounting Valuation Worksheet Report

This report lists all warehouse transactions that are available to be journalized and valued as a result of processing warehouse transactions.

Accounting Valuation Entry

This form is used to make corrections to journal entries produced by warehouse transactions.
Lesson Four: STANDARD REPORTS

Accrued Warehouse Movements Report

The Accrued Warehouse Movement Report provides a list of all accrued transactions. These transactions were created by the Process and Journalize Warehouse Accruals program. The report provides the detail of stock transactions that have been received but are not priced.
Inventory Activity Report

The Inventory Activity Report screen is used to generate a report or multiple reports, which provide the total quantity and/or value of stock transactions by stock item or group.
Inventory Activity Report by Destination

The Inventory Activity Report by Destination generates a report showing all inventory transactions by destination. The destination is displayed as the “To” location that is input on the Inventory Issues Processing screen.
Inventory Costs Pending Allocation Report

The Inventory Costs Pending Allocation Report provides a listing of indirect costs such as Freight and Tax that will be allocated to inventory, but have not been allocated because the Purchase Document is not closed.
Inventory Transaction Listing

The Inventory Transaction Listing provides a report of activity for a selected stock item.
Inventory Valuation Reports

Inventory Valuation Reports is used to generate inventory valuation reports showing the actual, estimated or accrued values of inventory currently on hand. This report can be used to reconcile the inventory values to General Ledger account balances. Three separate reports may be produced:

- The Inventory Valuation report
- The Accrued Inventory Receipts report
- The Unpriced Inventory report
Inventory Value Adjustment Log

Inventory Value Adjustments Log generates a report showing the value of inventory value adjustment transactions and the reason for the adjustment to the cost of the stock item.
Inventory Item Ledger Detail/Summary Report

This report provides the extended value of permanently priced stock. The pricing status (priced versus non-priced) is also shown.