

## Business One in Action - How to change the valuation method of an item?



### Applies to:

SAP Business One, [Logistics](#), [Stock](#)

### Summary:

This article discusses the prerequisites for changing the valuation method of an item (e.g. from FIFO to Moving Average).

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**Company:** SAP

**Created on:** December 2009

### Author Bio:

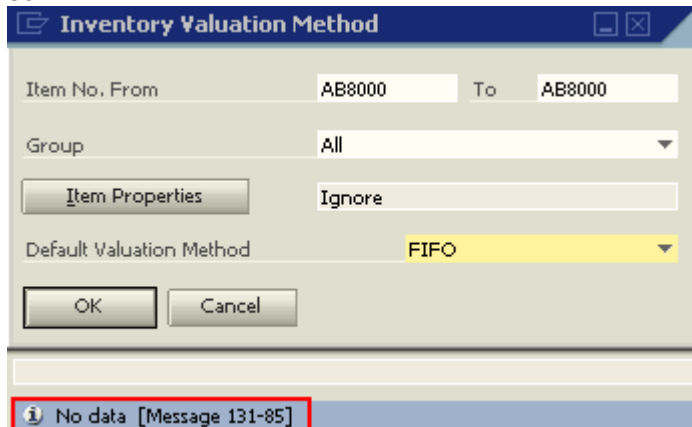
Lorna Real joined SAP in 2007 and is currently active as Senior Support Consultant for SAP Business One. She has worked as both technical and business consultant. She authored this article as a direct response to a partner enquiry during the Expert-on-Phone project, where she consulted on mainly Logistics and Finance related topics.

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## How to change the valuation method of an item?

When changing the valuation method of an item from FIFO to Moving Average using the 'Inventory Valuation Method' function (Inventory -> Item Management), the system message 'No Data' is displayed, why is this so?



These are the prerequisites for changing the valuation method of an item:

- The quantity of the item should be zero in all warehouses.
- Any open Deliveries for item have been drawn to Returns or to an A/R Invoice.
- Any open Goods Receipts POs have been drawn to a Goods Return or to an A/P Invoice.
- Any open Returns are either based on Deliveries or have been drawn to an A/R Credit Memo.
- Any open Goods Returns are either based on a Goods Receipts PO or have been drawn to an A/P Credit Memo.

Consider this scenario for an Item AB8000 which is managed by FIFO and with the stock situation as shown below:

**Item Master Data**

Item Number: AB8000    Bar Code:

Description: Cross Trainer Shoes

Desc. in Foreign Lang.:

Item Type: Items

Item Group: Items

Price List: Price List 03    Unit Price:

Inventory Item  
 Sales Item  
 Purchased Item  
 Fixed Assets

General    Purchasing Data    Sales Data    **Inventory Data**    Planning Data    Properties    Remarks

Manage Inventory by Warehouse

Set G/L Accounts By: Warehouse

Inventory UoM:

**Valuation Method: FIFO**

Inventory Level:

Required (Purchasing UoM):

Minimum:

Maximum:

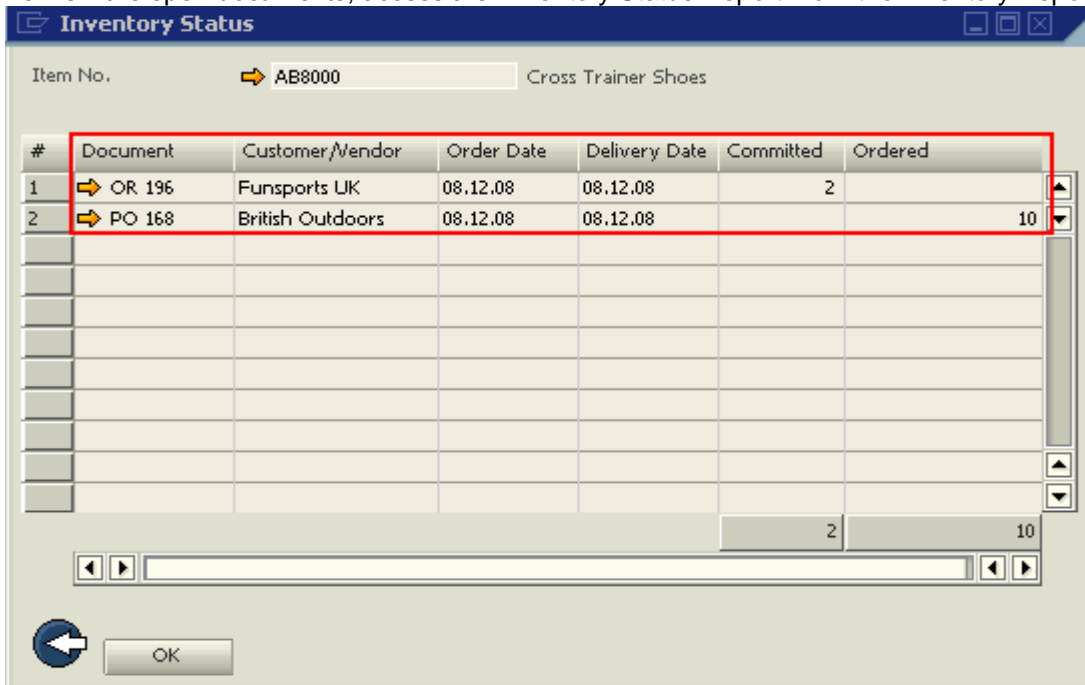
#	Whse Code	Whse Name	In Stock	Committed	Ordered	Available
1	01	General Warehouse	12	2	10	20
2	02	Store 1				
3	03	Dropship				
4	04	Consignment				
5						
			12	2	10	20

Set Default Whse

OK    Cancel

### Quantity of the Item Set to Zero

Item AB8000 has currently 10 units in open purchase order (PO) and 2 units in open sales order (SO). To view the open documents, access the 'Inventory Status Report' from the Inventory Reports menu.



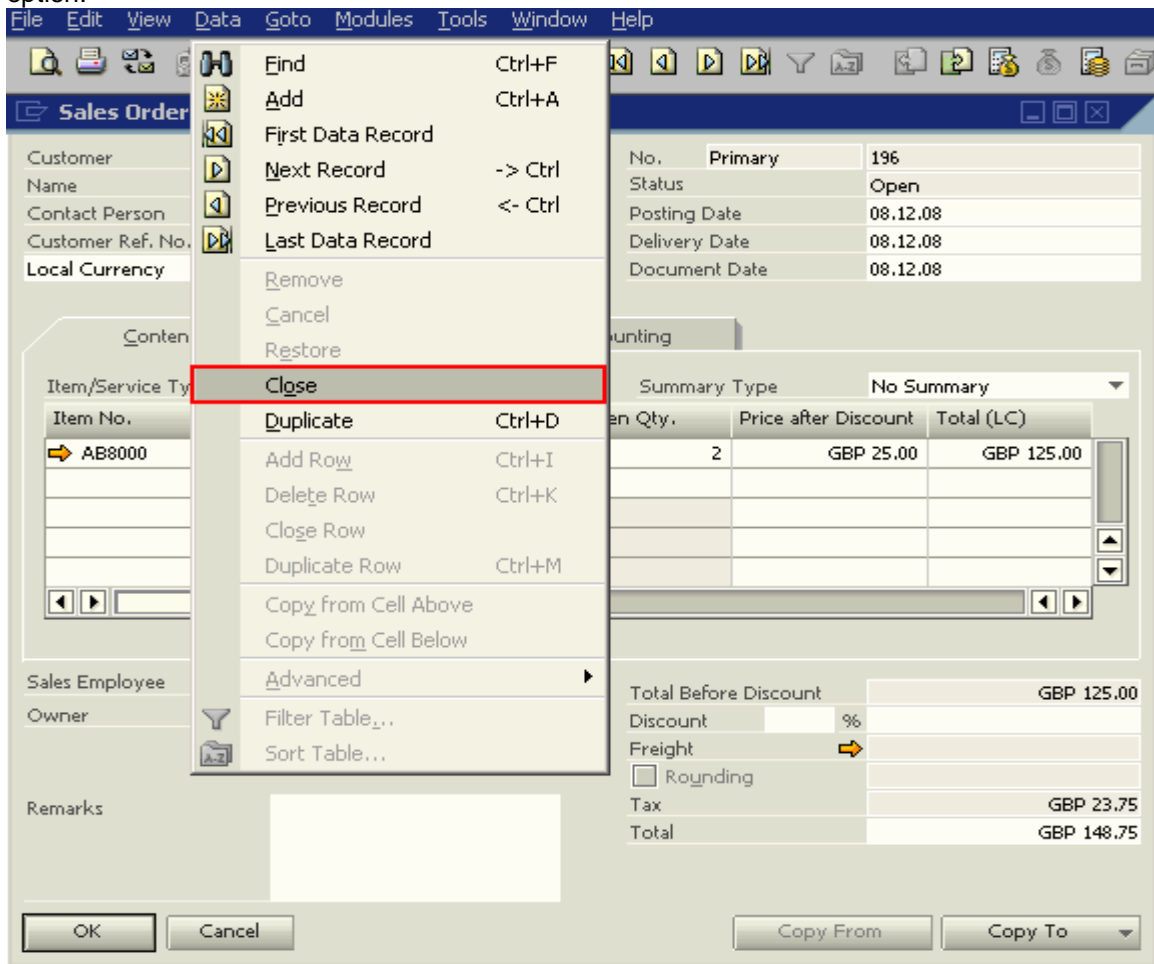
Inventory Status

Item No. AB8000 Cross Trainer Shoes

#	Document	Customer/Vendor	Order Date	Delivery Date	Committed	Ordered
1	OR 196	Funsports UK	08.12.08	08.12.08	2	
2	PO 168	British Outdoors	08.12.08	08.12.08		10
					2	10

OK

When applicable, good receipt or delivery transactions must be recorded in the system to close these open documents; otherwise, these documents should be manually closed using the Data -> Close option.



To issue the remaining stock quantity of 12, a 'Goods Issue' document must be created using the 'Goods Issue' function of the Inventory Module.

The screenshot shows the 'Goods Issue' dialog box in SAP. The dialog has a title bar 'Goods Issue' and several input fields at the top: Number (2), Series (Primary), Posting Date (08.12.08), Document Date (08.12.08), Price List (Last Purchase Price), and Ref. (2). Below these fields is a table with the following data:

#	Item No.	Item Description	Quantity	Whse	In Stock	Account C...
1	AB8000	Cross Trainer Shoes	12	01		500510

Below the table is a scroll bar and a 'Remarks' field containing the text 'To issue out the remaining stock quantity.'. Below the remarks is a 'Journal Remark' field containing 'Goods Issue'. At the bottom of the dialog are 'OK' and 'Cancel' buttons.

## Open Deliveries and Open Goods Receipt POs

To view the related open deliveries and open goods receipt PO transactions for the item, use the 'Drag & Relate' function. Simply drag the Item Code onto the function.

The screenshot shows the SAP Item Master Data interface for item AB8000. The left sidebar contains a 'Modules' tree with 'Delivery' highlighted. The main window shows the 'Inventory Data' tab, which includes a table of warehouse data.

#	Whse Code	Whse Name	In Stock	Committed	Ordered	Available
1	01	General Warehouse				
2	02	Store 1				
3	03	Dropship				
4	04	Consignment				
5						

The system shows a list of transactions that can be filtered to show only those with 'Open' status. If there is only one document affected, the marketing document is automatically displayed.

To close the open deliveries, they can be copied into 'Returns' or 'A/R Invoice'. For open goods receipt POs, they can be drawn into 'Goods Returns' or 'A/P Invoice'. When copying them into target documents is not possible, the open documents can be manually closed using the Data -> Close option.



Note: Closing these documents manually may have an impact on the accounting journal entries that were previously posted by these transactions. For example, manually closing the Goods Receipt PO transaction will transfer any un-invoiced amount to the clearing account.

**Goods Receipt PO**

Vendor: S1010  
 Name: British Outdoors  
 Contact Person: John Hadley  
 Vendor Ref. No.:  
 Local Currency:

No. Primary: 153  
 Status: Closed  
 Posting Date: 08.12.08  
 Due Date: 08.12.08  
 Document Date: 08.12.08

Contents | Logistics | Accounting

Item/Service Type: Item | Summary Type: No Summary

#	Item No.	Quantity	Unit Price	Tax Code	Total (LC)	Whse
1	AB8000	15	GBP 10.00	I1	GBP 150.00	01

Buyer: -No SE-  
 Owner:  
 Remarks: Based On Purchase Orders 168.

Total Before Discount: GBP 150.00  
 Discount: %  
 Freight:  
 Rounding  
 Tax: GBP 22.50  
 Total Payment Due: GBP 172.50

OK | Cancel | Copy From | Copy To

**Journal Entry**

Series	Number	Posting Date	Due Date	Doc. Date	Ref. 1	Ref. 2	Trans. Code	Remarks
Primary	1048	08.12.08	08.12.08	08.12.08	153			Goods Receipt PO - S1010

Origin: PD | Origin No.: 153 | Trans. No.: 1048 | Template Type: | Template: | Indicator: | Project:

Fixed Exchange Rate |  EU Report |  Automatic Tax

Expand Editing Mode

#	G/L Acct/BP Code	G/L Acct/BP Name	Debit	Credit	Tax Group	Ta...
1	208040	Goods Received Not Invoiced (GRNI) Clearing		GBP 50.00		
2	208020	Goods Clearing Account				GBP 50.00

### **Open Sales Returns and Open Goods Returns**

If there are open returns for the item, the return transactions must not be independent returns. They have to be based on other marketing documents. For example, a sales return is based on delivery; a purchase return is based on goods receipt.

If the return transactions do not have base documents, they must be closed in the system as well by either copying them into target documents (A/R Credit Memo or A/P Credit Memo), or by manually closing them using the Data -> Close option.

Note: Before closing these documents, note down their document numbers. You may need these numbers when creating A/R Credit Memo and A/P Credit Memo at a later stage.

### **Running the Inventory Valuation Method**

1. Access the Inventory -> Item Management -> Inventory Valuation Method.
2. Enter in the 'Item Code' field the item that needs to be changed. Then, click on 'OK'.

The screenshot shows the 'Inventory Valuation Method' dialog box. The 'Item No. From' field contains 'AB8000' and the 'To' field also contains 'AB8000'. The 'Group' dropdown menu is set to 'All'. The 'Item Properties' dropdown menu is set to 'Ignore'. The 'Default Valuation Method' dropdown menu is set to 'FIFO'. There are 'OK' and 'Cancel' buttons at the bottom.

3. In the 'New Method' column of the 'Update Valuation Method' window, select the new valuation method for the item. Once done, click on 'Update' to complete the change.

The screenshot shows the 'Update Valuation Method' window. It contains a table with the following data:

Approved	Item Number	Item Description	Current Method	New Method
<input checked="" type="checkbox"/>	AB8000	Cross Trainer Shoes	FIFO	FIFO
				Moving Average
				Standard
				FIFO

The 'New Method' dropdown menu is open, showing 'FIFO', 'Moving Average', 'Standard', and 'FIFO'. The 'Moving Average' option is highlighted. There are 'Update' and 'Cancel' buttons at the bottom.

## 4. Access the 'Item Master Data' for this item to verify the change.

**Item Master Data**

Item Number: AB8000 Bar Code:

Description: Cross Trainer Shoes

Desc. in Foreign Lang.:

Item Type: Items

Item Group: Items

Price List: Price List 03 Unit Price:

Inventory Item  
 Sales Item  
 Purchased Item  
 Fixed Assets

General Purchasing Data Sales Data **Inventory Data** Planning Data Properties Remarks

Manage Inventory by Warehouse

Set G/L Accounts By: Warehouse

Inventory UoM:

**Valuation Method: Moving Average**

Inventory Level:

Required (Purchasing UoM):

Minimum:

Maximum:

#	Whse Code	Whse Name	In Stock	Committed	Ordered	Available
1	01	General Warehouse				
2	02	Store 1				
3	03	Dropship				
4	04	Consignment				
5						

Set Default Whse

OK Cancel

Note: The cost of the item received back into stock with its new valuation method should be carefully determined by the company's accountant. The 'Stock Valuation Report' can be used to show the cost of the item using a different valuation method. Prior to changing the valuation method (i.e. FIFO to Moving Average), the 'Stock Valuation Report' can be used to view the estimated cost of the item in Moving Average method.

## Related Contents

- [SAP Business One in Action Catalog Page](#)
- For more information, visit the [Business One homepage](#).

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