

3.20: Inventory Valuation

Introduction

Route Manager includes an extensive inventory valuation system that allows you to instantly view your inventory values based on established cost information input into the system. Depending on the option you choose, Route Manager will provide this information on a *Fixed Cost*, *FIFO* (First-in, First-out) or *LIFO* (Last-in, First-out) method of calculation. The following document will guide you through setting up these options in detail.

NOTE: If you are not familiar with the inventory process in Route Manager, please refer to *Chapter 3.10* of the *Supplemental Guide* before continuing.

Inventory Valuation Overview

Before you can properly assess inventory valuation in the program, you will need to decide which method of tracking you would prefer to use:

- ▶ **Fixed Cost:** Costs are calculated based on the last cost amount entered in the *Product Charge Code* file.
- ▶ **FIFO (First-in, First-out) and LIFO (Last-in, First-out):** Inventory valuation is calculated based on an accumulation of the costs entered when receiving inventory.

NOTE: The *FIFO* or *LIFO* options offer more flexibility than the *Fixed Cost* option.

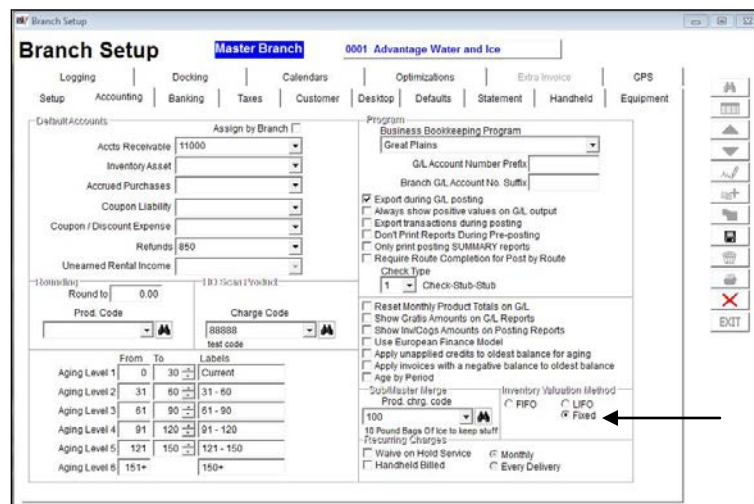
Inventory Valuation Setup

In order to enable the inventory valuation option of your choice, navigate to *File > Branch Setup > Accounting* tab.

Select one of three choices:

- ▶ **FIFO (First-in, First-out):** Inventory valuation is calculated based on an accumulation of the costs entered when receiving inventory. Inventory will be removed from the oldest batch first.
- ▶ **LIFO (Last-in, First-out):** Inventory valuation is calculated based on an accumulation of the costs entered when receiving inventory. Inventory will be removed from the latest batch first.
- ▶ **Fixed Cost:** Inventory valuation is calculated based on the cost entered within the *Product Charge Code* screen for each product. Inventory will not be separated by batch.

Make your selection and click *Save* to continue.



The screenshot shows the 'Branch Setup' window for 'Master Branch' and '0001 Advantage Water and Ice'. The 'Accounting' tab is active. In the 'Programs' section, the 'Business Bookkeeping Program' is selected. Under 'Inventory Valuation Method', the 'Fixed' radio button is selected, indicated by a black arrow. Other visible options include 'FIFO' and 'LIFO'. The 'Aging Levels' table is also visible.

Aging Level	From	To	Labels
Aging Level 1	0	30	Current
Aging Level 2	31	60	31 - 60
Aging Level 3	61	90	61 - 90
Aging Level 4	91	120	91 - 120
Aging Level 5	121	150	121 - 150
Aging Level 6	151+	150+	

Daily Processing

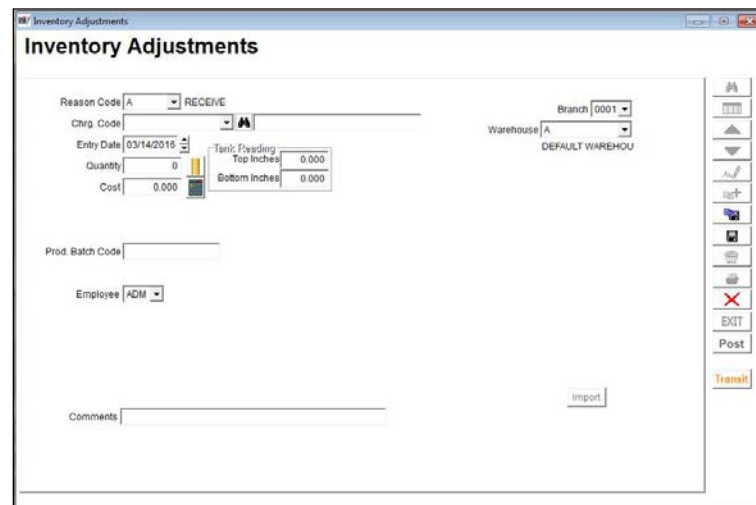
The daily process for keeping an accurate inventory valuation is:

1. Receive Inventory.
2. Generate report.

Each item is discussed below.

Receive Inventory

The *Inventory Adjustments* screen allows you to enter inventory as you receive it from your supplier, or as you manufacture it. Navigate to *Modules > Inventory > Inventory Adjustments*.



Follow the steps below to properly add inventory to the program:

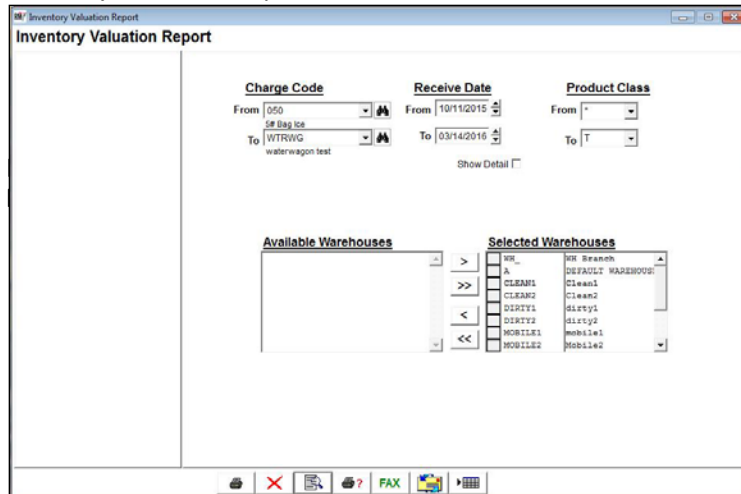
1. Click the *Add* button.
2. Select the *Product Charge Code* of the product received from the drop down menu or use the lookup feature to find the correct charge code needed.
3. Enter the date the product was received.
4. Enter the *Quantity* of units received.
5. Enter the *Cost* of the inventory items.
6. Select an *Inventory Adjustment Code*.
7. Enter a new *Production Batch Code* (if applicable).
8. Select the *Employee* responsible for receiving the inventory.
9. Select the receiving *Branch*.
10. Enter the *Warehouse* that will receive the items.
11. To add inventory for other products, click the *More* button. Otherwise, choose *Save*.

12. After all entries are made, click the *Post* button to update the inventory and cost information for all products entered.
13. To complete the process, you will be prompted to print the *Receive Inventory* report for this batch of entries.

Inventory Valuation Report

The *Inventory Valuation Report* will provide you with the current retail value, costs, and profit margins for all of your products on hand.

This report can be found under *Reports > Inventory > Inventory Valuation Report*.



In the following example, the *Show Detail* box has been selected for the item listed, showing all of the entries within the date range entered:

Inventory Valuation Report						
Criteria Charge Code From 101 To 999						
Product Class From * To 2						
Last Received Date From 06/06/2009 To 06/08/2009						
Price			Value			
	Retail	Cost	Qty on hand	Retail	Cost	Profit
Branch id :0001						
Warehouse: MAIN [MAIN WAREHOUSE]						
Class: W						
Product: 515	5 Gallon Spring					
	5.750	2.50	100.00	575.00	250.00	325.00
	5.750	2.75	100.00	575.00	275.00	300.00
	5.750	3.00	100.00	575.00	300.00	275.00
Product: 515 Totals			300.00	1725.00	825.00	900.00
Product Class Total			300.00	1725.00	825.00	900.00
Branch Total			300.00	1725.00	825.00	900.00
Grand Total			300.00	1725.00	825.00	900.00

Depending on how you have set up the system, the report output data will vary. For example, if the FIFO method is being used: inventory sold to customers will be subtracted from the first batch of products listed on the report. Once the first batch is depleted, the batch

and cost will no longer be displayed on the report. If LIFO is used: inventory sold to customers will be subtracted from the last batch of products listed on the report.

NOTE: If you are using the *Fixed Cost* option, you will not be able to view this level of detail on the report.

Summary

The *Inventory Valuation* option provides further flexibility in the always evolving Route Manager program. If you have any questions regarding this feature, please contact Advantage Route Systems.

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