



QAD Enterprise Applications 2009
Enterprise Edition

User Guide

QAD Financials B

Global Tax Management
Intrastat
Costing
Fixed Assets

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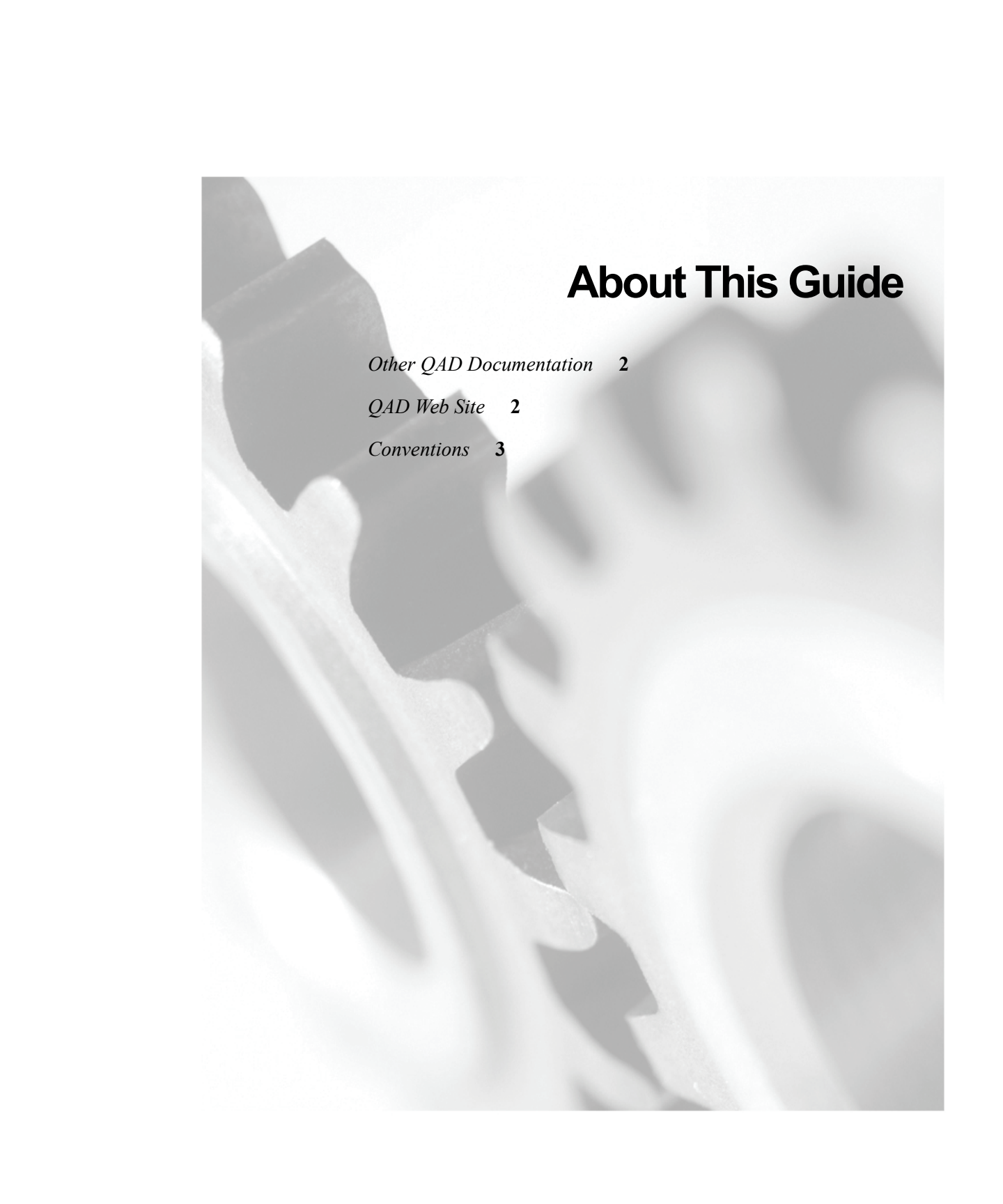
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The background of the page is a grayscale photograph of several interlocking mechanical gears. The gears are of different sizes and are positioned in a way that creates a sense of depth and motion. The lighting is soft, highlighting the metallic texture and the sharp edges of the gear teeth.

About This Guide

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This guide covers the supplemental financial modules in the QAD 2008 Enterprise Financials suite. Core financial modules are described in *User Guide: QAD Financials A*.

Other QAD Documentation

- For an overview of new features and software updates, see the *Release Bulletin*.
- For software installation instructions, refer to the appropriate installation guide for your system.
- For conversion information, refer to the *Conversion Guide*.
- For instructions on navigating the user interface, see *User Guide: QAD User Interfaces*.
- For detailed information on using system features, refer to the relevant user guide.
- For technical details, refer to *Entity Diagrams* and *Database Definitions*.

For a complete list of QAD documentation, visit the QAD Online Support Center at:

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QAD Web Site

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You can register for a QAD Web account by accessing the Web site. Your customer ID number is required. Access to certain areas is dependent on the type of agreement you have with QAD.

Most user documentation is available in two formats:

- Portable document format (PDF) files can be downloaded from the QAD Web site to your computer. You can view and print them with the free Adobe Acrobat Reader.
- HTML files let you view user documentation through your Web browser and use search tools for easily locating topics of interest.

Conventions

Screen Illustrations

System functions are available in a feature-rich .NET-based graphical user interface (UI); a subset of functions can be used in a simplified character interface. All screenshots in the documentation show the .NET UI.

Navigation in the two UIs is not the same. The user guide text follows the navigation model of the .NET UI for moving from one screen to the next. In the character interface, the Progress status line at the bottom of a program window lists the main UI-specific keyboard commands used in that program. In the .NET UI, alternate commands are listed in the Actions menu.

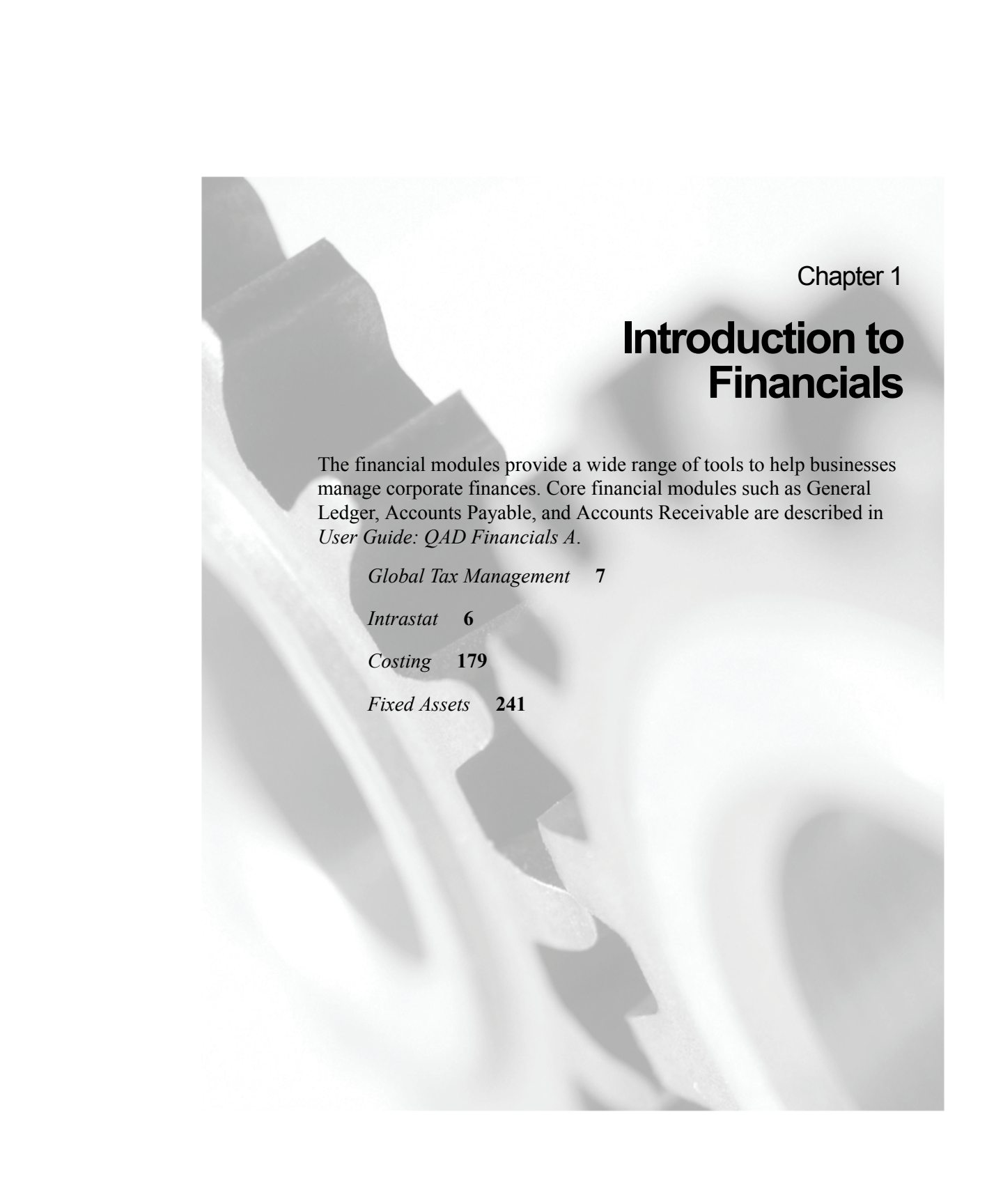
For complete keyboard command summaries for UI navigation, refer to the appropriate chapters of *User Guide: QAD User Interfaces*.

Typographic

This document uses the text or typographic conventions listed in the following table.

If you see:	It means:
<code>monospaced text</code>	A command or file name.
<i>italicized monospaced text</i>	A variable name for a value you enter as part of an operating system command; for example, <i>YourCDROMDir</i> .

If you see:	It means:
indented command line	A long command that you enter as one line, although it appears in the text as two lines.
Note	Alerts the reader to exceptions or special conditions.
Important	Alerts the reader to critical information.
Warning	Used in situations where you can overwrite or corrupt data, unless you follow the instructions.

The background of the page features a grayscale image of several interlocking gears. The gears are of different sizes and are positioned in a way that creates a sense of depth and mechanical complexity. The lighting is soft, highlighting the metallic texture of the gears.

Chapter 1

Introduction to Financials

The financial modules provide a wide range of tools to help businesses manage corporate finances. Core financial modules such as General Ledger, Accounts Payable, and Accounts Receivable are described in *User Guide: QAD Financials A*.

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Global Tax Management

▶ See “Global Tax Management” on page 7 for details.

GTM offers precise tax calculations and flexible setup for calculating taxes for multiple countries. With GTM, you can set up an unlimited number of taxes and rates—each associated with customers, suppliers, or items. You can define when taxes are calculated, the formula used to calculate them, and the amount subject to tax.

You can also set up reports to accommodate the legal reporting requirements of various jurisdictions.

Intrastat

▶ See “Intrastat” on page 137 for details.

European Union (EU) regulations require member nations to submit reports concerning Intra-EU trade. The term *Intrastat* (for *Intra-EU Trade Statistics Reporting*) refers to the system used by customs officials to monitor this trade. The Intrastat module offers data collection and reporting tools to meet these reporting requirements. Intrastat collects history data from sales or purchasing activity, then uses the data to generate Intrastat reports.

Costing

▶ See “Costing” on page 179.

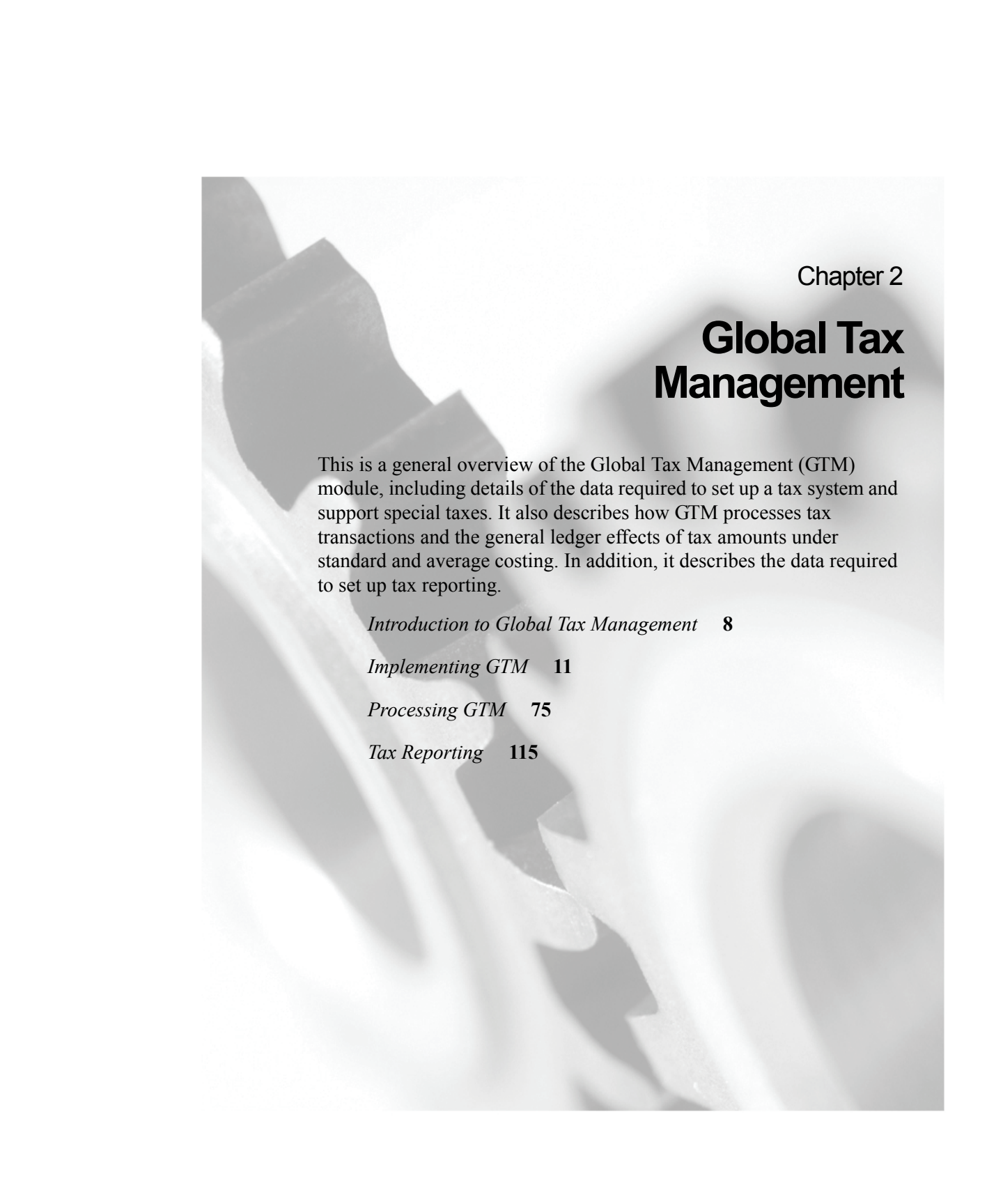
Costing covers how costs are applied and tracked. It provides information for setting up and using costing features with the Cost Management module, as well as using standard inventory functions.

Fixed Assets

▶ See “Fixed Assets” on page 241.

Use Fixed Assets to set up, maintain, transfer, and retire your company’s fixed assets. The Fixed Asset depreciation system is integrated with the General Ledger module.

Often, depreciation is calculated one way for internal reporting and another way for tax purposes. Using Fixed Assets, you can set up asset records specifying how depreciation is calculated for each kind of reporting. Depreciation is calculated using either equations or tables. Conventions can be used in conjunction with equations for depreciation calculations in the first, last, and disposal years of an asset’s life.

The background of the page features a grayscale image of several interlocking gears. The gears are of different sizes and are positioned in a way that creates a sense of depth and mechanical complexity. The lighting is soft, highlighting the teeth of the gears and creating subtle shadows.

Chapter 2

Global Tax Management

This is a general overview of the Global Tax Management (GTM) module, including details of the data required to set up a tax system and support special taxes. It also describes how GTM processes tax transactions and the general ledger effects of tax amounts under standard and average costing. In addition, it describes the data required to set up tax reporting.

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Introduction to Global Tax Management

Global Tax Management (GTM) supports multinational enterprises in calculating taxes on business transactions. The types of taxes, the formulas used to calculate them, and when taxes are assessed often vary considerably between countries. GTM can process taxes for multiple countries within the same database.

Features

GTM offers an unlimited number of taxes and rates—each associated with customers, suppliers, or items. You can also define when taxes are calculated, the formula used to calculate them, and the amount subject to tax.

GTM supports the following situations and conditions:

- Taxes based on geographic location, effective date range, tax class, item usage, or the nature of a company's business
- Tax exemptions
- Taxation by line item or by order total
- Taxes based on a percentage of the item amount
- Trailer charges with multiple tax classes
- Luxury taxes for item amounts greater than a specified value
- Capped taxes that cannot exceed a specified maximum
- Taxes that include other tax amounts
- Purchase taxes recoverable against tax collected on sales
- Ability to override system-calculated tax amounts during transaction entry
- Reverse calculation of tax amounts from line items that already include tax
- Taxes your company absorbs rather than passes on to the customer
- Remittance of purchase taxes directly to the government instead of to the supplier

- Exclusion of credit term discounts from tax amounts
- Generating general ledger (GL) entries for purchase taxes at receipt of goods or supplier invoice

Since GTM accommodates a variety of taxation conditions, manual overrides of automated calculations are usually not needed. Although, once GTM is set up, it is possible to make any needed updates.

Considerations

- GTM does not currently support unit-based taxes, such as \$0.05 per can of soda.
- GTM does not calculate taxes on distribution orders generated by the Distribution Requirements Planning (DRP) module. In this situation, generate sales orders instead of distribution orders.
- GTM does not adjust sales commission reporting. Commissions are always based on item prices including tax. Adjust your commission structure to compensate.

Tax Elements

Every country in the world has a unique system for assessing taxes. However, most systems share common elements. Since these elements may be common across diverse geographical regions, basic tax setup data is defined at the database level. This avoids having to repeat similar setup in a multiple-domain environment.

The basic tax elements defined system-wide include the following:

- Business transactions can be subject to many kinds of taxes—sales taxes, domestic import duties, inventory transfer taxes, royalty fees, and so on. In GTM, a tax that is specific to a region and individually calculated and reported is a *tax type*.
- Regions that assess tax include countries (or groups of countries), states, provinces, counties, districts, and cities. In GTM, a region that assesses tax is a *tax zone*.
- Within a tax zone, a tax can affect all people and items, or only some of them. In GTM, customers, suppliers, and items can be grouped by *tax class*.

- Similarly, a tax can be assessed at a different rate based on a customer's operation or how items are used. GTM can group people and items by *tax usage*.
- The three factors that can determine which tax types apply to a transaction are the ship-from and ship-to tax zones and the tax class of the customer or the supplier. In GTM, the set of tax types for a specific ship-to/ship-from zone and tax class combination is a *tax environment*.

These elements are then combined to define domain-specific *tax rates*. Each tax type can have multiple tax rates for different item tax classes, tax usages, and transaction tax dates. GTM selects the rate most appropriate for a particular transaction.

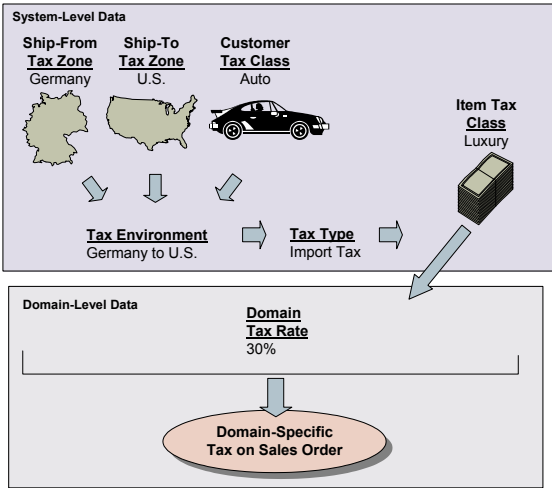
Using GTM

Figure 2.1 illustrates the interaction of the tax elements. A German automobile manufacturer exports luxury cars to the United States. U.S. tax rates depend on the class of the vehicle. For example, the rate for luxury cars is 30% in the United States; it is 20% in Mexico.

Germany, U.S., and Mexico are tax zones, in different domains. The automobile manufacturer is a customer tax class subject to the U.S. import tax. Luxury cars are an item tax class. This data is all defined system wide and available for use in all domains in the database.

The sales order tax environment associates the import tax with the order, and GTM selects the domain-specific tax rate based on the item tax class for luxury cars.

Fig. 2.1
GTM Example



Implementing GTM

This section describes the data required to set up GTM and define special kinds of taxes.

Implementation Overview

Table 2.1 lists the activities and functions used to implement Global Tax Management (GTM).

Activity	Use this program...
Setting up country codes	Country Create (36.1.3.1.1) and Country Code Data Maintenance (2.14.1)
Setting up state/province and county codes	State Create (36.1.3.2.1) and County Create (36.1.3.3.1)
Setting up tax zones	Tax Zone Maintenance (29.2.1)
Setting up tax types	Tax Type Maintenance (29.1.1)
Setting up tax classes and tax usages	Tax Class Maintenance (29.1.5) Tax Usage Maintenance (29.1.9)
Setting up tax environments	Tax Environment Maintenance (29.3.1)
Setting up trailer charges	Trailer Code Maintenance (2.19.13) Trailer Tax Detail Maintenance (29.1.21)

Table 2.1
GTM
Implementation
Programs

Activity	Use this program...
Setting up tax bases	Tax Base Maintenance (29.1.13)
Setting up tax boxes and groups	Tax Box Create (29.6.1.1.1) Tax Group Create (29.6.1.2.1)
Setting up tax calendars	Tax Period Create (25.4.4.1)
Setting up general ledger accounts and sub-accounts	Account Create (25.3.13.1) Sub-Account Create (25.3.17.1)
Setting up tax rates	Tax Rate Maintenance (29.4.1) Tax Rate Copy/Update (29.4.5)
Setting up the control program	Global Tax Management Control (29.24)
Updating existing base records	Business Relations (36.1.4.3) Customers (27.20.1) Customer Ship-Tos (27.20.2) End Users (27.20.3) Suppliers (28.20.1) Product Line Maintenance (1.2.1) Item Master Maintenance (1.4.1) Service Category Maintenance (11.21.9)

Note U.S. and Canadian taxes can also be calculated using an external Sales and Use Tax system. In this case, GTM must be set up based on special requirements. See *Technical Reference: QAD Sales and Use Tax Interface*.

Multiple Language Descriptions

The core set of tax codes are defined at the system level and can be used within any domain. These include tax types, tax zones, tax classes, tax usages, and tax environments.

If you have implemented multiple domains with different associated languages within a single QAD database, you can define descriptions for tax codes in all required languages. With this setup, when users in a specific domain select tax codes, they see the description in their own language. Since the codes themselves are often numeric, the description is essential for understanding the purpose of the code.

Example When a user with the French language associated selects a tax type browse, they will see the tax type descriptions in the French language.

Once you have set up the descriptions in multiple languages, they are displayed on all operational maintenance programs, browses, and reports that reference them.

The setup of language descriptions follows the same process in all supported programs.

- 1 The user logs in and creates a new tax code.
- 2 When the user saves the record, a label term is created and the description specified is associated with that label term for the user’s language.
- 3 The user is prompted regarding updating all languages.
If the response is No, only the record for the user’s language is created.
If the response is Yes, a frame displays data for each active language that can be modified by the user. This modification can be done when the code is created, or later when it is modified.

Since the data is being stored as label terms—the standard way all translated labels are managed for operational programs—the terms can be modified in Label Master Maintenance (36.4.17.1). With this approach, if the user creating the code does not have the expertise to provide translated descriptions, the translated descriptions can be defined directly in Label Master Maintenance.

Table 2.2 lists the label format used for each tax code. In the format, UDT stands for User-Definable Translation.

Tax Code	Label Format
Tax Class	UDT_TXCL_ user-defined description
Tax Environment	UDT_TXE_ user-defined description
Tax Type	UDT_TXT_ user-defined description
Tax Usage	UDT_TXU_ user-defined description
Tax Zone	UDT_TXZ_ user-defined description

Table 2.2
Tax Description
Terms

Figure 2.2 illustrates setting up language descriptions in Tax Class Maintenance (29.1.5).

Fig. 2.2
Tax Class
Maintenance,
Multi-language
Descriptions

The screenshot shows the 'Tax Class Maintenance' window. At the top, there's a header bar with 'Tax Class Maintenance' and buttons for 'Go To' and 'Actions'. Below the header, the main content area displays 'Tax Class: 10' and 'Description: Luxury Items' on the left, and 'us' on the right. A blue-bordered dialog box is centered on the screen with the text 'Change text for all languages' and two buttons: 'yes' and 'no'.

The language for the logged in user displays in the first frame, in this case US. Clicking Next displays the prompt to modify all languages. Specifying Yes displays a screen such as the following.

Fig. 2.3
Tax Class
Maintenance,
Multi-language
Descriptions

The screenshot shows the 'Tax Class Maintenance' window after clicking 'yes'. The main content area displays 'Tax Class: 10' and 'Description: Luxury Items' on the left, and 'us' on the right. Below this, there is a table with three columns: 'Lang', 'Tax Class Description', and 'Description'. The table lists various languages and their corresponding descriptions for 'Luxury Items'. At the bottom, there is a 'Language: bu' label and a 'Long Label:' field with the value 'Luxury Items' entered.

Lang	Tax Class Description	Description
bu	bulgarian	Luxury Items
ch	chinese	Luxury Items
cr	Croatian	Luxury Items
cs	castilian spanish	Luxury Items
czech	czech	Luxury Items
da	danish	Luxury Items
du	dutch	Luxury Items
EN	English	Luxury Items

Language: bu Long Label:

Edit the value in the Long Label field to specify the appropriate text for the selected language.

Setting Up Tax Zones

Tax zones identify geographic regions subject to the same set of tax types and levels of tax reporting. They apply to all domains in the database.

All business relations, customers, suppliers, and site address records belong to a tax zone based on geographical elements associated with the address. For sales, purchasing, and other transactions, the system uses tax zones to determine the tax environment.

Before setting up tax zones, ensure that the proper geographical codes have been defined to support the required zones:

- Country codes are defined in Country Create (36.1.3.1) during base system implementation. Additional operational data can be defined in Country Code Data Maintenance (2.14.1). Specify the default code for most tax zone records in Global Tax Management Control (29.24).
- State/province and county codes are other basic address elements used to determine the correct tax zone for an address. Ensure the proper codes have been defined in State Create (36.1.3.2) and County Create (36.1.3.3).

◆ See *User Guide: QAD Financials A*.

Tax Zone Hierarchies

A separate tax zone is required for each country, state, province, county, city, and postal zone that has distinct tax reporting requirements. Since one tax zone can include reporting and tax calculations for another, tax zones are organized into hierarchies. Set up higher-level zones before lower-level ones. For example, set up countries before their component states, states before counties, and so on.

How you set up a tax zone depends on its position in the hierarchy. To include a tax zone in the tax total and reporting for another zone, specify the first zone's *sums-into* zone. The sums-into zone can be at a higher level or at the same level.

For example, a city tax zone included in provincial tax reporting sums into the provincial tax zone. Or, a tax zone for a suburb included in metropolitan tax reporting sums into the city tax zone. In the tax zone record, specify whether the first zone has its own subtotal on the main report and whether it also has its own reporting.

Fig. 2.4
Tax Zone
Hierarchies

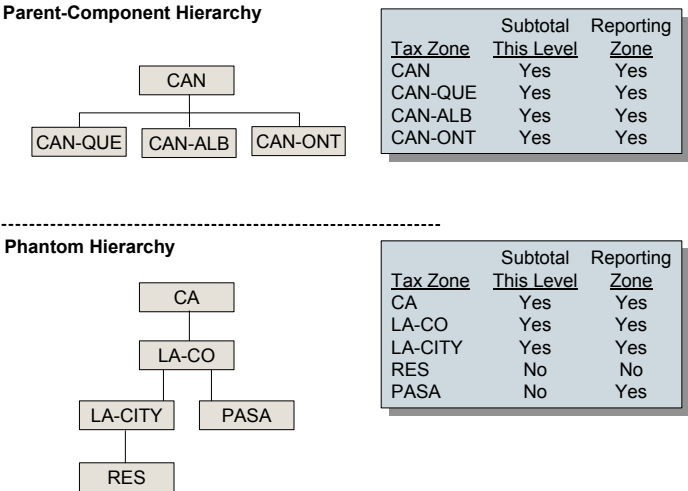


Figure 2.4 illustrates two hypothetical tax zone hierarchies.

- *Parent-Component Hierarchy.* The Canadian provinces Quebec, Alberta, and Ontario are subject to both federal and provincial taxes. The component tax zones CAN-QUE, CAN-ALB, and CAN-ONT sum into zone CAN. All four zones are reporting zones in their own right and are subtotaled.
- *Phantom Hierarchy.* Reseda, a suburb of Los Angeles, is taxed in the same way as Los Angeles and does not have a subtotal on the city tax report. Tax zone RES sums into LA-CITY but is not subtotaled and is not a separate reporting zone.

Pasadena is subject to Los Angeles county tax and does not have a subtotal on the county tax report. Tax zone PASA sums into zone LA-CO. It is not subtotaled but is a distinct reporting zone.

Tax Zone Maintenance

Set up tax zones in Tax Zone Maintenance (29.2.1). To verify data setup, use Tax Zone Browse (29.2.2) and Report (29.2.3). To verify sums-into relationships, use Tax Hierarchy Inquiry (29.2.6) and Report (29.2.7).

The screenshot shows a software window titled "Tax Zone Maintenance". It has a menu bar with "Go To" and "Actions". The main area is divided into two sections. The top section is for a "Tax Zone" and contains the following fields: "Tax Zone:" with the value "US", "Description:" with the value "US Tax Zone", "Country Code:" with the value "us", "State:" (empty), "County:" (empty), "City:" (empty), and "Postal Code:" (empty). To the right of these fields are two checkboxes: "Subtotal This Level:" (checked) and "Reporting Zone:" (checked). Below these is a checkbox for "Update Translations:" (unchecked). The bottom section is titled "Sums-Into Tax Zone" and contains the following fields: "Sums-Into Tax Zone:" with the value "ROW", "Description:" (empty), "Country Code:" with the value "~RW", "State:" (empty), "County:" (empty), "City:" (empty), and "Postal Code:" (empty).

Fig. 2.5
Tax Zone
Maintenance
(29.2.1)

Tax Zone. Specify a code (maximum 16 characters) identifying a geographic region subject to the same tax laws. Set up tax zones for every level at which separate tax calculations and reporting are required, starting with the top level and working downward. For example, set up tax zones for countries before states, states before counties, and so on.

Description. Enter a brief (maximum 24 characters) description of the tax zone. This field is required. You can enter the same description for more than one zone. The description prints on most reports and browses, as space permits.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 12 for details.

Country Code. Enter the valid, active code that identifies the country that assesses tax. For new tax zones, the value defaults from Global Tax Management Control (29.24).

This field is required. The combination of country, state, county, city, and postal code must be unique for each zone.

State. Enter the valid, active code for the state or province included in the tax zone.

County. Enter the valid, active code for the county included in the tax zone.

City. Enter the name of the city included in the tax zone. The City field is not validated.

Postal Code. If necessary, enter the postal code included in the tax zone. If taxes never vary by postal code, do not set up tax zones by postal code.

Update Translations. Indicate if you want to create or modify descriptions for the tax zone in other languages.

Subtotal This Level. Enter Yes if custom tax reports can show subtotals for this tax zone. No standard reports show tax amounts by tax zone.

Reporting Zone. Enter Yes if the tax zone directly assesses tax.

Sums-Into Tax Zone. Enter a code identifying the parent tax zone that actually assesses tax for this geographic region. The description, country code, state, county, city, and postal code display.

In addition to the geographic tax zone codes, set up an error code and specify it in Global Tax Management Control (29.24). When you enter or update an address record, GTM attempts to match the address to a tax zone for the country, state/province, county, city, and postal code. If it cannot find a matching tax zone, it assigns the error zone. See “Setting Up GTM Control” on page 48.

To make it easier to identify error conditions, set up a meaningful code, such as ERROR-ZONE.

Setting Up Tax Types

Tax types are individually calculated and reported as regional taxes or tax exemptions. They apply to all domains in the database. Examples include Canadian PST/GST, California sales tax, federal excise tax. On transactions, the system calculates taxes for line items and trailer charges based on the tax types specified in their tax environments.

A separate tax type is required for each tax or tax exemption you report separately. For sorting, preface the type with the country code or state/province. The tax detail reports print in alphanumeric order by tax type code. Consider this when assigning codes for tax types.

Set up tax types in Tax Type Maintenance (29.1.1). To verify data setup, use Tax Type Browse (29.1.2) and Report (29.1.3).

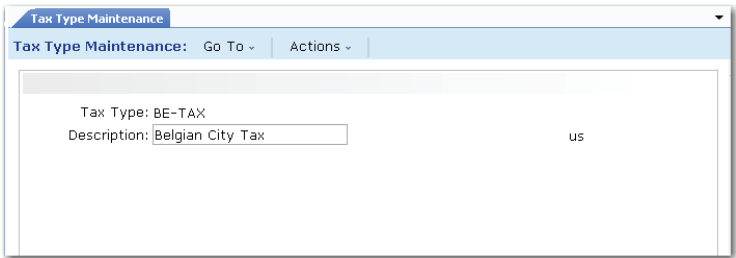


Fig. 2.6
Tax Type
Maintenance
(29.1.1)

Tax Type. Enter a code (maximum 16 characters) identifying a tax or tax exemption that is separately calculated and reported to a specific jurisdiction.

Description. Enter a brief (maximum 24 characters) description of the tax type. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 12 for details.

Setting Up Tax Classes and Usages

Depending on your tax system, set up tax class and/or tax usage codes to accommodate differences in taxation within a tax zone. These codes apply to all domains in the database.

Table 2.3 lists some typical situations and describes how to implement them.

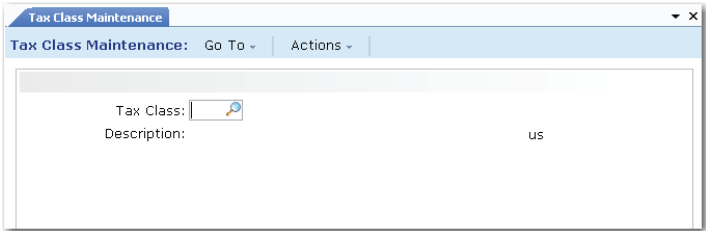
Situation	Implementation
Customers and/or suppliers in a tax zone are subject to different tax types or tax exemption types.	Set up tax classes for these customers and/or suppliers.
Product lines and/or items are subject to different tax types or tax exemption types.	Items are always subject to the tax types in the line item tax environment. There is no way to override this. You can set up tax classes for product lines and items. However, they are only used to select tax rates.

Table 2.3
Tax Classes vs. Tax
Usages

Situation	Implementation
On sales transactions, trailer charges are subject to different tax types or tax exemption types.	Trailer charges are always subject to the tax types in the transaction tax environment. There is no way to override this. You can set up tax classes for trailer charges; however, they are only used to select tax rates.
Customers and/or suppliers are subject to different tax rates for a tax type.	Set up tax usages for these customers and suppliers.
Items are subject to different tax rates for a tax type.	If items have the same rates on all transactions, set up tax classes. However, if rates can differ by transaction, based on the intended usage of the item, set up the tax usage codes to reference during transaction entry.
Trailer charges are subject to different tax rates for a tax type.	Set up tax classes for these trailer charges.

Set up tax class codes in Tax Class Maintenance (29.1.5). To verify data setup, use Tax Class Browse (29.1.6) and Report (29.1.7).

Fig. 2.7
Tax Class
Maintenance
(29.1.5)



Tax Class. Enter a code (maximum 3 characters) that identifies a group of customers, suppliers, product lines, items, service categories, or trailer charges subject to special taxation.

- For customers and suppliers, the tax class helps determine the tax environment.
- For product lines, the tax class determines the tax rate for new items.
- For items, service categories, and trailer charges, the tax class helps determine the tax rate for tax types in the tax environment.

For more detailed tax exemption reporting, remember to set up tax classes for exemptions.

Description. Enter a brief (maximum 24 characters) description of the tax class. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 12 for details.

Set up tax usage codes in Tax Usage Maintenance (29.1.9). To verify data setup, use Tax Usage Browse (29.1.10) and Report (29.1.11).

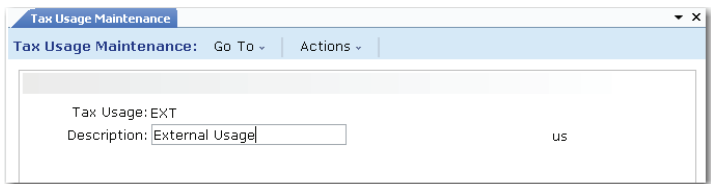


Fig. 2.8
Tax Usage
Maintenance
(29.1.9)

Tax Usage. Enter a code (maximum eight characters) that identifies a group of customers, suppliers, or items subject to special taxation on a specific transaction.

Description. Enter a brief (maximum 24 characters) description of the tax usage code. This field is required.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 12 for details.

Note Tax Usage Maintenance contains an additional Legal Information window used to record Brazilian legal requirements. The Legal Information window is described in the *Legal Documents* chapter of *User Guide: QAD Sales*.

Setting Up Tax Environments

Transactions are subject to the tax laws of both your company and the customer or supplier. Before the system calculates taxes, it determines which taxes (state sales tax, local tax, VAT, and so on) apply to the addresses that ship and receive the goods.

A tax environment is the set of tax types that applies to a combination of ship-from and ship-to tax zones and optionally a customer or supplier tax class. Tax environments apply to all domains in the database.

Before you set up tax environments, identify the combinations of tax types that apply to transactions. Then, determine the tax zones and customer/supplier tax classes that are subject to these tax groups.

You can simplify setup of tax environments. If all shipments to or from a tax zone are taxed the same way, leave either the ship-from or ship-to zone blank. At least one zone must be specified.

You may be able to specify a *sums-into* tax zone that encompasses many lower-level zones. Finally, you can leave the tax class blank if the tax types apply to all customers and suppliers in the indicated tax zones.

Each tax type in the environment has a calculation sequence and rounding method. The sequence determines the priority for calculating taxes when there are multiple tax types in the environment. The rounding method determines how the tax type is rounded.

Example Suppose that shipments that start and end in the U.S. state of Florida can be subject to (1) state tax only, (2) state and county tax, or (3) state, county, and city tax. Sample tax environments are illustrated in Tables 2.4 through 2.6. The tax types apply to all tax zone combinations in the environments.

Table 2.4
Default Florida
State Tax
Environment (1)

Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL	—	FL-STATE	1	2
		DRUG			
		FOOD			

Table 2.5
Environment for
Cities Subject to
Florida Tax and
Seminole County
Tax (2)

Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL-ALTSP	—	FL-STATE	1	2
FL	FL-LMARY	DRUG	FL-SEMCO	2	2
FL	FL-LONGW	FOOD			
FL	FL-SANFO				
FL	FL-WINSP				

Ship-From Zone	Ship-To Zone	Tax Class	Tax Type	Sequence	Rounding
FL	FL-APOPK	—	FL-STATE	1	2
FL	FL-LUNDE	DRUG	FL-ORACO	2	2
FL	FL-OCOE	FOOD	FL-ORLAN	3	2
FL	FL-OVIED				
FL	FL-WINPK				

Table 2.6
Environment for Cities Subject to Florida Tax, Orange County Tax, and Orlando City Tax (3)

Set up tax environments in Tax Environment Maintenance (29.3.1). To verify data setup, use Tax Environment Browse (29.3.2) and Report (29.3.3).

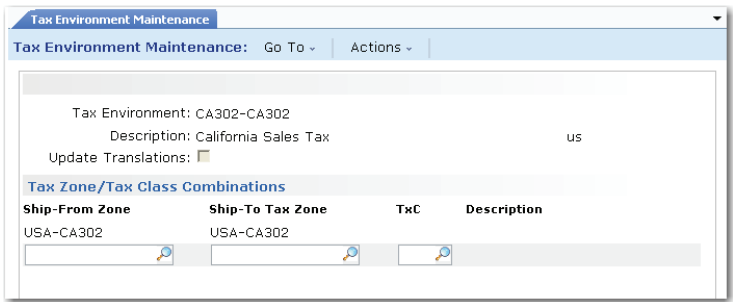


Fig. 2.9
Tax Environment Maintenance (29.3.1), Tax Zones/Tax Class Combinations

Tax Environment. Enter a code (maximum 16 characters) that identifies a set of tax types for a tax zone/tax class combination. On transactions, this code identifies the transaction or line-item tax environment.

Description. Enter a brief (maximum 24 characters) description of the tax environment. This field is required, but does not have to be unique.

Multiple language descriptions are supported. See “Multiple Language Descriptions” on page 12 for details.

Update Translations. Enter Yes if you want to create or modify descriptions for this tax environment in multiple languages; otherwise, enter No.

Ship-From Zone. You can specify the tax zone from which goods are shipped. However, if all shipments to the environment’s ship-to zone are taxable regardless of origin, leave the ship-from zone blank.

Note Either Ship-From or Ship-To Zone can be blank; not both.

Ship-To Zone. You can specify the tax zone to which goods are shipped. However, if all shipments from the environment's ship-from zone are taxable regardless of destination, leave the ship-to zone blank.

TxC (Tax Class). You can enter tax classes for customers and/or suppliers subject to the tax types in the environment. If all shipments are taxable regardless of customer or supplier, leave the tax class blank. Do not enter item tax classes; GTM only uses these to select tax rates.

Description. Optionally specify a description of the combination of ship-from, ship-to, and tax class.

Fig. 2.10
Tax Environment
Maintenance
(29.3.1), Tax Types,
Sequences, and
Rounding Methods

The screenshot shows the 'Tax Environment Maintenance' window. The 'Tax Environment: US/CA' and 'Description: US-CA' are displayed. The 'Tax Zone/Tax Class' section is active, showing a table with the following data:

Tax Type	Se	R	Type Description
CA	1	2	

Below the table is an empty input field with a magnifying glass icon.

Next, enter the set of tax types that apply to sales and purchases between the ship-from and ship-to zones. The system selects the tax rate for the tax class, tax usage, and transaction tax effective date. The sequence field determines the order in which the tax rates are applied.

Tax Type. Enter the type codes to include in the environment. The codes you enter apply to all combinations of ship-froms, ship-tos, and tax classes in the environment.

Seq (Sequence). Specify the priority in which tax types are calculated in a tax environment. The tax type that is calculated first must have a lower sequence number than the other tax type. If all taxes are calculated independently of each other, leave the sequence number for all tax types set to 1.

In tax-on-tax situations in which a tax includes another tax amount, enter a lower sequence number for the tax that is calculated first. For example, in some Canadian provinces, provincial sales tax (PST) is based on the item amount plus the goods and services tax (GST). GST has a lower sequence number than PST. See “Tax-on-Tax” on page 61.

R (Rounding Method). Rounding method determines how tax amounts for the tax type are truncated. The rounding method defaults from Global Tax Management Control (29.24), but you can override it if the tax type requires a different method. Define rounding methods in Rounding Method Create (26.2.1).

Type Description. This field contains the tax type description.

In addition to the other tax environment codes, set up an error code and specify it in Global Tax Management Control (29.24). When you enter a transaction, GTM attempts to match the ship-to/ship-from tax zones and customer or supplier tax class to a tax environment. If it cannot find one, it assigns the error environment. To make it easier to identify error conditions, set up a meaningful code such as ERROR-ENVIRON. See “Setting Up GTM Control” on page 48.

Setting Up Trailer Charges

Sales transactions often have additional charges such as freight, service, and labor that are independent of individual line items. These known as trailer charges because they appear at the end of the transaction.

Each trailer charge has a default taxable status and an optional default tax class. This information is defined in the trailer code record. However, in GTM, you can also set up trailer charge detail records to support exception conditions when a trailer charge has a different taxable status and/or tax rate for some tax types and customer tax classes.

Example If service charges are normally exempt from California sales tax but professional services are taxable at 5%, you can set this up in at least two ways.

- If you defined tax types for tax exemptions, define a taxable trailer code. Set up a taxable trailer tax detail for the tax type/tax class combination. Finally, set up a 0% tax rate for exempt trailer charges and a 5% rate for the professional services class.
- If you plan to report all exempt amounts under tax type NON-TAX, define a non-taxable trailer code. Set up a taxable trailer tax detail for the tax type/tax class combination. Finally, set up a 5% tax rate for the professional services class. You do not need a 0% tax rate because this is supplied by default.

If you have not already implemented trailer code records, do so in Trailer Code Maintenance (2.19.13). Then, identify the exception conditions and set up the corresponding records in Trailer Tax Detail Maintenance (29.1.21). To verify data setup, use Trailer Code Browse (2.19.14) for trailer codes and the Trailer Tax Detail Inquiry (29.1.22) and Report (29.1.23) for trailer tax details.

Fig. 2.11
Trailer Tax Detail
Maintenance
(29.1.21)

Trailer Code. Enter a trailer code previously set up in Trailer Code Maintenance (2.19.13). You can set up trailer tax details for a maximum of 99 trailer codes. However, you can set up an unlimited number of trailer tax details per trailer code.

Tax Type. Specify the tax type subject to special treatment for this trailer charge.

Taxable. Specify whether amounts for this trailer code are taxable for the tax type/tax class combination.

Tax Class. If applicable, enter the tax class subject to special treatment for this trailer charge.

Setting Up Tax Bases

By default, tax is based on 100% of the item amount, exclusive of any other tax amounts. However, an item’s tax can be based on some amount that is greater or less than the item amount. In these situations, set up a tax base record.

Note Tax base records apply only to the domain where they are created.

A tax base record is required whenever tax is based on a percentage of the item amount. A tax base is also required whenever tax is based on the item amount plus a previously calculated tax amount. This situation is sometimes called *tax-on-tax*. See “Tax-on-Tax” on page 61.

Here are two examples:

- In Brazil, when you sell an old fixed asset and replace it with a new one, tax is assessed on a percentage of the old asset’s sale price.
- In some Canadian provinces, PST (Provincial Sales Tax) includes the GST (Goods and Services Tax) in the taxable base for PST.

Assign a tax base to multiple tax types and tax rates if the percentage of value is the same for all situations. When you assign a tax type to a tax base, the tax base becomes part of all tax environments that use the tax type.

Set up tax bases in Tax Base Maintenance (29.1.13), shown in Figure 2.12. To verify data setup, use Tax Base Inquiry (29.1.14) and Report (29.1.15).

Tax Base Maintenance

Tax Base Maintenance: Go To ACTIONS

Tax Base: FA Sale

Description: Fixed Asset Sale

Base Percent: 20.00%

Base Value:Cost (Price/Cost)

Line	Tax Type	Description
1	AR-SLS	For Accounts receivable
	CA-SLS	ERROR
	NJ-SLS	ERROR
2		

Fig. 2.12
Tax Base
Maintenance
(29.1.13)

Tax Base. Enter a code (maximum eight characters) that identifies an item amount subject to tax. This amount can either be a percentage of sales price or the sales price plus other tax amounts. For a tax-on-tax situation, set up the tax base for the tax that is included in the taxable base for the other tax.

Once you start processing transactions with GTM, a warning message displays if you try to update a tax base that has already been used in other records.

Description. Enter a brief (maximum 24 characters) description of the tax base. The description prints on most reports and browses, as space permits.

Base Percent. Identify the percentage of the item's price or cost to use in tax calculations for this tax base. The default value is 100%. Percentages can be either positive or negative. Negative percentages indicate tax credits. The base percent must be the same for all tax types assigned to the tax base. Otherwise, you must set up separate tax bases.

On transactions, the system uses the base percent for the tax type to calculate the taxable base amount for each line item or trailer charge.

Base Value. Identify the type of item amount for the taxable base. Line item and trailer charge amounts are taxed based on the price at which you buy or sell them. GTM does not support tax based on general ledger cost.

Important Do not change this setting. The only supported type is sales price.

Line. The system automatically assigns a line number when you assign a tax type to the tax base. Assign up to 99 tax types to a tax base. When you add a new tax base, the system assigns the next sequential line number. To display a previously entered tax type, enter its line number.

Tax Type. Assign one or more tax types to this tax base. During tax calculations, the tax rate for the tax type is applied to the taxable base portion of the item amount.

The description of the tax type displays next to it.

Setting Up Tax Boxes and Groups

Before defining tax rates, you must set up data required to support tax reporting. You do this in three steps:

- 1 Define tax boxes for each country in Tax Box Create (29.6.1.1.1). Tax boxes represent tax subtotal fields on tax declaration forms required for filing legal reports. Tax boxes generally are defined in pairs: one identifies the transaction amount and the other the transaction tax amount. The tax box type identifies whether it displays the base transaction amount or the tax amount.
- 2 Define tax groups with Tax Group Create (29.6.1.2.1) to group related tax boxes, generally one of each type.
- 3 Associate tax groups with tax rates in Tax Rate Maintenance (29.4.1). A different group can be specified for each type of transaction: customer invoice, customer credit note, supplier invoice, supplier credit note, absorbed invoice, absorbed credit note, retained invoice, and retained credit note.

You can then use any of the three tax declaration reports to display the tax detail:

- Tax Declaration by Box (29.6.2.1)
- Tax Declaration by Box and Group (29.6.2.2)
- Tax Declaration by Box, Daybook, Group (29.6.2.3)

Note These reports are not formal reports that can be submitted for regulatory reporting. Rather, based on your selection criteria, they display tax box totals, which you can then use to fill out required reports.

Tax Reporting Setup Examples

Example On a UK VAT return, Box 1 must contain the value of tax on sales other outputs. Box 6 must contain the value of the sales and other outputs excluding the tax. You define two tax boxes:

- UKBox1 is type tax.
- UKBox6 is type base.

You then create a tax group, UKSalesGroup, and assign UKBox1 and UKBox6 to this group.

After defining the two boxes and assigning them to a group, specify this group for the Customer Invoice Tax Group and for the Customer Credit Note Tax Group for the VAT rate in Tax Rate Maintenance. The system uses this information during the generation of formal tax reports for the relevant reporting authorities.

Now, a customer invoice is posted for 117.50 pounds with a tax rate of 17.5%, generating the following results:

- 100 pounds displays in box UKBox6.
- 17.50 pounds displays in box UKBox1.

Note As the Customer Credit Note Tax Group is also defined as UKSalesGroup, if posting a customer credit note, the base and tax values are also included within the above boxes

Example On a UK VAT return:

- Box 1 must contain the value of tax on sales other outputs.
- Box 6 must contain the value of the sales and other outputs excluding tax.
- Box 8 must contain the value of the sales and other outputs to EC Member States excluding tax

Define three tax boxes:

- UKBox1 is type tax.
- UKBox6 and UKBox 8 are type base.

Create a tax group, UKECSalesGroup, and assign UKBox1, UKBox6, and UKBox8 to this group.

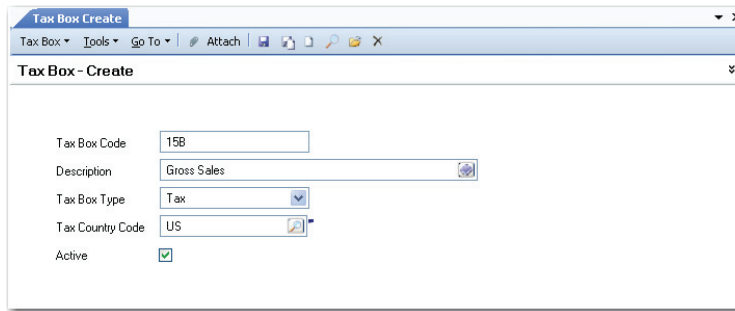
After defining the boxes and assigning them to the group, specify this group for the Customer Invoice Tax Group and for the Customer Credit Note Tax Group for the VAT rate in Tax Rate Maintenance.

Now, a customer invoice is posted for 117.50 pounds with a tax rate of 17.5%, generating the following results:

- 100.00 pounds displays in tax box UKBox6.
- 17.50 pounds displays in box UKBox1
- 100.00 pounds displays in tax box UKBox8

Tax Boxes

Use Tax Box Create (29.6.1.1.1) to create tax boxes.



The screenshot shows a window titled "Tax Box Create" with a menu bar containing "Tax Box", "Tools", "Go To", "Attach", and several icons. Below the menu bar is a tab labeled "Tax Box - Create". The main area contains the following fields:

- Tax Box Code:** A text box containing "15B".
- Description:** A text box containing "Gross Sales" with a small icon to its right.
- Tax Box Type:** A dropdown menu with "Tax" selected.
- Tax Country Code:** A text box containing "US" with a small icon to its right.
- Active:** A checkbox that is checked.

Fig. 2.13
Tax Box Create
(29.6.1.1.1)

Tax Box Code. Specify a code (maximum 20) characters that identifies a field on a tax declaration. Often the code matches the box number on the tax form.

Description. Enter a brief (maximum 40 characters) description of this field.

Tax Box Type. Specify either Base or Tax.

Base: This box displays the value of a transaction, excluding tax.

Tax: This box displays the tax element of a transaction.

Tax Country Code. Enter a valid, active code that identifies the country requiring this field on a declaration form. Legal reporting requirements often vary from country to country.

Active. Indicate if this is an active code. An active can be referenced from other maintenance functions. An inactive code cannot be referenced when a new record is created in other functions and is not included in lookups of valid values.

Tax Groups

Use Tax Group Create (29.6.1.2.1) to create groups that combine one or more tax boxes. Tax groups rather than individual tax boxes are associated with tax rates.

Fig. 2.14
Tax Group Create
(29.6.1.2.1)

Tax Group Code. Specify a code (maximum 20 characters) that identifies a set of tax boxes. Usually, groups have at least two boxes, one of tax type and the other of base type.

Description. Enter a brief (maximum 40 characters) description of this field.

Active. Indicate if this is an active code.

Tax Box Code. Right-click in the grid to open a new row and select a tax box to associate with this group.

Setting Up a Tax Calendar

Tax reports are based on tax calendars, rather than the GL calendar, since regulatory requirements for tax reporting are often different from the requirements for GL reports. Tax calendars are entity specific. Tax periods are usually full calendar months, but they are defined with start and end dates to provide for any variations that may be needed.

Since tax authorities set the required reporting periods, tax calendars do not necessarily have a relationship with accounting calendars. If the two calendars are similar, when you create a new tax calendar you can base it on an accounting calendar.

Tax calendars are required and the system checks that financial transactions are within an open tax period. The same check is made when operational transactions are posted.

Each entity within a domain can change the status of a tax period separately by manually updating the status to Locked or Reported. No additional tax transactions can be created when the tax point date is in a locked or reported tax period.

Note You should coordinate changes in the status of tax periods with the accounting periods, which determines if any postings can be created.

Use Tax Period Create (25.4.4.1) to create periods for tax reporting and Tax Period Modify (25.4.4.2) to manually change the period status.

When you choose Create, the following pop-up screen displays. You can create a new year based on either an existing GL year or tax year, or you can create one manually.



Fig. 2.15
Tax Period Create
(25.4.4.1)

Field Descriptions

New Year. This field displays the new tax calendar year to create. The default value is the latest tax calendar year, incremented by one.

Copy from GL Calendar Year. Select to use an existing GL calendar year as a template for the new year, and specify the year.

Copy from Tax Year. Select to use an existing tax calendar year as a template for the new year, and specify the year.

Create Manually. Select to create a new year by manually specifying the periods.

Setting the tax calendar year displays the Tax Period Create screen for defining period dates and attributes.

Fig. 2.16
Tax Period Create,
Period Dates and
Attributes

Tax Pd	Start Date	End Date	Status	Last Modified User	Last Modified Date	Last Modified Time
01	01/01/2007	01/31/2007	Open			00:00:00
02	02/01/2007	02/28/2007	Open			00:00:00
03	03/01/2007	03/31/2007	Open			00:00:00
04	04/01/2007	04/30/2007	Open			00:00:00
05	05/01/2007	05/31/2007	Open			00:00:00
06	06/01/2007	06/30/2007	Open			00:00:00
07	07/01/2007	07/31/2007	Open			00:00:00
08	08/01/2007	08/31/2007	Open			00:00:00
09	09/01/2007	09/30/2007	Open			00:00:00
10	10/01/2007	10/31/2007	Open			00:00:00
11	11/01/2007	11/30/2007	Open			00:00:00
12	12/01/2007	12/31/2007	Open			00:00:00

Field Descriptions

Tax Year. This field displays the new tax calendar year.

Tax Pd. Specify a period number. By default, periods are numbered 1 to 12. It is possible to create a maximum of 99 tax periods for a tax year.

Start Date. Click the down arrow to select a period start date. This is the official start date of the calendar period.

End Date. Click the down arrow to select a period end date. This is the official start date of the calendar period.

Status. The system displays the current period status: Open, Locked, or Reported. A new period is created with an Open status. You can manually modify the status to locked or reported.

Open: Tax transactions can be created with effective dates in this period.

Locked: Any further tax transactions are prevented.

Reported: Tax reports have been generated and sent to the authorities.

Use Tax Period Modify to modify the period status. You can also delete a period—use the right-click delete row option—if the period is open and no outstanding transactions exist for it.

The screenshot shows a software window titled "Tax Period - Modify Tax Year". Inside, there is a "Tax Year" field set to "2007". Below this is a table with the following columns: Tax Pd, Start Date, End Date, Status, Last Modified User, Last Modified Date, and Last Modified Time. The table contains 9 rows of data for the year 2007, all with a status of "Open" and a last modified date of "11/27/2006".

Tax Pd	Start Date	End Date	Status	Last Modified User	Last Modified Date	Last Modified Time
01	01/01/2007	01/31/2007	Open	imh	11/27/2006	09:21:59
02	02/01/2007	02/28/2007	Open	imh	11/27/2006	09:21:59
03	03/01/2007	03/31/2007	Open	imh	11/27/2006	09:21:59
04	04/01/2007	04/30/2007	Open	imh	11/27/2006	09:21:59
05	05/01/2007	05/31/2007	Open	imh	11/27/2006	09:21:59
06	06/01/2007	06/30/2007	Open	imh	11/27/2006	09:21:59
07	07/01/2007	07/31/2007	Open	imh	11/27/2006	09:21:59
08	08/01/2007	08/31/2007	Open	imh	11/27/2006	09:21:59
09	09/01/2007	09/30/2007	Open	imh	11/27/2006	09:21:59

Fig. 2.17
Tax Period Modify
(25.4.4.2)

Setting Up GL Accounts

GTM calculates tax amounts separately for each tax rate. Before you set up tax rate records, verify that you have all the necessary tax accounts and sub-accounts in the general ledger (GL) chart of accounts. If any are missing, set them up.

All accounts referenced in tax rates—except the discount accounts—must be of type Tax Control. The discount accounts are of the type Standard. The system validates the account type and displays an error if the account has the wrong type.

Note Tax Control accounts support only sub-account analysis. No cost centers can be defined.

Two accounts are provided for each type of tax: one for invoices and one for credit notes. If you do not want to track these amounts separately in the general ledger, you can specify the same account for each. Otherwise, the account pairs have the same function.

Depending on the nature of your tax rates, some or all of the tax accounts listed in Table 2.7 are represented in the general ledger.

Table 2.7
Tax Amounts
Posted to GL

Account	Explanation
Sales Tax Invoice and Sales Tax Credit Note	A liability credited for sales tax payable. It is updated by Invoice Post and Print (7.13.4) and the Customer Invoice function for invoices, invoice corrections, credit notes or credit note corrections.
Sales Tax Absorbed and Sales Tax Absorbed Credit Note	A liability credited when your company absorbs tax instead of charging it to the customer. This occurs, for example, when your company gives an item to a customer. Although the sales price is zero, you still pay tax on it. It is updated by Invoice Post and Print (7.13.4).
AP Tax Invoice and AP Tax Credit Note	An asset debited for recoverable amounts or a liability when treated as a contra account to Sales Tax Invoice. It is updated by Supplier Invoice (28.1.1.1) for invoices, invoice corrections, credit notes, and credit note corrections, as well as Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).
AP Tax Retained and AP Tax Retained Credit Note	A liability credited when you retain tax on purchases and remit it directly to the government instead of to the supplier. It is updated by Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).
AR Discount Account	If populated, separately tracks discount amounts per tax rate when the credit terms discount is applied to the tax amount on early payment of customer invoices.
AP Discount Account	If populated, separately tracks discount amounts per tax rate when the credit terms discount is applied to the tax amount on early payment of supplier invoices.
Sales Suspended Tax Invoice and Sales Suspended Tax Credit Note Acct	A liability credited for suspended tax payable. It is updated by Invoice Post and Print (7.13.4) and the Customer Invoice function for invoices, invoice corrections, credit notes, or credit note corrections.
AP Delayed Tax Invoice and AP Delayed Tax Credit Note Acct	A liability credited for delayed tax payable. It is updated by Supplier Invoice (28.1.1.1) for invoices, invoice corrections, credit notes, and credit note corrections, as well as Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).

After you update your chart of accounts, specify the default tax account codes for new tax rate records in Domain/Account Control (36.9.24). If necessary, you can later override these codes for individual tax rates.

Note There are no default AR and AP Discount accounts. If the fields are populated, discount amounts are tracked by tax rate. If the fields are not populated, discount amounts are tracked by the accounts defined for the GL bank or cash accounts used for the payment.

Setting Up Tax Rates

GTM tax rate records enable you to configure the software to support many different kinds of taxes and transaction conditions. The rates are domain-specific since the types of taxes relevant to each of your distinct business units are likely to vary widely.

The major points to consider are listed here. Not all decisions apply to all tax types in all countries.

- The tax type, tax class, tax usage, and starting/ending date range to which the tax rate applies (See “Implementing Special Taxes” on page 55.)
- The percentage used to calculate tax
- Whether taxes are calculated by line or by transaction total
- The taxable base, or item amount subject to tax
- The minimum/maximum item amounts subject to tax
- The amount of purchase tax that is recoverable against sales tax
- The tax calculation method
- Whether a user can override system-calculated tax amounts
- Whether tax amounts are reverse-calculated from item amounts that already include tax
- The GL accounts and sub-accounts to which tax amounts involving this tax rate are posted
- Whether the tax on purchased items sold as part of a service contract are absorbed rather than collected
- Whether purchase tax amounts are retained and paid directly to the government rather than remitted to suppliers
- Whether purchase taxes are accrued for GL reporting upon receipt of goods or the supplier invoice
- Whether taxes are based on sales minus credit terms discounts or on the full sales amount

- The tax groups and tax boxes required for regulatory reporting

Note Set up tax rates by tax class or tax usage only for exception conditions. Otherwise, leave these fields blank so that the system can apply the tax rate to as many transactions as possible.

Before you set up tax rate records, define the following default values in Global Tax Management Control (29.24). See “Setting Up GTM Control” on page 48. For more information on these fields, see the indicated pages:

- Tax-By-Line (page 40)
- Tax Method (page 41)
- Update Tax Allowed (page 41)
- Accrue Tax at Receipt (page 42)
- Accrue Tax at Usage (page 43)
- Discount Tax at Invoice (page 42)
- Discount Tax at Payment (page 42)
- Tax Comment Type (page 44)

You can later override these values for individual tax rates. Subsequent changes to the control program do not update existing rates.

Tax Rate Maintenance

To define tax rates, use Tax Rate Maintenance (29.4.1). To verify tax rate setup, use Tax Rate Inquiry (29.4.2) and Report (29.4.3).

Note If you change a tax rate after you start using it for transactions, a warning displays. The system recalculates taxes on open transactions when you access the transaction record.

The screenshot shows the 'Tax Rate Maintenance' window with the following fields and values:

- Tax Type: BE-TAX
- Item Tax Class: H
- Tax Usage: Goods
- Effective Date: 3/16/2009
- Tax Code: BETAXHIG
- Tax Rate: 21.00%
- Description: 21 % rate
- Tax-By-Line: ☒
- Expiration Date: (dropdown menu)
- Tax Base: (dropdown menu)
- Minimum Taxable Amount: 0.00
- Maximum Taxable Amount: 999,999,999.99
- Percent Recoverable: 100.00%
- Tax Method: 01
- Update Tax Allowed: ☒
- Allow Tax Included: ☐
- Discount Tax at Payment: ☐
- Discount Tax at Invoice: ☐
- Accrue Tax at Receipt: ☐
- Accrue Tax at Usage: ☐
- Sales Tax Absorbed: ☐
- AP Tax Retained: ☐
- Tax Reason: (text field)
- Suspended/Delayed Taxes: ☐
- Domestic Reverse Charge: ☐
- Comments: ☐

Fig. 2.18
Tax Rate
Maintenance
(29.4.1)

Tax Type. Enter the tax type to which the rate applies.

Item Tax Class. If the tax rate applies only to a specific item, service category, or trailer charge tax class, enter it here. Leave this field blank if the tax rate applies regardless of tax class. Do not set up rates by customer or supplier tax class.

Tax Usage. If the tax rate applies only to a specific tax usage, enter it. Leave blank if the tax rate applies regardless of tax usage.

Effective Date. Specify the starting date for using this tax rate in tax calculations. If you do not specify a date, the system inserts the record creation date. When you enter multiple tax rates, the default effective date is the one in the last record entered.

Tax Code. Enter a code identifying this tax rate. If you do not enter a code, the system increments it automatically from the Last Tax Code in Global Tax Management Control (29.24). You can use prefixes to designate groups of tax rates, but be aware that future tax rates will have the same prefix unless you override it. Tax code has no significance for auditing or accounting purposes.

Tax Rate. Specify the percentage used to calculate tax amounts for this tax rate. How the rate is used in the calculation depends on the tax method specified. To use tax types to report tax exemptions, set up zero-percent tax rates as well.

Description. Enter a brief description (maximum 24 characters) of the tax rate. The description prints on most reports and browses, as space permits.

Tax-By-Line. Specify whether taxes on line item amounts are calculated individually or by order total. On sales transactions, taxes on trailer charges are always totaled for the order regardless of the Tax-By-Line setting.

Note When line item amounts use multiple tax rates, set Display Taxable/Non-Taxable on Trailer to No in Global Tax Management Control to suppress the display of misleading taxable/non-taxable amounts. See “Display Taxable/Non-Taxable on Trailer” on page 50.

To calculate taxes by total on purchase receipt and AP transactions, you must set the following appropriately: Allow Tax Included, Accrue Tax at Receipt, and Recoverable Percent. See “Value Added Taxes (VAT)” on page 60.

Important The setting of Tax-by-Line affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transactions are created directly in financial functions such as manually created supplier or customer invoices, the tax is managed by appropriate settings in those functions.

Expiration Date. Use this field to phase in expiration dates for obsolete tax rates. This date is the last day when the tax rate can be used on transactions.

Tax Base. If necessary, enter the code that identifies the portion of the item amount subject to taxation. Leave this blank if the taxable base for this tax rate is always 100% of the item price. See “Tax Based on Partial Item Amounts” on page 57.

Minimum Taxable Amount. If necessary, enter the minimum transaction taxable base amount to which this tax rate should be applied. The specified tax method determines how this field is used in tax calculations. Leave blank if the tax rate applies equally to all item amounts. See “Luxury Taxes” on page 59.

Maximum Taxable Amount. If necessary, enter the maximum transaction taxable base amount to which this tax rate should be applied. The specified tax method determines how this field is used in tax calculations. Leave blank if the tax rate applies equally to all item amounts. See “Capped Taxes” on page 59.

Percent Recoverable. Specify a recoverable tax percentage if you are able to offset some or all purchase tax amounts for this rate against the amounts for this rate that you collect on sales. Otherwise, leave set to 0.00%. See “Recoverable Taxes” on page 59.

Tax Method. Specify which calculation routine to use when this tax rate is applied. The standard tax methods are 01, 02, 11. If you leave this field blank, calculation method 01 is assumed.

If you are using the Sales and Use Tax Interface, specify tax method 20. If you are importing tax amounts from an external system and do not want to recalculate them, specify method 03.

You can also define custom methods, but be sure to follow the program naming convention. See page 57.

Update Tax Allowed. Decide whether users can modify system-calculated taxable base and tax amounts during transaction entry. This feature is useful for overriding the system if there is a need to match amounts on manually issued documents. However, the system does not maintain an audit trail of changes. In some environments, the government may require you to set this to No. See “Correcting Transaction Tax Amounts” on page 82.

Allow Tax Included. Specify whether this tax rate reverse-calculates taxes from line item amounts on transactions for customers and suppliers whose Tax In (tax included) status is Yes. If Allow Tax Included is Yes, GFM reverse-calculates tax based on the tax rate’s percentage and tax method. See “Reverse-Calculated Taxes” on page 64.

A tax environment should have no more than one tax type with a rate having Allow Tax Included set to Yes. Multiple tax-included rates can lead to tax calculation errors.

Note Tax is always added to trailer charges regardless of the setting of Allow Tax Included.

Important The setting of tax included affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transactions are created directly in financial functions such as manually created supplier or customer invoices, the tax is managed by appropriate settings in those functions.

Discount Tax at Payment. This setting is similar to Discount Tax at Invoice with the exception that the net order total is the discounted sales amount plus the discounted tax amount. See “Discounted Taxes” on page 61.

Discount Tax at Invoice. This setting determines whether the tax rate calculates taxes based on the sales amount minus credit terms discounts, but displays the net order total of full sales amount plus discounted tax amount. If tax is based on the full sales amount, set this to No.

Accrue Tax at Receipt. This setting determines whether the system creates GL entries for purchase tax amounts upon receipt of goods or receipt of the supplier invoice. The default tax point is determined by the setting in Global Tax Management Control. See “Tax Point Effects” on page 85.

For recoverable tax rates, you normally set Accrue Tax at Receipt to No, because you cannot deduct the recoverable portion of tax paid on purchases against tax collected on sales until you finalize the supplier invoice.

If you are using Logistics Accounting, this field determines when GL entries for taxes on both inbound and outbound logistics charges are created.

The tax point does not affect tax calculations on transactions. The tax amounts display regardless of when the GL entries are created.

Accrue Tax at Usage. This field applies only if you have activated the optional Supplier Consignment Inventory module in Consignment Control.

♦ See *User Guide: QAD Purchasing*.

Sales Tax Absorbed. Indicate if the system should post to the associated Sales Tax Absorbed account. When this field is Yes, you must specify an absorbed invoice and absorbed credit note tax group for reporting.

AP Tax Retained. Indicate if the system should post to the associated AP Tax Retained account.

When this field is Yes, you must specify a retained invoice and retained credit invoice tax group for reporting.

Tax Reason. Enter a maximum of eight characters for the tax reason. Tax reasons are a method of associating tax rates for reporting purposes, and are used by the Italian tax register reports.

See “Tax Registers” on page 119 and “Regional Tax Reports” on page 128 for more information on tax registers and the Italian tax register reports.

Suspended/Delayed Tax. Set this field to Yes if this tax rate will apply to suspended tax on customer invoices and credit notes, or to delayed tax on supplier invoices and credit notes.

Selecting this field enables the Suspended and Delayed Tax AR and AP accounts fields in Domain/Account Control (36.9.24). You must specify accounts in these fields when they are available.

Important When you select Accrue Tax at Receipt for the tax rate, you cannot also select the Suspended/Delayed Tax field.

See “Suspended Tax on Customer Invoices” on page 67 and “Delayed Tax on Supplier Invoices” on page 71.

Domestic Reverse Charge. Set this field to Yes if this is a zero tax rate being set up to accommodate regulatory requirements in the United Kingdom for reverse charged items. A supplier adds no tax charge for a reverse charge item; the company receiving the item is responsible for recording the reverse charge tax amounts.

Tax records created for rates with this field set to Yes are included on the Reverse Charge Sales List Report. See “Domestic Reverse-Charge Taxes” on page 66 for details on this tax setup.

This field cannot be set to Yes unless the tax rate amount is 0 (zero).

Comments. Set to Yes to record transaction comments for the tax rate. This is useful for recording government regulations and other legally required text for tax reports.

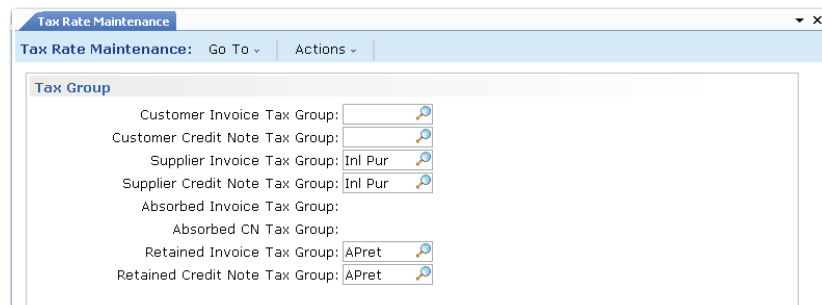
Tax comments print on internal documents only unless they reference the tax comment type specified in Global Tax Management Control. These comments print on invoices.

For zero tax rates—such as those for domestic reverse charges—specify comments with this type to explain the use of the zero rate. This is legal requirement in some countries. See “Tax Comment Type” on page 51.

Tax Groups

Use the fields in the Tax Group frame to specify the tax groups used for reporting.

Fig. 2.19
Tax Rate
Maintenance, Tax
Group



Tax Rate Maintenance	
Tax Rate Maintenance: Go To ▾ Actions ▾	
Tax Group	
Customer Invoice Tax Group:	
Customer Credit Note Tax Group:	
Supplier Invoice Tax Group:	Inl Pur
Supplier Credit Note Tax Group:	Inl Pur
Absorbed Invoice Tax Group:	
Absorbed CN Tax Group:	
Retained Invoice Tax Group:	APret
Retained Credit Note Tax Group:	APret

For each of the enabled tax group fields, enter a valid, active group to associate with tax amounts generated by this tax rate for a specific transaction type such as customer or supplier invoices.

Note Options you selected in the previous screen determine which fields are enabled.

Tax groups identify sets of tax boxes, which represent required fields for regulatory reporting. Typically each tax group has at least two boxes: one displays the transaction amount excluding tax and the other displays the tax amount. See “Tax Groups” on page 31 for details.

Tax Accounts

Use the fields in the Tax Account frame to specify the accounts to be updated for tax amounts generated by this tax rate. All accounts must be of type Tax Control except for the two discount accounts, which are type Standard. All tax accounts default from domain settings in Domain/Account Control (36.9.24) and can be changed as needed.

The screenshot shows the 'Tax Rate Maintenance' window with the 'Tax Account' section. It contains a table of tax accounts with columns for the account name, a value field, and a unit field. The accounts listed are:

Account Name	Value	Unit
Sales Inv Tax Acct:	2400	
Sales CN Tax Acct:	2400	
Sales Inv Tax Absorbed Acct:	5950	
Sales CN Tax Absorbed Acct:	5950	
AP Inv Tax Acct:	1400	
AP CN Tax Acct:	000APT×1	100
AP Inv Tax Retained Acct:	2450	
AP CN Tax Retained Acct:	000APT×R	100
AR Discount Acct:		
AP Discount Acct:		
Sales Inv Suspended Tax Acct:	SUSPINV	10
Sales CN Suspended Tax Acct:	SUSPCN	10
AP Inv Delayed Tax Acct:	DELINV	10
AP CN Delayed Tax Acct:	DELCN	10

Fig. 2.20
Tax Rate
Maintenance, Tax
Accounts

- Sales Tax Invoice Account, Sub-Account.** Identify the sales tax liability account and optional sub-account credited when tax is calculated on sales invoices for a customer.
- Sales Tax CN Account, Sub-Account.** Identify the GL account and optional sub-account credited whenever tax is calculated on a credit note issued to a customer.
- AP Tax Invoice Account.** Identify the GL asset account and optional sub-account debited for recoverable purchase and accounts payable taxes, or liability when treated as a contra account to sales tax payable.
- AP Tax CN Account, Sub-Account.** Identify the GL account and optional sub-account debited for recoverable purchase and accounts payable taxes, or liability when treated as a contra account to sales tax payable.

Sales Tax Absorbed Account, Sub-Account. Identify the sales tax liability account and optional sub-account credited whenever your company pays tax instead of charging it to the customer. See “Absorbed Taxes” on page 64.

Sales Tax Absorbed CN Account, Sub-Account. Enter the default GL account and optional sub-account used to track sales tax absorbed for credit notes for this tax rate. See “Retained Taxes” on page 64.

AP Tax Retained Account, Sub-Account. Identify the liability account and optional sub-account credited whenever your company remits tax amounts directly to the government instead of to the supplier.

AP Tax Retained CN Account, Sub-Account. Enter the default GL account and optional sub-account for retained (reverse charge) taxes on supplier credit notes for this tax rate.

AP Discount Account, Sub-Account, Cost Center. Enter the default GL account code used to track AP discount amounts for this tax rate. The account must be a valid, active account of type Standard.

The accounts defined for the tax rate are used during payment processing if they exist. See “Discount Accounts per Tax Rate” on page 62 for details.

AR Discount Account, Sub-Account, Cost Center. Enter the default GL account code used to track AR discount amounts for this tax rate. This must be a valid, active account of type Standard

The accounts defined for the tax rate are used during payment processing if they exist. See “Discount Accounts per Tax Rate” on page 62 for details.

Sales Inv Suspended Tax Acct, Sub-Account. Enter the default GL account and sub-account codes used to track suspended tax in customer invoices. Suspended taxes are applied to customer invoices only when the invoice amount has been fully or partially paid.

This must be a valid, active account of type Tax Control. You must define a sub-account for suspended tax accounts. The account you enter must be valid on its own and in combination with the sub-account.

Sales CN Suspended Tax Acct, Sub-Account. Enter the default GL account and sub-account codes used to track suspended tax in customer credit notes. This must be a valid, active account of type Tax Control. You must define a sub-account for suspended tax accounts. The account you enter must be valid on its own and in combination with the sub-account.

AP Inv Delayed Tax Acct, Sub-Account. Enter the GL account code used to track delayed tax in supplier invoices. Delayed taxes are applied to supplier invoices only when the invoice amount has been fully or partially paid.

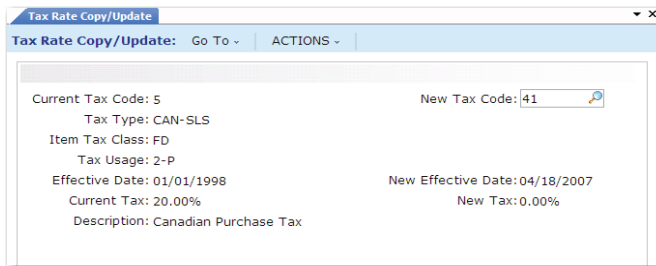
This must be a valid, active account of type Tax Control. Delayed tax accounts require sub-account analysis. The account you enter must be valid on its own and in combination with the sub-account.

AP CN Delayed Tax Acct, Sub-Account. Enter the GL account code used to track delayed tax in supplier credit notes.

This must be a valid, active account of type Tax Control. Delayed tax accounts require sub-account analysis. The account you enter must be valid on its own and in combination with the sub-account.

Tax Rate Copy/Update

To streamline the task of entering tax rates, group the required rates for a tax type/item tax class/tax usage/effective date combination. Set up a generic rate first, then copy with Tax Rate Copy/Update (29.4.5) and customize it as necessary.



The screenshot shows a window titled "Tax Rate Copy/Update" with a menu bar containing "Go To" and "ACTIONS". The main area displays the following information:

Current Tax Code: 5	New Tax Code: 41
Tax Type: CAN-SLS	
Item Tax Class: FD	
Tax Usage: 2-P	
Effective Date: 01/01/1998	New Effective Date: 04/18/2007
Current Tax: 20.00%	New Tax: 0.00%
Description: Canadian Purchase Tax	

Fig. 2.21
Tax Rate
Copy/Update
(29.4.5)

Current Tax Code. Enter the tax code of the tax rate to copy. The tax type, item tax class, tax usage, current effective date, current tax rate percentage display for the selected rate.

New Tax Code. Leave blank for the system to assign the next available tax code, incremented from the Last Tax Code value in Global Tax Management Control (29.24). Alternately, enter a previously unassigned value.

New Effective Date. Specify the starting date for using the new tax rate in tax calculations. If you do not specify a date, the system inserts the record creation date. When you enter multiple tax rates, the default effective date is the one in the last record entered.

New Tax. Enter the percentage for the new tax rate.

Tax Rate Copy/Update redisplay information from the source tax rate and allows you to customize settings.

Setting Up GTM Control

In Global Tax Management Control (29.24), enter the following values to complete setup of the control program.

Fig. 2.22
Global Tax
Management
Control (29.24)

Global Tax Management Control

Global Tax Management Control: Go To Actions

In City: ☐

Tax Zone: USA

Tax Environment: USA-USA

Country Code: USA

Rounding Method: 2

Tax Method: 01

Tax-By-Line: ☒

Accrue Tax at Receipt: ☐

Accrue Tax at Usage: ☐

Discount Tax at Invoice: ☐

Discount Tax at Payment: ☐

Update Tax Allowed: ☒

Customer Invoice Total Excludes Tax: ☐

Print VAT Registration: ☒

Display Detail on Reports: ☒

Display Taxable/Non-Taxable on Trailer: ☒

Taxable: ☒

Last Tax Code: 9342347

Tax Comment Type:

Back Next

In City. This field determines the default value for the In City setting when a more specific value cannot be found.

The value of In City for an address determines if the address is in the city limits for taxation purposes. This setting affects only US tax processing that occurs with the QAD Sales and Use Tax Interface. See Technical Reference: QAD Sales and Use Tax Interface.

Tax Zone. Enter the default tax zone to be used during transaction entry when the system cannot find a matching tax zone for an address record.

Tax Environment. Enter the default tax environment to be used during transaction entry when the system cannot match the ship-to/ship-from tax zones and customer or supplier tax class to a tax environment.

Country Code. Enter a code to display as the default in Tax Zone Maintenance. This code represents the top-level in the tax zone hierarchy. Only active codes can be specified.

Rounding Method. Enter the default rounding method for tax types in Tax Environment Maintenance. Rounding method determines how tax amounts for the tax type are truncated.

Tax Method, Tax-By-Line, Accrue Tax at Receipt, Discount Tax at Invoice, Discount Tax at Payment, Update Tax Allowed. All these fields set defaults for the corresponding fields in Tax Rate Maintenance. See “Tax Rate Maintenance” on page 38.

Customer Invoice Total Excludes Tax. Specify the default value for the Use as Tax Basis field in Customer Invoice Create. This field applies only to invoices created directly in Customer Invoice Create (27.1.1.1), not those created by Invoice Post and Print (7.13.4).

No: Use as Tax Basis defaults to No. The system assumes that tax is included in the invoice amount.

Yes: Use as Tax Basis defaults to Yes. When Yes, the invoice total is used as the tax basis during the calculation of tax. When the CI Posting tab is accessed, the invoice total is updated to include calculated tax.

Setting this field to Yes makes entry of manual invoices easier, since the user does not need to know the applicable tax rate in advance.

Example You have an invoice for \$100 and a tax rate of 10%. When you manually create this invoice and Use as Tax Basis is No, you must enter \$110 as the invoice amount. The system calculates tax of \$10 and leaves \$100 to allocate. When Use as Tax Basis is Yes, you enter \$100 and the system calculates the applicable tax of \$10 and adds this value to the invoice total, leaving \$100 to allocate.

The result is the same, but in the first instance, you need to know the correct invoice amount including tax beforehand; in the second case, you need to know only the net sales amount. The system derives the correct tax amount.

Important GTM does not support tax calculations for multiple tax types when tax is included; if the tax environment has multiple types in this scenario, tax amounts must be entered manually.

Print VAT Registration. This setting specifies whether the system includes VAT registration numbers on printed documents. Set it to Yes to print the relevant VAT registration numbers on documents such as sales quotes, sales orders, invoices, purchase orders, blanket orders, shippers, service/repair orders, and material orders. VAT registration numbers are specified in the State ID field of the tax detail.

Display Detail on Reports. This setting determines whether you can print a summary of tax amounts on printed documents such as purchase orders, receipts, sales quotes, sales orders, and invoices. You can print tax summaries in document print programs only if both this control program setting and the Print Trailer field are set to Yes. Tax detail information prints only on documents that have a trailer.

Display Taxable/Non-Taxable on Trailer. This setting determines whether taxable and non-taxable amounts are displayed or printed in document trailers. When using different tax rates, currency rules, discounts, and rounding methods, non-taxable and taxable amounts shown in trailers may be incorrect. To avoid the display of misleading tax amounts, set this field to No when Tax-By-Line is No and different lines have multiple tax classes.

Taxable. Indicate the default setting for the Taxable field for new end user and ship-to records created in operational functions. When set to Yes, any temporary shipping addresses added to the system from sales order functions are taxable by default and their tax details must be entered into the system.

Note This field does not affect new business relations or other address types.

Tax Comment Type. Identify the comment type that is used to store external tax comments for zero percent tax rates. This field is validated against generalized codes for `cd_type`, if they are set up.

European VAT invoice rules require that when a zero percent tax class is used on an invoice between two companies in the same or a different EC country, associated text must print on the invoice explaining the reason for the zero rate. A zero percent tax rate might indicate a tax exempt item, such as some medical devices, real estate services, day care, or postal services.

You can also use this tax comment for domestic reverse charge taxes required in the United Kingdom. See “Domestic Reverse-Charge Taxes” on page 66,

Specify these comments for the tax rate in Tax Rate Maintenance (29.4.1) using this comment type.

These comments are then included in the tax analysis sections on external documents printed by the following functions:

- Pending Invoice Register (7.13.2)
- Invoice Post and Print (7.13.4)
- Invoice History Report (7.13.8)
- Invoice Print or Reprint (7.13.12)
- ERS Invoice Print (28.10.5)

In a multi-language environment, create comments in each required language. Comments print based on the bill-to customer’s associated language code.

Note The TX comment type is used to indicate internal comments associated with a tax rate.

Updating Addresses and Items

When sales and purchasing transactions take place, tax data is derived from two sources:

- Addresses associated with customers, suppliers, and sites
- Product line and item defaults

Business Relations

The system uses records called business relations to manage basic address information. A business relation contains location, contact, and tax information for a set of related addresses. These records are created as part of corporate setup using functions found on the Address Setup Menu (36.1.4). These functions are described in *User Guide: QAD Financials A*.

Business relations are then referenced in AR when customers, ship-to records, and end users are created. They are referenced in AP when suppliers are created. The same set of tax fields must be defined for business relations, customers, and suppliers. Certain tax data defaults from the business relation when customer and supplier records are created, including the values for Taxable, Tax Included, and In City. You can modify the defaults as needed and specify values for the remaining tax-related fields.

Separate customer and supplier tax data lets you define different values for the same business relation depending on the business context.

Example Business Relation 010000 is referenced both as a customer and a supplier. You sell finished goods to this company and also purchase raw material from it. The nature of usage for tax reporting is different for sales and purchasing. For the customer record that references 010000 you specify FG (finished goods) for nature of operation; for the supplier that references 010000 you specify RAW for nature of operation.

Company addresses also reference business relations for tax data, but in this case, the tax data of the BR is used directly; it cannot be modified. Each of your inventory sites must be associated with a business relation in Company Address Maintenance.

Figure 2.23 illustrates the tax fields on the Address Info tab in Business Relation Create. The same information displays on the Tax Info tab in Customer Create and Supplier Create.

The screenshot shows a software window titled "Business Relation Create". It has a menu bar with "Business Relation", "Tools", "Go To", "Attach", and several icons. Below the menu bar is a tabbed interface with "Address Info", "General", and "Defaults" tabs. The "Address Info" tab is active and contains a list of fields: "Business Relation" (value: 27), "Name" (value: 27), "Search Name" (value: 27), "Second Name" (empty), "Third Name" (empty), "Group Name" (empty with a selection icon), and "Active" (checked checkbox). Below these fields is a sub-tabbed interface with "Tax Zone", "Tax Class", "Tax Usage", "Send Documents", "Taxable Address", and "Tax in C" tabs. The "Taxable Address" tab is active and shows a large empty text area with a scrollbar at the bottom.

Fig. 2.23
Business Relation
Create, Tax Data on
Address Tab
(36.1.4.3.1)

Taxable Address. For non-taxable addresses, select this setting if you report tax exemptions by tax type in GTM. This field defaults from the BR to related customer and supplier records.

Tax Is Included. Select this option if items shipped to or from the address have tax already included in the line-item price. This field defaults from the business relation to related customer and supplier records.

Important The setting of tax included affects only the calculation of taxes in operational functions such as sales and purchasing transactions. When taxable transaction are created directly in financial functions such as manually created supplier or customer invoices, the tax is managed by appropriate settings in those transactions.

Federal Tax. For reference and documentation purposes, enter a federal tax identification number.

State Tax. For reference and documentation purposes, enter either a state or provincial tax identification number or a value-added tax registration number.

The value you specify in this field is validated against the tax format defined for the country of the address. Specify the tax format in Country Create (36.3.1.1).

For European countries, you enter the VAT registration number, which is also required for Intrastat reporting.

Miscellaneous Tax 1, 2, 3. For reference and documentation purposes, enter any other tax identification numbers that are useful.

Tax in City. This setting determines whether the address is in the city limits for taxation purposes. It affects only GTM processing that occurs in conjunction with the Sales and Use Tax Interface for U.S. tax processing. See Technical Reference: QAD Sales and Use Tax Interface.

Tax Zone. For each address record, the system selects a default tax zone based on the postal code, city, county, state or province, and country in the address. If an applicable zone is not found, a warning displays and the zone is set to the default specified in Global Tax Management Control.

Tax zone is the only tax field required before you can save an address record.

Tax Class. Enter a valid tax class created in Tax Class Maintenance.

Tax Usage. Enter a valid tax usage code created in Tax Usage Maintenance.

Company and Site Addresses

Inventory sites require a corresponding address record because taxes are calculated by address, not site. Every site must have an address record with the same address code as the site code. Create records in Company Address Maintenance (2.12) by referencing a business relation. The address information of the headoffice address type of the business relation provides the city, county, state, country, and tax information for the site.

If government regulations require you to print tax ID numbers on your purchase orders, you can enter these numbers in the Miscellaneous Tax fields in the business relation associated with the bill-to address.

When you run Purchase Order Print (5.10), these tax IDs are included on the purchase order under these conditions:

- Print Tax ID–Misc is Yes in Purchasing Accounting Control (36.9.5).
- Print Bill-to Address is Yes in Purchase Order Print.

If for some reason a site address is not found, the system uses the default tax zone and In City value in Global Tax Management Control.

Product Lines and Items

In Product Line Maintenance (1.2.1) and Item Master Maintenance (1.4.1), enter the GTM item tax class in all product line and item records. If necessary, change the taxable status to Yes to accommodate exemption reporting.

If you are using the Service/Support Management module, assign tax classes to service categories in Service Category Maintenance (11.21.9). See *User Guide: QAD Service/Support Management* for details.

Implementing Special Taxes

This section provides additional information on how to implement specialized taxes in GTM.

Tax Exemptions

In GTM, tax exemptions are set up by tax type. You can implement separate tax types for each exemption, or group all exemptions into one tax type. Select the approach that supports the level of detail required for governmental reporting.

Reporting by Exemption

- 1 In Tax Type Maintenance (29.1.1), set up a separate tax type for each exemption.
- 2 In Tax Environment Maintenance (29.3.1), assign the type to each tax environment affected by the exemption.
- 3 In Tax Rate Maintenance (29.4.1), set up 0% tax rates for each exemption tax type.

If the exemption is by customer or supplier, set up 0% rates by usage code. If the exemption is by item or trailer charge, set up 0% rates by item tax class.

- 4 In the respective maintenance programs, set the Taxable status of all exempt customers, suppliers, product lines, items, and trailer charges to Yes.

Transactions with a non-taxable status do not calculate tax, but you will be unable to report the reason, since GTM cannot match the exempt amounts to the exemption tax types in the tax environment.

Aggregate Reporting

- 1 In Tax Environment Maintenance (29.3.1), assign the default tax type NON-TAX to each tax environment in which exemptions can be reported in aggregate.

You do not have to set up this type; it is supplied by default. Once you do this, GTM automatically classifies all non-taxable transaction amounts as type NON-TAX.

- 2 In the respective maintenance program, set the Taxable status of all exempt customers, suppliers, product lines, items, service categories, and trailer charges to No.

When the system encounters a non-taxable transaction amount, it applies a 0% tax rate to it. This rate is supplied with the system.

Tax Based on Partial Item Amounts

By default, GTM calculates tax for 100% of the item amount. However, tax can be based on a smaller percentage. In these situations, set up a tax base record in Tax Base Maintenance (29.1.13), specifying the appropriate base percent. Assign this tax base to multiple tax types and tax rates if the base percent is the same for all situations.

Custom Tax Calculation Methods

The transaction detail screen displays the following tax-related amounts for line items and trailer charges:

- Total line item or trailer charge amount
- Line item or trailer charge amount not subject to tax
- Line item or trailer charge amount that is subject to tax
- Total tax amount
- Recoverable and non-recoverable tax amounts
- For sales transactions, any tax your company absorbs rather than passes on to the customer
- For purchase transactions, any tax your company retains for direct payment to the government

To calculate tax amounts, GTM can use one of several standard calculation programs. Alternately, to resolve a localization issue, write a custom program. Specify a default program and override it as necessary for individual tax rates.

Table 2.8 summarizes the differences among the tax calculation methods supplied with the system.

Table 2.8
Standard GTM Tax
Methods

Method	Program	Explanation
01	txmeth01.p	This generic method supports most taxes. $\text{Tax Amount} = \text{Tax Rate} * \text{Item Amount}$ Note: For reverse-calculated taxes, $\text{Tax Amount} = \text{Tax Rate} * [\text{Item Amount} / (1 + \text{Tax Rate})]$ $\text{Taxable Base} = \text{Item Amount} * \text{Tax Base Percent}$ If Taxable Base < Min. Taxable, Tax Amount = Min. Taxable If Taxable Base > Max. Taxable, Tax Amount = Max. Taxable $\text{Recoverable Amount} = \text{Tax Amount} * \text{Recoverable Percent}$
02	txmeth02.p	Same as method 01 except that it supports luxury taxes and capped taxes that are assessed only on specific taxable base amounts. If Taxable Base < Min. Taxable, Tax Amount = 0 If Taxable Base > Max. Taxable, Tax Amount = 0
03	txmeth03.p	Indicates you are importing tax amounts from an external system and do not want to recalculate them.
11	txmeth11.p	Same as method 01 but has a regressive calculation for reverse-calculated taxes. $\text{Tax Amount} = \text{Tax Rate} * \text{Item Amount}$
20	txmeth20.p	Indicates that Quantum, through the Sales and Use Tax API, calculates taxes for each line item.

For custom programs, the file naming convention is `txmeth##.p`, where `##` is the numeric identifier referenced in Tax Rate Maintenance. Use an identifier from 50 to 99; identifiers 00 through 49 are reserved for QAD use.

To implement the custom tax method, specify the identifier as the Tax Method in Tax Rate Maintenance (29.4.1). If the custom method is the default method for new tax rates, also specify it in Global Tax Management Control (29.24).

Set up a value in generalized codes for the new method so that it displays in the lookup on the Tax Method field in Tax Rate Maintenance.

Luxury Taxes

Luxury taxes are assessed only on transaction amounts that exceed a specified minimum. For example, a 30% luxury tax may apply only to automobiles costing more than \$30,000.

Two settings in Tax Rate Maintenance govern setup of luxury taxes.

Minimum Taxable Amount. This setting identifies the minimum amount subject to tax. In the above example, Min. Taxable is \$30,000.

Tax Method. For luxury taxes, set Tax Method to 02. Whenever the transaction taxable base amount is less than the Min. Taxable amount for the tax rate, the final tax amount is zero.

Capped Taxes

Capped taxes are assessed only on transaction amounts less than a specified maximum. For example, a 10% capped tax applies only to transaction amounts under \$1,000.

Two settings in Tax Rate Maintenance govern setup of capped taxes:

Maximum Taxable Amount. This setting identifies the maximum amount subject to tax. In the above example, set this field to \$1,000.

Tax Method. For capped taxes, set Tax Method to 02. Whenever the transaction taxable base amount exceeds the Max. Taxable amount for the tax rate, the final tax amount is zero.

Recoverable Taxes

Taxes are recoverable whenever your company is eligible to offset a percentage of tax on purchases against tax collected on sales. Recoverable taxes are common in Europe.

The following settings in Tax Rate Maintenance govern setup of recoverable taxes.

Percent Recoverable. The percentage of purchase tax that can be recovered for the tax rate.

AP Tax Accounts. GL account and sub-account for posting recoverable tax amounts for invoices and credit notes. These accounts are used also by Purchase Order Receipts (5.13.1) and PO Shipper Receipt (5.13.20).

A recoverable tax is an asset when debited for recoverable purchase and AP taxes, or a liability when treated as a contra account to sales tax payable. The system uses the accounts associated with the applicable tax rate, if specified; otherwise, defaults in Domain/Account Control are used, but you can override them.

Accrue Tax at Receipt. Determines when GL entries for purchase tax amounts are created. For recoverable taxes, set this to No because the tax point is not receipt of goods, but receipt of supplier invoice.

Value Added Taxes (VAT)

Value added taxes are common in Europe and Canada. In certain European countries, it is a legal requirement to calculate VAT amounts based on invoice totals. This is accomplished by setting Tax-By-Line to No in Tax Rate Maintenance.

This setting by itself is not sufficient to ensure that purchase receipts and AP transactions are taxed on the order total. You must set three other fields appropriately.

Percent Recoverable. The percentage of purchase tax that can be recovered for the tax rate must be set to 100%.

Accrue Tax at Receipt. This field determines when GL entries for purchase tax amounts are created. For VAT taxes, set this to No so that GL transactions are created for tax amounts during supplier invoicing, not receipt.

Allow Tax Included. Set this field to No so that GTM does not reverse-calculate tax amounts.

Tax-on-Tax

In a tax-on-tax situation, one tax amount is included in the calculation for another tax amount. For example, in some Canadian provinces, Provincial Services Tax (PST) is based on the item amount plus the federal Goods and Services Tax (GST).

To set up a tax-on-tax, define the calculation priority of the two taxes and assign the included tax as the tax base of the other tax.

- 1 In Tax Environment Maintenance (29.3.1), assign both tax types to the tax environment. Assign the included tax type a lower sequence number than the other tax type. This ensures that the included tax is calculated first. In the Canadian example, GST has a lower sequence.
- 2 In Tax Base Maintenance (29.1.13), define a tax base and assign it to the included tax type. In the Canadian example, GST is the included type.
- 3 In Tax Rate Maintenance (29.4.1), set up tax rates for both tax types. In the rate for the tax-on-tax, specify the tax base for the included tax. In the Canadian example, you would set up rates for both GST and PST, then specify the tax base in the PST rates.

Discounted Taxes

In the United Kingdom and some other countries, tax is assessed only on what the customer actually pays—that is, on the sales amount minus credit terms discounts. When taxes are discounted, the net order amount can vary, depending on whether the credit terms discount is applied to the tax amount.

Discount Tax Point

In Tax Rate Maintenance, two settings govern the setup of discounted taxes: Discount Tax at Invoice and Discount Tax at Payment.

- For both settings, the order tax amount is the discounted sales amount multiplied by the tax rate.
- For discounting at invoice, the net order amount is the full sales amount plus the discounted tax amount. When payment is received, the system checks that the customer has paid within the discount

period. If the customer is still eligible for the discount, the system discounts the sales amount and adds it to the discounted tax amount to recalculate the net order amount.

- In contrast, for discounting at payment, the net order amount is calculated later as the *discounted* sales amount plus the discounted tax amount.
- Under both systems, if the discount period expires, both the AR and AP payment programs automatically adjust tax amounts upward. The net order amount is recalculated as the full sales amount plus the full tax amount.

Example If the sales amount is 100.00, the credit terms are 2% Net 30, and the tax rate is 10%, the system calculates the discount at invoice as follows:

<i>Disc Sales Amt:</i>	$100.00 - (100.00 * 2\%) = 98.00$
<i>Disc Tax Amt:</i>	$(98.00 * 10\%) = 9.80$
<i>Net Order Total:</i>	$(100.00 + 9.80) = 109.80$

Initially, only the tax is discounted. If the customer is still eligible for the discount when payment is received, the sales amount is discounted to 98.00 and the payment amount to apply changes to 107.80.

For discounting at payment, the calculation is as follows.

<i>Disc Sales Amt:</i>	$100.00 - (100.00 * 2\%) = 98.00$
<i>Disc Tax Amt:</i>	$(98.00 * 10\%) = 9.80$
<i>Net Order Total:</i>	$(98.00 + 9.80) = 107.80$

If the customer is late, the discount tax amount reverts to the non-discounted tax amount of 10.00 and the payment amount to apply changes to 110.00.

Discount Accounts per Tax Rate

In countries such as Germany where discounting is traditionally done at payment rather than on invoicing, holding all discounts amounts in the same GL account—regardless of their tax rate—makes it difficult to verify that the correct amount of VAT has been booked. To avoid this problem, you can set up AR and AP Discount accounts per tax rate in Tax Rate Maintenance. Discounts are then booked into these accounts based on the tax rate associated with customer and supplier invoices.

If you do not set up these accounts, discounts are posted to the AP or AR Discount accounts associated with the bank account or cash account being updated by the payment. These accounts are defined when the account is set up in Account Create (25.3.13.1).

When a customer takes advantage of a discount due upon invoice payment or you take advantage of a discount offered by a supplier, a VAT correction must be made to the appropriate VAT account. Also, the discounted amount, less the VAT component, must be posted to the discount account.

Example An early settlement discount of 2% of the sale is available on invoice payment.

Invoice Amount:	100.00
VAT Rate:	17.5%
VAT Due:	17.50
Total Invoice Amount:	117.50
Early Settlement Discount Rate:	2%
Early Settlement Amount:	2.35
VAT Component of Discount:	0.35
Corrected VAT Amount owing to early settlement	7.15

In this example, if the customer takes advantage of the early settlement discount of 2.35 offered on payment of this invoice, a correction to the relevant VAT account is needed. A deduction of 0.35—the VAT component of the discount—must be posted to the appropriate VAT account for the relevant tax code. The sum of 2.00 must be booked to the discount account.

If all discounted amounts are booked to the same discount account regardless of the associated tax code, it becomes difficult to determine that the correct amount of VAT has been booked. To properly calculate the VAT booked, the discount amount for the tax percentage needs to be deducted from the sales amount. This would be a time-consuming calculation if all discount amounts had to be booked to a single discount account. Posting discount amounts to different discount accounts based on their tax rate simplifies this calculation.

When payments are processed, the system checks the tax rate for each invoice, the appropriate discount is taken, and that discount is automatically posted to the correct AP or AR Discount account. If multiple tax rates apply, the discount is split among the discount accounts defined for the tax rates concerned. These GL accounts override the value of the discount account associated with the bank or cash GL account.

Retained Taxes

In some countries, the government declares that large customers of small suppliers are required to remit tax amounts directly to the government instead of to the supplier. Customers of these suppliers pay the purchase amount minus tax to the supplier but are required to calculate, post, and periodically pay the tax amounts on their purchases directly to the government.

Use Tax Rate Maintenance to specify the GL accounts and sub-accounts for AP Retained Tax. To designate a tax rate as a retained tax, set the field to Yes.

Absorbed Taxes

Absorbed sales tax is a liability you can incur whenever your company is liable for tax but does not charge it to the customer. For example, if you give an item to a customer, you may still pay tax even though the item's sales price is zero. Absorbed sales tax is also called withheld or retained sales tax.

Use Tax Rate Maintenance to specify the GL accounts and sub-accounts for Sales Tax Absorbed. To designate a tax rate as an absorbed tax, set the field to Yes.

Reverse-Calculated Taxes

Sometimes, item amounts already include tax. For transaction documents and reporting, you must reverse-calculate the tax from the item amount.

The system reverse-calculates tax from the line item price on sales and the item cost on purchases. On sales transactions, it reverse-calculates the taxable base by subtracting the tax amount from the total amount on the line/trailer.

GTM supports two kinds of reverse calculations, as specified by the tax method in the tax rate.

Example For tax method 01, the calculation works as follows:

$$\text{Tax Amount} = \text{Tax Rate} * (\text{Item Price} / (1 + \text{Tax Rate}))$$

$$0.10 * (100.00 / 1.10)$$

$$0.10 * 90.90 = 9.09$$

$$\text{Tax Base} = \text{Item Price} - \text{Tax Amount}$$

$$100.00 - 9.09 = 90.91$$

In contrast, for tax method 11 (regressive taxation), the calculation is as follows:

$$\text{Tax Amount} = \text{Item Price} * \text{Tax Rate}$$

$$100.00 * 0.10 = 10.00$$

$$\text{Tax Base} = \text{Item Price} - \text{Tax Amount}$$

$$100.00 - 10.00 = 90.00$$

To set up a reverse-calculated tax, do the following:

- On the Address Info tab in Business Relation Create, set Tax is Included to Yes. The tax included status for the customer/supplier ship-to address determines the default tax included status on transactions. The transaction tax included status becomes the default status for line items.
- In Tax Rate Maintenance, set Allow Tax Included to Yes for all tax rates applied to items that already include tax. In addition, specify Tax Method 01 or 11.

Tax is reverse-calculated only for transactions in which the transaction or item Tax In status is Yes and the tax rate Allow Tax Included status is Yes.

Note The ability to reverse-calculate taxes in GTM does not affect sales commission reporting using sales analysis programs. Commissions are always based on item prices inclusive of tax. For items that include tax, you may have to adjust your commission structure.

Domestic Reverse-Charge Taxes

Reverse-charge VAT accounting rules apply to the sale and purchase within the United Kingdom of a specific range of goods such as phones and computer chips.

To set up tax rates to accommodate this requirement:

- 1 Specify a comment type for zero rates in Global Tax Management Control. In the comment, include text such as *Subject to Reverse Charge* or other text recommended by regulatory bodies. This comment prints on customer invoices.
- 2 Create zero percent tax rates in Tax Rate Maintenance specifically for items subject to this tax and select the Domestic Reverse Charge field.
- 3 Set up item tax classes and usage codes as well as customer tax class and usage codes so the correct zero percent tax rate is used on sales orders, pending invoices, and invoices for items subject to reverse charge.

When you post and print the customer invoices, the system captures details in tax history. Use the Reverse Charge Sales List Report (29.6.3.9) to generate a report for printing or a file in comma-separated values (CSV) format to report monthly tax for rates with Domestic Reverse Charge set to Yes in Tax Rate Maintenance.

Note A single invoice for sales of less than £5000 of qualifying goods to one VAT registered customer is not subject to the reverse charge rules, but should be charged with standard rate VAT and should not appear on the Reverse Charge Sales List Report. To manage this exclusion, you should set up customer tax class and usage values to reflect the normal trading situation for reverse charge items for each customer. You must then verify that the default usage is correct for each particular invoice before printing and posting.

Suspended Tax on Customer Invoices

Taxes on sales orders and customer invoices or credit notes are generally due at the same time as the invoice date. In some countries, however, the payment of taxes is deferred until the invoice has been fully or partially paid. Use the Suspended Tax option to defer the payment of taxes on a customer invoice until the invoice has been paid.

Note You suspend taxes on AR payments only. Use the Delayed Taxes option to defer recoverable taxes on AP payments. See “Delayed Tax on Supplier Invoices” on page 71.

Suspended taxes are normally applied to all sales orders and invoices for designated customers. You enable suspended taxes per entity. You then define a dedicated suspended tax rate and apply a tax environment that retrieves this rate for the customer. This ensures that sales orders and invoices for this customer are automatically subjected to suspended tax. You can also apply normal taxes when creating individual sales orders and customer invoices by selecting a tax environment that retrieves a normal tax rate.

For suspended tax, you use Tax Rate Maintenance (29.4.1) to define a set of tax accounts for the dedicated suspended tax rate you intend to use. The system then uses these accounts in postings when the suspended tax rate is applied.

A customer invoice with a normal tax rate of 10% applied generates the following postings:

Account	Debit	Credit
Customer Control	100	
Sales Finance		90
Sales Tax		10

When a suspended tax rate of 20% is applied, the tax amount is posted to the Sales Invoice Suspended Tax account you defined for the suspended tax rate:

Account	Debit	Credit
Customer Control	100	
Sales Finance		80
Suspended Tax		20

When the invoice has been paid, you create a customer payment with a status of Paid to process the invoice amount. The system then generates a second tax posting. This posting debits the Sales Invoice Suspended Tax account for the tax amount, and credits the normal sales tax account:

Account	Debit	Credit
Customer Control		100
Bank Account	100	
Suspended Tax	20	
Sales Tax		20

See *User Guide: Financials A* for more information on customer payments.

The tax point date and period for the first suspended tax posting is the same as the invoice tax point date. The tax point date and period for the second posting is the same as the posting date of the payment. When the GL or tax period for the original invoice posting is closed, the system displays an warning when the invoice with suspended tax is posted, but does not prevent the posting.

Suspended Tax on Other Customer Payment Types

Suspended tax can be applied to the following other types of customer payments:

- Invoice corrections, credit notes, and credit note corrections. The suspended tax postings are reversed for credit notes and credit note corrections.
- Manual payment of a customer draft.
- Customer payment selections for drafts.
- Allocation to an invoice using Banking Entry or Cashbox Entry.
- Allocation to a customer payment draft using Banking Entry or Cashbox Entry.

- Changing the status of a draft customer payment to Paid.
- Using Process Incoming Bank File to create new draft payments to be linked to invoices.
- Using Process Incoming Bank File to change an existing draft payment to Paid.
- Open Item Adjustment.

Note A partial open item adjustment does not invoke suspended taxes.

- Cross-company payments. The additional posting lines are created in the entity of the invoice, and not that of the bank.

Calculating Suspended Tax Points

When the customer completes payment of an outstanding amount in payment stages, you define the point at which suspended taxes are calculated using the Suspended Tax field on the Entity Create/Modify screen.

This field has four options:

- Not applicable
- Till First Payment

Taxes are suspended on the whole payment amount when the first payment is made.

- Till Last Payment

Taxes are suspended on the whole payment amount when the final payment is made.

- Proportional to Payments

Taxes are suspended when the first partial payment is made, and the taxes due are proportional to the amount of the partial payment. The tax due in this case is calculated using the following formula:

*Suspended Tax Amount = Total Tax (base) Amount * Payment Amount / Original Invoice Total*

See *User Guide: Financials A* for information on setting up entities.

When you change the payment stage on the Entity screen, the new level applies to new invoices and sales orders only. This flexibility lets you switch from suspended to normal taxes from one year to another.

For Draft customer payments, suspended taxes are changed to normal taxes when the draft is actually paid by the bank, and the payment status is changed to Paid.

Setting Up Suspended Tax

Configure suspended tax for a customer using the following steps:

- 1 Activate Suspended Tax for the entity by selecting a payment stage from the Suspended Tax drop-down list in Entity Modify.

See *User Guide: Financials A* for information on setting up entities.

- 2 Use GTM to create a dedicated tax rate for suspended tax.

In Tax Rate Maintenance, create a tax type for delayed tax, specify the tax rate, and select the Suspended Delayed field.

Specify the AR invoice and credit note suspended tax accounts and the AP invoice and credit note delayed tax accounts to use when posting suspended and delayed taxes.

In Tax Environment Maintenance, create a tax environment record for suspended and delayed taxes.

List all ship-from and ship-to tax zone combinations for which suspended tax will apply.

Specify the tax zone of customers for which suspended tax applies.

- 3 In Customer Modify, Tax Info tab, select the suspended tax zone and suspended tax class for the customer.

When you create a customer invoice for this customer, the tax tab indicates that the suspended tax environment is used. The Suspended Tax field in the tax grid of the Tax tab is also selected. The CI Posting tab indicates that the tax posting is to the suspended tax account.

When the tax environment for a customer is configured for suspended tax, suspended taxes are applied by default to each new sales order and customer invoice you create.

The Tax Info prompt in Sales Order Maintenance displays the default tax environment for the customer, and you can select a non-suspended tax rate by changing the environment at this stage.

To change the tax environment on a manually created customer invoice:

- 1 On the Tax tab, delete the existing tax line on the grid.
- 2 Insert a new row and select the required tax environment.
- 3 Enter the total base amount for the invoice.
- 4 Click away from the grid.

The system applies the new tax rate to the invoice amount and recalculates the tax amount accruing.

Suspended Taxes and Reversed Payments

You can reverse an invoice payment using Open Item Adjustment or by changing the status of the payment to Void, Bounced or Initial. When you reverse the payment in this way, the suspended tax postings are also reversed.

When you change the payment status of a supplier payment to Void, delayed taxes are not reversed. Voiding a supplier payment does not re-open the paid invoices, but instead triggers the creation of a new payment record for the same invoices. This lets you issue a new payment. When you want to cancel the supplier payment completely, set the payment status to Bounced.

Delayed Tax on Supplier Invoices

Taxes on purchase orders and supplier invoices or credit notes are generally due at the same time as the invoice date. However, in some countries, taxes with certain types of suppliers only become due after the invoice has been fully or partially paid.

When you account for tax after you have paid a supplier in AP, it is referred to as delayed tax. In this case, you can only deduct the tax in your declaration to the authorities after you have paid the supplier.

Delayed taxes are normally applied to all purchase orders and invoices for designated suppliers. You enable delayed taxes per entity. You then define a dedicated delayed tax rate and apply a tax environment that retrieves this rate for the supplier. This ensures that purchase orders and invoices

for this supplier are automatically subjected to delayed tax. You can also apply normal taxes when creating individual purchase orders and supplier invoices by selecting a tax environment that retrieves a normal tax rate.

Note You delay taxes on AP payments only. Use the Suspended Taxes option to defer taxes on AR payments. See *User Guide: Financials A* for more information on AR invoices and payments.

For delayed tax, you use Tax Rate Maintenance (29.4.1) to define a set of tax accounts for the delayed tax rate. The system then uses these accounts in postings when the delayed tax rate is applied.

When you allocate payment to a supplier invoice with delayed tax, the system transfers the delayed tax amount to normal tax, and generates a second tax posting. This posting credits the AP Invoice Delayed Tax account for the tax amount, and debits the normal tax account.

Important Draft payments are the exception. The transfer from delayed tax to normal tax only takes place when the payment is assigned the Paid status.

The tax point date and period for the first posting line that backs out the delayed tax is the same as the invoice tax point date. The tax point date and period for the second posting line that creates the normal tax is the same as the posting date of the payment. The normal AP tax will, therefore, appear in the reporting for the period in which the payment was made.

Delayed Tax on Other Supplier Payments

In addition to Supplier Invoice Create, the following functions generate delayed tax postings (or reversal of delayed tax in case of payment) if delayed tax applies for the supplier:

- Supplier Payment Create—for payments that are not initial and for payments other than drafts
- Supplier Payment Selection Confirm—for payments other than drafts
- Banking Entry and Cashbox Entry, when the payment is allocated to a supplier invoice or to a supplier payment of type Draft
- When the payment is allocated to a supplier invoice

- When you change a Supplier Payment Status to Paid for a payment instrument of type Draft
- When processing an incoming bank file, when the status of the payment is changed to Paid or for a payment instrument of type Draft
- Open Item Adjustment, when you close a supplier open item and its balance is netted to zero

A partial open item adjustment does not cause the transfer from delayed to normal tax.

Delayed Taxes and Reversed Payments

If you reverse a payment to a supplier by setting it to Void, Bounced, or Initial or if you re-open the invoice in Open Item adjustment, the delayed tax transaction is netted from the normal AP tax account and re-posted to the AP delayed tax account.

Calculating Delayed Tax Points

When you pay a supplier in payment stages, you can define the point at which delayed taxes are calculated. The tax points for delayed tax on staged payments are defined using the same method as for suspended tax.

See “Calculating Suspended Tax Points” on page 69.

Setting Up Delayed Tax

Delayed tax for payments to suppliers is set up using the same method as for suspended tax on customer payments.

See “Setting Up Suspended Tax” on page 70.

Delayed Tax and Receiver Matching

Delayed tax does not accrue when the items are received. Therefore, in receiver matching, the PO receipt amount without delayed tax is matched to the base amount of the supplier invoice.

Example

You create a purchase order for 80 USD of items order from a supplier. A delayed tax rate of 17% applies. The items are to be delivered to the site where you recorded the order.

Receipt Postings

When the items are recorded as received, the system posts the following journal entries to the PO Receipts daybook. Delayed tax does not accrue at receipt so the postings are for the cumulative costs for the items ordered.

Account	Debit	Credit
Inventory	80.00	
PO Receipts		80.00

Invoice Postings

When you receive an invoice from the supplier and record the details using Supplier Invoice Create, the delayed tax is applied to the base invoice amount. When the invoice is saved, the delayed tax is posted to the AP Delayed Tax account specified for the applicable delayed tax rate in Tax Rate Maintenance. The journal entries for the supplier invoice are:

Account	Debit	Credit
AP		93.60
AP Delayed Tax	13.60	
Unmatched Invoices	80.00	

Matching Postings

You then match the supplier invoice to the PO receipt for the items in Receiver Matching Create. Delayed tax did not accrue when the items were received so the PO receipt without tax is matched to the base amount of the supplier invoice. The receiver matching postings are:

Account	Debit	Credit
PO Receipts	80.00	
Unmatched Invoices		80.00

Supplier Payment Postings

When the supplier is paid for the full invoice amount by check, the payment is allocated to the supplier invoice, and the supplier payment status is changed to Paid. When you save the supplier payment, the system nets the tax from the delayed tax account and posts it to the normal account used for AP taxes.

Account	Debit	Credit
Supplier Bank		93.60
AP	93.60	
AP Delayed Tax		13.60
AP Tax	13.60	

Processing GTM

This section describes how GTM processes tax transactions. It also discusses GL transactions created for tax amounts under standard and average costing.

Calculating Taxes

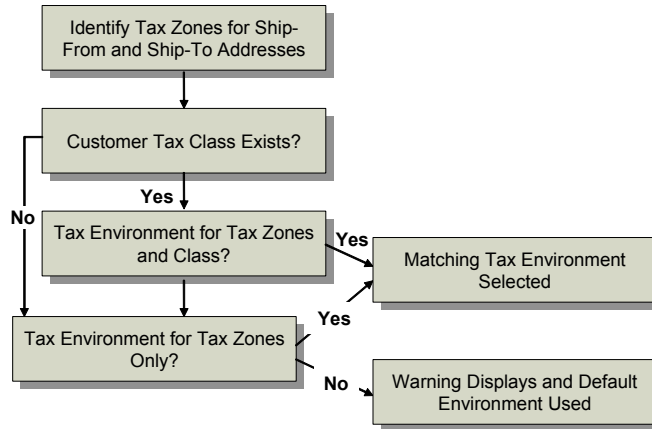
To calculate taxes on transactions, GTM first identifies the tax environment—the set of tax types for each line item and trailer charge. It then determines the most appropriate tax rate for each tax type in the environment.

GTM searches for an optimal tax environment based on a combination of transaction conditions:

- Ship-from tax zone for the line item
- Ship-to tax zone for the transaction
- Customer or supplier tax class, if any

Figure 2.24 summarizes the search priority for selecting a tax environment.

Fig. 2.24
Selection of Tax
Environment



If GTM finds a matching environment, it assigns this environment to the transaction. Otherwise, the following message displays:

Warning: No tax environment found, using default.

The system then uses the error environment from Global Tax Management Control (29.24). If this happens, investigate and correct the problem. See “Fixing Common Tax Problems” on page 114.

Table 2.9 describes the tax environment selection criteria for different transaction amounts.

Table 2.9
Tax Environment
Selection Criteria

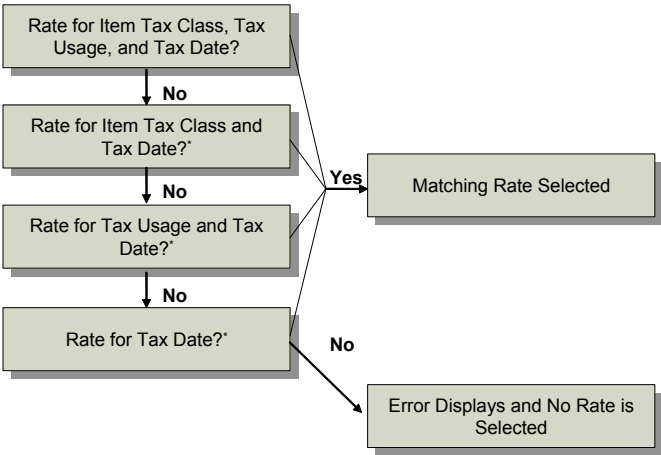
Item	Ship-To Tax Zone	Ship-From Tax Zone	Tax Class
Inventory items	Transaction ship-to tax zone	Line item ship-from tax zone	Transaction tax class, if any
Memo items	Transaction ship-to tax zone	Transaction ship-from tax zone	Transaction tax class, if any
Trailer charges	Transaction ship-to tax zone	Transaction ship-from tax zone	Transaction tax class, if any

Next, GTM searches for the tax rate for each tax type in the tax environment. For each tax type, GTM searches for an optimal tax rate based on a combination of transaction and line item conditions:

- Tax class
- Tax usage
- Transaction tax date

Figure 2.25 summarizes the search priority for selecting a tax rate for a tax type. GTM selects a rate only if there is a complete match between the conditions of the transaction and the tax rate. Any nonmatching criteria must be blank. For example, if a tax rate has a matching item tax class and tax date but a different tax usage, it is not selected.

Fig. 2.25
Selection of Tax Rate



* Remaining tax rate fields must be blank.

If GTM finds a matching rate, it uses this rate for the tax calculation. Otherwise, the following message displays:

Error: Tax rate does not exist.
"Tax Type" "Tax Class" "Tax Usage"

The message displays the tax type, tax class, and tax usage not found, and no tax is calculated. If this happens, investigate the problem. See “Fixing Common Tax Problems” on page 114.

Table 2.10 describes the tax rate selection criteria for different transaction amounts.

Item	Tax Class	Tax Usage	Tax Date
Inventory items	Item tax class, if any	Transaction tax usage, if any	Transaction tax date

Table 2.10
Tax Rate Selection Criteria

Item	Tax Class	Tax Usage	Tax Date
Memo items	Transaction tax class, if any	Transaction tax usage, if any	Transaction tax date
Trailer charges	(1) Tax class from trailer charge detail, if any (2) Trailer charge tax class, if any (3) Transaction tax class, if any	Transaction tax usage, if any	Transaction tax date

Specifying Tax Data

All transactions subject to tax prompt for tax data in the header, line item, and trailer frames. Figure 2.26 illustrates the tax pop-up in the Sales Order Maintenance (7.1.1) header. Most values specified in the header can be modified for each line.

Fig. 2.26
Sales Order
Maintenance
(7.1.1), Header
Frame

The screenshot displays the 'Sales Order Maintenance' window for 'Sales Order: SO353'. The 'Header' tab is active, showing fields for 'Order: SO353', 'Sold-To: 52046-B', 'Bill To: 52046-B', and 'Ship-To: 52046-B'. The 'Sold-To' address is 'Sports World Distribution Center, 10000 Third Street, Summerland, United States of America'. The 'Ship-To' address is 'Sports World Distribution Center, CA 93013'. A 'Tax Info' pop-up window is overlaid on the address fields, containing the following fields: 'Tax Usage:' (with a search icon), 'Tax Environment: USA2ROW' (with a search icon), 'Tax Class:' (empty), 'Taxable:' (checked), and 'Tax In:' (unchecked). The 'Details' tab is also visible, showing 'Order Date: 08/30/2007', 'Required Date: 08/30/2007', 'Promise Date: 08/15/2007', 'Due Date: 08/15/2007', 'Perform Date: 08/15/2007', 'Pricing Date: 08/15/2007', 'Purchase Order: 10000', 'Manual: SLS', 'Daybook Set: SLS', 'Channel: Project:', 'Site: 10000', 'Currency: USD', 'Taxable: [checked]', 'Fixed Price: [checked]', 'Credit Terms: 2-10/30', 'Org Inv: Credit Terms Interest %: 0.00', 'Lang: us', and 'Reprice: [checked]'. A label 'Tax Date field' with an arrow points to the 'Due Date' field in the 'Details' tab.

Tax Date. The transaction tax date is used to select tax rates. At order entry, the default tax date is the order due date. At shipment and receipt, the default tax date is the transaction effective date.

In some situations, you should specify another tax date. For example, when processing a return, you can enter the original order date. You cannot override the transaction tax date for individual line items and trailer charges. GTM does not use a tax rate if the transaction's tax date is outside the tax rate's effective date range.

Tax Usage. Tax usage is used to select tax rates. Tax usage defaults from the relevant address record: customer, supplier, or end user. You can override the transaction tax usage for line items but not for trailer charges.

Tax Environment. The tax environment is used to select tax types for the transaction. The ship-from/ship-to tax zones and tax class, if any, determines the default tax environment. A line item can have a different tax environment if its ship-from tax zone is different from the one for the rest of the transaction.

Tax Class. Tax class is used to select the transaction tax environment and/or tax rates for items and trailer charges. Tax class defaults from the relevant address record: customer, supplier, or end user.

For inventory items, the default tax class is the item tax class. For memo items, the default tax class is the transaction tax class. For trailer charges, the tax class is the one for the (1) trailer tax detail, (2) trailer charge, or (3) transaction, depending on which one the system finds first.

Taxable. The taxable status determines how tax types apply to the transaction. If Taxable is No, the amount is nontaxable. However, if Taxable is Yes, the amount can also be nontaxable if you use tax types and zero-percent tax rates to report tax exemptions.

The customer, supplier, or end user taxable status determines the default status of the transaction. If the transaction taxable status is No, the entire order has this status.

For inventory items, the default status is the item status. For memo items, the default status is the transaction taxable status. For trailer charges, the status is the one for the (1) trailer tax detail, (2) trailer charge, or (3) transaction, depending on which one the system finds first.

Tax In. Tax In (tax included) determines whether tax is already included in line item amounts. If it is, the system reverse-calculates the tax from the item amount and displays it along with the other tax amounts.

The customer, supplier, or end user Tax In status determine the default status of the transaction. You can override this status for line items. For an amount to be tax included, Tax In must be Yes and the Allow Tax Included setting for the tax rate must be Yes.

Note Tax is always added to trailer charges, regardless of the value of Tax In.

Viewing Tax Amounts

In the transaction trailer frame, review system-calculated tax amounts by setting View/Edit Tax Detail to Yes. The screen displays the total nontaxable and taxable line item and trailer charge amounts, the tax date, and tax amounts by category.

Fig. 2.27
Sales Order
Maintenance,
View/Edit Tax
Detail Option

Sales Order Maintenance			
Sales Order: SO353 Go To Actions			
Header			
Order: SO353	Sold-To: 52046-B	Bill To: 52046-B	Ship-To: 52046-B
Trailer			
Non-Taxable: 0.00	Currency: USD	Line Total: 2,000.00	
Taxable: 2,140.00	0.00%	Discount: 0.00	
Tax Date:	Taxable Service	11	20.00
Containers: 0.00	Taxable Freight	21	20.00
Line Charges: 0.00	Taxable Special	31	100.00
View/Edit Tax Detail: ☐		Total Tax: 0.00	
		Total: 2,140.00	

Set to Yes to view tax records.

In the tax detail frame, scroll through the Line and Trailer fields to view the tax rate information for each tax type.

Note You cannot change tax amounts unless Update Tax Allowed for the tax rate is Yes.

Sales Order Maintenance

Sales Order: matso-1 Go To ACTIONS

Header

Order: matso-1 Sold-To: matcust Bill To: matcust Ship-To: matcust

Tax Detail Record

Line: 1 Related Doc: Trmx Amt: 100.00
 Trailer: Tax In: Non-Taxable Base: 100.00
 Tax By: Line Tax Env: WA-WA Taxable Base: 0.00
 Edited: Tax Type: NON-TAX Tax Amount: 0.00
 Tax Date: 01/24/2007 Tax Class: Recoverable Tax: 0.00
 Tax Rate: 0.00% Tax Usage: Non-Recover Tax: 0.00
 Tax Code: 00000000 Non-Taxable Default Absorb/Retain: 0.00

Total Tax Amounts

0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00

Fig. 2.28
Sales Order
Maintenance, Tax
Detail Record

Line. Tax amounts for line items and trailer charges are identified by line number. Use Next/Previous to scroll through the amounts for each tax type.

- 0: Line items taxed by total.
- 1 through 99998: Line items taxed by line. The line number in the tax detail corresponds to the order line item number.
- 99999: Trailer charges.

Trailer. For trailer charges, enter the code of the trailer charge subject to the tax.

Tax By. Output only. Total indicates that the tax rate was applied to the order total for all items and trailer charges taxed at this rate. Line indicates that the tax rate was applied separately to each item and trailer charge.

Edited. Output only. This setting indicates whether the tax amount was ever changed from the system-calculated amount.

The system also displays the factors GTM used to calculate the tax: transaction tax date, tax rate, tax code, tax environment, tax type, item or trailer charge tax class, and tax usage.

Depending on how you set up the tax rate, you may be able to change some of the following values. To change values, Update Tax Allowed must be Yes.

Trnx Amt. This value is the total transaction amount, excluding tax.

Nontaxable Base. This is the nontaxable portion of the transaction amount.

Taxable Base. This is the taxable portion of the transaction amount.

Tax Amt. This is the tax amount for the tax type. For line 0, it is the transaction tax amount for the tax type. For lines 1-99999, it is the amount for the line item or trailer charge.

Recoverable and Non-Recover Tax. This is the recoverable and non-recoverable portions of purchase tax.

Absorb/Retain. On sales and accounts receivable transactions, this is the sales tax that was absorbed and therefore not included in the transaction total. On purchasing and accounts payable transactions, it is the purchase tax that was retained for direct payment to the government.

Correcting Transaction Tax Amounts

Depending on how you set up GTM, you can selectively override system-calculated tax amounts. The default behavior is determined first by Update Tax Allowed in Global Tax Management Control (29.24), then by the same field in individual tax rate records (29.4.1).

In transactions, View/Edit Tax Detail always lets you review how the system calculated taxes. If Update Tax Allowed is Yes, you can also change the taxable base, tax, and recoverable tax amounts.

Use this feature to match amounts on manually issued documents. Typically, you edit tax amounts only when transaction tax amounts must exactly match an external document. You can also edit taxes when entering transactions for which you have not set up standard rates. However, the system does not maintain an audit trail of changes, so accounting regulations may prevent you from using this capability.

If you do edit tax amounts, one of the following messages displays when you exit transactions:

Recalculate Tax. Enter Yes to recalculate tax and taxable base amounts based on the current data you entered in the transaction. Do this if you ship or receive a different quantity than originally entered.

Copy Edited Tax Values. Enter Yes to copy previously edited tax amounts to this transaction or No to recalculate taxes based on current transaction information.

For example, when you enter a purchase order, you can manually edit the system-calculated tax amounts. When you process the receipt, copy the edited tax values from the order or recalculate taxes based on the current information. If you did not manually edit the taxes in the order, taxes are automatically recalculated at receipt.

If you enter Yes, the system copies tax amounts from the earlier transaction to the one you are currently working on. If you enter No, the system recalculates taxes. Taxes are copied exactly. The system does not adjust for quantity or price differences between the two transactions.

Exchange Rate Effects

When tax is calculated in a foreign currency, the exchange rate used is the rate effective on the date of the corresponding document. This may differ from the rate that is effective on the tax date. For example, during invoice post, the exchange rate used for tax, if applicable, is the same as the rate used for the rest of the invoice; however, it may be different from the rate that was in effect during shipment. Based on local regulations, it may be necessary to reevaluate using the official exchange rate.

Recoverable, Non-Recoverable Tax

Most European countries have a sales tax system that allows recovery of tax on purchases. A recoverable purchase tax amount is one that you are allowed to offset against sales tax payable. Such tax amounts are tracked separately in the GL. They update the AP Tax Invoice or Credit Note account for the tax rate. For recoverable taxes, the tax point is normally invoice date.

- See “Standard Cost, Recoverable Tax Examples” on page 87.
- See “Average Cost, Recoverable Tax Examples” on page 102.

You cannot offset a non-recoverable purchase tax amount against sales tax payable. Usually, such taxes are already included in the item cost. Purchasing transactions back-calculate the tax from the item amount, assuming you set up the supplier and tax rate records to support this.

- See “Standard Cost, Non-Recoverable Tax Examples” on page 94.
- See “Average Cost, Non-Recoverable Tax Examples” on page 108.

Variances

Three kinds of variance occur during the purchasing/accounts payable cycle: purchase price variance (standard costing only), AP usage variance, and AP rate variance.

Purchase Price Variance. Purchase price variance occurs when the PO cost for an inventory item does not match its GL cost. This variance does not occur for memo items, which have no standard cost.

AP Rate Variance. AP rate variance occurs when the invoice cost for an item does not match its PO cost.

AP Usage Variance. AP usage variance occurs when the invoice quantity for an item does not match its PO quantity and you close the receiver line in the supplier invoice.

Memo Items

Memo items are non-inventory items such as office supplies. By definition, such items have no standard cost.

Entries for memo items update Expensed Item Receipts instead of Purchase Order Receipts, and Expensed Purchases instead of Inventory. In addition, for memo items, an option in Supplier Invoice Control (28.24) allows variances to update Expensed Item Receipts instead of the variance accounts.

In the GL entry examples, the tax point determines whether accounts are updated at goods receipt or invoice date. See the examples.

- “Memo Items (Standard Cost, Recoverable Tax)” on page 93
- “Memo Items (Standard Cost, Non-Recoverable Tax)” on page 100
- “Memo Items (Average Cost, Recoverable Tax)” on page 107

- “Memo Items (Average Cost, Non-Recoverable Tax)” on page 113

Returned Items

When you return items, the system clears the item cost and the tax from the accounts updated by the original receipt and the supplier invoice, if you processed the return after paying the supplier invoice.

Tax Point Effects

During transaction processing, the tax point for the tax rate determines when and for which accounts the system creates GL entries for tax amounts. The tax point defaults first from Accrue Tax at Receipt in Global Tax Management Control (29.24), then from the same setting in individual tax rate records (29.4.1).

When the tax point is goods receipt, the system creates GL entries when you record the receiving transaction. When the tax point is invoice receipt, the system creates entries later—when you enter or finalize a supplier invoice.

For each tax point, exact GL entries vary by cost system. Table 2.11 summarizes the elements that influence GL entries. The subsequent sections for standard costing and average costing illustrate tax accruals in more detail.

Tax point also affects the cost basis for average cost calculations. The system re-averages item costs at both receipt and when you finalize the supplier invoice. If the tax point is goods receipt, the cost basis for re-averaging calculations includes tax at both receipt and receiver matching. However, if the tax point is invoice receipt, the cost basis includes tax only at receiver matching.

Table 2.11

Elements that
Influence GL
Entries for Each
Tax Point

Costing System at Site, Tax Amount	Taxable Amount	See...
Standard, Recoverable	Inventory Items	page 87
	Purchase Price Variance	page 88
	AP Usage Variance	page 90
	AP Rate Variance	page 91
	Memo Items	page 93
	Returned Items	page 85
Standard, Non-Recoverable	Inventory Items	page 94
	Purchase Price Variances	page 96
	AP Usage Variance	page 97
	AP Rate Variance	page 99
	Memo Items	page 100
	Returned Items	page 85
Average, Recoverable	Inventory Items	page 102
	AP Usage Variance	page 104
	AP Rate Variance	page 105
	Memo Items	page 107
	Returned Items	page 85
Average, Non-Recoverable	Inventory Items	page 108
	AP Usage Variance	page 110
	AP Rate Variance	page 111
	Memo Items	page 113
	Returned Items	page 85

Standard Cost, Recoverable Tax Examples

This section shows recoverable tax accruals for a purchase order and supplier invoice.

- See “Recoverable, Non-Recoverable Tax” on page 83.
- See “Standard Cost” on page 182.

To review the entries for average cost, see “Average Cost, Recoverable Tax Examples” on page 102.

Inventory Items (Standard Cost, Recoverable Tax)

The following tables illustrate the GL entries created for the receipt of a purchased inventory item, assuming standard cost and recoverable tax. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or supplier invoice date.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory	Purchase Order Receipts	AP Tax Recoverable
100.00 1	1 100.00	10.00 2
	2 10.00	

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices	Accounts Payable
110.00 3	3 110.00

- When an invoice is matched, entries are created for invoice value, including tax (4).

Purchase Order Receipts	Unmatched Invoices
110.00 4	4 110.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost **(1)** but not for tax.

Inventory	Purchase Order Receipts
100.00 1	1 100.00

- When an invoice is received, entries are created for item cost **(2)** and tax **(3)**.

Unmatched Invoices	Accounts Payable	AP Tax Recoverable
100.00 2	2 100.00	10.00 3
	3 10.00	

- When an invoice is matched, entries are created for item cost **(4)**.

Purchase Order Receipts	Unmatched Invoices
100.00 4	4 100.00

Purchase Price Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost **(1)**, variance **(2)** and tax on item cost + variance **(3)**.

Inventory	Purchase Order Receipts
100.00 1	1 100.00
	2 25.00
	3 12.50
Purchase Price Variance	AP Tax Recoverable
25.00 2	12.50 3

- When an invoice is received, entries are created for invoice value, including tax (4).

Unmatched Invoices	Accounts Payable
137.50 4	4 137.50

- When an invoice is matched, entries are created for invoice value (5).

Purchase Order Receipts	Unmatched Invoices
137.50 5	5 137.50

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) and variance (2) but not for tax.

Inventory	Purchase Order Receipts	Purchase Price Variance
100.00 1	1 100.00	25.00 2
	2 25.00	

- When an invoice is received, entries are created for the item cost including variance (3) and tax (4)

Unmatched Invoices	Accounts Payable	AP Tax Recoverable
125.00 3	3 125.00	12.50 4
	4 12.50	

- When an invoice is matched, entries are created for item cost (5) and variance (6).

Purchase Order Receipts	Unmatched Invoices
100.00 5	5 100.00
25.00 6	6 25.00

AP Usage Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
154.00	3	3	154.00

- When an invoice is matched, entries are created for item cost (4), variance (5), tax on item cost (6), and tax on variance (7).

Purchase Order Receipts		Unmatched Invoices	
100.00	4	4	100.00
10.00	6	5	40.00
		6	10.00
		7	4.00

AP Usage Variance		AP Tax Recoverable	
40.00	5	4.00	7

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for the invoice cost **(2)** and tax **(3)**.

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
140.00	2	2	140.00	14.00	3
		3	14.00		

- When an invoice is matched, entries are created for item cost **(4)** and variance **(5)**.

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	4	4	100.00	40.00	5
		5	40.00		

AP Rate Variance (Standard Cost, Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost **(1)** and tax **(2)**.

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax **(3)**.

Unmatched Invoices		Accounts Payable	
143.00	3	3	143.00

- When an invoice is matched, entries are created for item cost + tax (3), variance (4), and tax on variance (5).

Purchase Order Receipts	Unmatched Invoices
110.00 3	3 110.00
	4 30.00
	5 3.00
AP Rate Variance	AP Tax Recoverable
30.00 4	3.00 5

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory	Purchase Order Receipts
100.00 1	1 100.00

- When an invoice is received, entries are created for invoice cost (2) and tax (3).

Unmatched Invoices	Accounts Payable	AP Tax Recoverable
130.00 2	2 130.00	13.00 3
	3 13.00	

- When an invoice is matched, entries are created for item cost (4) and variance (5).

Purchase Order Receipts	Unmatched Invoices	AP Rate Variance
100.00 4	4 100.00	30.00 5
	5 30.00	

Memo Items (Standard Cost, Recoverable Tax)

“Memo Items” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Expensed Purchases		Expensed Item Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
110.00	3	3	110.00

- When an invoice is matched, entries are created for item cost (4) and tax (5).

Expensed Item Receipts		Unmatched Invoice	
100.00	4	4	100.00
10.00	5	5	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for item cost (2) and tax (3).

Unmatched Invoices	Accounts Payable	AP Tax Recoverable
100.00 2	2 100.00	10.00 3
	3 10.00	

- When an invoice is matched, entries are created for item cost (4).

Expensed Item Receipts	Unmatched Invoices
100.00 4	4 100.00

Standard Cost, Non-Recoverable Tax Examples

This section shows non-recoverable tax accruals for a purchase order and supplier invoice. The examples illustrate GL entries if taxes are not included in the item cost.

- See “Recoverable, Non-Recoverable Tax” on page 83.
- See “Standard Cost” on page 182.

To review the entries for average cost, see “Average Cost, Non-Recoverable Tax Examples” on page 108.

Inventory Items (Standard Cost, Non-Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice date. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory	Purchase Order Receipts	Purchase Price Variance
100.00 1	1 100.00	10.00 2
	2 10.00	

- When an invoice is received, entries are created for invoice value (3).

Unmatched Invoices		Accounts Payable	
110.00	3	3	110.00

- When an invoice is matched, entries are created for item cost (3) and tax (4).

Purchase Order Receipts		Unmatched Invoices	
100.00	3	3	100.00
10.00	4	4	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not for tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value (2) and tax (3).

Unmatched Invoices		Accounts Payable		Purchase Price Variance	
100.00	2	2	100.00	10.00	3
		3	10.00		

- When an invoice is matched, entries are created for item cost (4).

Purchase Order Receipts		Unmatched Invoices	
100.00	4	4	100.00

Purchase Price Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1), variance (2) and tax on item cost + variance (3).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	1	1	100.00	25.00	2
		2	25.00	12.50	3
		3	12.50		

- When an invoice is received, entries are created for invoice value, including tax (4).

Unmatched Invoices		Accounts Payable	
137.50	4	4	137.50

- When an invoice is matched, entries are created for item cost (5), variance (6), and tax (7).

Purchase Order Receipts		Unmatched Invoices	
100.00	5	5	100.00
25.00	6	6	25.00
12.50	7	7	12.50

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) and variance (2) but not for tax.

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	1	1	100.00	25.00	2
		2	25.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
137.50	4	4	137.50

- When an invoice is matched, entries are created for item cost (4), variance (5), and tax on item cost + variance (6).

Purchase Order Receipts		Unmatched Invoices		Purchase Price Variance	
100.00	4	4	100.00	12.50	6
25.00	5	5	25.00		
		6	12.50		

AP Usage Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
154.00	3	3	154.00

- When an invoice is matched, entries are created for item cost (4), variance (5), tax on item cost (6), and tax on variance (7).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	4	4	100.00	40.00	5
10.00	6	5	40.00	4.00	7
		6	10.00		
		7	4.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice item cost (2) and tax on item cost (3).

Unmatched Invoices		Accounts Payable		???	
140.00	2	2	140.00	14.00	3
		3	14.00		

- When an invoice is matched, entries are created for item cost (4) and variance (5).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	4	4	100.00	40.00	5
		5	40.00		

AP Rate Variance (Standard Cost, Non-Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost **(1)** and tax **(2)**.

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax **(3)**.

Unmatched Invoices		Accounts Payable	
143.00	3	3	143.00

- When an invoice is matched, entries are created for item cost **(4)**, variance **(5)**, tax on item cost **(6)**, and tax on variance **(7)**.

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	4	4	100.00	30.00	5
10.00	6	5	30.00	3.00	7
		6	10.00		
		7	3.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost **(1)** but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value, including tax (2).

Unmatched Invoices		Accounts Payable	
143.00	2	2	143.00

- When an invoice is matched, entries are created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6).

Purchase Order Receipts		Unmatched Invoices	
100.00	3	3	100.00
		4	30.00
		5	10.00
		6	3.00
AP Rate Variance		PO Price Variance	
30.00	4	10.00	5
3.00	6		

Memo Items (Standard Cost, Non-Recoverable Tax)

“Memo Items” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Expensed Purchases		Expensed Item Receipts	
100.00	1	1	100.00
10.00	2	2	10.00

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
110.00	3	3	110.00

- When an invoice is matched, entries are created for item cost (4) and tax (5).

Expensed Item Receipts		Unmatched Invoices	
100.00	4	4	100.00
10.00	5	5	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for item cost (2) and tax (3).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	2	2	100.00	10.00	3
		3	10.00		

- When an invoice is matched, entries are created for item cost (4).

Expensed Item Receipts		Unmatched Invoices	
100.00	4	4	100.00

Average Cost, Recoverable Tax Examples

This section shows recoverable tax accruals for a purchase order and supplier invoice. The tax point affects the cost basis for the average cost calculation.

- See “Recoverable, Non-Recoverable Tax” on page 83.
- See “Tax Point Effects” on page 85.
- See “Average Cost” on page 183.

To review the entries for standard cost, see “Standard Cost, Recoverable Tax Examples” on page 87.

Inventory Items (Average Cost, Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. The tax point determines whether the update to AP Tax Recoverable occurs at goods receipt or invoice date. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
110.00	3	3	110.00

- When an invoice is matched, entries are created for item cost (3) and tax (4).

Purchase Order Receipts		Unmatched Invoices	
100.00	3	3	100.00
10.00	4	4	10.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not for tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for item cost (2) and tax (3).

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
100.00	2	2	100.00	10.00	3
		3	10.00		

- When an invoice is matched, entries are created for item cost (4).

Purchase Order Receipts		Unmatched Invoices	
100.00	4	4	100.00

AP Usage Variance (Average Cost, Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
154.00	3	3	154.00

- When an invoice is matched, entries are created for item cost (4), variance (5), tax on item cost (6), and tax on variance (7).

Purchase Order Receipts		Unmatched Invoices	
100.00	4	4	100.00
10.00	6	5	40.00
		6	10.00
		7	4.00

AP Usage Variance		AP Tax Recoverable	
40.00	5	4.00	7

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for item cost (2) and tax (3).

Unmatched Invoices	Accounts Payable	AP Tax Recoverable
140.00 2	2 140.00	14.00 3
	3 14.00	

- When an invoice is matched, entries are created for item cost (4) and variance (5).

Purchase Order Receipts	Unmatched Invoices	AP Usage Variance
100.00 4	4 100.00	40.00 5
	5 40.00	

AP Rate Variance (Average Cost, Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory	Purchase Order Receipts	AP Tax Recoverable
100.00 1	1 100.00	10.00 2
	2 10.00	

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices	Accounts Payable
143.00 3	3 143.00

- When an invoice is matched, entries are created for item cost **(4)**, variance **(5)**, tax on item cost **(6)**, and tax on variance **(7)**.

Purchase Order Receipts		Unmatched Invoices	
100.00	4	4	100.00
10.00	6	5	30.00
		6	10.00
		7	3.00
AP Rate Variance		AP Tax Recoverable	
30.00	5	3.00	7

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost **(1)** but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for the invoice total **(2)** and tax **(3)**.

Unmatched Invoices		Accounts Payable		AP Tax Recoverable	
130.00	2	2	130.00	13.00	3
		3	13.00		

- When invoice is received, entries are created for item cost **(4)** and variance **(5)**.

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	4	4	130.00	30.00	5
		5	30.00		

Memo Items (Average Cost, Recoverable Tax)

“Memo Items” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Expensed Purchases		Expensed Item Receipts		AP Tax Recoverable	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for invoice value, including tax (3).

Expensed Item Receipts	Accounts Payable
110.00	3
	110.00

Tax accrual at supplier invoice receipt

- When goods are received, entries are created for received item cost (1) but not for tax.

Expensed Purchases	Expensed Item Receipts
100.00	1
	100.00

- When an invoice is received, entries are created for item cost (2) and tax (3).

Expensed Item Receipts	Accounts Payable	AP Tax Recoverable
100.00	2	10.00
	3	10.00

Average Cost, Non-Recoverable Tax Examples

This section shows non-recoverable tax accruals for a purchase order and supplier invoice. The examples illustrate GL entries if taxes are not included in item cost. The tax point affects the cost basis for the average cost calculation.

- See “Recoverable, Non-Recoverable Tax” on page 83.
- See “Tax Point Effects” on page 85.
- See “Average Cost” on page 183.

To review the entries for standard cost, see “Standard Cost, Non-Recoverable Tax Examples” on page 94.

Inventory Items (Average Cost, Non-Recoverable Tax)

The following tables show the GL entries for purchases of inventory items. Inventory items are items you purchase to use in manufacturing or to sell to customers.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts		Purchase Price Variance	
100.00	1	1	100.00	10.00	2
		2	10.00		

- When an invoice is received, entries are created for the invoice value, including tax (4).

Unmatched Invoices	Accounts Payable
110.00	3
	3
	110.00

- When an invoice is matched, entries are created for cost + tax (4).

Purchase Order Receipts	Unmatched Invoices
110.00	4
	4
	110.00

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost **(1)** but not for tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value, including tax **(2)**.

Unmatched Invoices		Accounts Payable	
110.00	2	2	110.00

- When an invoice is matched, entries are created for item cost **(3)** and tax **(4)**.

Purchase Order Receipts		Unmatched Invoices		Inventory	
100.00	3	3	100.00	10.00	4
		4	10.00		

AP Usage Variance (Average Cost, Non-Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts	
100.00	1	1	100.00
10.00	2	2	10.00

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
154.00	3	3	154.00

- When an invoice is matched, entries are created for item cost (4), variance (5), tax on item cost (6), and tax on variance (7).

Purchase Order Receipts		Unmatched Invoices		AP Usage Variance	
100.00	4	4	100.00	40.00	5
10.00	6	5	40.00	4.00	7
		6	10.00		
		7	4.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value, including tax (2).

Unmatched Invoices		Accounts Payable	
154.00	2	2	154.00

- When an invoice is matched, entries are created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6).

Purchase Order Receipts		Unmatched Invoiced	
100.00	3	3	100.00
		4	40.00
		5	10.00
		6	4.00

AP Usage Variance		Inventory	
40.00	4	10.00	5
4.00	6		

AP Rate Variance (Average Cost, Non-Recoverable Tax)

See “Variances” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Inventory		Purchase Order Receipts	
100.00	1	1	100.00
10.00	2	2	10.00

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
143.00	3	3	143.00

- When an invoice is matched, entries are created for item cost (4), variance (5), tax on item cost (6), and tax on variance (7).

Purchase Order Receipts		Unmatched Invoices		AP Rate Variance	
100.00	4	4	100.00	30.00	5
10.00	6	5	30.00	3.00	7
		6	10.00		
		7	3.00		

Tax accrual at supplier invoice

- When goods are received, entries are created for received item cost (1) but not tax.

Inventory		Purchase Order Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value, including tax (2).

Unmatched Invoices		Accounts Payable	
143.00	2	2	143.00

- When an invoice is matched, entries are created for item cost (3), variance (4), tax on item cost (5), and tax on variance (6).

Purchase Order Receipts		Unmatched Invoices	
100.00	3	3	100.00
		4	30.00
		5	10.00
		6	3.00

AP Rate Variance		PO Price Variance	
30.00	4	10.00	5
3.00	6		

Memo Items (Average Cost, Non-Recoverable Tax)

“Memo Items” on page 84.

Tax accrual at goods receipt

- When goods are received, entries are created for received item cost (1) and tax (2).

Expensed Purchases		Expensed Item Receipts	
100.00	1	1	100.00
10.00	2	2	10.00

- When an invoice is received, entries are created for invoice value, including tax (3).

Unmatched Invoices		Accounts Payable	
110.00	3	3	110.00

- When an invoice is matched, entries are created for item cost (4) and tax (5).

Expensed Item Receipts		Unmatched Invoices	
100.00	4	4	100.00
10.00	5	5	10.00

Tax accrual at supplier invoice receipt

- When goods are received, entries are created for received item cost (1) but not for tax.

Expensed Purchases		Expensed Item Receipts	
100.00	1	1	100.00

- When an invoice is received, entries are created for invoice value, including tax (2).

Unmatched Invoices		Accounts Payable	
110.00	2	2	110.00

- When an invoice is matched, entries are created for item cost (3) and tax (4).

Expense Item Receipts		Unmatched Invoices		Expensed Purchases	
100.00	3	3	100.00	10.00	4
		4	10.00		

Fixing Common Tax Problems

Table 2.12 describes common tax processing problems and possible causes.

Table 2.12
Common Tax
Processing
Problems

Problem	Possible Cause
Warning: No tax environment found, using default.	GTM could not find a tax environment for the ship-from/ship-to tax zone combination, so it inserted the error code from Global Tax Management Control (29.24). GTM can also select the wrong environment if the tax zone was wrong in the address records for your company, the customer, or the supplier.
Error: Tax rate does not exist.	a) No tax rate exists for the tax type, item or trailer charge tax class, item or transaction tax usage, and/or transaction tax date. b) If the system finds a tax class or tax usage specific rate for an item or trailer charge, it expects to find one for all applicable tax types.

Problem	Possible Cause
The transaction has the right tax environment but the wrong tax type.	The tax environment has the wrong tax type.
Tax was calculated incorrectly.	Field settings in your transaction must be consistent with corresponding settings for the tax rate. For example, for tax to be reverse-calculated, Tax In must be Yes in both the transaction line item frame and the tax rate record. Occasionally, the system calculates tax correctly but it does not match the value on a printed document.

Tax Reporting

The system provides a range of reports for viewing tax information and generating tax declarations.

Note To print tax detail information on documents such as sales orders, two fields must be Yes:

- Print Tax Detail on Reports in Global Tax Management Control (29.24)
- Print Trailer in the document print program

Transaction Types

Various tax reports display tax information grouped by the following types of transactions:

Export: For an EU country, this indicates a sales transaction to a country that is not part of the EU. For a non-EU country, this indicates a sales transaction to any other country.

IC Acquisition: This applies to EU countries only and indicates a purchase transaction from another EU country.

IC Supply: This applies to EU countries only and indicates a sales transaction to another EU country.

Import: For an EU country, this indicates a purchase transaction from a country that is not part of the EU. For a non-EU country, this indicates a purchase transaction from any other country.

Inland Purchase: This indicates a purchase transaction within a country.

Inland Sales: This indicates a sales transaction within a country.

Triangular Purchase: This indicates a purchase transaction involving companies in three EU countries.

Triangular Sales: This indicates a sales transaction involving companies in three EU countries.

Note In a triangular sale, company 1 sells to company 2 and delivers the sold items directly to company 3. Company 1 then invoices company 2, and company 2 invoices company 3. A triangular purchase involves the same kind of relations.

Tax Transaction Types

The system assigns a tax transaction type to each tax amount generated during sales, purchasing, and service transactions. These tax transaction types apply to both operational and financial transactions. Use these programs to view operational transactions:

- Operation Tax Detail by Transaction Inquiry (29.6.4)
- Operation Tax Detail by Transaction Report (29.6.5)

To view financial transactions, use the reports on the Tax Reports menu. In most, you can select data to display by financial tax transaction type.

Operational Tax Transaction Types

The tax details generated by the system vary in different business environments. For example, in some countries, taxes on purchasing transactions are reported at PO receipt, while in others, taxes are reported when a supplier invoice is generated for the PO. If your company reports taxes at PO receipt, transactions of type 21, 22, and 23 are generated.

Only types 21 and 23 display on the operational reports. If you report taxes during receiver matching, only type 22 is generated and no details display on the operational reports.

Operational transaction types are listed in the following table.

Table 2.13
Operational Tax
Transaction Types

Type Code	Source of Transaction
10	Sales quotes
11	Sales orders
13	Sales order shipments/pending invoices
14	Sales order shippers
20	Purchase orders
21	Purchase order receipts
23	Purchase order receipt clearing
24	Purchase order shippers
25	Purchase order return to supplier
26	PO Fiscal Receipts: Logistics Accounting
27	PO Receipts: Logistics Accounting
28	PO Receipts Clearing: Logistics Accounting
33	Service quotes
34	Service contracts
36	Return material authorization (RMA) issues and receipts
37	Return to supplier (RTS) issues and receipts
39	Project Realization Management (PRM) projects
40	Sales Quote Maintenance: Logistics Accounting
41	Sales Order Maintenance: Logistics Accounting
42	Distribution Order Maintenance: Logistics Accounting
43	SO shipments: Logistics Accounting
45	Distribution Order Shipments: Logistics Accounting
46	RMA Maintenance: Logistics Accounting
48	Purchase Order Maintenance: Logistics Accounting

Financial Tax Transaction Types

Financial tax transaction types are not selected by numeric code. You can choose from the following list of tax transactions created in financial functions.

- AP Invoice
- AP Payment Check (Discount at Payment)
- AP Transactions

- AR Invoice
- AR Operational Invoice
- AR Payment (Discount at Payment)
- AR Transactions
- Purchase Order
- Purchase Order Receipt

Tax Reports Overview

Tax reports are entity-dependent, and are based on the identification numbers defined for addresses in business relations: the tax IDs and the tax declaration number.

- If a tax declaration includes transactions for only a single entity, the tax declaration number and the identification number are the same. This is the most common case.
- If a tax declaration groups transactions for multiple entities, the tax declarant number and tax identification numbers are different.

To specify data for a report, select from one of five tax IDs for an entity:

- Federal Tax ID
- Miscellaneous ID 1-3
- State Tax ID (the European VAT registration number is stored in the State Tax ID field)

Some reports have an additional selection field, the Tax Declaration ID. At least one of the ID fields is mandatory. Only transactions that match all entered ID fields are included in the reports.

In general, all tax reporting is based on the tax period and tax point information. GL periods and posting dates are available as selection criteria only in the Tax vs. GL Period Reconciliation report.

Most tax reports let you select by the direction of the financial flow using an Input/Output parameter. Possible values are:

All

Input: Tax transaction direction is into your company, such as AR.

Output: Tax transaction direction is away from your company, such as AP.

If your organization operates in an EU member country, use the Intrastat and Extrastat reporting functions to generate reports on trade with other EU countries and with countries outside the EU. These are discussed in Chapter 3, “Intrastat,” on page 137.

Other regional tax reports are available and described in “Regional Tax Reports” on page 128.

For US-based organizations, the 1099 reporting function produces an annual report for the IRS based on payments to suppliers. See “1099 Reporting” on page 130.

Tax Registers

Tax registers let you group accounting transactions for tax reporting, and contain all relevant information to confirm the tax declaration of the company.

Tax Register Create (29.1.16) lets you group daybooks for tax register reporting purposes and generates a sequence number that will be used to number pages in final tax register reports. You can then report on the tax registers using the following regional reports:

- Italian AP Tax Register (29.6.3.11)
- Italian AP Purchases Tax Register (29.6.3.12)
- Italian EU Sales Linked to EU Purchases (29.6.3.14)
- Italian AR Tax Register (29.6.3.16)
- Italian Suspended Tax Register (29.6.3.18)

The page numbers of all Italian tax reports must be sequential, by law. The page numbering of a tax register report is composed of a sequence number and a year in the format “Page: 99999999/YYYY.” The sequence number is taken from the Next Page Number field of the tax register used.

You can print Italian tax register reports in two modes: Trial and Final. If you run the report in Final mode, the final page number of the report will be increased by 1 and stored in the Next Page field of the tax register. When you run another final report using the same register, the first page

of the next report will be numbered using the value in the Next Page field so that the pages of the two reports are completely sequential. If you run the report in Trial mode, the Next Page field of the Tax Register is not updated.

If you modify a tax register that has been used to generate a final report, the system will display a warning message. You can only delete a tax register if no final report has been generated using it.

Example

A company wants to report on the tax amounts for all supplier invoices raised from suppliers within the European Union.

The accountant creates a tax register, EUTAX, using Tax Register Create, specifies a type of AP, selects the EU field, specifies all AP daybooks that are used for supplier invoices, and specifies the entities to report on.

The accountant then runs the Italian AP Purchases Tax Register report using the newly created tax register.

Fig. 2.29
Tax Register Create

The screenshot shows the 'Tax Register Create' window. The 'Tax Register Code' field is set to 'EUTAX'. The 'Description' field is 'Tax on EU Purchases'. The 'Active' checkbox is checked. The 'EU' checkbox is checked. The 'Type' dropdown is set to 'AP'. The 'Company Address' field is '14000'. Below these fields is a table of daybooks:

Daybook Code	Daybook Description	Daybook Type
APINVCOR	AP Invoice Correction	CREDITORINVOL
APINVFin	Default AP Invoice	CREDITORINVOL
AROPER2	ST JOURNAL ENTRIES	JOURNALENTRY
APOPER	JE	JOURNALENTRY

The 'Entity Code' field is set to '2000'. The 'Next Page' field is '000000001'. The 'Final Report Generated' checkbox is unchecked.

Tax Register Code. Specify a maximum of eight characters for the tax register code. This field is mandatory.

Description. Enter a brief description (maximum 40 characters) of the tax register. You can optionally enter descriptions in more than one language. This field is mandatory.

Active. Indicate if this is an active tax register.

Type. Select the type of daybook set for which the tax register will apply. The options are AR and AP.

AR: If you set the Type field to AP, you can only specify daybooks of type Supplier Invoice, Supplier Credit Note, Supplier Invoice Correction, Supplier Credit Note Correction, Banking Entries, Cash Entries, and Journal Entries in the Daybook grid.

AR: If you set the Type field to AR, you can only specify daybooks of type Customer Invoice, Customer Credit Note, Customer Invoice Correction, Customer Credit Note Correction, Finance Charge, Banking Entries, Cash Entries, and Journal Entries in the Daybook grid.

EU. Select the field if the tax register will be used to report on transactions in EU countries only.

Company Address. Specify the company address to print at the top of the report.

Daybook Code. Specify a daybook that you want to add to the tax register group.

Daybook Description. This field displays the description of the daybook you specified in the Daybook Code field.

Daybook Type. This field displays the daybook type of the daybook you specified in the Daybook Code field.

Entity Code. Specify one or more entities to report on.

Next Page. This field displays the sequence number generated and assigned to the tax register.

If the last final tax register report you produced ended on page 35, the next final tax register report must begin on page 36. Printing a report as final updates saves the page numbers.

Printing an Italian tax register report in Trial mode does not update the page numbering.

Final Report Generated. The system automatically selects this field if a final tax report has been generated using the tax register.

Tax Report Lists

Tax Parameter Reports

Use the tax parameter reports to verify the setup required to capture transactional tax data.

Table 2.14
Tax Parameter
Reports

Report	Description	Criteria
Tax Type Report (29.1.3)	Verifies tax type setup. A tax type is a code for a tax or tax exemption that is separately calculated.	• Tax Type (From/To) • Description
Tax Class Report (29.1.7)	Verifies tax class setup.	• Tax Class (From/To)
Tax Usage Report (29.1.11)	Verifies tax usage setup. A tax usage code identifies a group of customers or suppliers subject to special taxation on a specific transaction.	• Tax Usage (From/To) • Description (From/To)
Tax Base Inquiry (29.1.14)	Verifies base setup for a single record or all records. To sort by description, enter a description and leave Tax Base blank.	• Tax Base • Description • Tax Type
Tax Base Report (29.1.15)	Verifies the setup for ranges of records. A tax base code identifies an item amount subject to tax. To sort by description, enter a description and leave Tax Base blank.	• Tax Base (From/To) • Description (From/To) • Tax Type (From/To)
Trailer Tax Detail Inquiry (29.1.22)	Verifies detail setup for a single record or all records.	• Trailer Code • Tax Type
Trailer Tax Detail Report (29.1.23)	Verifies setup for a range of records. Trailer charges are added to transactions and are independent of individual line items.	• Trailer Code (From/To) • Tax Type (From/To)

Tax Jurisdictions Reports

Report	Description	Criteria
Tax Zone Report (29.2.3)	Verifies tax zone setup. A tax zone is a code used identify a unique geographic region for tax types.	• Tax Zone (From/To) • Description (From/To) • Country Code (From/To) • State (From/To) • Postal Code (From/To)
Tax Hierarchy Inquiry (29.2.6)	View a hierarchy where a tax zone is included in the tax total and reporting for another zone. In GTM, you can include a tax zone in the tax total and reporting for another zone by specifying the first zone's sums-into zone.	• Tax Zone • Description • Reporting Zones Only
Tax Hierarchy Report	Verifies the position of a tax zone in the hierarchy.	• Tax Zone (From/To) • Description (From/To) • Country Code (From/To) • State (From/To) • Postal Code (From/To) • Display Reporting Zones Only (Y/N) • Top Level Zones Only (Yes/No)

Table 2.15
Tax Jurisdictions Reports

Tax Environment Report

Report	Description	Criteria
Tax Environment Report (29.3.3)	Displays a list of the tax environments that meet the report criteria, the associated ship-to and ship-from tax zones, tax classes, tax types, and rounding methods. A tax environment is the set of tax types that applies to a combination of ship-from and ship-to tax zones and optionally a customer or supplier tax class.	• Tax Environment (From/To) • Description (From/To)

Table 2.16
Tax Environment Report

Tax Rate Reports

Table 2.17
Tax Rate Reports

Report	Description	Criteria
Tax Rate Inquiry (29.4.2)	Verifies setup for one or all tax rates.	• Tax Code • Tax Type • TxC (Tax Class) • Tax Usage • Effective
Tax Rate Report (29.4.3)	Verifies tax rate setup for ranges of tax codes.	• Tax Code (From/To) • Tax Type (From/To) • Item Tax Class (From/To) • Tax Usage (From/To) • Effective Date (From/To)

Tax Transaction Reports

Table 2.18
Tax Transaction Reports

Report	Description	Criteria
Tax Declaration by Box (29.6.2.1)	View details of tax declaration data by tax box. Tax boxes are tax subtotals taken directly from the tax declaration form and are used for reporting purposes. They are stored at the system level and maintained by country	• Reporting Currency • Entity • Federal Tax ID • Misc Tax ID 1-3 • State Tax ID • Tax Class • Tax Point Date (From/To) • Tax Transaction Type
Tax Declaration by Box and Group (29.6.2.2)	View tax group details per tax box. Use this for validation prior to the tax declaration.	• Tax Type • Zone (From/TO) • Tax Box • Tax Code • Tax Group • Tax Period • Tax Year • Check for Unposted • Tax ID Type

Report	Description	Criteria
Tax Register (29.6.2.5)	Lists posting details for tax transactions. Contains details required during an internal or external audit.	• Entity • Tax Year (From/To) • Tax Period (From/To) • Tax Point Date (From/To) • Tax Purchases/Sales (All/Purchases/Sales) • Federal Tax ID • State Tax ID • Check for Unposted Transactions (Yes/No) • Daybook Code • Daybook Type • Tax Class • Tax Transaction Type • Tax Type • Tax Box • Zone (From/To) • Tax Code • Tax Group • Tax Usage • Transaction Type • Reporting Currency • Include Suspended/Delayed Tax (Yes/No) • Show Transactions (Yes/No) • Posting Date

Report	Description	Criteria
Tax vs GL Pd Reconciliation Transactions (29.6.2.8)	Identifies transactions where the posting date is not the same as the tax point date. Use to reconcile tax transactions to the general ledger	• Entity • GL Period and Year • Tax Year (From/To) • Tax Period • Federal Tax ID • State Tax ID • Check for Unposted Transactions (Yes/No) • Daybook Code • Daybook Type • Tax Class • Tax Type • Zone (From/To) • Tax Box • Tax Code • Tax Group • Business Relation Name • Include Suspended/Delayed Tax (Yes/No) • Tax Usage

Report	Description	Criteria
Operation Tax Detail by Trans Inq (29.6.4)	Use to display all tax postings for operational tax transaction types. These postings are created by operational functions such as inventory movements, rather than financial updates.	• Reference • Number • Transaction Type • Effective • Reporting Currency
Operation Tax Detail by Trans Report (29.6.5)	Similar to the inquiry, displays tax postings for operational tax types.	• Transaction Type (From/To) • Reference (From/To) • Number (From/To) • Entity (From/To) • Tax Environment (From/To) • Tax Class (From/To) • Tax Usage (From/To) • Ship-From Tax Zone (From/To) • Ship-To Tax Zone (From/To) • Tax Type (From/To) • Tax Date (From/To) • Display Taxable/Non-Taxable Total Amounts (Y/N) • Display Reference Total using Line Amounts (Y/N) • Reporting Currency • Sort By

Regional Tax Reports

The regional tax reports are adapted for country-specific requirements.

Table 2.19
Regional Tax
Reports

Report	Description	Criteria
Quarterly IC Declaration by Business Relation (29.6.2.3)	Displays quarterly IC declaration data totalled per business relation and country.	• Entity • Tax Year (From/To) • Tax Period (From/To) • State Tax ID • Transaction Type • Tax Class • Tax Type • Zone (From/To) • Check for Unposted Transactions (Yes/No) • Tax Box • Tax Code • Tax Group • Tax Purchases/Sales (All/Purchases/Sales) • Tax Declaration Number • Tax Period Mark • Tax ID Type • Reporting Currency • Include Suspended/Delayed Tax (Yes/No)
Quarterly IC Declaration Transactions (29.6.2.4)	Displays a declaration report organized by transaction type. The report lists details of acquisitions, supplies, and triangular trade between your organization and other EU countries.	
Yearly Tax Listing Belgium (29.6.2.5)	Creates a report that Belgian companies must provide to the Belgium government. The report lists all trade above a minimum amount that one Belgian organization has made with other Belgian organizations.	• Tax Year • Minimum Amount • Sort By • Tax Class • Tax Type • Tax Code • Transaction Type
Reverse Charge Sales List Report (UK) (29.6.3.9)	Displays tax amounts that qualify the UK tax reversal.	• Tax Point Date • Suppress Zero Amounts (Yes/No)

Report	Description	Criteria
1099-MISC Report (US) (29.6.3.13.6)	Displays amounts paid to suppliers per US Internal Revenue Service requirements (see “Running the 1099 MISC Report” on page 135).	• Entity • Payment Year • Show Entity Details • Show Transaction Details • Supplier Code • Supplier Type • Check for Unlinked Invoices • Federal Tax ID • Report Description • Report Currency
1099 Electronic Declaration	Generates a file for the electronic 1099-MISC declaration based on IRS regulations.	• Control Code • Address Details • Transmitter’s Media Number
Italian AP Tax Register Report (29.6.3.11)	Displays all AP invoice type transactions for the relevant date range.	• Tax Register • Reporting Currency • Posting Date • GL Cal Year • GL Period • Tax Year • Tax Period • Print Header • Print Lines • Trial/Final • Sort By
Italian AP Purchases Tax Report (29.6.3.12)	Displays details of purchases made by Italian companies from countries in the European Union.	Same criteria as for Italian AP Tax Register Report (29.6.3.11).
Italian EU Sales Linked to EU Purchases (29.6.3.14)	Displays details of linked purchases and sales by Italian companies to and from companies in other countries in the European Union.	Same criteria as for Italian AP Tax Register Report (29.6.3.11).
Italian AR Tax Register Report (29.6.3.16)	Displays all AR invoice type transactions for the relevant date range.	Same criteria as for Italian AP Tax Register Report (29.6.3.11).
Italian Suspended Tax Register (29.6.3.18)	Displays all unpaid AR invoice type transactions with a suspended tax rate that has not been paid as of the last date of the selected date range.	Same criteria as for Italian AP Tax Register Report (29.6.3.11).

Tax Views

Table 2.20
Tax Views

View	Description
Tax Transactions View	Provides a complete view on posted tax records, with filtering on most fields, and all of the totalling and sorting capabilities of other financials browses, as well as Excel export.
Tax vs GL Period Reconciliation View	Provides a quick way to identify transactions using the GL period and the tax period as input. The view lists the transactions and their tax value.

1099 Reporting

In the United States, the Internal Revenue Service (IRS) requires organizations to submit an annual 1099 form on certain types of payments to suppliers. The IRS uses the 1099 form declarations to track payments between businesses or between an organization and independent contractors. Based on these declarations, the IRS verifies whether the organization paid the correct amount of taxes.

The 1099 Box MISC report is not required for all suppliers. It is not required for corporations—although exceptions exist for certain types of services—and is only required for payment for services, not for goods. The declaration must differentiate among several categories of payments, such as rent, royalties, medical, and health care. Each category is assigned a specific box on the form.

The IRS accepts printed documents completed by hand or documents submitted electronically. If you are required to file 250 or more returns, you must file in electronic form. However, you can request a waiver. The system supplies functions for generating both printed reports and electronic files:

- Use 1099-Misc Report (US) (29.6.3.13.6) to generate a report for printing.
- Use 1099 Electronic Declaration (29.6.3.13.7) to generate an electronic file.

You do not have to report the following:

- If the payer is outside the US, but makes payments to US suppliers
- If the payer is in the US, but makes payments to non-US suppliers who do not have a social security number or US federal tax ID

In some cases, payments to employees must be reported; for example, when an employee dies during the year. In such cases, you must report the accrued wages, vacation pay, and other compensation paid after the date of death (Box 3), director's fees, and other remuneration (Box 7).

Note You do not need to report normal wages or business expense reimbursements on the 1099-Misc Report.

If you must submit 1099 reports in the US, a number of setup steps are required:

- Set up the correct information on business relations associated with entities and for suppliers.
- Define purchase type codes to group the expense amounts that are reported.
- Define box attributes for generating the report.

Setting Up Address Details

See *User Guide: QAD Financials A* for details on setting up business relations and suppliers. This section summarizes the fields that affect 1099 report processing for suppliers and entities.

Supplier Setup

The following details associated with a supplier are used with 1099 reporting:

- In Supplier Create, select Tax Report in the Tax Info tab for the supplier to be included in 1099 reports.
- When Tax Report is selected, the headoffice address of the associated business relation must have values for name, first line of the street address, city, state, zip code, and telephone number.
- The headoffice address must have a federal tax ID. This can be in one of two formats: social security number (SSN) or federal tax ID. SSNs have nine digits, separated by two hyphens (000-00-0000).
- A default purchase type must be specified for the supplier on the Accounting tab.

Entity Setup

The following details are relevant for a business relation linked to an entity generating 1099-MISC reports. On the General tab, the business relation must be marked as an internal entity. You can then update the Tax Report, Name Control, and Last Filing fields.

- Tax Report must be selected. When this field is selected, values for name, first line of the street address, city, state, zip code, telephone number, and federal tax ID are required for the headoffice address. A warning displays when Name Control is blank.
- Enter the IRS magnetic media control code assigned to this company in the Name Control field. This code is generally listed on the IRS mailing label and contains some combination of the first few letters of your company name.

In the United States, this code is assigned by the IRS and must be included on all 1099 magnetic media. It is not required when filing paper documents.

- Select the Last Filing field to indicate that this is the last time your company is filing a 1099-MISC under its current taxpayer ID number.
- The Taxable Address field must be selected on the Address Info tab. Entity addresses with the Taxable Address field cleared are not included in the 1099 Box MISC Report.

The payments included in the report are selected by the entity address or range of addresses that incurred the initial liability, as recorded on the invoices matched to the payments. Even when a payment is processed at a different entity, the headoffice address that incurred the liability is legally regarded as having made the payment.

Each entity address in the selection range must be identified with only a headoffice address type; otherwise, an error displays.

Setting Up Purchase Types

Use Purchase Type Create (28.20.3.1) to define codes for grouping supplier invoices for reporting your cash expenditures for different types of expenses. For example, use EX for miscellaneous expenses and PO for purchases of raw materials or components.

You must use at least three purchase codes—for Rents, Royalties, and Non-Employee Compensation—if you are submitting 1099 tax reports. Each of these categories is summarized into a different box on the 1099 report.

See *User Guide: QAD Financials A* for details on setting up purchase types.

Setting Up Box Attributes

Use the 1099-MISC Box (29.6.13) activities to create, modify, view, and delete box information for 1099-MISC reporting. A 1099 box can be deleted only when no invoices exist that reference it.

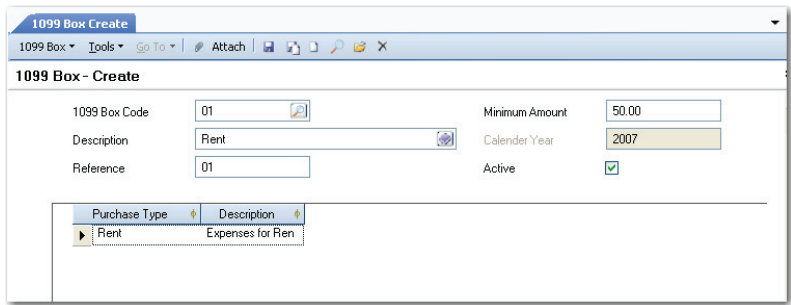


Fig. 2.30
1099-MISC Box
Create (29.6.3.13.1)

1099 Box Code. Specify a code (maximum 20) characters that identifies a field on the 1099 tax declaration. Often the code matches the box number on the tax form.

Description. Enter a brief (maximum 40 characters) description of this field.

Reference. Enter a number that identifies a valid 1099 reporting box. The reference associated with a code can be changed at any time, but the combination of code and box must be unique in a calendar year.

The box reference numbers are defined by the IRS, and can be changed by the IRS yearly. The boxes defined for 2006 are listed in Table 2.21.

Table 2.21
1099 Box Numbers

Box Number	Description
1	Rent
2	Royalties
3	Other Income
4	Federal Income Tax Withheld
5	Fishing Boat Proceeds
6	Medical and Health Care Payments
7	Non-Employee Compensation
8	Substitute Payments in Lieu of Dividends or Interest
9	Payer Made Direct Sales of \$5,000 or More
10	Crop Insurance Proceeds
11	Reserved
12	Reserved
13	Excess Golden Parachute Payments
14	Gross Proceeds Paid to an Attorney
15a	Section 409A Deferrals
15b	Section 409A Income
16	State Tax Withheld
17	State/Payer's State Number
18	State Income

This field is required. It is not validated since IRS box values can change each year. You must ensure that the box reference is correct.

Minimum Amount. Use this field to exclude amounts below the limit that you want to report. When the total payments for the purchase types linked to this box to a single supplier exceed this amount, they are included on the report; otherwise, they are skipped.

Currency. Specify the currency units in which the minimum amount is expressed.

Calendar Year. Specify the year that this code is valid. This field is required. Specifying the calendar year lets you report for past years, even when box definitions have changed. This field cannot be modified after the code is saved.

Purchase Type. This field is optional. You can link one or more types to each box. However, you cannot link a specific purchase type to more than one box.

Active. Indicate if this is an active code. An active can be referenced from other maintenance functions. An inactive record cannot be referenced when a new record is created in other functions and is not included in lookups of valid values.

Running the 1099 MISC Report

The 1099 MISC Report generates all data required to complete the 1099 paper forms manually. You can use the following selection criteria:

Federal Tax ID. Optionally specify the federal tax ID of the entity in the current domain for which you want to generate the report.

Payment Year. Specify the calendar year in which the payment to be reported were registered. This field is required.

From/To Supplier. Enter a range of suppliers to select for reporting or leave the default All. Only suppliers with Tax Report selected in their definition are included, regardless of the value specified here.

Entity. Optionally enter one or more entities by entity code to select only payments associated with those entities. The entity must be associated with a business relation that has Tax Report set to Yes to be included.

Supplier Type. Select suppliers for reporting by type if you have used the type code to identify reporting groups.

The Header section 1 of the report contains information on the paying entity, such as the federal tax ID, entity name, and address. This data is taken from the headoffice address of the business relation for the entity.

Note The paying entity is always the entity that initially incurred the liability, not the entity that actually paid (in cases of payment on behalf of).

The Header section 2 of the report contains information on the supplier (recipient of the payment), such as the supplier's federal tax ID, name, and address. This data is taken from the headoffice address of the business relation of the supplier.

The Detail Data section of the report contains a list of 1099 boxes and the declaration amounts. Each line contains a 1099 box reference and description, an entity reference, and a declaration amount. The declaration amount is calculated as the sum of all payments from the entity to the supplier for all invoices where the purchase type is linked to the 1099 box.

Note If the calculated amount does not exceed the minimum amount specified in the 1099 box definition, the report displays zero.

The report uses the actual amount paid in cases where a discount is applied to an invoice, and includes prepayments and payments in progress, if applicable.

Running the 1099 Electronic Declaration

The 1099 Electronic Declaration (29.6.3.13.6) generates a file that can be delivered electronically to the IRS.

Prior to submitting 1099 forms on magnetic media, the transmitter must apply to the IRS (form 4419) for approval. Upon approval, the IRS assigns the transmitter a control code that is specified when this program is executed and must be included on all magnetic media filings.

A test file can be generated and submitted to the IRS to verify that the data is properly formatted.



Chapter 3

Intrastat

European Union (EU) regulations require member nations to submit reports concerning Intra-EU trade. The term *Intrastat* (for *Intra-EU Trade Statistics Reporting*) refers to the system used by customs officials to monitor this trade. The system fully supports Intrastat reporting requirements.

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Introduction

The completion of the single European market on December 31, 1992, resulted in important changes concerning value added tax (VAT). All customs formalities and documentation checking at the borders within European Community (EC) countries were abolished January 1, 1993. However, statistics are of interest for government departments and for business since they are important sources of information for developing economic policy, identifying markets, and determining market penetration by competition.

Intrastat has developed as the new system for collecting foreign trade statistics in the movement of tangible goods between EC countries.

Note Intrastat does not cover the supply of intangible goods (services).

◆ See “Extrastat” on page 175.

Extrastat reporting covers the collection of trade statistics for movement of goods between EU and non-EU countries. While Extrastat is a common EU requirement, in most countries the customs authorities collect the data. The functionality is included here for the Netherlands, where companies rather than customs authorities collect the data for reporting.

Intrastat Reports

All traders must supply an Intrastat Report each month. The information on the report varies from country to country, but the basic information is split into header and item data and includes:

- Header:
 - Trader detail (VAT number, name, address)
 - Period (month, year)
 - Flow indications (import, export)
 - Total number of pages
- Item Data:
 - Origin country
 - Destination country
 - Port of arrival or departure
 - Port of transshipment

- Commodity code
- Net mass in kilograms
- Supplementary units (if required, depending on the commodity code)

The format of the Intrastat Report and the medium (plain paper, preprinted forms, computer disk/tape) must comply with local requirements. Since each country has its own separate specification, reports must be created for each individual country.

Types of Intrastat Data

The data recorded for Intrastat reporting can be classified into three groups:

- *Qualitative information* describes inventory movement and helps customs officials understand trends in the flow of goods.
- *Quantitative information* describes the value, net weight, and supplementary UM (if required) of the inventory movement. This information gives customs officials the currency value of the shipment both in net and unit measurements.
- *Audit trail information* is a way to match Intrastat data to the business transactions from which it originated. This is useful for responding to customs inquiries and audits.

Table 3.1 lists the various data fields that belong to the three types of Intrastat data.

Table 3.1
Intrastat Data Types

Qualitative Information	Quantitative Information	Audit Trail
Reference Date	Invoice Value in Transaction Currency	Reference to the underlying sales shipment or invoice or receiver or supplier invoice line; that is, Order Type, Order Number, Order Line, Receiver/Invoice
Country of Destination/Dispatch	Invoice Value in Base Currency	Quantity in the stocking UM for the item or the order line UM for memo items
VAT Registration Number	Supplementary Units in the UM required for the commodity code	Address, Site, and Item Number
Flow Indicator	Statistical Value in Base Currency	
Mode of Transport	Net Weight in the Intrastat Net Weight UM	
Region of Origin/Destination		
Commodity Code		
Country of Origin		
Port of Transshipment		
Terms of Delivery		
Statistical Procedure		
Port of Arrival/Dispatch		
Nature of Transaction		

Intrastat Features

The Intrastat module offers powerful tools for companies doing business in EU member countries and for those wanting written documentation of inventory movements. You can:

- Generate country-specific Intrastat reports that are fully compliant with Intrastat legislation.
- Maintain tables with valid values for Intrastat codes such as terms of delivery and modes of transport.
- Assign Intrastat codes to items.
- Define declarants—the company addresses that report transactions—and associate them with sites.
- Automatically calculate statistical values including costs such as insurance and transport.
- Record Intrastat data for most programs that initiate the movement of goods.

- Create automatic entries for qualifying Intra-EU inventory movement transactions.
- Generate a report to review Intrastat history before printing declarations.
- Edit Intrastat data manually before final declaration printing.
- Print and reprint Intrastat declaration reports.
- To meet requirements of some countries, generate separate reports for arrivals and dispatches.
- Create Intrastat inquiries by order, by invoice, or by supplier invoice.

Intrastat Functions

Table 3.2 lists the functions on the Intrastat menu.

Menu Number	Description	Program Name
29.22.1	Intrastat Setup Menu	
2.22.1.1	Flow Indicator Maintenance	ieflowmt.p
29.22.1.2	Flow Indicator Browse	iebr002.p
29.22.1.4	Terms of Delivery Maintenance	ietodmt.p
29.22.1.5	Terms of Delivery Browse	iebr008.p
29.22.1.7	Nature of Transaction Maintenance	ienotmt.p
29.22.1.8	Nature of Transaction Browse	iebr004.p
29.22.1.10	Intrastat Transport Maintenance	ietrmt.p
29.22.1.11	Intrastat Transport Browse	iebr003.p
29.22.1.13	Mode of Transport Maintenance	iemotmt.p
29.22.1.14	Mode of Transport Browse	iebr003.p
29.22.1.16	Port Maintenance	ieportmt.p
29.22.1.17	Port Browse	iebr005.p
29.22.1.19	Statistical Value Menu	
29.22.1.19.1	Statistical Value Calc Maint	iesvcmt.p
29.22.1.19.2	Statistical Value Calc Browse	iespiq.p
29.22.1.19.13	Statistical Procedure Maint	iespmt.p
29.22.1.19.14	Statistical Procedure Browse	iespiq.p
29.22.1.19.18	Intrastat Exchange Rate Browse	mcbr007.p
29.22.1.20	Declarant Maintenance	iedecmt.p

Table 3.2
Intrastat Menu
(29.22)

Menu Number	Description	Program Name
29.22.1.21	Declarant Browse	iebr002.p
29.22.1.22	Region Maintenance	ieregmt.p
29.22.1.23	Region Browse	iebr006.p
29.22.3	Intrastat Commodity Code Maint	iecommt.p
29.22.4	Intrastat Commodity Code Browse	iebr001.p
29.22.6	Item Intrastat Data Maintenance	ieptmt.p
29.22.7	Item Intrastat Data Inquiry	ieptiq.p
29.22.9	Manual Post IC Transactions	iehistic.p
29.22.11	Order Intrastat Data Maintenance	iedmt.p
29.22.12	Order Intrastat Data Report	ieordrp.p
29.22.13	Intrastat Maintenance	iehmt.p
29.22.14	Intrastat Inquiry	iehiq.p
29.22.15	Intrastat by Invoice	iehinviq.p
29.22.16	Intrastat by Supplier Invoice	iehvoui.p
29.22.17	Intrastat by Order	iehordiq.p
29.22.18	Intrastat Declaration Exchange	iehrpe.p
29.22.19	Intrastat Declaration Print	iehpri.p
29.22.20	Intrastat Declaration Reprint	iehrpri.p
29.22.21	Extrastat Menu	
29.22.22	Intrastat History Report	iehhtyri.p
29.22.23	Intrastat Delete/Archive	iehup.p
29.22.24	Intrastat Control	iepm.p

Overview of Intrastat Process

From the point of view of Intrastat, any movement of goods across EC borders requires reporting. This includes standard sales and purchasing transactions. However, it also includes intra-company transactions initiated on the Inventory Transfer menu (3.4) and distribution order functions when these transactions involve the movement of goods between sites or locations in different EC countries.

Intrastat data can be collected in the functions listed in Table 3.3.

Table 3.3
Functions
Supporting Intrastat

Menu Number	Description	Program Name
3.4.1	Transfer–Single Item	iclotr02.p
3.4.2	Transfer–Multi Item	iclotr01.p
3.4.3	Transfer with Lot/Serial Change	iclotr03.p
3.4.4	Batchload Transfer with Lot/Serial Change	iclotr04.p
5.3.1	Blanket Order Maintenance	poblmt.p
5.5.1.13	Supplier Scheduled Order Maintenance	rspomt.p
5.7	Purchase Order Maintenance	popomt.p
7.1.1	Sales Order Maintenance	sosomt.p
7.3.13	Customer Scheduled Order Maintenance	rcsomt.p
7.13.1	Pending Invoice Maintenance	soivmt.p
11.7.1.1	RMA Maintenance	fsmamt.p
11.7.3.1	RTS Maintenance	fsrtvmt.p
11.11.1	Material Order Maintenance	fseomt.p
12.17.13	Distribution Order Workbench	dsdomt01.p
12.17.14	Distribution Order Maintenance	dsdomt.p
12.17.21	Distribution Order Processing	dsdomt02.p

Data is collected and held in a staging table where it can be modified if necessary. It is then posted to a history table in preparation for reporting. Posting to history occurs automatically for functions such as sales and purchases during shipment or receipt.

The Intrastat data in distribution orders follows similar logic as that used for sales orders, except that the two sides of the transfer are posted separately, since they affect different declarants:

- Intrastat data is created at creation of the distribution order.
- The *export* data is posted at goods issue.
- The *import* data is posted at distribution receipt.

However, for inventory transfers, you must manually post the records to history since transfers do not involve a two-step process in the same way as purchases and sales.

This flow of data is shown Figure 3.1.

Fig. 3.1
Flow of Intrastat Data

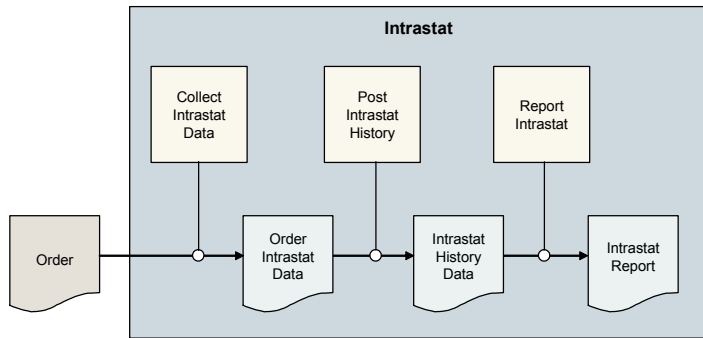
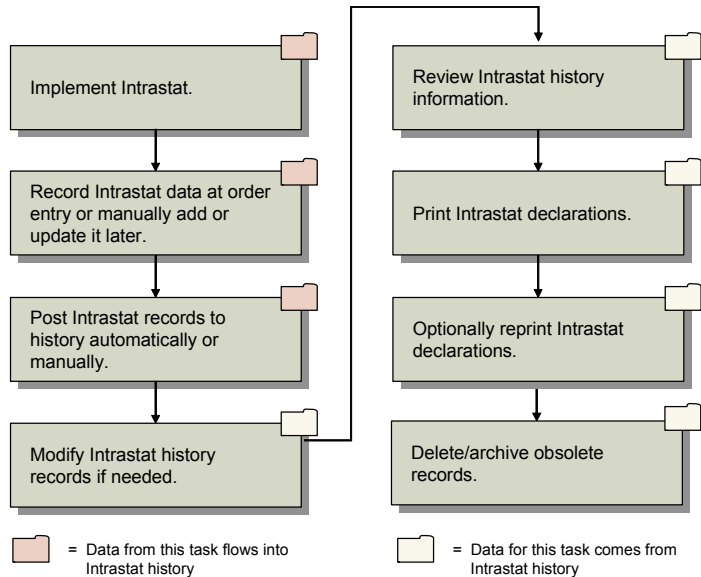


Figure 3.2 shows a general workflow for Intrastat from setup, through recording data, to printing declarations.

Fig. 3.2
General Intrastat Workflow



These steps reflect the general Intrastat workflow:

See Figure 3.3 on page 146.

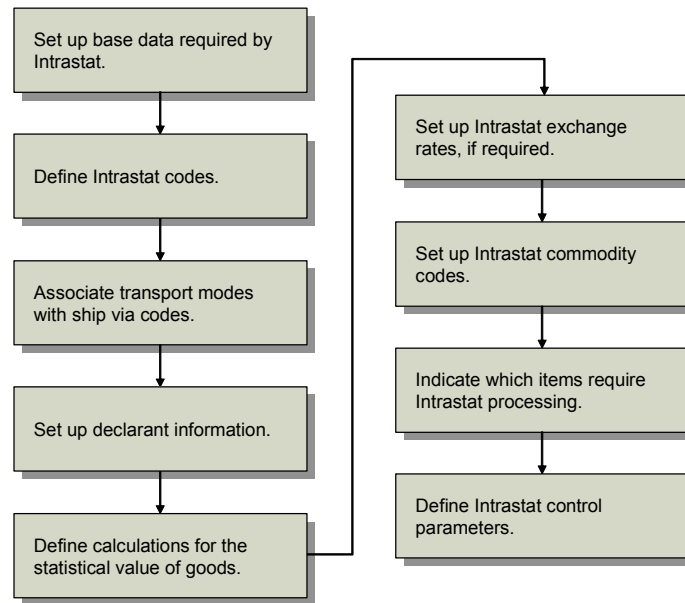
- 1 Set up base data required for Intrastat processing and set up Intrastat-specific codes and data:
 - Set up basic codes in programs on the Intrastat Setup Menu (29.22.1).

- Set up codes in Intrastat Commodity Code Maintenance (29.22.3).
 - Update items with Intrastat defaults in Item Intrastat Data Maintenance (29.22.6).
 - Define control parameters in Intrastat Control (29.22.24).
- 2 Automatically collect Intrastat data during transaction processing in supported programs. Optionally, create order data manually or update existing data using Order Intrastat Data Maintenance (29.22.11).
 - 3 Post Intrastat data to history automatically during shipment or receipt or—for movements initiated from inventory transfer programs—manually using Manual Post IC Transactions (29.22.9).
 - 4 Use Intrastat Maintenance (29.22.13) to manually modify history records before they are reported on a final declaration.
 - 5 Review Intrastat history using various inquiries on the Intrastat menu, as well as Intrastat History Report (29.22.22).
 - 6 Print Intrastat declarations using Intrastat Declaration Print (29.22.19).
 - 7 Optionally reprint declarations if needed using Intrastat Declaration Reprint (29.22.20).
- Note** A special-purpose program, Intrastat Declaration Exchange (29.22.18), is available for declarants in Poland. It lets you generate a corrected declaration report on either arrivals or dispatches, as required by local regulations.
- 8 Remove Intrastat history records when online storage is no longer needed using Intrastat Delete/Archive (29.22.23).

Implementing Intrastat

Before Intrastat data can be collected and reports generated, you must set up base data required by Intrastat, define Intrastat-specific codes, and set up the Intrastat control program. These codes and settings are used during transaction processing. Figure 3.3 outlines typical steps for implementing Intrastat.

Fig. 3.3
Intrastat
Implementation
Workflow



Use the following steps to set up Intrastat:

- 1** Set up base data required for Intrastat processing including country codes, address records for sites, and net weight data for items.
- 2** Define codes used during transaction processing including flow indicators, terms of delivery, nature of transaction codes, modes of transports, ports, statistical procedures, and regions.
- 3** Associate Intrastat mode of transport codes with standard ship via codes in Intrastat Transport Maintenance (29.22.1.10).
- 4** Define information associated with the addresses that generate Intrastat reports in Declarant Maintenance (29.22.1.20).

- 5 Define the calculations used to generate the statistical value for items—including insurance, freight, and so on—using Statistical Value Calculation Maintenance (29.22.1.19.1).
- 6 Define exchange rates for use with Intrastat reporting by creating rates using the Intrastat rate type in Exchange Rate Create (26.4.1).
- 7 Define Intrastat commodity codes in Intrastat Commodity Code Maintenance (29.22.3).
- 8 For each country, indicate the items to be included in Intrastat reports and specify their associated commodity codes in Item Intrastat Data Maintenance (29.22.6).
- 9 Set up Intrastat Control (29.22.24).

Setting Up Base Data

Country Codes for Addresses

The system uses records called business relations to manage basic address information. A business relation contains location, contact, and tax information for a set of related addresses. These records are created as part of corporate setup using functions found on the Address Setup Menu (36.1.4). These functions are described in *User Guide: QAD Financials A*.

The country code from the address sets the default for Country of Destination/Dispatch on customer and supplier orders. You can change these codes at order entry. This is useful when the shipping/receiving site of the supplier/customer is in a different country than the one where the order is sent.

Site Addresses

Use Company Address Maintenance (2.12) to associate each shipping and receiving site used in Intra-EU inventory movements with a business relation. The business relation address provides details such as a country and region code.

Net Weight for Intrastat Items

Use Item Master Maintenance (1.4.1) or Item Inventory Data Maintenance (1.4.5) to specify net weight and net weight unit of measure (UM) for each item involved in Intra-EU inventory movements. The system calculates net weight when creating Intrastat history records.

Note The Corporate Commodity Code field in Item Master Maintenance does not reference Intrastat commodity codes. You assign Intrastat commodity codes to the item in Item Intrastat Data Maintenance (29.22.6).

▶ See Figure 3.12 on page 165.

For memo items, you can enter net weight and UM during order processing in the Intrastat detail frame.

Setting Up Intrastat Data

Set Up Intrastat Codes

Depending on the requirements of the country where you use Intrastat, some codes are required and others are optional. All these codes are set up in the same way: you specify a code value and description. Each maintenance program has a corresponding browse. After defining codes, specify a default value for each (except for Region) in Intrastat Control (29.22.24).

- Use Flow Indicator Maintenance (29.22.1.1) to define at least two flow indicators: one for arrival (in-coming) transactions and one for dispatch (out-going) transactions. Depending on your country requirements, you may also need to define correction flow indicators.
- Use Terms of Delivery Maintenance (29.22.1.4) to enter valid codes if your country requires this information.
- Use Nature of Transaction Maintenance (29.22.1.7) to enter valid codes if your country requires this information.
- Use Mode of Transport Maintenance (29.22.1.13) to enter valid codes if your country requires this information. Associate transport modes with ship via codes in Intrastat Transport Maintenance (29.22.1.10).

- Use Port Maintenance (29.22.1.16) to enter valid codes if your country requires this information. The system uses the information to validate the Port of Arrival/Dispatch and Port of Transshipment fields.
- Use Statistical Procedure Maintenance (29.22.1.19.13) to enter valid codes if your country requires this information for electronic data interchange (EDI) transactions.
- Use Region Maintenance (29.22.1.22) to enter valid codes if your country requires this information.

Associate Transport Modes with Ship Via Codes

Intrastat uses a code defined in Mode of Transport Maintenance (29.22.1.13) to denote the method of transport. The standard ship via entered on orders also identifies the method of transport for order shipments, such as the carrier, and the mode of transport, such as air, sea, or ground.

Use Intrastat Transport Maintenance (29.22.1.10) to link ship via codes to Intrastat transport modes so that the transport mode defaults correctly during order entry based on the ship via. This association can reduce data input errors in order programs.

For each ship via, you can specify whether the entry of a port is mandatory on Intrastat transactions referencing that code.

'. The window has a standard SAP-style header with 'Go To' and 'ACTIONS' buttons."/>

Fig. 3.4
Intrastat Transport
Maintenance
(29.22.1.10)

Ship Via. Specify a standard ship via code set up in Generalized Codes Maintenance (36.2.13) for field so_shipvia.

Mode of Transport. Enter a one-character code that identifies the Intrastat mode of transport associated with this ship via code. This field is validated against codes set up in Mode of Transport Maintenance. The system uses this transport mode as the default for orders with the associated ship via.

Description. Enter a brief description (up to 24 characters) for this relationship. This description displays on various reports.

Port Mandatory. Enter Yes if a port must be specified in Intrastat transactions with this ship via and transport mode; otherwise, enter No.

Set Up Declarants

Use Declarant Maintenance (29.22.1.20) to specify the company addresses responsible for Intrastat reporting to the government. This is a company address for which transactions are reported for a country and a number of entities.

Set up the business relation for the declarant before creating the company address. Address and tax details are found on the business relation, including the VAT registration number.

Associate a declarant with each site (and its associated entity) using Site Maintenance (1.1.13). Intrastat information is reported by the declarant associated with the site that is shipping or receiving goods. An agent such as a transporter can optionally perform the declaration for the declarant.

The system includes several programs that format the reports for Intrastat movements. These programs create Intrastat reports for a particular declarant and control the layout of the report. Specify the name of the program used for an individual declarant in the Program field. Available report programs are shown in Table 3.4.

Table 3.4
Available Intrastat
Report Programs

Program Name	Country	Output Options
iehxx01.p	Generic	Paper only
iehat01.p	Austria	Paper, flat ASCII file, EDI
iehbf01.p	Belgium in French	Paper or flat ASCII file
iehbn01.p	Belgium in Dutch	Paper or flat ASCII file

Program Name	Country	Output Options
iehd01.p	Denmark	Paper or flat ASCII file
iehf01.p	France	Paper or flat ASCII file
iehge01.p	Germany	Paper or flat ASCII file
iehit01.p	Italy	ASCII file only
iehl01.p	Luxembourg	Paper, flat ASCII file, EDI
iehn01.p	The Netherlands	Paper or flat ASCII file
iehpl01.p	Poland	Paper or XML file
iehsp01.p	Spain	Paper only
iehuk02.p	The United Kingdom	EDI format

Some declarant fields are country-specific. For example, Declaration Region and Affiliation are used for declarants in Germany. An additional validation code must be entered for declarants in Austria. Company ID Number applies only to declarants in Poland.

Display defined declarants with Declarant Browse (29.22.1.21).

Figure 3.5 illustrates Declarant Maintenance.

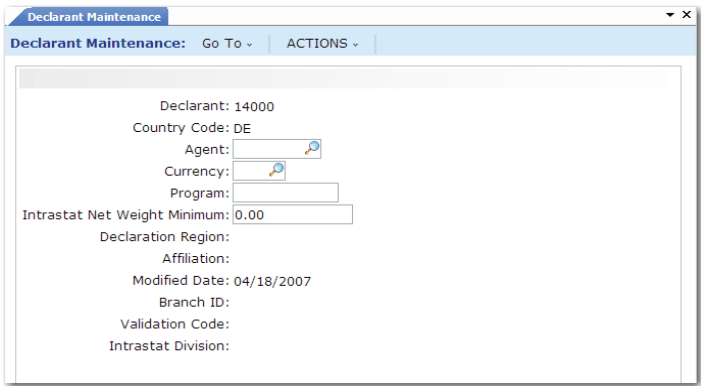


Fig. 3.5
Declarant
Maintenance
(29.22.1.20)

Declarant. Enter a code identifying the company address of the declarant for which transactions are reported. This address must already exist in Company Address Maintenance (2.12). Address and tax details come from the associated business relation.

Country. Specify a valid, active code identifying the country for which you declare Intrastat. This country must be defined as a member of the European Union.

Agent. If an agent (third party) is making the declaration on your behalf, enter the company address code identifying that agent.

Currency. Specify the currency of the report.

▶ See Table 3.4 on page 150.

Program. Enter the Intrastat report driver program used to produce reports for this Intrastat declarant.

Intrastat Net Weight Minimum. Enter the minimum weight for each reported consolidated line. All weight figures less than this minimum are rounded to this weight for Intrastat reports.

▶ See “Intrastat Net Weight UM” on page 158.

The unit of measure associated with this weight is specified in Intrastat Control.

Declaration Region. For declarants in Germany, specify the region of the statistical office that receives the Intrastat declaration.

Affiliation. For declarants in Germany, specify the degree to which the declaration company and the foreign customer/supplier are affiliated.

The possible values of this code are:

1. The companies are more than 50% affiliated.
2. The companies are less than 50% affiliated.

Modified Date. The system displays the last date on which the report was run. This field cannot be updated manually; it is set by modules reporting Intrastat data.

Branch ID. Specify the office of declaration—used for some countries such as Belgium—indicating the office to which the declaration is to be sent.

Validation Code. For Austrian declarants, enter a code, supplied by the government to the declaring company, used to validate that the Intrastat declaration is being submitted by the declarant indicated in the electronic file.

Intrastat Division. Indicate whether the declarant represents the company in its own right or if it is a division of a company. This field is a legal requirement for German Intrastat declarations. When a

German company is a sufficient size, each division of the company—identified by a numeric code on the declaration—must make a separate declaration.

Company ID Number. Enter the identifier assigned to your company for Intrastat reporting.

This field is used for declarants in Poland.

Set Up Statistical Calculations

Use Statistical Value Calculation Maintenance (29.22.1.19.1) to set up parameters for automatically calculating the statistical value of goods at the border for Intrastat reporting. This value should include transportation costs up to the border, insurance, and so on.

Use Statistical Value Calculation Browse (29.22.1.19.2) to display the information entered in the maintenance program.

In Statistical Value Calculation Maintenance, enter the additional charges associated with the particular combination of terms of delivery (FOB point), transport mode, ship via, flow indicator, country of dispatch, and destination country. The charges can be calculated as a percentage of the total value of the shipment, a fixed amount for each kilogram in weight, or as a fixed amount per unit contained in the shipment. A minimum amount for the charges can be entered.

The values entered are used in the calculation of the statistical value. If an exact match cannot be found, Intrastat searches for a partial match in the following order (unlisted fields are blank):

- 1 Terms of delivery code, transport mode, ship via, flow indicator, dispatch country, destination country
- 2 Terms of delivery code, transport mode, ship via, flow indicator
- 3 Terms of delivery code, transport mode, ship via
- 4 Terms of delivery code, transport mode
- 5 Terms of delivery code
- 6 Everything blank

Fig. 3.6
Statistical Value
Calculation
Maintenance
(29.22.1.19.1)

The screenshot shows a window titled "Statistical Value Calc Maint" with a standard software interface. It includes a "Go To" dropdown and an "ACTIONS" menu. The main area contains several fields: "Terms of Delivery" (set to "DD"), "Trans Mode", "Ship Via", "Flow Indicator", "Dispatch Country", and "Destination Country", each with a magnifying glass icon for lookup. Below these are three numerical fields: "Intrastat Cost Pct" (0.0%), "Per Kilo" (0.00), and "Added Value Per Unit" (0.00). At the bottom, it shows "Min Intrastat Cost" (0.00).

Terms of Delivery. Enter the Intrastat terms of delivery (FOB point) used to calculate the statistical value of the relevant goods at the border for Intrastat purposes.

Trans Mode. Enter a one-character code that identifies the mode of transport used to carry the goods to the border. This field is validated against codes set up in Mode of Transport Maintenance.

Ship Via. Enter a code that identifies the method of transport for shipping goods to this customer. The system verifies that a valid relationship is defined between the transport mode and the ship via codes in Intrastat Transport Maintenance.

Flow Indicator. Enter the code used in your country to indicate Intrastat arrival or departure transactions. This field is validated against codes set up in Flow Indicator Maintenance.

Dispatch Country. Enter a valid code defined in Country Code Maintenance that identifies a country where shipments originate.

Destination Country. Enter a valid code defined in Country Code Maintenance that identifies a country that receives shipments.

Intrastat Cost Pct. Enter a percentage value to add to or subtract from the total value of the invoice to determine the statistical charge. The default is 0 (zero).

When a value other than zero is entered, the statistical value of the goods is calculated as a percentage value.

See "Associate Transport Modes with Ship Via Codes" on page 149.

Per Kilo. Enter the amount to add to or subtract from the total value of the invoice for each KG in weight sent or received in this shipment. The default is 0 (zero).

This amount is calculated in the domain base currency.

When a value other than zero is entered, the statistical value of the goods is calculated as a fixed amount per KG.

Added Value Per Unit. Enter the amount to add to or subtract from the total value of the invoice for each unit contained within this shipment. The default is 0 (zero).

This amount is calculated in the domain base currency.

When a value other than zero is entered, the statistical value of the goods is calculated as a fixed amount per unit.

Min Intrastat Cost. Enter the minimum amount for the statistical charges. Use transport and insurance costs to help determine what this amount should be.

Set Up Intrastat Exchange Rates

Define exchange rates specifically for the purpose of Intrastat reporting in Exchange Rate Create (26.4.1). See *User Guide: QAD Financials A* for a description of how to set up exchange rates.

In some countries, such as England, the authorities publish exchange rates that must be used for Intrastat purposes. These may differ from the exchange rates used for normal transaction processing.

Intrastat exchange rates have an exchange rate type of INTRSTAT. When defined, they are used for Intrastat declarations, in place of the normal exchange rates. If no Intrastat exchange rate exists, the normal transaction exchange rate is used.

Intrastat exchange rates can be modified anytime before the final edition of an Intrastat declaration has been printed. After that, the exchange rates shown on the declaration are fixed.

Set Up Intrastat Commodity Codes

Use Intrastat Commodity Code Maintenance (29.22.3) to set up codes for classifying goods for Intrastat reporting. Create codes for each EU country, since each has its own coding scheme for the last four digits.

Specify a default commodity code in Intrastat Control or associate a code with each Intrastat item in Item Intrastat Data Maintenance (29.22.6). During order entry, the user can override this value.

Note Intrastat commodity codes are distinct from the corporate commodity codes defined in Commodity Code Maintenance (1.4.19).

Fig. 3.7
Intrastat
Commodity Code
Maintenance
(29.22.3)

Country. Enter a valid country code for a country in which your company has sites. Create a separate record for each country.

Commodity Code. Enter a commodity code.

Description. Enter a brief description (maximum 24 characters) of the commodity.

Supplementary UM. Enter an optional supplementary unit of measure. For conversions, this value must be defined in Unit of Measure Maintenance (1.13).

Some commodity codes require that an item be tracked in a specified unit of measure. If the line UM differs from the supplementary UM when Intrastat history records are created, the line quantity is converted to the supplementary UM.

Set Up Intrastat Control

Use Intrastat Control (29.22.24) to set general parameters for Intrastat processing and defaults for Intrastat data fields.

The screenshot shows the 'Intrastat Control' window with the following settings:

- Use Intrastat: ☒
- Imp/Exp Default: ☒
- Intrastat Net Weight UM: LB
- Intrastat Net Weight Minimum: 0.00
- Flow Indicator - Arrivals: 01
- Flow Indicator - Dispatches: 02
- PO Reference Date Logic: 1
- SO Reference Date Logic: 1
- Include Memo Items: ☐
- Declarant: de-10000
- Branch ID:
- Commodity Code: retail
- Mode of Transport: F
- Terms of Delivery: PP
- Nature of Transaction: 10
- Active IntraStat Type List: 1,2,4,5,7,8
- Correction Flow Of Arrival:
- Correction Flow Of Dispatch:
- Statistical Procedure: 10
- Port of Arrival/Dispatch: PA
- Port of Transshipment: PT
- Add Freight to SO Price: ☐

Legend: 1=SO, 2=PO, 4=DO, 5=IC, 7=PO Return, 8=SO Return

Fig. 3.8
Intrastat Control
(29.22.24)

Use Intrastat. Enter No if you do not want the system to automatically create Intrastat history records. If No, you can still create records manually.

Enter Yes to have the system automatically create Intrastat history records for applicable shipments and receipts:

- All programs that create shipments automatically create an Intrastat record for each order line that relates to both an Intrastat item and a shipment to or return from another EU country.
- All programs that create purchase receivers automatically create an Intrastat history record for each receiver line that relates to both an Intrastat item and a shipment to or receipt from another EU country.

Note If you use Enterprise Material Transfer (EMT), the system automatically determines which trading partner is responsible for reporting direct-shipment transactions when the supplier and end customer are in different EU countries. It then creates appropriate Intrastat history records as required.

See “Manually Creating Intrastat History” on page 168.

See *User Guide: QAD Sales* for information on EMT.

The system determines whether a shipment or receiver line is involved in Intra-EU inventory movement by comparing the country codes associated with the ship-from or receipt site and the country of destination/dispatch for the related order line. If the codes are not the same and both relate to EU countries, the transaction is an Intra-EU transaction. If source and destination countries are the same, the transaction is considered domestic.

A shipment or receiver line is considered an Intrastat item when Intrastat Item is Yes in the corresponding order line.

Note Intrastat data created in inventory transfers must be manually posted to history.

Imp/Exp Default. Enter Yes if most orders are subject to Intrastat reporting. Otherwise, enter No. This sets the default for the Imp/Exp field in order maintenance programs.

No: The Imp/Exp field in order maintenance programs always defaults to No. To update Intrastat data, you must manually set the field to Yes.

Yes: The Imp/Exp field in order maintenance programs defaults to Yes when both the from and to addresses involved in a transaction belong to EC countries. Otherwise, Imp/Exp defaults to No.

The Imp/Exp field controls whether the Intrastat Data frame appears in the order maintenance functions specified in the Active Intrastat Type List field.

Note For the defaulting logic to work correctly, you must associate address records with each site.

Intrastat Net Weight UM. Enter the unit of measure code used in your company to indicate kilograms, which is the UM required for Intrastat reporting of net weight. The default is KG.

If the net weight in the item master is not expressed in this unit, the system converts it.

Flow Indicator – Arrivals and Dispatches. Enter the codes used in your country to indicate Intrastat arrival and dispatch transactions. These codes supply default values when Intrastat data is collected in supported functions. During order entry, the user can override the default. Define these codes first in Flow Indicator Maintenance (29.22.1.1).

The system uses the value you specify here in Intrastat Declaration Print to determine which Intrastat history records to include in the Arrivals and Dispatches reports.

Correction Flow of Dispatch and Arrivals. Enter the default values for the flow indicator codes the system should use for correction of arrivals and dispatches.

This field determines whether the correction of an arrival of goods should be posted as a negative arrival of goods or a positive dispatch of goods. This feature is used primarily in Italy and the Netherlands. Additionally, if correction dispatch and arrival indicators are both specified and they are different, the system uses special correction logic for declarants in Poland.

When a value is specified for these fields that is different from the arrival or dispatch flow indicator values, a frame displays during the creation of Intrastat data and in Intrastat History Maintenance that prompts for the correction information.

PO Reference Date Logic. Enter 1, 2, or 3 to indicate the method you use to assign a reference date to purchasing-related Intrastat history records.

1. Use the inventory transaction effective date (the default).
2. Use the supplier invoice effective (posting) date. With this setting, an unmatched record is never reported in Intrastat Declaration Print.
3. Use the tax point or supplier invoice date. The system uses whichever date falls earlier in the month. The tax point date is defined by Intrastat regulations as the 15th day of the month following the transaction effective date.

The reference date assigned to an Intrastat history record determines when it is reported using Intrastat Declaration Print.

SO Reference Date Logic. Enter 1, 2, or 3 to indicate the method you use to assign a reference date to sales-related Intrastat history records.

1. Use the inventory transaction effective date.
2. Use the invoice effective (posting) date. With this setting, an un invoiced record is not reported in Intrastat Declaration Print.

3. Use the tax point or invoice date. The system records whichever date falls earlier in the month. The tax point date is defined by Intrastat regulations as the 15th day of the month following the transaction effective date.

The reference date assigned to an Intrastat history record determines when it is reported. Reference date is the main criterion for selecting Intrastat history records for reporting.

Include Memo Items. Enter Yes if you typically create Intrastat history records for memo items. Otherwise, enter No. This value becomes the default for Include Memo Items on order headers. You can override it during order entry.

Declarant. Enter the code defined in Declarant Maintenance (29.22.1.20) that identifies the company address that is typically responsible for reporting Intrastat data to the government. This field is required.

The value you enter here defaults to the Declarant field in Intrastat Declaration Print (29.22.19).

Branch ID. If the declarant is in a country such as Belgium that requires a branch for filing the declaration, enter the branch ID here. This branch is included in Intrastat Declaration Print (29.22.19).

Commodity Code. Enter a valid code defined in Intrastat Commodity Code Maintenance to be used as the default when collecting Intrastat data in supported functions.

The default specified here is used only when a more specific value has not been defined for the line item and country in Item Intrastat Data Maintenance (29.22.6). During order entry, the user can override this value.

Statistical Procedure, Mode of Transport, Port of Arrival/Dispatch, Terms of Delivery, Port of Transshipment, and Nature of Transaction. Enter default code values for Intrastat orders. You can change these values during order entry. These are optional fields.

Add Freight to SO Price. Use this field to manage how the invoice value is calculated and displayed on Intrastat and Extrastat reports.

No: The invoice value for an order line is set to the line price multiplied by the quantity, regardless of the freight terms.

▶ See “Set Up Intrastat Item Data” on page 161.

Yes: Include freight amounts in the invoice value when the freight term type is Add, Allow, or Collect. Value is calculated as:

*(sales order line price + freight charge) * quantity*

For freight term types Include, Prepaid, and Willcall, this control setting has no effect. For included freight, the line item price already reflects the freight cost. For prepaid and willcall, freight is not calculated. See *User Guide: QAD Master Data* for details on freight terms.

Based on local regulatory requirements, the invoice value reported to authorities may need to include the cost of any included freight. In this case, set this field to Yes.

Active Intrastat Type List. Specify the transactions or documents for which you want to collect Intrastat data. You can use this list to suppress the display of frames for document types that do not require Intrastat reports.

Enter the numbers, in a comma-separated list, that correspond to the type of transaction or document for which you want to enable the creation and modification of Intrastat data.

- 1 Sales Orders
- 2 Purchase Orders
- 4 Distribution Orders
- 5 Intersite Transfers
- 7 Purchase Order Returns
- 8 Sales Order Returns

Note Transaction 6 identifies records created manually in Intrastat Maintenance.

Set Up Intrastat Item Data

Use Item Intrastat Data Maintenance (29.22.6) to associate Intrastat data with inventory items involved in Intra-EU transactions. The values entered here appear in orders as defaults, and can be changed at order entry. Create a record for each EU country.

Note Intrastat history is created only for items set up in this program.

Fig. 3.9
Item Intrastat Data
Maintenance
(29.22.6)

Item Intrastat Data Mainten...

Item Intrastat Data Maintenance: Go To ACTIONS

Authority: INSTAT
Country: DK Denmark
Item Number: 1-BB Red Bean Bag

Commodity Code:

Country of Origin:

Intrastat Item: ☒

Authority. This is automatically set by the system to INSTAT.

Country. Enter a valid, active code defined in Country Create.

Item Number. Enter an item number.

Commodity Code. Enter a commodity code previously associated with the specified country in Intrastat Commodity Code Maintenance (29.22.3).

Country of Origin. Enter a valid, active code indicating the country of origin.

Intrastat Item. Enter Yes to have the system automatically create Intrastat history records for the item. For items for which you do not want Intrastat records created, such as intangible goods or items related to motorized vehicles, enter No.

Recording Intrastat Data for Orders

Once Intrastat is set up, you can record Intrastat data using any of the programs listed in Table 3.3 on page 143 or Order Intrastat Data Maintenance (29.22.11).

Enter Intrastat Data in Sales Order Maintenance

This section describes how to enter Intrastat data in Sales Order Maintenance (7.1.1). Use the same steps to record Intrastat data in most other standard order maintenance programs.

- 1 Use Sales Order Maintenance (7.1.1) to enter an order as usual.

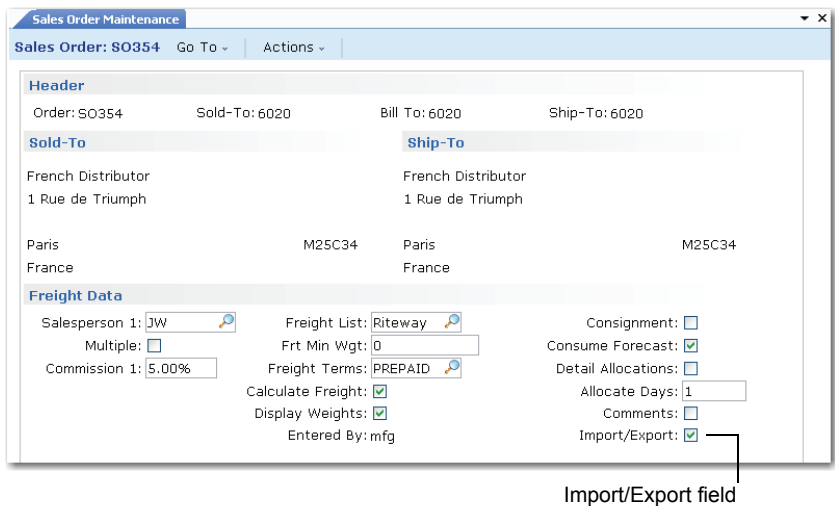


Fig. 3.10
Sales Order
Maintenance
(7.1.1)

Import/Export. Enter Yes to record Intrastat data for this order. This setting defaults to Yes when Imp/Exp Default is Yes in Intrastat Control and the ship-from and ship-to site addresses are members of the EU.

If No, special processing does not occur during order maintenance. You can still add Intrastat data later using Intrastat Maintenance (29.22.13).

- 2 Click Next to enter order lines.

- 3 When you complete entering lines, click Trailer and then click Next through the sales order trailer. When you complete the trailer, the Intrastat header frame displays. Data from the sales order trailer such as ship via is used in the calculation of statistical values. Ship via also sets the default transportation mode.

Fig. 3.11
Sales Order
Maintenance,
Intrastat Header
Frame

Record Intrastat
data in the
Intrastat header
frame. Fields
default from
Intrastat Control.

Defaults from the
country code
associated with
the ship-to.

Sales Order Maintenance

Sales Order: SO234 Go To Actions

Header

Order: SO234 Sold-To: TRI-C2 Bill To: TRI-C2 Ship-To: TRI-C2

Trailer

Non-Taxable: 0.00	Currency: FFR	Line Total: 55.00
Taxable: 55.00	0.00%	Discount: 0.00
Tax Date:	Taxable Service	11 0.00
Containers: 0.00	Taxable Freight	21 0.00
Line Charges: 0.00	Taxable Special	31 0.00
		Total Tax: 2.75
View/Edit Tax Detail:		Total: 57.75

Terms of Delivery: PP Port of Arrival/Dispatch: PA

Nature of Transaction: 10 Statistical Procedure: 10

Country of Dest/Disp: FR Port of Transshipment: PT

Mode of Transport: F Include Memo Items: ☐

The system automatically copies the default Intrastat header data to each order line.

- 4 Click Next. A number of country-specific prompts may display depending on the ship-from country involved in the transaction. For example, you may be prompted to indicate if this Intrastat data is a correction of previously recorded data. This is a requirement in Italy and the Netherlands.

See “Correction Flow of Dispatch and Arrivals” on page 159.

The display of this frame depends on a value being specified for either of the correction flow indicator codes in Intrastat Control that is different than the standard arrival or dispatch code.

If this is a correction, specify Yes to Correction and enter the ID of the original document this document is correcting. Otherwise, leave the fields blank and click Next.

- 5 Click Next again. You are prompted to view or edit import/export data.

Choose Yes to display the following screen.

Use the Order Line field to scroll through the order lines.

Net Weight and UM can be updated for memo items.

Sales Order Maintenance

Sales Order: SO234 Go To ~ Actions ~

Header

Order: SO234 Sold-To: TRI-C2 Bill To: TRI-C2 Ship-To: TRI-C2

Delivery

Order Line: 2

Parent Item: 20001 FG20001

Country Code: DE Country of Destination/Dispatch: FR

Intrastat Item: Country of Origin:

Commodity Code: retail Statistical Procedure: 10

Terms of Delivery: PP Port of Arrival/Dispatch: PA

Nature of Transaction: 10 Region of Origin/Dest: Ne

Mode of Transport: F Port of Transshipment: PT

Ship Via:

Net Weight: 0.00 UM:

Fig. 3.12
Sales Order
Maintenance,
Intrastat Detail

In most cases, Intrastat codes entered in the order header apply to all order lines. Where there are exceptions to this, Intrastat information can be entered and maintained at the line level.

Enter Data in Order Intrastat Data Maintenance

Use Order Intrastat Data Maintenance (29.22.11) to enter all Intrastat data in one frame and to review and modify Intrastat data at any time between order entry and shipment or receipt. However, you can only *delete* order data using the appropriate order maintenance program. At shipment or receipt of the order, this information is recorded in Intrastat history.

You can also create data for inventory transaction (order type IC). This data must be manually posted.

Fig. 3.13
Order Intrastat Data
Maintenance
(29.22.11)

Order Intrastat Data Maintenance: Go To Actions

Order Type: SO Sales Orders
Order: so234
Shipping Site:

Order Line: 1
Item Number: 20001 FG20001

Country Code: DE Country of Destination/Dispatch: FR
Intrastat Item: Country of Origin:
Commodity Code: Retail Statistical Procedure: 10
Terms of Delivery: PP Port of Arrival/Dispatch: PA
Nature of Transaction: 10 Region of Origin/Dest:
Mode of Transport: F Port of Transshipment: PT
Ship Via: Net Weight: 0.00 UM:

Automatically Updating Intrastat History

Intrastat data records are copied to Intrastat history records automatically during sales order shipment and purchase order receipt. The system can update unreported records during subsequent invoicing and receiver matching. However, once Intrastat records have been reported on a final Intrastat declaration, the system no longer updates them.

Receiver Matching Updates

Intrastat history records associated with receiver lines are updated during receiver matching when the match status is final and the receipt Intrastat record has not been reported:

See “PO Reference Date Logic” on page 159.

- The reference date is updated based on the posting date if PO Reference Date Logic is set to 2 or 3 in Intrastat Control.
- The reference number is updated based on the supplier invoice number (Year/Daybook + Number).
- Invoice value in transaction and base currency is recalculated using the actual cost posted by the receiver matching.
- Statistical values in base currency, net weight, and supplementary units are recalculated based on the matched quantity.

- When the quantity on the receipt record is reduced to zero, the record is deleted and future reporting is done on the records created during matching.

Note When receiver matching has been saved with a status of Final, no further modifications can be made to the invoice. With an Initial status, you can modify data and your changes are reflected in the updated Intrastat history when the matching is saved with the Final status. Any changes required after the matching is Final must be made using Intrastat Maintenance (29.22.13).

♦ See “Intrastat Maintenance” on page 169.

When the total matched quantity for a receipt exceeds the receipt quantity, the system does not collect any more Intrastat data. This is true even when the receipt history has not been reported. When this situation occurs, you should modify the quantity on one of the associated invoices or correct the Intrastat history manually using Intrastat Maintenance.

When you do a partial match of a received quantity (the supplier invoices you for only part of the shipped quantity), the system creates a new Intrastat record for the matched quantity and reduces the amount on the existing record by the amount matched.

Customer Invoice Updates

Intrastat history records associated with shipment lines are updated by Invoice Post and Print (7.13.4) when the shipment Intrastat record has not been reported. Posting the invoice has these effects:

- Changes the Intrastat history record type from 1, indicating a shipment, to 9, indicating an invoice. This effectively deletes the shipment record.

Note For standard sales orders, only one type of Intrastat record exists at a time.

- Updates the invoice number and invoice date fields in the history record.

In addition, if SO Reference Date Logic is set to 2 in Intrastat Control, the reference date is updated with the invoice date.

♦ See page 159.

If you are using the Customer Consignment Inventory module, invoicing a consigned shipment has additional effects on unreported shipment records. Since customers are only invoiced for the portion of a shipment

♦ See *User Guide: QAD Sales* for details on consignment.

they have used, both shipment and invoice type history records can exist simultaneously until all inventory is consumed. Invoice Post and Print updates any unreported shipment data for consigned inventory as follows:

- The quantity shipped is reduced by the quantity invoiced. When the quantity on the shipment record is reduced to zero, it is deleted and reporting is done on the record created during invoicing.
- Invoice value in transaction and base currency is recalculated using the current sales order price.
- Statistical value in base currency, net weight, and supplementary units are recalculated based on the invoiced quantity.
- When SO Reference Date Logic is 2 in Intrastat Control, the invoice number and invoice date are updated and the reference date is updated with the invoice date.

Manually Creating Intrastat History

Use two programs to manually update Intrastat history:

- Use Manual Post IC Transactions (29.22.9) to move data captured during inventory transfers to Intrastat history.
- Use Intrastat Maintenance (29.22.13) to create history records manually or update existing ones.

Manual Intrastat Post

Use Manual Post IC Transactions (29.22.9) to select an import/export detail of type IC. Set the Post Intrastat field to Yes to post the current record to Intrastat history. You will be prompted to confirm. Figure 3.14 illustrates Manual Post IC Transactions.

Manual Post IC Transactions

Reference: IC Inventory Control

Order Number: 907 Show IntraStat: ☐

Order Line: 1 907 Post IntraStat: ☐

Item Number: 20001 FG20001

Tax Registration: DE Country of Dest/Disp: BE

Intrastat Item: ☐ Country of Origin:

Commodity Code: retail Statistical Procedure: 10

Terms of Delivery: PP Port of Arrival/Dispatch: PA

Nature of Transaction: 10 Region of Origin/Dest: ne

Mode of Transport: F Port of Transshipment: PT

Fig. 3.14
Manual Post IC
Transactions
(29.22.9)

On confirming this posting, an Intrastat history record is created using the data supplied by the import/export detail. If the Show Intrastat field is also Yes, the Intrastat history record is displayed.

When the Intrastat posting has been completed successfully, the import/export detail is deleted and the next import/export detail is displayed.

Intrastat Maintenance

Use Intrastat Maintenance (29.22.13) to add and modify Intrastat history records directly. You may need to do this if the data was not entered correctly during the inventory movement transaction. It can also be used for the few transactions where data is not entered automatically, such as:

- Installed base item movements in Installed Item Move (11.3.13)
- Goods sent out for processing in the Advanced Repetitive module using the programs on the Subcontract Shipping Menu (18.22.5)

Note You cannot modify Intrastat history records that have been printed on a declaration with Last Edition set to Yes.

See “Printing
Intrastat
Declarations” on
page 171.

Fig. 3.15
Intrastat
Maintenance
(29.22.13)

The screenshot shows the 'Intrastat Maintenance' window with the following fields and values:

- Transaction ID: 19
- Reference Date: 07/27/2007
- Invoice Value: 0.00
- Curr: USD
- Flow Indicator: [empty]
- Statistical Value: 0.00
- Curr: USD
- Commodity Code: [empty]
- Country of Dest/Disp: [empty]
- Terms of Delivery: PP
- Net Weight: 0.00
- UM: LB
- Nature of Transaction: 10
- Supplementary Units: 0.00
- UM: [empty]
- Reference: CORR
- Supplier Invoice: [empty]
- Mode of Transport: F
- Country of Origin: [empty]
- Address: [empty]
- Invoice Date: [empty]
- Statistical Procedure: 10
- Item Number: [empty]
- Site: [empty]
- Port of Arr/Disp: PA
- Quantity: 0.00
- UM: [empty]
- VAT Reg Nbr: [empty]
- Region of Origin/Dest: [empty]
- Reported: [checked]
- Port of Transshipment: PT
- Ship Via: [empty]

Buttons at the bottom: Adding new record, Delete, Back, Next.

The following are some of the key fields in this program:

Invoice Value and Currency. Enter the invoice value in transaction currency.

Statistical Value. Enter the statistical value of the order. This field defaults from the invoice value in base currency.

Net Weight. Enter the weight of the transaction in kilograms. The unit of measure for kilograms is specified in Intrastat Control. If net weight is not specified, it is calculated based on the net weight and UM associated with the item in Item Master Maintenance.

Supplementary Units. The system calculates and displays the number of supplementary units, based on the supplementary UM associated with the item's commodity code, if any. If the line quantity UM is different from the commodity code's supplementary UM, the system automatically applies the conversion factor defined in Unit of Measure Maintenance.

If a supplementary UM is not available, supplementary units are not calculated.

Reference. Specify which document contains the Intrastat data. This field is normally updated by the system and displays the order type, order number, and order line or reference (invoice number or receiver number). For manually created records, the order type is automatically set to CORR (correction).

Printing Intrastat Declarations

Use Intrastat Declaration Print (29.22.19) to make Intrastat declarations. Begin by entering the declarant and the period to be covered by this declaration. You can choose if you want to print Intrastat reports for verification first by setting Last Edition to No. Set Last Edition to Yes before printing the final report. You can have additional audit information printed.

Note Use Intrastat Declaration Reprint (29.22.20) to print Intrastat information that has previously been printed with Last Edition set to Yes.

The supported output types are determined by the country-specific Intrastat driver program associated with the declarant. When output to file is supported, the default file name and format is also determined by the driver program. When alternate print formats are supported, a pop-up prompts for the format to use. For example, in Belgium, the format can be ITX or SDF.

See Table 3.4 on page 150.

Other country-specific features are also supported in this report based on the report driver program. Additional pop-ups may display for input of required information such as change of activity and declaration number (Italy).

When making an electronic declaration, if Last Edition is set to No, you can still print a paper copy of the report for your records by setting Audit to Yes. This produces a paper report of the data in a generic format.

The screenshot shows the 'Intrastat Declaration Print' window. The title bar reads 'Intrastat Declaration Print'. Below the title bar is a menu bar with 'Intrastat Declaration Print:', 'Go To', and 'Actions'. The main area contains the following fields:

- Declarant: de-10000 (with a magnifying glass icon)
- Declaration Country: German Distribution Site
- Period: (empty)
- Start: (empty)
- To: (empty)
- To Paper: ☐
- To File: ☐
- Archive File: (empty)
- Last Edition: ☐
- Audit Trail: ☐
- Declaration ID: (empty)
- Output: (empty)
- Batch ID: (empty)

Fig. 3.16
Intrastat
Declaration Print
(29.22.19)

Declarant. Enter the Intrastat declarant for which the report is produced. The system displays the entity and country associated with the declarant. This field defaults from the declarant specified in Intrastat Control.

Period/To. Specify the GL period range for this report, in the format from month/year to month/year. The system displays the actual start and end date for the periods.

Arrivals, Dispatches. Specify whether the report contains arrival transactions, dispatch transactions, or both.

Note Use of these fields is based on the country of the declarant. In most cases, both fields are set to Yes and you cannot update them. However, local regulations sometimes require transactions to be separated. In such cases, the fields can be updated.

To Paper. Enter Yes to print the report on paper; otherwise, enter No.

To File. Enter Yes to print the report to a file. You can print a report to file and on paper at the same time if the associated report driver program supports this feature.

Declaration Number. Enter the declaration number to print on the report. This must be entered for Italy.

Change of Activity. For Italian reports, specify whether the company discontinued trading at any point or whether the VAT status of the company has changed during the year. This code is typically required when a company ceased trading for any reason.

0: No change

1: A change occurred during the year

File Name. Specify the output file name if the report is being sent to a file. The default name is set by the driver program that is generating the report and is country specific. You can change the file name if needed.

Last Edition. Indicate whether this is the last edition (final version) of this report.

No: Subsequent reports will be printed.

Yes: This is the final version. All transactions included in the report are designated as reported and will be excluded from the next Intrastat report.

When Audit is Yes, you cannot set this field to Yes.

Audit Trail. Indicate whether to create an audit trail.

No: Print the report without an audit trail.

Yes: Print an audit trail showing additional information such as Intrastat number and references.

You cannot set this field to Yes if the Last Edition field is also set to Yes.

Transmission Type. For declarants located in the United Kingdom, indicate if the file produced has live data. Normally this is set to Live. Specify Test to produce a test file for submission to UK Customs and Excise to validate that your Intrastat file has been produced in the correct format.

Media. For declarants located in the United Kingdom, specify the format of PC-media used to deliver Intrastat data to UK Customs and Excise. Valid entries are:

- DISK
- E-MAIL
- TAPE

Reprinting Intrastat Declarations

A declaration can be printed multiple times in Intrastat Declaration Print as long as Last Edition is set to No. After a declaration has been printed with Last Edition set to Yes, use Intrastat Declaration Reprint (29.22.20) to print it.

Fig. 3.17
Intrastat
Declaration Reprint
(29.22.20)

The screenshot shows a software window titled "Intrastat Declaration Reprint". At the top, there is a menu bar with "Go To" and "Actions". The main content area is divided into several sections. On the left, there is a "Declarant" field with the value "de-10000" and a magnifying glass icon. Below it is "Declaration Country: DE". Further down are "Period:" fields for "Start:" and "To:". Below the period fields is "Declaration ID:". There are two checkboxes: "To Paper:" and "To File:". At the bottom left is "Archive File:". On the right side, there is a "German Distribution Site" label. At the bottom right, there are "Output:" and "Batch ID:" labels.

Declaration ID. Enter the ID of the declaration to be reprinted. This is a unique identifier automatically assigned to all Intrastat history records included in a final Intrastat declaration. This ID is printed on the Intrastat declaration. Use Next/Previous to scroll through history records to find the declaration you want to reprint.

Reviewing Intrastat History Information

Four inquiries are available for reviewing Intrastat history information. All show the same information, but differ by search criteria and sort methods.

- Use Intrastat Inquiry (29.22.14) to review Intrastat history records by transaction ID—the sequence in which the system creates them.
- Use Intrastat by Invoice (29.22.15) to review Intrastat history records by invoice number.
- Use Intrastat Inquiry by Supplier Invoice (29.22.16) to review Intrastat history records by invoice number.
- Use Intrastat by Order (29.22.17) to review Intrastat history records by order number.

- Use Intrastat History Report (29.22.22) to view the relationships between orders, inventory transactions, and invoices, along with associated Intrastat information. This lets you verify Intrastat data before printing the declarations.

Deleting and Archiving Intrastat History

Use Intrastat Delete/Archive (29.22.23) to delete or archive Intrastat history records. Use Archive File Reload (36.16.5) to return history records to the database.

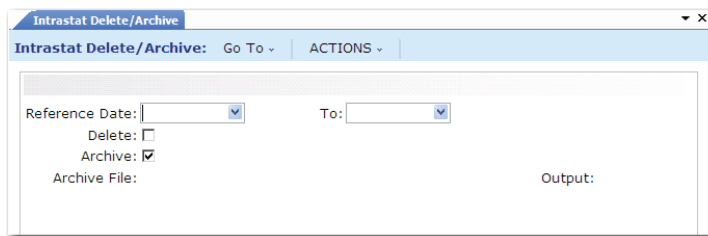


Fig. 3.18
Intrastat
Delete/Archive
(29.22.23)

Delete. Enter Yes to delete information or No to review selected records.

Archive. Enter Yes to copy each selected record to the disk file displayed in the Archive File field.

Extrastat

Extrastat is the collection of trade statistics for movements of goods between EU and non-EU countries. While Extrastat is a common EU requirement, in most countries the customs authorities collect the data.

You can collect and report Extrastat data for the Netherlands only. Extrastat data collection is very similar to Intrastat and uses the same database tables for storing information.

A few additional data elements are collected:

- For imports and exports, you must indicate whether the goods were transported in a container.

- For imports, a code is required indicating the customs rate used when importing from developing countries.

Extrastat functions are listed in Table 3.5.

Table 3.5
Extrastat Functions

Menu Number	Description	Program Name
29.22.21.1	Manual Post IC Transactions	iehistic.p
29.22.21.13	Extrastat Maintenance	iehmtext.p
29.22.21.14	Extrastat Inquiry	iehexiq.p
29.22.21.15	Extrastat by Invoice	iehexinv.p
29.22.21.16	Extrastat by Supplier Invoice	iehexvou.p
29.22.21.17	Extrastat by Order	iehexord.p
29.22.21.19	Extrastat Declaration Print	iehexrp.p
29.22.21.20	Extrastat Declaration Reprint	iehexrrp.p
29.22.21.24	Extrastat Control	ieexpm.p

Setting Up Extrastat

Extrastat uses all of the same data values set up for Intrastat, such as terms of delivery and nature of transaction codes. In addition, you can specify some control settings that are Extrastat-specific using Extrastat Control (29.22.21.24).

Fig. 3.19
Extrastat Control
(29.22.21.24)

The screenshot shows a window titled "Extrastat Control" with a menu bar containing "Go To" and "ACTIONS". The main area contains the following settings:

- Use ExtraStat: ☒
- Active ExtraStat Type List:
- 1=SO, 2=PO, 4=DO, 5=IC, 7=PO Return, 8=SO Return
- Container: ☐
- Preference:

Use Extrastat. Indicate whether to enable Extrastat functionality.

No: Extrastat history records are not created automatically.

Yes: The system automatically creates Extrastat history records (ieh_hist) for extra-EU inventory movements.

Active Extrastat Type List. Specify the type of transaction or document where the system will prompt for Extrastat data or give you the opportunity to edit Extrastat data.

Valid entries are 1, 2, 4, 5, 7 and 8.

Enter the numbers, in a comma-separated list, that correspond to the type of transaction or document for which you want to enable the creation and modification of Extrastat data:

1 Sales Orders

2 Purchase Orders

4 Distribution Orders

5 Intersite Transfers

7 Purchase Order Returns

8 Sales Order Returns

Container. Specify whether goods are transported with a container. Valid entries are:

1: The goods are transported with a container.

0: The goods are not transported with a container.

This field is required for Netherlands-specific Extrastat transactions.

Preference. Enter a code that specifies the preferred rate used for custom taxes. This must be specified when importing goods from developing countries.

This field is required for Netherlands-specific Extrastat transactions.

Using Extrastat

Extrastat functions are very similar to the parallel Intrastat functions. Figure 3.20 illustrates Extrastat Maintenance (29.22.21.13); refer to the Intrastat discussion for details on fields and functions.

◆ See Figure 3.15 on page 170.

Fig. 3.20
Extrastat
Maintenance
(29.22.21.13)

Extrastat Maintenance

Extrastat Maintenance: Go To Actions

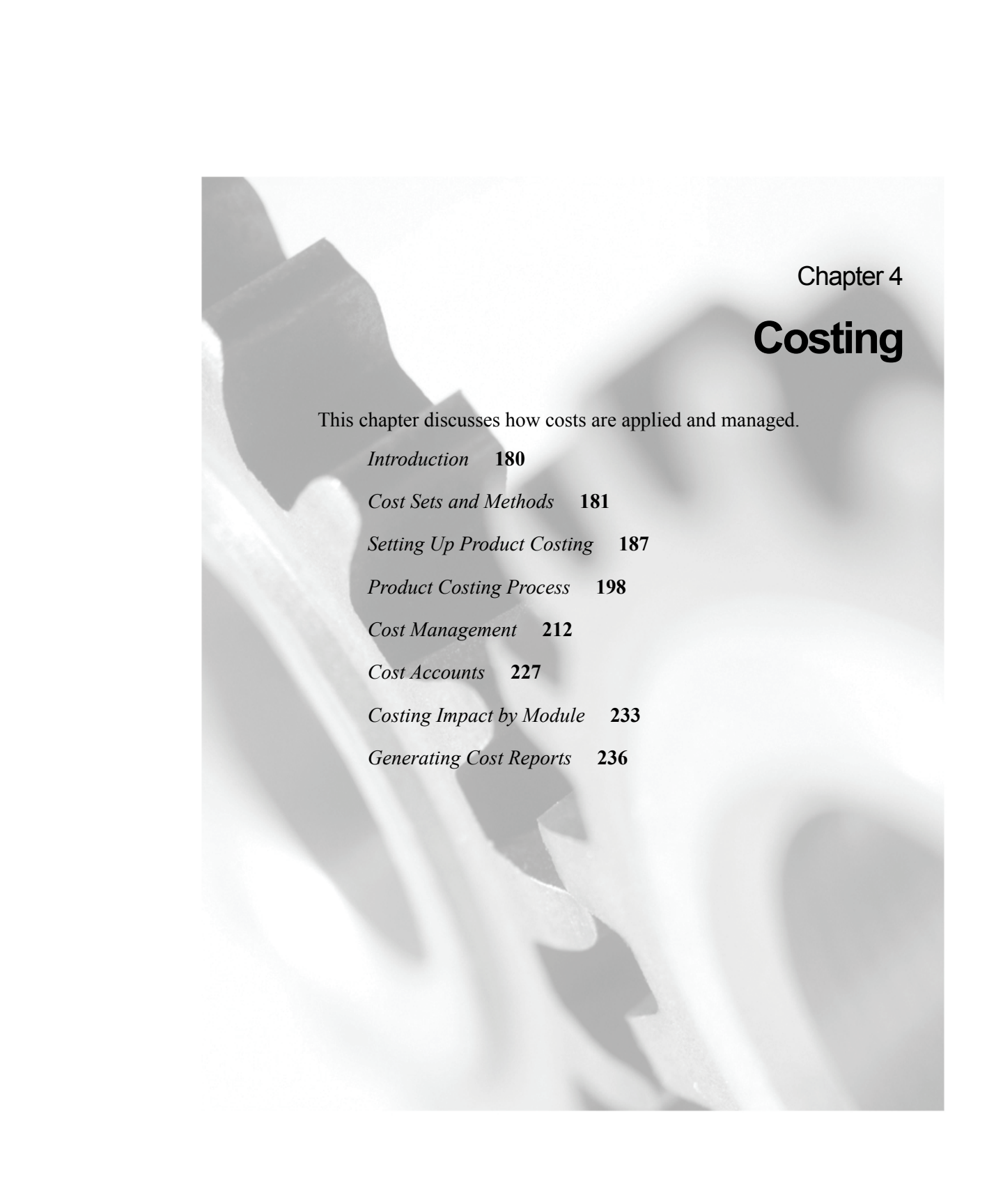
Transaction ID: 20

Reference Date:	07/27/2007	Invoice Value:	0.00	Curr:	USD
Flow Indicator:		Statistical Value:	0.00	Curr:	USD
Commodity Code:				Country of Dest/Disp:	
Terms of Delivery:	PP	Net Weight:	0.00	UM:	LB
Nature of Transaction:	10	Supplementary Units:	0.00	UM:	
Reference:	CO		0		
Mode of Transport:	F	Supplier Invoice:		Invoice Date:	
Country of Origin:		Address:		Site:	
Statistical Procedure:	10	Item Number:		Quantity:	0.00
Port of Arr/Disp:	PA			UM:	
VAT Reg Nbr:		Reported:		Ship Via:	
Region of Origin/Dest:					
Port of Transshipment:	PT				

Delete

Back

Next

The background of the page features a grayscale image of several interlocking gears. The gears are of different sizes and are positioned in a way that creates a sense of depth and mechanical complexity. The lighting is soft, highlighting the teeth of the gears and creating subtle shadows.

Chapter 4

Costing

This chapter discusses how costs are applied and managed.

<i>Introduction</i>	180
<i>Cost Sets and Methods</i>	181
<i>Setting Up Product Costing</i>	187
<i>Product Costing Process</i>	198
<i>Cost Management</i>	212
<i>Cost Accounts</i>	227
<i>Costing Impact by Module</i>	233
<i>Generating Cost Reports</i>	236

Introduction

A key factor influencing whether a company manufactures a product is the cost of making that product. Costs also determine the level of production output.

The cost of producing at a specific level of output depends not only on the price of needed resources—materials, labor, fuel, transportation, and so on—but also on the quantities of resources needed to produce that output. The level of output also depends on how the company uses fixed resources, such as the size of the plant, in combination with variable resources, such as labor, material, or equipment. It is important to know the total cost of production at varying levels of output along with per-unit costs.

Direct costs are all costs that can be traced to a single product. This includes the cost of all material and direct labor that go into that product, as well as the cost for any outside processing. All production costs other than direct costs are considered *indirect costs*, or overhead. Overhead costs are classified as either fixed or variable.

- Fixed overhead costs do not vary with changes in production output and cannot be avoided in the short term. These costs must be paid even if production output is zero. Some examples are rent, insurance premiums, and interest payments.
- Variable overhead costs, also called burden, change with the volume of production output. Variable costs can be controlled and altered in the short run by changing the level of production output. Some examples are supplies, power, fuel, and transportation costs.

Tracking these costs is important in determining product costs, total cost of production, inventory values, and productivity.

Cost Sets and Methods

Cost data is collected and calculated using cost sets and costing methods. A *cost set* is a collection of related cost data. A *costing method* defines how cost data in a cost set is calculated and maintained.

Cost Sets

There are two default cost sets for each site: general ledger (GL) and current.

- GL cost distinguishes costs used to value inventory and determine cost-of-goods sold from other costs such as current costs or planning costs.
- Current cost is normally based on recent production and/or purchases. Current costs are the actual costs from inventory receipts and work order labor transactions.

The system supports GL and current costs by item and site. Only one GL and one current cost set can be active for each site.

Standard costing provides one GL and one current cost set for each site. GL cost sets and current cost sets must have the same name at all sites. For example, if the name for the GL cost set is *Standard*, it must be Standard for all of the sites. Use Item Cost Set Name Change (1.4.14) to change the name of a cost set as needed.

The Cost Management module lets you create and maintain additional GL and current cost sets for each site beyond the default sets. You can also use different names for current and GL cost sets at each site.

▶ See “Cost Management” on page 212.

You can use Cost Management functions to create an unlimited number of cost sets for:

- Maintaining different GL and current cost sets for each site
- Cost planning
- Cost simulations
- Historical cost comparisons

Cost Management also has inquiries that display which sites use a particular cost set and the GL and current cost sets in effect at each site.

Costing Methods

Companies use costing methods for managing business as dictated by business conditions or, in some cases, law. Costing methods include:

- Standard
- Average
- Last
- Period

Standard Cost

Standard costs measure how much an item should cost. Typically, standard costs are used for general ledger (GL) transactions and are not automatically updated by the system. The standard cost for an item is used as the basis for all inventory-related accounting transactions as they are processed. Actual expenses are tracked and measured against this standard.

Standard Cost Variances

Because the standard is only a target or estimate of item costs, the actual costs incurred rarely match the standard exactly. In order to account for the difference between standard and actual costs, variances are calculated and recorded.

Total variance is the difference between standard cost and actual cost. Total variance can result from a difference in purchase price, quantity used, or both. A *rate variance* occurs when the actual cost of a resource differs from the standard rate. A *usage variance* occurs when the actual quantity of the transaction differs from the standard quantity. For example, a usage variance occurs when components are issued for a different quantity than those defined on the standard bill of material (BOM), or when additional non-standard components are issued.

Average Cost

With average costing, costs are recalculated during item receipts and other inventory-related activities using a simple weighted-average calculation.

These system activities can update item costs:

- Receiving inventory from a work order or repetitive schedule or using Receipts–Backward Exploded (3.12).
- Running the accounting close function for a work order or cumulative order to consider any costs posted after the last receipt.
- Transferring inventory between sites; for example, using distribution orders or inventory transfer functions.
- Receiving quantities from purchase orders or supplier schedules or returning items to a supplier using functions such as Purchase Order Returns (5.13.7).
- Finalizing matching of a purchase order receipt with a supplier invoice. This reverses the effect of the corresponding purchase order receipt and applies only when Current Cost from AP is Yes in Inventory Accounting Control (36.9.2).

The following equation is used to calculate average costs for materials:

$$(Receipt\ Quantity * Receipt\ Cost) + (Item\ Quantity\ on\ Hand * Current\ Material\ Cost)$$

The result is then divided by the new quantity on hand (including the receipt) to determine the new average cost of the item.

For manufactured items, current labor, subcontract, and burden costs are calculated for each work order or repetitive operation using the following equation:

$$(Item\ Quantity\ Received / Cumulative\ Quantity\ Completed\ at\ the\ Operation) * Operation's\ Cumulative\ Work-In-Process\ (WIP)\ Cost$$

If you are using the Cost Management module, you can use the average costing method to calculate site-specific GL costs as well as current costs. Otherwise, the average costing method is used only for current costs.

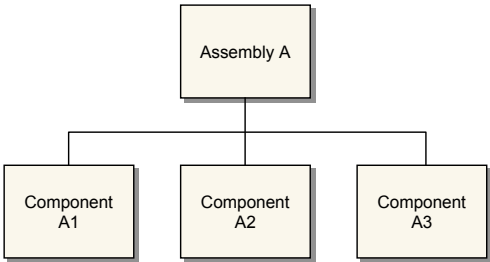
▶ See “Cost Management” on page 212.

The following example illustrates how average costs are calculated when receiving items on a work order.

Average Cost Example

Assembly A has three components: A1, A2, and A3.

Fig. 4.1
Assembly A
Product Structure



A quantity of 20 is received for an assembly A work order. First, the labor, burden, and subcontract cost categories are calculated. Table 4.1 uses labor as an example.

Table 4.1
Operation Costing,
Labor

Operation	Cum. Qty. Completed	Cum. WIP Labor Cost	Work Order Receipt Cost Calculation
10	100	\$100	20/100 * \$100 = \$20
20	75	\$150	20/75 * \$150 = \$40
30	50	\$20	20/50 * \$20 = \$8
40	40	\$50	20/40 * \$50 = \$25

Next, material cost is calculated.

Table 4.2
Operation Costing,
Material

Component	Qty. Per Assembly	Unit Cost	Work Order Receipt Cost Calculation
A1	1	\$5.00	20 * \$5.00 = \$100
A2	1	\$1.00	20 * \$1.00 = \$20
A3	2	\$1.00	40 * \$1.00 = \$40

For this work order, the cost of Assembly A is:

$$(93 + 160) / 20 = \$12.65$$

For a quantity of 10 in stock at \$12.00 each, the new average cost for each assembly A would be:

$$(10 * \$12.00) + (20 * \$12.65) / 10 + 20 = \$12.43$$

Last Cost

The last cost method is used only for current costs and is not available for costing in the general ledger. Costs are updated each time the item is received. For example, an item's material cost is updated to the purchase order (PO) cost each time a PO is received.

Period Cost

Period costing omits the valuation of inventory transactions and uses the values of the incoming and outgoing GL transactions from accounts payable and invoicing functions. Costs are expensed in the period in which they are incurred.

The valuation of inventory and cost-of-goods sold (COGS) is calculated from physical inventory counts and from purchase and sales transactions. Period costs are determined by tracking the beginning inventory balance, adding purchased material and value-added costs (labor), and then deducting the ending inventory. The GL handles all tracking and reporting. No perpetual inventory records are maintained. Accounting records are updated periodically.

The valuation of inventory and cost-of-goods sold is calculated from physical inventory counts and purchase and sales transactions. In period costing, all inventory-related transactions created automatically by the system are turned off so that issues, transfers, and receipt transactions do not create GL transactions.

The period costing method is not commonly used for financial valuation. It requires manual entry of transactions and does not take advantage of automatic entries created by the system.

Using Costing Methods with Cost Sets

In standard costing, only the standard cost method is used for the GL cost set. If you are using the Cost Management module, you can use either the average or standard cost method for GL costs.

The current cost set tracks the running average or the last cost to determine next year's standard cost or to provide a record of recent actual costs.

Costing methods that can be used with the current cost set are:

- **Average.** Whenever an item is received, the system calculates the new average cost and stores it in the cost set.
- **Last.** For each receipt, the system sets the current cost to the last cost of that item. In the case of purchased items, this is the purchase or invoice price.
- **None.** The system does not maintain the current costs; they must be maintained manually.

Cost Set Categories

Five categories of costs are tracked for each cost set. These categories maintain cost for both this-level and lower-level costs. *This-level cost* is the cost added at the current stage of manufacturing or the cost of a purchased item. *Lower-level cost* represents cost added at prior stages of manufacturing.

A purchased item has this-level material and, optionally, material overhead cost, but no lower-level costs. A manufactured item has this-level labor, subcontract, burden, and overhead cost, but normally no material cost. A manufactured item has lower-level material cost for components and any subassemblies, and possibly lower-level labor, burden, subcontract, and overhead from the cost of making any lower-level subassemblies.

The following are the various cost set categories:

- **Material.** The total cost of purchased material. For purchased items, material costs are maintained for each item or item and site. For manufactured items, lower-level material costs are maintained by rolling up the product structure costs.
- **Labor.** The cost of direct labor applied to an item. Labor cost is calculated from labor rates, setup time, and run hours at each operation of a product's routing.
- **Burden.** The total variable overhead cost for an item, based on burden rates for labor and/or machines.

- **Overhead.** The fixed overhead cost, if any, for an item. For purchased items, overhead can be assigned to cover the expense of purchase operations, which can then be recovered as fixed overhead on all purchased items based on a percentage of their cost. Overhead cost can be maintained for each item, or by assigning it as a percentage of other cost categories.
- **Subcontract.** The cost of outside processing as entered in the routing operation for manufactured items.

Setting Up Product Costing

Figure 4.2 shows steps for setting up product costing. Each step is discussed in detail in the following sections.

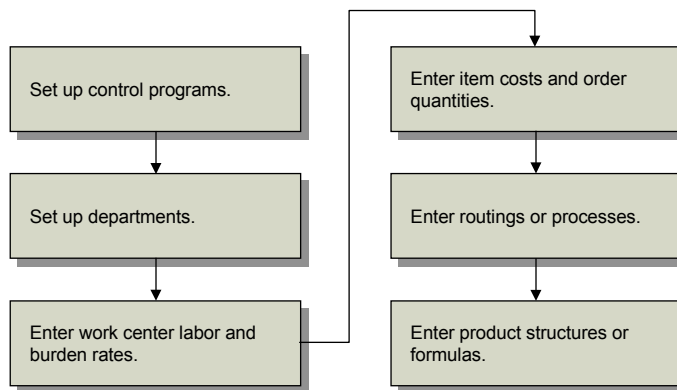


Fig. 4.2
Setting Up Product
Costing

Defining Inventory Accounting Control Settings

Use Inventory Accounting Control (36.9.2) to specify how current costs are maintained. These settings are described in detail in the chapter on Inventory Control in *User Guide: QAD Master Data*. This section highlights the issues related to costing.

Fig. 4.3
Inventory
Accounting Control
(36.9.2)

Current Cost. Current material, labor, and burden costs are maintained as either Average, Last, or None. Because this setting is database wide, all current costs for any site in the database are maintained using the selected costing method.

Sum LL Costs Into Material Cost. Cost-of-goods sold amounts are usually maintained separately for each cost component—material, labor, burden, overhead, and subcontract. However, some companies consider the material cost for an end item to include all costs associated with purchasing or manufacturing components, as well as any direct material costs. To report all lower-level costs as material costs (as if all components were bought from outside suppliers), set this field to Yes.

Current Cost from AP. To update the current material cost when receiver matching is complete, set this field to Yes. When the invoice price differs from the purchase order price, the current material cost is adjusted.

Create GL Transactions. Indicate whether inventory activities create GL transactions. This field does not impact memo-item transactions.

Yes: All inventory issues, receipts, count adjustments, and transfers create GL transactions reflecting the change in inventory asset balances. In addition, any transactions that affect work-in-process inventory create GL transactions, including work order issues and receipts.

No: GL transactions are not created by any of these activities.

Companies using perpetual inventory accounting should set this field to Yes, taking advantage of the automatic journal transactions created by the system.

Companies using periodic inventory accounting normally set this to No. Entries are made manually.

Transfer Clearing Account. Specify the GL account code used to track transfers within the same company (entity). This field cannot be blank when multiple sites are defined. In a single-site environment, the Purchases account is used when this field is blank.

Mirror Accounting. If set to Yes, mirror accounts are used. Whenever an inventory transaction is processed, the system checks to see if mirror accounts are set up in Mirror Table Maintenance (3.20). If they are, the mirror GL transaction is created automatically. If set to No, mirror accounts are not used. Mirror accounting is used in some European countries.

Defining Work Order Control Settings

If you are reporting labor in the Shop Floor Control module, use Work Order Accounting Control (36.9.11) to specify when variances in labor and in burden rate and usage are posted. You can choose to calculate and post variances only when a work order is received or whenever shop floor labor feedback transactions are entered.

◆ See *User Guide: QAD Manufacturing* for more information on work orders.

Post variances at SFC. Indicate when labor and burden rate and usage variances are calculated and posted.

No: Variances are calculated and posted only when the work order is received. This reduces the number of variance transactions posted to the general ledger, particularly if many shop floor labor transactions are processed before material receipts are recorded.

Yes: Labor and burden rate and usage variances are posted whenever shop floor labor feedback transactions are entered.

Setting Up Departments

▶ See *User Guide: QAD Manufacturing* for more information on departments.

A department groups similar work centers. Set up departments so that you can review labor capacity and costing in a meaningful way.

Use Department Maintenance (14.1) to define departments and set up labor capacity and GL accounts for each department. Labor, burden, and cost of production are posted to the GL by department. Capacity Resource Planning (CRP) uses labor capacity to calculate capacity and load by department.

Setting Up Work Centers

▶ See *User Guide: QAD Manufacturing* for more information on work centers.

A work center identifies a group of resources (people, machines, production lines, and so on) that are capable of doing the same processes. Labor and burden rates are specified at the work-center level.

Use Work Center Maintenance (14.5) to define labor and burden rates. The fields that are of particular importance from a costing perspective are the following:

Machines/Op. Used in calculating burden costs. This value indicates the number of machines at this work center that can work at the same time to process a given operation. The setup labor rate is multiplied by this number to determine the machine burden from setup cost.

Machine Burden Rate. Used in calculating burden costs. This is the burden rate per hour applicable to machine run time and setup at this work center. Standard machine burden cost at the operation is calculated as:

*(Setup Time / Order Quantity * Routing Machines per Op + Run Time) * Work Center Machine Burden Rate*

Setup Rate. The standard hourly labor rate for personnel who perform setup functions in the work center. Used in calculating labor and labor burden.

Labor Rate. The standard hourly labor rate for personnel who run operations at this work center. Used in calculating labor and labor burden.

Labor Burden Rate or Percentage. The labor burden rate or percentage per hour applicable to both setup and run time at this work center. Used in calculating labor burden.

Defining Item Costs

Use Item Cost Maintenance (1.4.9) to enter cost information for purchased material directly into either the current or GL cost sets. Use Item-Site Cost Maintenance (1.4.18) if you have multiple sites. You can also enter material, labor, and burden costs for manufactured items if product structures or routings have not been entered.

▶ See *User Guide: QAD Master Data* for more information on items and sites.

You can use Item Master Maintenance to enter all data pertaining to an item, including cost, inventory, shipping, and item planning data.

Note Other than overhead cost, you should not enter costs manually for manufactured items, only purchased items. If you do enter costs for manufactured items, you cannot use the roll-up functions to update these costs.

The site associated with an item in Item Master Maintenance (1.4.1) is considered the primary site. However, you can create different cost records for any site. Use the item-site programs to enter and maintain data for items at sites other than the primary site.

If you are using the Cost Management module, one site can be used as the source for GL costs of items held in inventory at multiple sites. This eliminates the need to set up duplicate GL cost records for the same items at all sites. When GL costs are updated at the source site, the system automatically updates costs at the linked sites. See “Cost Linking” on page 219.

Entering Item Costs

- 1 In Item Cost Maintenance, Item-Site Cost Maintenance, or Item Master Maintenance, enter the item number and move through the screens until you reach the Current Cost Data frame.

It is recommended that you initially enter costs in the current cost set so that the GL is not affected. If you change the GL cost set and have inventory on hand, inventory is revalued in the GL.

2 Enter purchased material costs in the this-level field of the current cost set.

3 Enter the overhead cost, if any, for the item.

Overhead can be assigned to cover the expense of purchase operations, which can then be recovered as fixed overhead on all purchased items based on a percentage of their cost.

Overhead cost can be maintained manually for each item, or by assigning it as a percentage of other cost categories using Item Overhead Cost Update (1.4.21). See “Updating Burden and Overhead Costs” on page 204.

Effect of Purchase/Manufacture Code on Cost

In order to roll up costs correctly for manufactured items, the Purchase/Manufacture code must be set to M (Manufactured), L (Repetitive line), W (Flow), or R (Routable).

If the Purchase/Manufacture code for a manufactured item is incorrectly set to P (Purchased) or D (DRP), all lower-level costs for material, labor, burden, overhead, and subcontract are set to zero. This occurs even when routing and product-structure cost rollups were performed. Additionally, this-level costs for labor and burden are zeroed out.

Effect of Phantoms

▶ See *User Guide: QAD Manufacturing* for more information on phantoms.

Phantom items are used in manufacturing to define items that are made and consumed in the production process without being kept in inventory. For example, a wire harness that exists only briefly on the assembly line as a separate subassembly is defined as a phantom. Phantoms can be defined as local, global, or both.

Global phantoms identify an item as a phantom on all bills of material. You can perform routing cost rollups on global phantom items. Only lower-level labor, burden, and subcontract costs of a global phantom item are included in the parent item’s cost when the product structure cost rollup is performed.

In some cases, a global phantom can also require the issue of work orders to build the item as a stockable item, such as a service part. If you need to build and stock a phantom item, the routing and product structure cost rollups calculate this-level costs correctly.

Local phantoms are treated like phantoms only in specific product structures. The use of local phantoms is discouraged because this-level labor and overhead costs for local phantoms roll up into the parent item's cost, causing manufacturing variances.

Effect of Item Planning Data

Material costs for product structures depend both on the quantity of each component used and on the scrap percentage and cumulative yield for the parent assembly. Products may have less than 100% yield through operation processing. Item planning data can be set up to recognize expected yield. If components are scrapped during the assembly process, expected loss can be recognized by the component scrap factor in Product Structure Maintenance (13.5).

The material portion of the Product Structure Cost Report (13.12.4) shows the impact of the component cost, scrap percentage, and yield.

Example Standard purchase cost for an item is \$.05, but its 5% scrap percentage results in a total component cost of \$.05555556 ($$.05 / [100\% - 5\%]$ or $.05/.95$). Similarly, the sum of all components in a product structure (1.38) is divided by the inspection yield percentage (80%) to arrive at the total material cost (1.725).

Maintaining Item Costs

The system automatically posts labor, burden, and subcontract costs to this-level and lower-level item cost fields when you run Routing Cost Roll-Up (14.13.13) and Product Structure Cost Roll-Up (13.12.13). The system also rolls up lower-level material cost, assuming that the current or standard purchase price for an item has been added as a this-level material cost.

▶ See *User Guide: QAD Manufacturing* for more information on routings.

Defining Routings

Routings define the steps that a product passes through during the manufacturing process. A routing consists of one or more operations—steps needed to manufacture an item.

For costing purposes, routings provide the following information:

- Manufacturing setup and run times per operation
- Machines per operation
- Operation yield percent or yield at each operation
- Subcontract cost, if any, per unit

Each routing operation is associated with a particular work center, so it is not necessary to enter labor or burden rates for each operation.

Standard Operations

When routings share one or more operations that are essentially the same, you can create template steps called standard operations. The standard operation feature is a particularly useful tool for manufacturers. In many companies—even those that make to order—the same operations occur in more than one routing.

Use Standard Operation Maintenance (14.9) to set up standard operations. When you create a new routing operation, automatically copy the standard operation data to the routing by referencing the standard operation code. If you edit the standard information, the changes apply only to the new routing, not to the standard operation you copied.

When a standard operation is referenced on a routing, the routing cost rollup uses the standard operation data when calculating costs.

Routings and Processes

You can use three programs to create routings or processes.

- Typically, you define routings in Routing Maintenance (14.13.1) where production run time is expressed as the average time required to manufacture a single unit.

- Use Routing Maintenance (Rate Based) (14.13.2) in a high-volume production environment where run time is expressed in terms of an hourly production rate.
- Use Process Definition Maintenance (15.13) when run time is expressed as the average time to process an entire batch.

Subcontract Cost in Routings

Subcontract costs are entered in the routing at the subcontract step or operation. The cost is entered as the standard charge per unit from your subcontract supplier for performing the work. You can have multiple subcontract operations in a routing.

Actual management of subcontract processing requires that the work order be linked to a subcontract purchase order (PO) if you want to have charges applied to specific work orders. When the PO is received, the Inventory accounts are not affected. Instead, the standard subcontract cost is debited to Work in Process (WIP), and the PO amount is credited to PO Receipts. Any variance between the standard subcontract cost and the PO amount is calculated as a subcontract variance and posted accordingly.

If you open a subcontract PO and do not link it to a specific work order, then the subcontract cost is debited to Cost of Production instead of WIP.

Defining Product Structures or Formulas

Product structures attach component items to the parent item and define the quantity to use. The information in a product structure is used to calculate lower-level costs.

For costing purposes, product structures provide the following information:

- Component items and the quantity required to make one of the parent item
- Start and end effective dates for component items
- Structure types defining component/parent relationships
- Component scrap factor
- The operation number in the routing or process where the component is used

♦ See *User Guide: QAD Manufacturing* for more information on product structures.

Use Product Structure Maintenance (13.5) to identify raw materials or subassemblies required to produce a finished product or subassembly. Use Formula Maintenance (15.5) to identify ingredients or intermediates required to produce a finished product or intermediate.

Effective Dates

When components must be added or deleted from a product structure, you can manage this with start and end effective dates. You can specify when an old component will no longer be used in a product and when a new component is added. Product Structure Cost Roll-Up (13.12.13) can be performed as of a specific effective date, and most cost reports can be run by effective date as well.

Structure Types

Product structure relationships normally have a blank structure code and are used by manufacturing planning and control and product costing.

An X is a local phantom code and adds this-level cost to the parent item, as well as the component’s cost. A global phantom adds only lower-level costs to the parent. See “Effect of Phantoms” on page 192.

Table 4.3 lists structure type codes that exclude the cost of a component from the product structure’s cost rollup.

Table 4.3
Non-Costed
Structure Types

Code	Description
A	Alternate. Set by the system as an identifier for an alternate structure.
D	Document. Records miscellaneous expense items or documents associated with the product structure.
O	Option. An optional component. Normally defined using Configured Structure Maintenance (8.1), options may also be entered on planning bills.
J	Co-product/By-product. This structure type is set in Co/By-Product Maintenance (13.22.1). You cannot enter J in other product structure programs or modify a relationship of type J.
P	Plan. Planning bill used for multilevel master scheduling.

Scrap Factor

The scrap percentage is used to indicate the expected additional quantity of a component required to produce an item. Scrap is specified by component and is costed as:

$$\text{Component Cost} / (100\% - \text{Scrap}\%) * \text{Quantity Per}$$

Use scrap percentage carefully, especially on discrete items, since both Material Requirements Planning (MRP) and inventory backflush calculations use it. If you specify a 2% scrap rate on a discrete item—for example, an engine—and you have a requirement for 80 engines, the system calculates the demand quantity to be 81.6. To prevent decimal order quantities for discrete items, enter an order multiple in Item Planning Maintenance (1.4.7). Also note that component requirement and issue quantities are inflated when a scrap percentage is used.

Operation

You must specify an operation for components if you are using repetitive manufacturing or want to use component yield calculations.

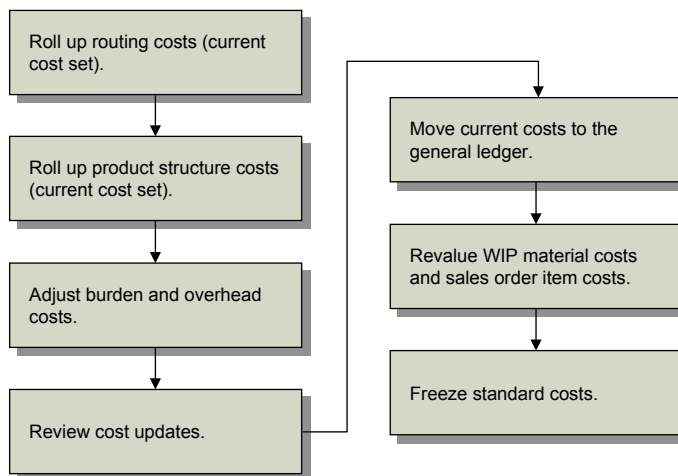
For repetitive environments, components are automatically backflushed (issued) when quantities for the parent item are reported in Advanced Repetitive or Repetitive reporting transactions. If a matching operation is not found, the component is not backflushed.

Entering an operation enables component yield cost calculations. Both Product Structure Cost Roll-Up (13.12.13) and Routing Cost Roll-Up (14.13.13) use this field when calculating material costs. If the operation yield is specified as less than 100% in an item's routing, then material costs are increased to reflect yield loss. If an operation is not defined, the system assumes components are issued at the first operation.

Product Costing Process

After you have defined item data, routings, and product structures, you can complete the product costing process. Figure 4.4 shows the steps for rolling up costs in the current cost set and using those costs to update the GL cost set.

Fig. 4.4
Product Costing
Workflow



You should roll up costs, make any adjustments, and review the updated costs in the current cost set. This lets you validate the updated costs prior to committing them as new GL standards.

Each step in the costing process is discussed in detail in the following sections.

- 1 Run Routing Cost Roll-Up (14.13.13), which does the following:
 - Totals the labor/machine hours and cost, subcontract cost, and burden cost
 - Computes the cumulative operation yield for a routing or routings
 - Posts the cost data to this-level labor and burden fields for the specified cost set

- 2 Run Product Structure Cost Roll-Up (13.12.13), which does the following:
 - Obtains purchased material and this-level labor and burden costs from the item master.
 - Performs the level-by-level computation of costs for the five cost set categories. Cumulative lower-level costs are posted for all cost categories at each assembly level.
- 3 Run Item Burden Cost Update (1.4.20) to adjust item burden costs. Run Item Overhead Cost Update (1.4.21) to adjust item overhead costs.
- 4 Use Product Structure Cost Report (13.12.4) to review product structure costs to identify any abnormalities such as product structure or routing errors. The report shows costs for an item and its components by structure level.
- 5 Use Cost Set Move to GL Set (1.4.22) to copy the approved current cost set to the GL cost set.
- 6 Once standard GL costs are established, use Cost Roll-Up Freeze/Unfreeze (13.12.1) to prevent the system from recalculating the costs the next time routing or product structures rollups are performed.
- 7 Use WIP Material Cost Revaluation (16.22) to revalue work-in-process material costs. Use Sales Order Cost Revaluation (7.1.12) to revalue line items in sales orders.

Rolling Up Routing Costs

Routing Cost Roll-Up (14.13.13) calculates the manufacturing costs, lead times, and total yield for one or more items at a particular site. Costs are calculated for each operation after accessing the item master, work center, routing, and standard operation data.

You can roll up either current or GL costs. The default is to roll up current costs. Although you can roll up GL costs when they change, it is safer to roll up current costs and then copy them to the GL.

Note If you are using cost linking in the Cost Management module, you must roll up costs in a GL cost set that uses the standard costing method. See “Effect of Linking on Routing Cost Rollups” on page 226.

Expected yield losses can be factored into cost calculations. The system computes the cumulative yield percentage based on multiplying together the operation yields for all operations. This value is posted to the item master and is used for material planning purposes. For example, yield percentages for a two-operation routing are both 90%, so the cumulative yield percent posted to the Yield% field in the item master is 81.00% ($.90 * .90$).

Note Only one field for run time exists on the routing. You cannot divide run time into machine run time and labor run time. For burden calculations, the machine and the labor are both assumed to be in use for the entire run time.

Recalculate manufacturing costs whenever work center rates, routings, or processes change.

Other important fields in Routing Cost Roll-Up are:

As of Date. Enter an effective date. Roll-up calculations only consider operations that are effective on the specified date. You can enter a question mark (?) to have the system use the current date. This lets you submit the selection criteria once and then run the same batch whenever a new cost rollup is required. Any time the batch is submitted, the system sets this field to the date the batch is run.

Roll-Up Labor Time, Setup Time, and Lead Time. Often, you should set these fields to No so that the manufacturing lead time entered in the item planning data is not overwritten. This should be discussed with the planners to determine how these fields should be set. The default is Yes.

Roll-Up Item Yield. When set to Yes, the system calculates yield based on operation yield. This value is posted to the item master and is used for material planning purposes. The order quantity planned is increased to cover the expected losses, which requires more components and production time.

Include Yield in Cost. If you set the Roll-Up Item Yield field to Yes, the operation yield can be calculated into the costs. Set Include Yield in Cost to Yes to include operation yield in the cost process or No to exclude it.

Roll-Up Labor, Burden, and Subcontract Cost. This-level costs can be rolled up for individual elements or for all elements—labor, burden, and subcontract. Normally, set these fields to Yes.

Update Items Without Routings. This field determines whether cost calculations include only those items with routings, or all items. Setting this field to Yes lets you clear costs associated with obsolete routings. For example, your company decides to stop making an item and acquire it from another source. Simply deleting the routing does not clear out all of the manufacturing costs. To reset those costs to zero, set this field to Yes and run the routing cost rollup. If this item is a component, also run the product structure cost rollup.

Update Items At This Site Only. You can include only those items that exist at the specified site in the cost rollup, or create cost details at the specified site for all items in the item number range regardless of whether the item is defined at the site.

Routing Cost Calculations

- Labor cost per operation

The total labor cost is the combined cost of setting up the operation and running it. Since setup time applies to the whole operation rather than per unit, setup time is divided by the item order quantity, then multiplied by the setup rate.

*Labor Cost = (Setup Hrs / Order Quantity * WC Setup Rate) + (Run Hrs per Unit * WC Labor Rate) / Item Yield%*

- Labor burden cost per operation

Burden costs apply to both setup and run time. Labor burden is calculated as a rate per labor hour and/or a percentage of total labor. Labor burden percent is most commonly used in a labor-intensive environment. Labor burden rates are commonly used in a high-volume production environment. Both types of burden can be applied—as a rate per hour and/or as a percentage of labor cost.

*Labor Burden Rate = [(Setup Hrs / Order Quantity + Run Hrs) * WC Labor Burden Rate] / Item Yield%*

*Labor Burden Percent = [(Setup Hrs / Order Quantity * WC Setup Rate) + (Run Hrs * WC Labor Rate) * WC Labor Burden%] / Item Yield%*

- Machine burden cost per operation

This is calculated based on the number of hours the machine is in use—both while it is being set up and while products are being run.

*Machine Burden Cost = (Std. Setup Hrs / Order Quantity * No. of Machines + Std. Run Hrs) * WC Machine Burden Rate / Item Yield%*

- This-level labor and burden cost

Labor and burden costs for each operation are simply added.

This Level Labor = Op 10 Labor + Op 20 Labor + ...

This Level Burden = Op 10 Burden + Op 20 Burden + ...

Rolling Up Product Structure Costs

Use Product Structure Cost Roll-Up (13.12.13) to update the costs of parent items based on the costs of their lower-level components. Each manufactured item has a standard product structure, formula, and/or co-product/by-product structure associated with it that describes the components or base process required to make the item.

Components have information for the quantity required, expected scrap percentage, and the operation where they are required. Purchased items have material and overhead costs. Manufactured items also have labor, burden, and subcontract costs. Product Structure Cost Roll-Up uses these costs to calculate total cost by item, and lower-level run and setup times.

The system displays a warning if you try to roll up an average current cost set, but allows you to continue. Rolling up average costs interferes with the averaging process. Although you can roll up an average current cost set, consider copying it instead. The system does not let you roll up an average GL cost set.

Note If you are using cost linking in the Cost Management module, you must roll up costs in a GL cost set that uses the standard costing method. See “Effect of Linking on Product Structure Cost Rollups” on page 225.

You can run a rollup for all items at a site, in one product line or all product lines, by item type or group, or for individual items.

Other important fields in Product Structure Cost Roll-Up are:

As of Date. The effective date is used to select parent/component relationships to update. Parent/component relationships are defined as effective over a period of time. Effective dates phase in engineering changes and maintain product structure history online. This lets you make changes to a product structure effective in the future, and then evaluate the cost effect of that change.

You can enter a question mark (?) to have the system use the current date. This lets you submit the selection criteria once and then run the same batch whenever a new cost rollup is required. Any time the batch is submitted, the system sets this field to the date the batch is run.

Low Level Material, Labor, Burden, Overhead, and Subcontract Cost. Set these fields to Yes to include lower-level costs in the cost rollup. Total cost includes all this-level and lower-level costs for an item.

Low Level Labor Time and Setup Time. Set these fields to Yes to include lower-level run times for manufactured items (not including global or local phantoms) in the cost rollup.

Print Audit Trail. A printed audit trail should normally be requested and filed. The audit trail prints a complete list of all changes made and can be used for reference should problems arise. When set to No, the system rolls up component costs, but does not produce a report of the actions taken.

Set Cost Update Field For All/Changed Only. You can update the costs for all items or only those items with cost changes. Setting this field to Changed Only provides a better audit trail of dates when costs change.

Include Yield%. Yield percentages from Routing Maintenance (14.13.1) can be used to calculate component costs. If set to Yes, component costs are adjusted to account for any yield percentage. This adjustment can be upwards (yield is greater than 100%) or downwards (yield is less than 100%).

Since you can use Product Structure Cost Roll-Up with simulated cost sets, you can set the options to provide only the output you require. See “Cost Simulation” on page 216.

Example You may want to determine the impact of changes in material cost only. Set the fields for other cost set categories to No so that the rollup only considers material cost changes.

Ideally, you run a rollup only when you know that material, labor, burden, overhead, or subcontract costs have changed. However, this is often difficult to determine. Consider running global rollups periodically for the current cost set to ensure that the top-level item costs are truly current. This is especially important if you have selected the average cost or last cost options in Inventory Accounting Control (36.9.2) or in Cost Set Maintenance (30.1) in the Cost Management module.

Note Roll up a copy of the current cost set if you are using the average cost method.

Updating Burden and Overhead Costs

You can calculate overhead and burden as a percentage of lower-level costs. This is useful for electronics manufacturers and other companies who calculate overhead and burden based on material cost rather than labor cost. Use the following programs to update burden and overhead:

- Use Item Burden Cost Update (1.4.20) to override item burden costs calculated in Routing Cost Roll-Up (14.13.13). You can change the burden cost for individual items, groups of items, or all items.
- Use Item Overhead Cost Update (1.4.21) to generate overhead allocations as a percentage of other costs.

You can test for the effect of a change in burden or overhead by simulating it. Do this by setting the Update field to No. The system calculates cost data using the specified parameters and prints a report, but does not actually update any cost fields.

Important Take care when making any global changes to ensure that only changes you want are made. Some items may have burden applied differently.

Calculate overhead and burden in three steps:

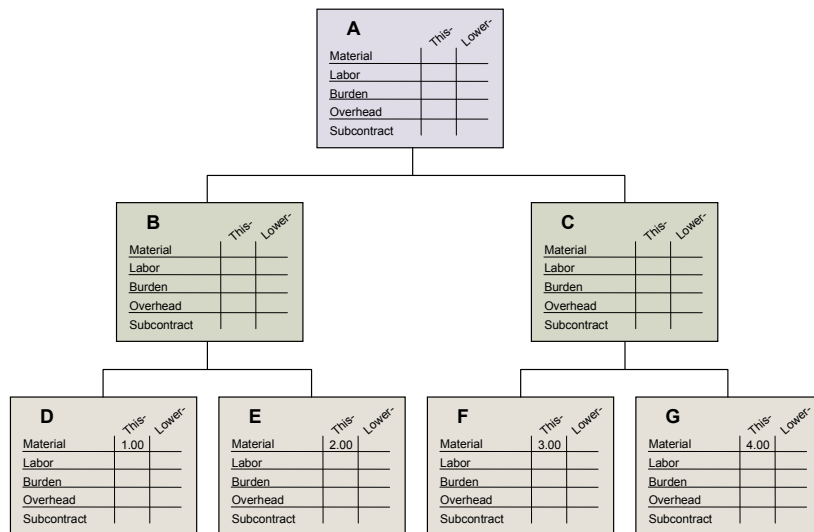
- 1 Roll up product structure costs to ensure that you calculate overhead from accurate lower-level costs. See “Rolling Up Product Structure Costs” on page 202.
- 2 Calculate this-level item overhead costs for the lower-level items by using Item Overhead Cost Update, or calculate this-level item burden costs by using Item Burden Cost Update.
- 3 Roll up the product structure costs again to add the calculated overhead to the lower-level costs.

The following example calculates overhead for a parent item with several components.

Example The product structure for item A, illustrated in Figure 4.5, consists of lower-level items B and C. The lower-level material costs originate in the components for B and C—items D, E, F, and G. This-level overhead is 150% of lower-level material cost. The lower-level material costs are:

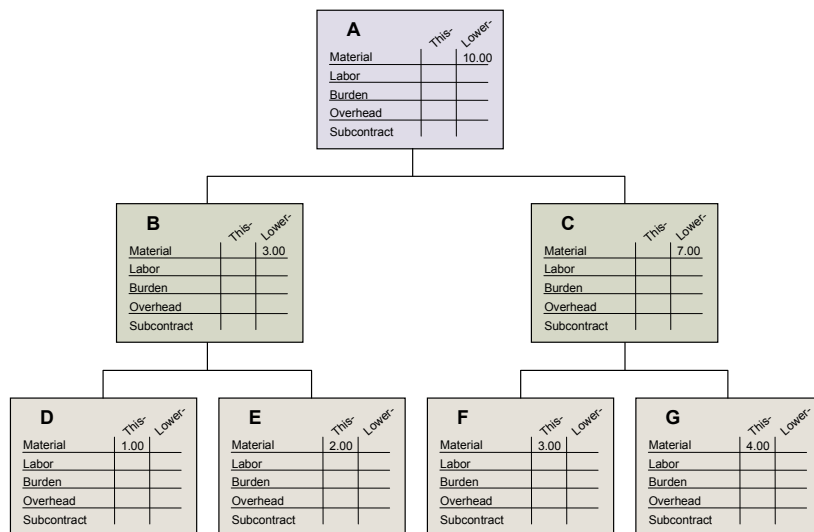
- Item D = 1.00
- Item E = 2.00
- Item F = 3.00
- Item G = 4.00

Fig. 4.5
Product Structure
for A



The first product structure cost rollup for item A calculates lower-level material costs of 3.00 for item B, 7.00 for item C, and 10.00 for item A.

Fig. 4.6
Results of First
Product Structure
Cost Rollup



In Item Overhead Cost Update, the material percentage is set to 150% and the other percentages to zero. Use This/Lower Level Costs is set to Lower Level.

Fig. 4.7
Item Overhead Cost
Update (1.4.21)

This calculation generates overhead costs of 4.50 (150% of 3.00) for item B, 10.50 (150% of 7.00) for item C, and 15.00 (150% of 10.00) for item A. Items D, E, F, and G have overhead costs of zero.

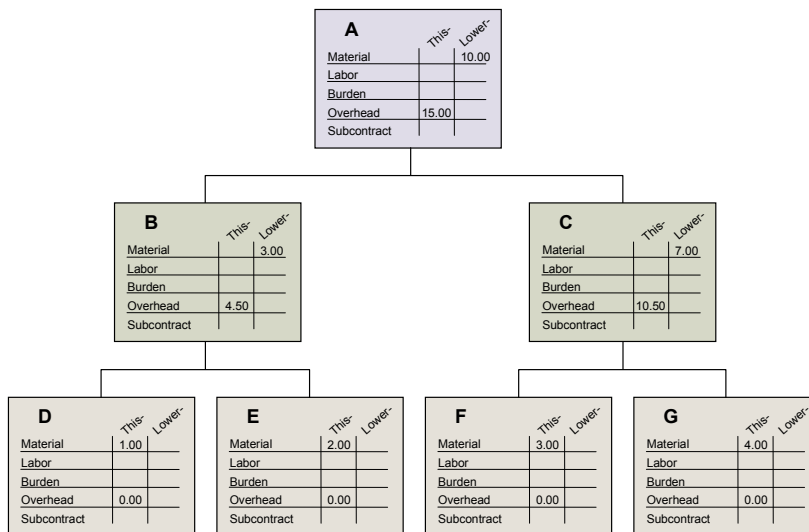
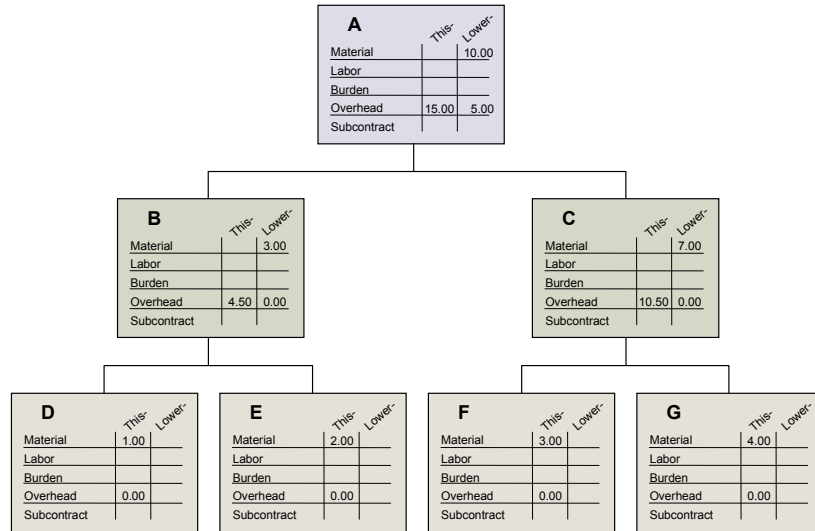


Fig. 4.8
Item Overhead Cost
Calculation

The second product structure cost rollup adds the calculated this-level overhead costs for items D and E to B, then the costs of F and G to C, then the costs of B and C to A.

Note You cannot calculate this-level costs for a specific cost element based on both this-level and lower-level cost elements in the same calculation. Calculate this-level costs first for the lowest level, then the next highest level, and so on. Since you must do lower-level and this-level cost updates separately, check each level before going to the next.

Fig. 4.9
Results of Second
Product Structure
Cost Rollup



Processing Considerations

Before running the calculation, consider the following:

- At which level will you calculate overhead? The lowest level parent item? The highest level parent item? The planning level? This decision varies from company to company.

It is important *not* to base costs indirectly on themselves. The previous example illustrates why you have to be careful. Item A has a lower-level overhead of 15.00 (4.50 + 10.50). However, Item Overhead Cost Update also calculated this-level overhead of 15.00 (150% of 10.00, the this-level material cost).

When you run the calculation for item A, you would calculate an overhead cost that is too high, unless you want the overhead for A to be 300% of 10.00. In a product structure with many levels, the inaccuracies would be even more striking. To prevent this, calculate costs from only one level.

- Which overhead percentage will you use for each level?

In the item burden and overhead cost update functions, the default percentage is 100%. When calculating lower-level costs, typically change this to 0%.

Moving Current Costs to the General Ledger

At least two cost sets are maintained for each item or item and site:

- The current cost set reflects today's cost for an item.
- The GL cost set is used for all general ledger transactions and inventory valuation for an item.

Update the current cost set during cost rollups first, verify the changes, and then copy the updated costs to the GL cost set.

Moving current costs can have significant effects on the general ledger. All changes to GL costs create a GL cost adjustment, updating the value of inventory.

Use Current Cost Set Move to GL Set (1.4.22) to copy data between the current cost set and the GL cost set. You can move the costs of all items, individual items, or groups of items. Optionally, you can specify a range of percentage difference in cost for which copying is allowed. You can also inhibit copying of one or more cost set categories.

This function is most commonly used only at regular, widely spaced intervals. At the beginning of the year, many companies set current and GL costs equal.

Fig. 4.10
Current Cost Set
Move to GL Set
(1.4.22)

Percent Change Allowed. Enter a percentage range of allowable cost differences between updated current costs and the previous GL costs. Only updated costs within this range are moved to the GL. To accept the movement of all costs, regardless of the difference from the previous GL costs, enter a question mark in this field and in the corresponding To field. To review cost changes without updating GL costs, enter zero in this field.

Copy Material Cost, Labor Cost, Burden Cost, Overhead Cost, and Subcontract Cost. Normally, set all fields to Yes. Each cost category is copied from the current cost set to the GL cost set, provided that the difference between the two total costs does not exceed the range specified in Percent Change Allowed.

Freezing GL Costs

After GL costs are established, you can prevent those costs from being recalculated the next time costs are rolled up. For example, you may want to set standard costs or create a reference cost set that does not change over a specific period. Any cost set can be frozen.

Freezing standard costs provides fiscal-year control over those costs. You can freeze approved or verified standard costs at the start of your fiscal year, and then track cost changes in variance accounts through the year. At the close of the fiscal year, copy the current cost set to the standard set.

Freezing costs also improves processing speed during cost roll-up calculations. After item costs are calculated and frozen, all subsequent cost roll-up calculations simply use the frozen cost.

Warning Freezing costs only prevents the system from recalculating costs. It does not prevent manual changes in item cost data maintenance functions, cost set copy functions, or operation cost calculation.

Run Cost Roll-Up Freeze/Unfreeze (13.12.1) to mark item costs for a cost set and site as frozen. You can freeze all items or groups of items. You can also selectively unfreeze items to allow cost updates only for the new or revised items.

Revaluing Costs

When costs change, sales order item costs and work-in-process (WIP) material costs are not revalued automatically.

Revalue Sales Order Costs

Use Sales Order Cost Revaluation (7.1.12) to change the sales order line-item cost when the prevailing GL costs are changed. Gross margin reports then reflect the proper difference between GL cost and selling price.

Since the system costs items for COGS purposes at the time of shipment, post any unposted invoices before running the cost revaluation program.

Revalue WIP Material Costs

Use WIP Material Cost Revaluation (16.22) to change the cost of material in work-in-process (WIP) when the prevailing GL costs are changed. You can control the revalue process by a range of accounts, sub-accounts, cost centers, projects, work orders, or item numbers. Specify the date for the GL transactions created, or use the default system date.

The output from the revaluation program is a two-part report. The first part shows the before and after data for all work order components regardless of whether cost changes were made. Part two shows the detailed GL transactions resulting from the revaluation.

Bill of material data might be needed if component quantity changed after the work order was created. Such changes create a usage variance during Work Order Accounting Close (16.21). The rate variance is computed as follows:

$$(NewFrozenMaterialCost - OldFrozenMaterialCost) * Quantity\ in\ WIP$$

Cost Management

You can use Cost Management functions to create and maintain an unlimited number of cost sets. Use additional cost sets to:

- Create and maintain different GL and current cost sets for each site and use different GL and current costing methods. Only one GL and current cost set can be active for each site.
- Establish cost planning sets to be automatically activated at specified dates to recognize expected material or other cost changes.
- Develop simulated item costs for planning purposes to evaluate the effects of differing scenarios, such as material price inflation, batch sizing, and labor or burden rate changes.
- Retain inactive cost sets for historical comparative purposes.
- Maintain frozen standard costs. Unlike GL costs, frozen standard costs do not change during the accounting fiscal year. Frozen costs and GL costs are identical at the beginning of the accounting year. The original standard costs at the start of a fiscal period can be retained as an historical cost set.

Cost Management also lets you create additional cost elements in the five cost categories—material, labor, burden, overhead, and subcontract. These provide additional reporting detail.

Creating Multiple Cost Sets

Multiple sets of costs can be maintained for any item, each identified by a cost set code. Data associated with a cost set code controls how these costs are updated and used.

Use Cost Set Maintenance (30.1) to set up GL, current, and simulation cost sets and to specify the costing method for each set.

Cost Set Type. Each cost set must be assigned one of three type codes, indicating its purpose.

GL: Cost sets of type GL, when associated with sites using Cost Set to Site Assignment (30.9), are used with GL transactions to value inventory and determine the cost of sales.

Current: Current cost sets are typically system maintained and used for reporting purposes.

Simulated: Simulated cost sets are for reporting only and are typically used for planning, developing new standards, or simulating the effects of a cost change. Simulated costs cannot be system maintained. You must maintain them manually using functions on the Cost Simulation Menu (30.13).

Costing Method. A costing method must be assigned to each cost set indicating how costs are defined and maintained. See “Cost Sets and Methods” on page 181.

Average: Costs are updated during item receipts and other inventory-related activities using a simple weighted-average calculation.

Standard: Costs are not updated automatically. Updates are performed manually and typically no more than a few times a year.

Last: Each item’s cost is equal to the unit cost from the last receipt or inventory update.

None: Costs are not updated automatically. They are maintained manually as needed.

The cost set type determines which costing methods can be used:

- For current costs, the cost method can be Average, Last, or None.
- For GL costs, the cost method must be Average or Standard.
- For simulated costs, the cost method defaults to None and cannot be updated.

After you have defined cost sets, you can assign them to separate sites using Cost Set to Site Assignment (30.9).

Important Only one active GL and one active current cost set per site are permitted. The system automatically updates average or last costs only for these two cost sets.

You cannot delete a cost set using Cost Set Maintenance, even if it was added by mistake. You must use Cost Set Delete (30.23) to delete all other cost information completely.

Multi-Element Costing

See “Cost Set Categories” on page 186.

Costs for an item are always separated into five categories—material, labor, burden, overhead, and subcontract. An unlimited number of cost elements can be created as subsets of these categories. Item costs can then be assigned to these cost elements.

The use of cost elements is optional. You only need to introduce cost elements when you want additional reporting detail. For example, a company may want to split material cost into foreign and domestic content. Another company might want to split material costs for purchased items into purchase price and freight.

If you are using the Logistics Accounting module, you need to set up separate cost elements used for inbound logistics charge accruals. The cost elements must be in the Material or Overhead cost categories.

Create new cost elements for GL and current cost sets using Cost Element Maintenance (30.17.1).

Fig. 4.11
Cost Element
Maintenance
(30.17.1)

The screenshot shows the 'Cost Element Maintenance' window. At the top, it says 'Cost Set: current' and 'Default Current Cost Set'. Below this, there is a 'Categories' tab. The main area contains a table with the following data:

Element	Category	Description
Material	Material	Material
Labor	Labor	Freight
Burden	Burden	Burden
Overhead	Overhead	Overhead
Subcontr	Subcontract	Subcontract

On the right side of the window, there is a list of categories: 1 - Material, 2 - Labor, 3 - Burden, 4 - Overhead, and 5 - Subcontract.

Every cost set starts out with five cost elements that match the cost categories. You can add others but you cannot delete these. Each of the cost elements you add must be associated with one of the five cost categories.

You can set up current and GL cost set with the same cost elements or each cost set can have its own set of cost elements, or each cost set can be set up the same. To use the same elements for all cost sets, enter the cost elements for one cost set, and then use Cost Element Copy (30.17.4) to copy them to the other cost sets. Additional elements can be added to these cost sets.

Entering Element Costs

After cost sets and elements have been created, you can enter costs. You can use Item-Element Cost Maintenance (30.17.5) to enter costs manually, or have the system calculate these costs based on other cost elements in the cost set.

Item-Element Cost Calculation (30.17.10) lets you calculate the value for a particular cost element as a percentage of one or more cost elements. For example, you can set up Freight as 10% of Domestic Material costs and 30% of Foreign Material costs. You can specify whether the system should calculate costs as a percentage of an item's this-level or lower-level costs.

The ability to calculate a particular cost element as a percentage of lower-level costs is especially important for companies that calculate fixed overhead as a percentage of total material costs.

Comparing Cost Sets

You can compare the active GL cost set with either simulated cost sets or historical GL cost sets. For example, you can compare Quarter 1/2000 with Quarter 1/2001. The system can retain an unlimited number of inactive cost sets and make comparisons among them, or between inactive and simulated cost sets. Use Comparative Cost Set Report (30.22) to compare cost sets.

Cost Simulation

Cost simulation functions let you set up different cost scenarios and test the impact of cost changes. Unlike the other cost rollup and update functions, cost simulation calculations look at an entirely different set of cost standards. You can set up different work center labor and burden rates, different subcontract operation costs, and different item material and overhead costs. Simulation roll-up functions use these costs rather than the standards.

Note The Cost Simulation menu does not let you modify current or GL cost sets. It is used only for simulations. This lets you set up menu security so that many users can have access to the simulation functionality, while only a few have the ability to actually affect the GL or current cost sets.

- 1 Create a simulation cost set.

Use Cost Set Maintenance (30.1) to define a simulation cost set with a Cost Set Type of SIM.

- 2 Copy costs to the simulation set.

Use Cost Set Copy to Cost Set (30.3) to copy user-specified item cost data for each cost element into the simulation cost set. Enter a question mark (?) in Percent Change Allowed to disable the check for percentage difference between the two cost sets.

- 3 Copy routing and work center data.

Use Item/Routing to Simulation Copy (30.13.23) to copy work center rates for labor, burden, and subcontract cost from user-specified routings into the simulation cost set.

This program creates direct item costs for material, labor, burden, subcontract, and overhead. Use Cost Set Maintenance to vary these costs by a positive or negative percentage.

- 4 Modify cost elements.

In the simulation process, you can split material or overhead into multiple elements. For example, divide purchase cost into two elements, material and shipping cost, so you can add and maintain amounts separately.

The cost of any sub-elements is added to existing direct material cost, so you first need to zero out any existing material cost. You can then use Simulation Cost Element Maintenance (30.13.1) to create the two new material elements. Enter costs for them with Simulation Item-Element Cost Maintenance (30.13.5).

5 Modify direct item costs.

Use Simul Item-Element Cost Update (30.13.8) to change item element or sub-element costs directly by a positive or negative percentage.

Example You identify TRANS as a sub-element of material cost. Examine the impact of a 10% increase in transportation cost by entering 10% in the Change field.

6 Modify work center rates.

Use Simul Work Center Rate Maintenance (30.13.13) to change labor, labor burden, or machine burden rates. You could, for example, evaluate the impact of a 15% increase in labor cost by multiplying the existing labor rate by 1.15 and entering that value for the labor cost element.

Note To examine the impact of improved efficiency for an operation, create an alternate routing with different standard hours rather than changing the labor rate.

7 Modify subcontract costs.

Use Simulation Subcontract Cost Maintenance (30.13.10) to change routing subcontract costs.

8 Roll up simulation costs.

Use Simulation Cost Rollup (30.13.18) to combine sub-elements before rolling up product structure costs.

9 Roll up simulation product structure costs.

Use Simulation Structure Cost Rollup (30.13.19) to roll up costs for the simulation cost set.

10 Review simulation cost set data.

You can perform this task several times depending on the number of changes you have made to costs and work center rates.

11 Copy work center and subcontract costs to your production database.

Use Simulation to WC/Routing Copy (30.13.22) to copy the work center and subcontract costs to the production database. Enter a question mark (?) in Percent Change Allowed to allow all changes.

The program copies the work center setup rate, labor rate, labor burden rate, machine burden rate, and labor burden percentage to user-specified work center records. It also copies subcontract costs to specified routings. Use Work Center Report (14.7) and Routing Cost Report (14.13.14) to verify that expected changes have been made.

12 Copy simulation costs to GL cost set.

Use Cost Set Copy to Cost Set to copy the simulation data into the GL cost set. Review the data with Cost Set Report (30.21) or Item Cost Report (1.5.6). The Item Cost Report shows both the current and GL cost data for items.

Cost Planning

You can phase in different GL cost sets by date. For example, you can change GL costs to reflect seasonal commodity price fluctuations.

1 Create a new cost set.

Suppose you experience a 10% cost increase in the first quarter. You can create a cost set with costs that are 10% higher than normal and name it 1st Qtr or whatever seems appropriate. Similarly, you might want to create a cost set for the third quarter (3rd Qtr) if costs for that quarter are expected to be less than normal.

If you have costs set up at multiple sites, the active GL cost set at all sites should use the same name.

2 Create a cost plan.

Use Cost Plan by Site Maintenance (30.15.1) to enter the cost set names you want to activate in the future and their start dates.

Figure 4.12 shows a plan with special costs for the first quarter. Standard costs display with Standard in the Cost Set field.

Fig. 4.12
Cost Plan by Site
Maintenance
(30.15.1)

Note The same cost set can appear more than once, as the standard cost set does. Setting up a cost plan does not actually make a cost set active with respect to GL transactions. It only provides Material Requirements Planning (MRP) and Master Production Schedule (MPS) with the costs to appear on costed reports.

3 Activate cost set.

Use Cost Plan by Site Update (30.15.3) to activate the cost set according to the cost plan. This program also changes the inventory to reflect the new costs and posts the cost revaluation amount to the general ledger.

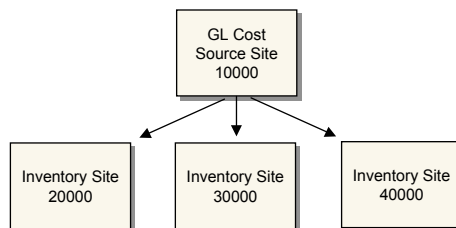
4 Revalue work-in-process (WIP).

Assuming that WIP exists, revalue it using the newly activated cost set with WIP Material Cost Revaluation (16.22).

Cost Linking

Linked-site costing functions let you specify default cost source sites for items held at multiple sites in one database. An *inventory site* is any site where items are held in inventory. Linking an inventory site to a primary costing site eliminates the need to set up duplicate GL cost records at all sites. This functionality only affects the active GL cost set. Current, simulated, and inactive GL cost sets are not affected.

Fig. 4.13
Inventory Sites
Linked to a Cost
Source Site



Linked-site costing is especially useful when items are held in inventory or manufactured at one primary site, but are also held or manufactured at secondary sites. You can also assign different primary sites for different product lines, item types, or Purchase/Manufacture code designations.

Updating the active GL costs at a cost source site triggers a cost adjustment (CST-ADJ) transaction for the item at any other inventory site linked to the cost source site.

Updating the active GL costs at a target site has no effect on the cost source site. No CST-ADJ transactions are created at a cost source site if a target site's GL cost set is updated.

Note You cannot use linked-site costing for a site if you use the average cost method for GL transactions, since the average cost calculation does not consider inventory at multiple sites.

An inventory site can be a cost source site or a target site, but not both for the same item. If an inventory site has been used as a cost source site for an item, it must remain a cost source as long as there are links to it from target sites. Conversely, an inventory site for an item cannot be a cost source site as long as it is a target site.

Site-Linking Rules

Use Linked-Site Rules Maintenance (30.18.1) to set up site-linking rules for inventory sites. The rules you set up here determine the default cost source site in Item-Site Cost Maintenance (1.4.18). These are defaulting rules for linked target sites, not strict data enforcement rules. You can change the GL cost source site for individual items.

Three site-linking rules determine the default GL cost source site for items:

- Linking rule 1 sets the inventory site as the default cost source site.

The inventory site is also the default site if you are not linking costs. However, if you implement linking rules, this setting lets you retain the inventory site as the default site for some item attributes, while linking other attributes to alternate sites.

For example, you may want to set up the inventory site as the default cost site for manufactured items (Purchase/Manufacture code M), and set up another site as the default cost site for configured items (Purchase/Manufacture code C).

- Linking rule 2 sets the site in Item Master Maintenance (1.4.1) as the default cost source site.

This setting lets you set up costing on a per item basis easily. For example, if your business manufactures an item at one site and distributes that item from several sites, you can set up the manufacturing site entered in Item Master Maintenance as the default cost source site for that item. This eliminates the need to set up separate GL standard costs for the same item at each distribution site.

- Linking rule 3 sets any site you designate as the default cost source site.

Important Set up linking rules for inventory sites only. To avoid setting up chained or circular links, do not assign linking rules to the cost source site. A warning message displays in Linked-Site Rules Maintenance, and the site code fails to default to the GL Cost Source Site field in Item-Site Cost Maintenance.



Fig. 4.14
Circular Link



Fig. 4.15
Chained Link

You can specify a default cost source site for all items at an inventory site, or you can associate a linking rule at an inventory site with one of the following item attributes:

- Product line
- Item type
- Purchase/Manufacture code

You can select only one item attribute for a particular inventory site. Existing linking rules for an item attribute must be deleted before you can associate a different attribute with an inventory site.

Example Linking rules for inventory site 20000 are associated with the product line attribute. Linking rules for the item type or Purchase/Manufacture code attribute cannot be assigned as long as the product line attribute is associated with the site.

This lets you determine different primary sites for different item classifications depending on your business requirements.

Fig. 4.16
Linked-Site Rules
Maintenance
(30.18.1)

Linking Rule	Default GL Cost Site
1	

Inventory Site. Enter the code for the site where inventory is held.

Item Attribute. Optionally enter an item attribute identifying the items to associate with linking rules. You can select according to product line, item type, or Purchase/Manufacture code. You can select only one item attribute for each site. Enter None, the default, to select all items without regard to attribute.

Linked Site Costing Active. Enter Yes to activate linked-site costing for this site. The default is Yes.

Item Attribute Code. If an attribute has been selected, enter the product line, item type, or Purchase/Manufacture code associated with the linking rule.

Warning It is possible to assign a blank value to product lines and other item attributes. Do not assign blank values if you use linked-site costing, since you cannot use blank to specify all other attribute values.

Linking Rule. Enter the linking rule to assign to this site. See “Site-Linking Rules” on page 220.

Default GL Cost Site. If you have selected linking rule 3, specify the default cost source site for items or designated item attributes.

Refreshing Cost Sets

Use Linked-Site Refresh Utility (30.18.5) to update the GL cost source site and GL cost set records after entering rules in Linked-Site Rules Maintenance. Running this utility creates CST-ADJ transactions for records that meet the range of criteria you specify and generates a report of updated GL costs for the selected criteria.

Linked-Site Refresh Utility

Linked-Site Refresh Utility: Go To ACTIONS

Inventory Site: 100 To: 10000

Item Number: To:

Product Line: To:

Item Status: To:

Item Type: To:

Pur/Mfg Code: To:

Delete Deactivated GL Costs: ☐

Summary/Detail: Detail

Update: ☐

Output:

Batch ID:

Fig. 4.17
Linked-Site
Refresh Utility
(30.18.5)

You can run a report at two levels of detail. A detailed report lists all old and new costs and cost source sites. A summary report provides only the cost source site changes. Set Update to No to generate a simulation report before running the refresh utility to show what records will be updated.

Because updates in systems with large volumes of data can be time consuming, consider running the refresh utility at the close of the day or whenever system resources are highest.

As part of the update process, you can also delete GL costs at inventory sites deactivated by linked-site costing by setting Delete Deactivated GL Costs to Yes. Deleted records are reported in detail only.

Important To facilitate GL cost set management with linked-site costing active, use the same active GL cost set name at all sites. Only deactivated GL costs with the active GL cost set name are deleted when Delete Deactivated GL Costs is Yes.

Defining Source Sites for Individual Items

You set up the rules that define the default cost source site in Linked-Site Rules Maintenance. However, you can change this value manually in the GL Cost Source Site field in Item-Site Cost Maintenance (1.4.18). Use this field to enter a valid site code to specify which site to set as the GL cost source site for any specified item. This lets you assign costs for any item from any valid designated GL cost source site. Access to this field can be security restricted.

Fig. 4.18
Item-Site Cost
Maintenance
(1.4.18)

The screenshot shows a software window titled "Item-Site Cost Maintenance". Below the title bar is a menu bar with "Item-Site Cost Maintenance:", "Go To -", and "ACTIONS ▾". The main area contains several input fields: "Item Number:" with a search icon, "Description:", "Unit of Measure:", "Inventory Site:" with a search icon, and "GL Cost Source Site:". Below these fields is a table with the following headers: "Element", "This Level", "Lower Level", "Total", "Pri Category", and "A/D". The "Pri Category" and "A/D" headers have small square icons below them.

For linked-site costing to function in Item-Site Cost Maintenance, the following must be true:

- Valid item, site, inventory, and GL standard cost information exists for the sites and inventory you want to link.
- Linked-site costing is active and linking rules are defined for the inventory site.
- The inventory site and the GL cost source site are in the same database.
- GL cost set costing method is not average for the cost source site or the inventory site.

- The GL cost source site is not linked to another cost source site.

Otherwise, the linking rule is not applied, you cannot update GL Cost Source Site, and the GL standard cost site and inventory site remain the same.

Item-Site Cost Relationships with Linking Rules

When linked-site costing is activated and an item at the inventory site is assigned GL standard costs from another site, other cost set information—including current costs, old GL costs, and simulated costs—remains associated with the inventory site.

Effect of Linking on Product Structure Cost Rollups

Product Structure Cost Roll-Up (13.12.13) uses the costs of an item's components and any subassemblies to calculate this-level and any lower-level costs.

When cost linking is used, the target site is linked to the source site for active GL costs only. Product Structure Cost Roll-Up recognizes the links for any GL cost set using the standard costing method, regardless of whether the cost set is active or inactive. Since you cannot take advantage of cost linking using a simulation cost set, you should set up an inactive GL standard cost set and use it to prepare costs for future periods instead.

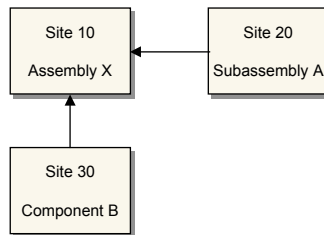
Important Product Structure Cost Roll-Up does not recognize links when the rollup is performed for current or simulation cost sets. In order to roll up costs correctly for linked items, you must use a GL standard cost set.

When items are linked, the system uses the cost set specified at the GL cost source site to find the cost. If the GL cost record does not exist at the source site, costs are not created and a zero cost value is used for the linked item.

Performing a product structure cost rollup at one site does not roll up costs for a linked subassembly at another site. The GL cost for the subassembly at the source site is used to calculate the parent item's cost at the inventory site.

Example Figure 4.19 shows that assembly X at Site 10 uses subassembly A, manufactured at site 20, and component B, held at site 30. Site 20 is the cost source site for subassembly A and site 30 is the cost source site for component B.

Fig. 4.19
Example of Cost
Rollup with Linked
Costs



At site 20, costs are rolled up for subassembly A in the current cost set and then the updated costs are moved to the GL standard cost set. Updating the GL cost set at site 20 automatically updates the linked GL cost for subassembly A at target site 10. Similarly, updating the GL cost of component B at site 30 automatically updates the linked cost at site 10.

Since assembly X contains linked items, its cost at site 10 must be rolled up for the active GL standard cost set. The system locates the GL cost for subassembly A at site 20 and component B at site 30. These costs are used in the cost calculation.

Effect of Linking on Routing Cost Rollups

Routing Cost Roll-Up (14.13.13) calculates this-level manufacturing costs, lead times, and total yield for an item at a particular site.

If a GL standard cost set is specified for the rollup, then:

- The routing cost rollup does not update this-level costs if the item at the rollup site is linked.
- Lead time and yield for all selected items are calculated whether they are linked or not.
- The operation cost calculation recognizes linked costs.
- Updating the active GL standard costs at a cost source site automatically updates the costs at target sites.

Important Routing Cost Roll-Up does not recognize links if the rollup is performed for current or simulation cost sets. In order to roll up costs correctly for linked items, you must use a GL standard cost set.

As with product structure cost rollups, Routing Cost Roll-Up recognizes the links for any GL cost set using the standard costing method, regardless of whether the cost set is active or inactive. This lets you roll up costs in an inactive GL cost set used to prepare costs for future periods.

Cost Accounts

Transactions in several modules create GL transactions for accounts involved with item costing. This section summarizes these accounts.

Inventory Accounts

Cost Revalue. This account records the GL impact of item cost changes on inventory. When you change the GL costs for items using Item Cost Maintenance or Item-Site Cost Maintenance, the system automatically creates adjusting transactions. An increase in cost creates a debit to the Inventory account and a credit to the Cost Revalue account.

Note GL item cost changes do not automatically revalue material in WIP. Use WIP Material Cost Revaluation (16.22) to revalue this material.

Inventory. Use this account to maintain inventory value. Inventory accounts can be different for each product line, site, and location within each site. If site/location Inventory accounts are specified, all inventory transactions use them. Otherwise, the product line Inventory accounts are used.

Transactions affecting Inventory accounts include purchase order receipts, work order issues/receipts, sales order shipments, physical inventory counts, and manual inventory transactions. Each transaction affects inventory by creating a GL transaction that either debits or credits the account value.

Inventory Discrepancy. Use this account to post the value of cycle counts or physical inventory differences. Positive count adjustments debit the Inventory account and credit the Inventory Discrepancy account. Negative count adjustments do the reverse.

Purchasing Accounts

Accounts Payable Rate Variance. This account records variances between supplier invoice and purchase order price. If the invoice is higher, this account is debited in addition to the Purchase Order Receipts account to balance the credit to the Accounts Payable account.

Accounts Payable Usage Variance. This account records variances between the quantity on a supplier invoice and received quantity. A positive variance (invoice quantity larger than received quantity multiplied by the invoice unit price) is debited to this account to offset the higher than expected invoice amount credited to the Accounts Payable account.

Overhead Applied. This transaction applies to both purchase order and work order receipts whenever the standard cost includes overhead. When receipt transactions are made, the system credits this account and debits Inventory for the this-level overhead amount.

Purchase Order Receipts. This account records purchase order receipts before receipt of a supplier invoice. The Inventory account is debited for the GL cost of the item less any overhead amount multiplied by the quantity received. This account is credited for the purchase order price times the quantity received.

Purchase Price Variance. This account records the variance between the GL cost of an item less any overhead and the purchase order price. When a purchase order item is received, the system creates a debit to Purchase Price Variance in addition to a debit to Inventory if the PO price is higher. It does so to balance the credit to Purchase Order Receipts.

Sales Accounts

Five accounts contain the standard portion of Cost of Goods Sold (COGS).

- COGS Burden
- COGS Labor
- COGS Material
- COGS Overhead
- COGS Subcontract

For each shipment, the Inventory account is credited for the total GL cost of the item times the quantity shipped and debited for the appropriate COGS portion.

Work Order Accounts

Labor. This account records labor cost for a department based upon standard hours reported at the work center labor rates. When labor is reported in the Repetitive and Shop Floor Control modules, the following types of transactions are made using the standard hours earned multiplied by the work center labor or setup rate.

Setup and Run Labor		Downtime	
Debit:	Work in Process (Standard Labor + Burden)	Debit:	Cost of Production (Standard Labor + Burden)

Table 4.4
GL Transactions
Generated by Labor
Reporting

Labor Rate Variance. This account records variances resulting from a difference between the actual employee pay rate and the standard work center labor rate. This variance is calculated as:

*(Actual Labor Rate – WC Labor Rate) * Actual Hours*

At posting, a positive variance (unfavorable) is debited to the Labor Rate Variance account and credited to WIP.

Labor Usage Variance. This account records variances resulting from a difference between the actual hours needed to complete an operation and the standard hours. This variance is calculated as:

*(Actual Hours – Std. Hours) * WC Labor Rate*

Where:

*Std. Hours = Run Hours / Unit * Number of Units Completed*

At posting, a positive variance (unfavorable) is debited to the Labor Usage Variance account and credited to WIP.

Note Both labor rate and usage variances are normally posted at the same time as labor. However, if Post Variances at SFC is No in Work Order Maintenance (16.1), variance posting is delayed until work order receipt. Delaying posting can be useful if an operation requires more than one shift to complete.

See “Defining Work Order Control Settings” on page 189.

Burden. This account records the variable overhead associated with production operations. The Burden account is used to accumulate accrued burden for a department. Each operation may have labor burden and/or machine burden depending on how variable overhead is applied. Machine burden is applied as a machine hour rate. However, labor burden can be applied either as a labor burden rate or as a percentage of direct labor cost.

The standard hours reported are multiplied by the standard work center labor or machine burden rate.

- Labor Burden using Labor Burden Rate:

$$\text{Labor Burden} = (\text{Std. Setup Hrs.} / \text{Order Qty.} + \text{Std. Run Hrs}) * \text{WC Labor Burden Rate}$$

- Machine Burden using Machine Burden Rate:

$$\text{Machine Burden} = (\text{Std. Setup Hrs} / \text{Order Qty.} * \text{No. of Machines} + \text{Std. Run Hrs.}) * \text{WC Machine Burden Rate}$$

Note This option assumes that the machine hour rate applies to both setup and run. If this is not true, create a separate setup operation that has zero run hours per unit.

- Labor Burden Percentage:

$$\text{Labor Burden} = (\text{Std. Setup Hrs.} * \text{WC Setup Rate} * \text{Labor Burden\%}) + (\text{Std. Run Hrs.} * \text{WC Labor Rate} * \text{Labor Burden\%})$$

Burden Rate Variance. This variance applies to burden application using burden rate percentage. It requires the actual employee labor rate.

$$\text{Burden Rate Variance} = \text{Labor Burden\%} (\text{Actual Labor Rate} - \text{WC Labor Rate}) * \text{Actual Hrs.}$$

Burden Usage Variance. This variance applies to burden calculated by any of the three allocation methods—burden rate, burden percentage, or machine hours.

$$\text{Burden Usage Variance} = (\text{Actual Hrs.} - \text{Standard Hrs.}) * \text{Standard Burden}$$

Note You can use any or all of the burden application methods to calculate standard burden.

Work in Process (WIP). WIP is the cost of open work orders. It includes the cost of component issues, labor, burden, and subcontract.

When labor is reported, WIP is debited and the Labor account credited for actual hours times actual labor rate. At posting, positive (unfavorable) labor rate and labor usage variance amounts are debited to the Labor Rate Variance account and credited to WIP. These transactions leave WIP at standard.

Cost of Production (COP). COP is the material or subcontract cost not associated with a work order and labor not associated with a work order or repetitive schedule.

- **Material and Subcontract Items.** The Cost of Production account is updated by unplanned issue transactions and purchase order receipts for subcontract items. For subcontract item receipts, when a work order ID is associated with the PO, the initial posting to COP is reversed and the purchase order price is posted to WIP. When work order ID is blank for the PO, the subcontract price remains in COP.
- **Labor.** Labor hours for maintenance, cleanup, meetings, and other labor reported in Non-Productive Labor Feedback (18.22.22) are charged to Cost of Production. The system creates a GL transaction that debits the COP account for the actual hours at the work center labor and burden rate and credits labor and burden absorption accounts.

Floor Stock. This is a clearing account for bulk issue items that are part of the product structure, but are not issued in the normal manner. These items are defined in Item Master Maintenance with Issue Policy set to No. They are issued to the floor using an unplanned issue transaction. However, the default Cost of Production account is changed to the Floor Stock account so that the material is not expensed. The issue transaction debits Floor Stock and credits Inventory. When a work order is closed, the cost of the bulk issue items is automatically credited to the Floor Stock account, and WIP is debited.

Material Rate Variance. This account records variances between costs of a component issued to the work order and the cost stored on the work order bill of material. This variance would occur if materials were issued from another company site with costs that differ from costs at the using site. The variance is computed when material is issued to a work order.

Note This variance is not a purchase price variance. That variance is posted to the Purchase Price Variance account.

Material Usage Variance. This account records variances in cost between the actual quantity of components issued and the standard quantity required. Since this variance is a function of the order quantity completed, this variance is not calculated and posted until Work Order Accounting Close (16.21). The system then credits WIP for a positive variance and debits Material Usage Variance.

Subcontract Rate Variance. This account records variances between the purchase order price and the standard subcontract cost for a routing operation. A positive rate difference multiplied by the quantity received at purchase order receipt is credited to WIP and debited to the Subcontract Rate Variance account.

Subcontract Usage Variance. This account records variances between the quantity of a work order operation invoiced by the subcontractor and the quantity completed at work order close. A positive quantity multiplied by the subcontract operation cost is debited to Subcontract Usage Variance and credited to WIP.

Method Variance. This variance is not computed directly but is derived after all of the variances attributable to known causes have been computed. Method variance can be caused by a variety of factors such as using a different work center, routing, or product structure. It is only computed after a work order is closed and is used to zero out work-in-process for the work order. Any positive balance in WIP is credited and debited to the Method Variance account.

Scrap. Cost of items reported as rejected at work order receipt. The total standard cost of these items multiplied by the quantity rejected is debited to Scrap and credited to WIP.

Costing Impact by Module

Costing interacts closely with several modules. This section summarizes these relationships.

Items/Sites. This module contains item master data used in some computations.

- Order/batch quantity
- Yield percent
- Site code
- Routing code
- Bill of material code
- GL cost set data
- Current cost set data
- Product line/account data

Order/batch quantity and yield percent are used in the cost computations. The routing code and bill of material code are optional fields where you can specify a default routing and BOM other than the same code as the item.

You can specify different characteristics for the same part at different sites using the item-site maintenance programs (1.4.16, 1.4.17, 1.4.18).

Items/Sites also maintains the product line records, which specify the default GL accounts—inventory, sales, purchasing, and work orders—for each product line at a site.

The system provides separate programs to make finer account distinctions:

- Use Purchasing Account Maintenance (1.2.5) to specify different accounts for purchases, applied overhead, PO receipts, PO price variances, and accounts payable variances by product line, site, and supplier type.
- Use Work Order Account Maintenance (1.2.9) to specify different accounts for floor stock, cost of production, WIP, and subcontract by product line and site.

- Use Inventory Account Maintenance (1.2.13) to specify different accounts for inventory, scrap, inventory discrepancy, and cost revalue by location at a site.
- Use Sales Account Maintenance (1.2.17) to specify different accounts for sales, sales discount, and COGS accounts by customer type and sales channel.

Configured Products. This module works with the Sales Orders/Invoices module to create unique product structures for individual sales orders. Once a configured item is constructed during order entry, the system accesses item master and product line data to determine and maintain the cost of the configured item for COGS purposes.

Cost Management. Use Cost Management to create multiple cost sets beyond the GL cost set and the current cost set provided with standard inventory functions. These cost sets can be GL sets, current cost sets, or they can be simulated cost sets. The system can access data from the item-site records, product structures, and routings/work centers in the development of various cost sets.

Flow Scheduling. This module lets you create flow scheduled orders and specify the sequence in which they are produced on a flow production line. Recording flow completions creates GL records for inventory receipts and issues on the associated system-maintained work order. The system uses item/site cost data to cost a GL debit or credit transaction.

Formula/Process. This module defines the contents of formula items in the same way as bills of material define fabricated and assembly items. The system uses content information, process definition data, and work center data to calculate level-by-level costs.

General Ledger. This module maintains GL transactions originating in other modules for financial reporting.

Inventory Control. This module creates GL records for receipts, issues, and cycle count adjustments. The system uses item/site cost data to cost a GL debit or credit transaction.

Kanban. This module lets you create kanban transactions that track the movement of items in and out of the production process. Kanban transactions create GL records for inventory receipts and issues. The system uses item/site cost data to cost a GL debit or credit transaction.

Physical Inventory. This module uses physical inventory counts to establish the new work-in-process and stocking location inventory balances. Costed item counts are used to determine the beginning GL amounts for the Inventory and Finished Goods accounts and inventory variance accounts.

Product Structures. This module creates and maintains multilevel parent/component relationships of manufactured products. Product structure rollup determines the item cost (GL, current, or simulated) by adding up purchased material costs and routing labor and overhead costs for each assembly level. The program posts cost data to this-level and lower-level buckets for the five cost categories in the cost set specified in the rollup.

Purchasing. This module provides the prices used to determine purchase price variances. Actual item costs can be used to compute average item inventory amounts. Users of the Accounts Payable module can include differences between invoice cost and purchase price in the average cost computation.

Repetitive and Advanced Repetitive. These modules let you charge labor, material, and burden costs for a repetitively planned item and accumulate data for the WIP and variance accounts. Work Orders and Shop Floor Control perform the same functions for work orders.

Routings/Work Centers. This module maintains the standard hours for setup and run time for manufacturing or subcontract operations used to make an item. The module also maintains the labor and overhead rates for cost centers where an operation is performed. This data is used to determine current costs and GL costs, and can also be used to create simulated costs.

Sales Orders/Invoices. This module provides shipping transaction data that results in GL transactions affecting inventory, accounts receivable, cost of goods sold, and sales accounts.

Shop Floor Control. This module lets you accumulate actual labor costs against work orders or downtime for the WIP account and assorted variance accounts.

Work Orders. This module lets you charge labor, material, and burden costs for a work order planned item and accumulate data for the WIP and variance accounts. The Repetitive and Advanced Repetitive modules perform the same function for repetitively planned items.

Generating Cost Reports

The system provides many cost-related reports to facilitate cost analysis. This section summarizes the types of available reports.

Accounts Payable

Table 4.5
Accounts Payable
Cost Reports

Report	Description
Matching Variance Report (28.2.7)	Shows the variance between an item's supplier invoice cost and either the standard cost or purchase order cost.

General Ledger

Table 4.6
General Ledger
Reports

Report	Description
GL Transactions by Account (25.15.1.2)	Provides posted transaction detail for the selected account or accounts for a specified effective date horizon.
Cost Center Trans Detail Report (25.15.3.2)	Lists posted cost center account activity.
Project Trans Summary Report, Project Trans Detail Report (25.15.3.3, 25.15.3.4)	Summary lists project activity over a period. Detail also lists individual transactions.

Inventory

Table 4.7
Inventory Reports

Report	Description
Average Cost Accounting Report (3.21.17)	Lists transactions involving average cost computations. Quantity, unit cost, and inventory value data are shown for the beginning balance data, the change data, and the ending balance data.
Item ABC Status Report/Update (3.6.3)	Calculates item ABC class codes. Lists items in either descending sales or issue value, and shows an item's old and new ABC classifications.
Current Surplus Inventory Report (3.6.8)	Lists current surplus quantities and GL value of items. Surplus is determined by absence of issue activity after a user-specified date.
Projected Surplus Inventory Report (3.6.9)	Lists projected surplus inventory based on either MRP requirements or average use. Choose either current cost or GL cost for surplus cost computations.
Inventory Valuation (3.6.13, 3.6.14, 3.6.15)	Lists inventory valuation for a product line or lines, or for sites and locations.
Transactions by Order Report (3.21.13)	Shows transaction information for selected orders (work orders, sales orders, and so on).
Transactions by Item Report (3.21.14)	Shows transaction information for selected item numbers.
Transactions Accounting Report (3.21.16)	Shows the costed GL transactions created for each selected inventory transaction.
Frozen Inventory Valuation Report (3.16.16)	Shows costed inventory balances prior to conducting a physical inventory.
Tag Inventory Valuation Report (3.16.17)	Shows the value of counted inventory.
Inventory Variance Report (3.16.18)	Shows the variance between physical counts and the frozen inventory count.

Items

Table 4.8
Item Cost Reports

Report	Description
Item Cost Report (1.5.6)	Shows item cost information for current and GL cost sets for each site and product line, as well as for other cost sets created with Cost Management.
Product Structure Cost Report (13.12.4)	Shows costs for an item and its components by structure level.

Manufacturing

Table 4.9
Manufacturing Cost
Reports

Report	Description
Operations Accounting Report (16.20.13.10)	Shows the GL transactions resulting from discrete manufacturing downtime and labor transactions.
Rep Operations Accounting Report (18.4.10)	Shows the GL transactions resulting from repetitive work order downtime and labor transactions.
Down Time Report (16.20.13.16)	Shows transactions for each work center or machine in transaction sequence by date. Total downtime for each work center is shown for the specified period.
Down Time by Reason Report (18.4.6, 16.20.13.17, 18.22.4.7)	Shows downtime transactions for each reason code. The system charges downtime to the Cost of Production account. Use Operations Accounting Report (17.13.10) to list details on the GL transactions for the COP account.
Efficiency by Work Center Report (18.4.23, 18.22.4.24, 16.20.13.19)	Shows setup and run efficiency by work center.
Efficiency by Work Order Report (16.20.13.20)	Shows setup and run efficiency by ascending work order number.
Efficiency by Employee Report (18.4.22, 18.22.4.23, 16.20.13.21)	Shows the setup and run efficiency for all setup and run transactions for an employee during a specified period.
Routing Cost Report (14.13.14)	Provides a detailed cost record for a routing. It shows cost detail for each operation in the routing, and total labor, burden and subcontract costs.
Work Order Cost Report (16.3.4)	Provides a detailed cost record for a work order while it is in process and after it has been closed. It shows cost detail for material by component and labor operation detail, labor burden, and subcontract costs.
Work Order WIP Cost Report (16.3.5)	Shows the accumulated amounts for material, labor, burden, and subcontract cost for a work order for each WIP account, sub-account, cost center, and project. A similar report, Repetitive WIP Cost Report (18.4.12), is available for repetitive WIP costs.
Work Order History Report (16.3.6)	Shows the current status of a work order in terms of schedule, material consumed, and labor expended.

Purchasing

Report	Description
Purchase Order Commitment Report (5.9.4)	Shows the commitment to suppliers for open purchase order line items. Blanket orders are not included in this report.

Table 4.10
Purchasing Reports

Sales Orders

Report	Description
Sales Order Gross Margin Report (7.15.5)	Shows the gross margin for all open sales order item quantities by line item and order. Order totals are shown for the extended price and gross margin.

Table 4.11
Sales Order Cost Reports

Cost Management Reports

Report	Description
Simulation Cost Element Report (30.13.3)	Shows cost elements for selected cost sets.
Simul Item-Element Cost Report (30.13.7)	Shows direct item costs by part number for selected cost sets.
Simul Subcontract Cost Report (30.13.12)	Shows subcontract costs by routing code and operation for selected cost sets.
Simul Work Center Rate Report (30.13.15)	Shows work center rates by work center for setup and run labor and burden cost elements for selected cost sets.
Cost Set Report (30.21)	Lists this-level and lower-level costs by category and total item cost for part numbers in cost sets at selected sites.
Comparative Cost Set Report (30.22)	Lists costs by cost element category and total cost for each part number in a selected cost set. The percent difference is shown for each element and for the total unit cost.

Table 4.12
Cost Management Reports

Chapter 5

Fixed Assets

This section introduces the features of the Fixed Assets module and details the setup tasks you must complete before you can begin using Fixed Assets. It also describes how to create, manage, and maintain fixed assets, and provides a description of fixed assets reports.

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Asset Owned Report **324**

Other Fixed Assets Reports **326**

Introduction

Fixed assets are tangible assets that a business uses to produce income. Fixed assets represent a substantial financial investment for a business. The costs of acquiring, maintaining, insuring, and replacing fixed assets, along with depreciation, can have a substantial impact on both financial statements and tax liabilities.

▶ See *User Guide: QAD Financials A* for information on General Ledger.

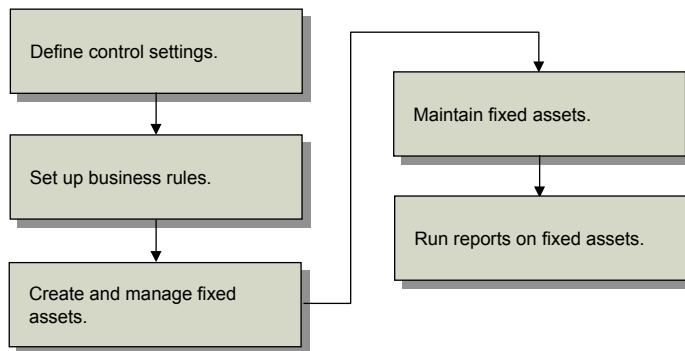
Use Fixed Assets (FA) to set up, maintain, transfer, and retire your company's fixed assets. The Fixed Assets module is integrated with the General Ledger module.

Often, depreciation is calculated one way for internal reporting and another way for tax purposes. Using Fixed Assets, you can set up asset records specifying how depreciation is calculated for each kind of reporting. Depreciation is calculated using either equations or tables. Conventions can be used in conjunction with equations for depreciation calculations in the first, last, and disposal years of an asset life.

Fixed-Asset Workflow

Figure 5.1 summarizes the steps for setting up and managing your company's fixed assets.

Fig. 5.1
Fixed-Assets
Workflow



Control Settings

Setting up the control program defines system-wide parameters for Fixed Assets. You specify:

- If asset IDs are generated by the system or assigned manually
- If the system creates summary or detailed journal entries for fixed-asset general ledger (GL) transactions

See “Setting Up Control Parameters” on page 253 for details.

Business Rules

Setting up business rules lets you define your accounting needs and customize Fixed Assets to meet your specific needs. Business rules provide defaults for assets entered in Fixed Asset Maintenance (32.3) and Fixed Asset Batch Maintenance (32.7).

See “Setting Up Business Rules” on page 254 for details.

Create and Manage Fixed Assets

You can enter fixed assets into the system individually or in a batch. See “Creating and Managing Fixed Assets” on page 283 for details.

After you create assets you can perform the following tasks:

- Maintain asset account information.
- Retire or transfer an asset.
- Enter asset comments.
- Maintain user fields for customizations.
- Maintain insurance data.
- Adjust depreciation books.
- Adjust posted depreciation.
- Maintain book detail.
- Maintain information for the units-of-production depreciation method.
- Maintain information about asset components.
- Divide an asset into two separate assets.

- Retire or transfer a group of assets.

Maintain Fixed Assets

You can post general ledger (GL) entries for acquisitions, depreciation expenses, transfers, retirement of assets, and adjustments. You can also correct any GL errors by creating reverse GL transactions for the original GL entries.

At period or year end, you can optionally delete/archive retired assets. See “Maintaining Fixed Assets” on page 319 for details.

Fixed-Asset Reports

You can run fixed-asset reports that provide accounting and management information. The following reports are included in Fixed Assets:

- Periodic Activity Report
- Depreciation Adjustment Report
- Acquisition Report
- Depreciation Expense Report
- Asset Depreciation Array Report
- Asset Owned Report
- Primary Book Activity Report
- Primary Book Acquisition Report
- Primary Book Retirement Report

See “Other Fixed Assets Reports” on page 326 for details.

Fixed-Asset Programs

Fixed Assets consists of the following programs.

Table 5.1
Fixed-Asset
Programs

Menu Number	Description	Program
32.1.1	Method Maintenance	famtmt.p
32.1.2	Method Report	famtrp.p
32.1.5	Fixed Asset Calendar Maintenance	facalmt.p

Menu Number	Description	Program
32.1.6	Fixed Asset Calendar Report	facalrp.p
32.1.9	Book Maintenance	fabkmt.p
32.1.10	Book Browse	fabr012.p
32.1.13	Fixed Asset Location Maintenance	falcmt.p
32.1.14	Fixed Asset Location Report	falcrp.p
32.1.17	Class Maintenance	facldmt.p
32.1.18	Class Report	facldrp.p
32.3	Fixed Asset Maintenance	fafamt.p
32.4	Fixed Asset Browse	fabr019.p
32.5.1	Periodic Activity Report	fapaderp.p
32.5.3	Depreciation Adjustment Report	faajrp.p
32.5.5	Acquisition Report	faaqrp.p
32.5.7	Depreciation Expense Report	faderp.p
32.5.9	Asset Depreciation Array Report	fadar.p
32.5.11	Asset Owned Report	faaorp.p
32.5.13	Primary Book Activity Report	fapaderp.p
32.5.15	Primary Book Acquisition Report	faacqrp.p
32.5.17	Primary Book Retirement Report	faretrp.p
32.7	Fixed Asset Batch Maintenance	fabchmt.p
32.8	Fixed Asset Batch Report	fabchrp.p
32.11	Fixed Asset Meter Maintenance	famtrmt.p
32.12	Fixed Asset Meter Report	famtrrp.p
32.13	Fixed Asset Transaction Post	fapsmt.p
32.14	Fixed Asset Transaction Void	favdmt.p
32.16	Fixed Asset Transfers	fatrmt.p
32.17	Fixed Asset Transfer Report	fatrrp.p
32.19	Fixed Asset Retirements	fartmt.p
32.20	Fixed Asset Retirement Report	fartrp.p
32.23	Retired Asset Delete/Archive	fartup.p
32.24	Fixed Asset Control	fafapm.p
32.25.2	Fixed Assets Migration Utility	facvmt.p
32.25.3	Fixed Assets Migration Report	facvrp.p

Base Data

The Fixed Assets module requires base data set up in other modules. The base data includes the following:

- Entities
- GL daybooks
- GL accounts, sub-accounts, cost centers, and projects

Entities

An entity is an independent financial unit used for financial reporting. Define entities in Entity Create (36.1.1.2.1). You specify an entity for each fixed-asset location in Fixed Asset Location Maint (32.1.13).

In Fixed Asset Transaction Post (32.13), you create unposted GL transactions by entity. The user posting the transactions must have access to the entities in User Domain/Entity Access.

Each entity in a domain references cross-company accounts defined for the domain for tracking transfers of fixed assets between entities.

▶ See *User Guide: QAD Financials A* for details on defining cross-company accounts.

These accounts are only used when processing information for more than one entity in a domain. When a transfer transaction is processed referencing more than one entity, the system automatically creates the required intercompany balancing entries using the intercompany code associated with each entity.

Example A fixed asset that costs \$2,400 is being transferred from entity A to entity B. The total accumulated depreciation is \$2,000. The following GL transactions are created for entity A:

- Debit Accumulated Expense account \$2,000
- Credit Asset account \$2,400
- Debit Cross-Company Fixed Assets account \$2,400 using intercompany code for entity A
- Credit Cross-Company Fixed Assets account \$2,000 using intercompany code for entity A

The following GL transactions are created for entity B:

- Credit Cross-Company Fixed Assets account \$2,400 using intercompany code for entity B

- Debit Cross-Company Fixed Assets account \$2,000, using intercompany code for entity B
- Credit Accumulated Expense account \$2,000
- Debit Asset account \$2,400

Daybooks

Daybooks are used to group GL transaction for satisfying legal reporting requirements or for organizing GL reporting in a manner consistent with common business practices. Set up daybooks in Daybook Create (25.8.1.1).

You can specify a daybook in Fixed Asset Transaction Post and it is used as the default for FA transaction types and FA document types. All transactions created by Fixed Asset Transaction Post use this daybook.

If a default daybook is not defined for FA, the system daybook is used.

Accounts

Fixed Assets uses the following account data set up with functions on the GL Setup Menu (25.3):

- GL accounts
- Sub-accounts
- Cost centers
- Project codes

In Domain Create (36.1.1.1.1), you enter the GL intercompany account, sub-account, and cost center for tracking transfers of fixed assets between companies.

In Location Maintenance (32.1.13), you optionally enter a sub-account and cost center for each location.

In Class Maintenance (32.1.17), after maintaining the books, you set up default GL accounts for each class-book combination. Table 5.2 lists the account types you need to set up in Account Create (25.3.13.1).

Table 5.2
Fixed-Asset
Accounts

Account	GL Type	Category	Debit/ Credit	Description
Asset Account	Fixed Asset	Asset	Debit	Tracks the acquisition cost of a fixed asset.
Accumulated Expense	Standard	Liability	Credit	Tracks the amount of depreciation that has accumulated and been posted since the start of the depreciation calculation.
Periodic Expense	Standard	Liability	Debit	Tracks the amount of depreciation expense for the accounting period.
Construction in Process	Standard	Liability	Credit	Tracks the purchase cost of a fixed asset.
Gain on Disposal	Standard	Liability	Credit	Tracks gains from fixed asset disposal.
Loss on Disposal	Standard	Liability	Debit	Tracks losses from fixed asset disposal.
Asset Suspense	Standard	Liability	Debit	Tracks the remaining value of fixed asset when it is disposed.

In Fixed Asset Maintenance (32.3), you can modify the default account data for each individual asset. You can also add a project code.

Navigation

The Fixed Assets module contains navigation buttons for modifying information or accessing additional screens within a program. The buttons at the bottom of the screen include standard buttons and program-specific buttons. The standard buttons are:

- Update: Update, change, or correct an entry.
- Add: Add a new record.
- Find: Enter an ID to go directly to a record.
- Delete: Delete a record.
- End: Return to the previous function.

In the .NET User Interface, click the button to execute the associated function. In the character UI, use the arrow keys or tab keys to access the buttons and then press Enter or F1.

For keyboard navigation in the .NET UI, use the Tab key to move forward between the buttons and Shift+Tab to move backward. Press the spacebar to execute the function associated with the active button.

Note In the .NET UI, pressing Enter is the same as clicking Next. This typically has no effect when the buttons are active.

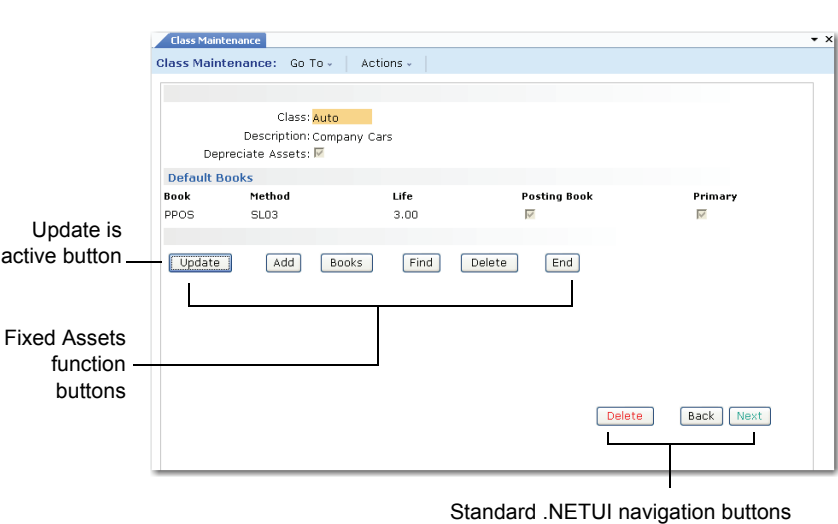


Fig. 5.2
Fixed Asset Control
(32.24)

The Fixed Asset End button and the .NET UI Back button execute the same function; similarly, the two Delete buttons execute the same function.

Validated Fields

Some fixed-asset functions use codes that are defined in Generalized Codes Maintenance (36.2.13). They give you flexibility in organizing and implementing functions, since you can define values that are meaningful in your own business environment.

Table 5.3 lists the generalized codes referenced by fixed-asset functions. Use this table to plan which codes to set up for your implementation.

Table 5.3
Generalized Codes
in Fixed Assets

Code	Label	Where Used
cd_type	Type	Fixed Asset Maintenance
fa_code	Sort Code	Fixed Asset Maintenance
fa_disp_rsn	Disposition Reason	Fixed Asset Maintenance Fixed Asset Retirements

Language Detail Codes

Some fixed-asset options appear on the screen using alphabetic codes or words. Internally, these options are controlled by numeric codes. Mnemonics and labels provided in English may not be appropriate in other languages. Use Language Detail Maintenance (36.4.2) to change, add, and delete mnemonic codes and labels.

Table 5.4 lists the language detail codes referenced by fixed-asset functions. Use this table if you need to change a label.

Table 5.4
Language Detail
Codes

Data Set	Field	Code	Label	Where Used
famt_mstr	famt_desc	1	Straight Line	Method Maintenance
		2	Units of Production	
		3	Declining Balance	
		4	Sum of the Years' Digits	
		5	Flat Rate	
		6	Custom Table	
famt_mstr	famt_conv	1	Full Period	Method Maintenance
		2	Half Period	
		3	Next Period	
		4	Full Quarter	
		5	Half Quarter	
		6	Full Year	
		7	Half Year (Standard)	
		8	Half Year (Version 1)	
		9	Half Year (Version 2)	

Data Set	Field	Code	Label	Where Used
facd_det	facd_acctype	1	Asset Account	Class Maintenance
		2	Accumulated Expense	
		3	Periodic Expense	
		4	Construction in Process	
		5	Gain on Disposal	
		6	Loss on Disposal	
		7	Asset Suspense	
faadj_mstr	faadj_type	1	Bonus	Fixed Asset Maintenance
		2	Basis	
		3	Method	
		4	Life	
		5	Suspend	
		6	Reinstat	
		90	Retire	
		91	UOP	
		92	Split	

Fixed Assets and Statutory Currency

You have the option to use an additional base currency for reporting purposes. This second currency is known as the *statutory currency*. The need for a statutory currency arises from a combination of global IFRS requirements and local GAAP in some countries. The statutory currency is set at domain level, and is inherited by the entities assigned to the domains. See *User Guide: QAD Financials A* for more information on statutory currency and on domain setup.

The Fixed Assets module does not support dual currencies. It only handles transactions in base currency that are translated to statutory currency during the GL posting of investments and depreciations that use the statutory exchange rate valid at the posting date. If you want to

manage your fixed assets in statutory currency, you can do so in an indirect way by creating an additional domain and running the fixed assets functions there. The steps are:

- 1 Create a new domain.
- 2 Set the statutory currency from your primary domain as the base currency in the new domain.
- 3 Run the fixed asset functions in the new domain.
- 4 Transfer the resulting fixed asset postings from the new domain to the primary domain by exporting them to Excel or XML format.
- 5 In the resulting file, copy the base currency amounts to the statutory currency amounts, and place a calculated base currency equivalent in the base currency fields.
- 6 Import the fixed assets transactions to the primary domain using Excel integration or the XML daemon.

See *User Guide: QAD Financials A* for more information on Excel integration and *User Guide: QAD System Administration* for more information on the XML daemon.

Preparing to Use Fixed Assets

Before you can add fixed assets to the system, you must define:

- Intercompany accounts
- Settings in Fixed Asset Control
- Business rules
- Meters for the units-of-production depreciation method (optional)

If your company used the Fixed Assets module with QAD applications prior to MFG/PRO 9.0, you must convert your fixed-asset data before setting up and using the new Fixed Assets module. See your conversion guide for instructions.

Intercompany Accounts

For users upgrading from an earlier QAD ERP application version, the conversion process must create Fixed Assets intercompany accounts for every entity, even if this module is not used. In the absence of a specific Fixed Assets intercompany account, the conversion uses the inventory intercompany account.

If you decide to implement the Fixed Assets module after conversion, the system starts recording both inventory and Fixed Assets intercompany transactions on the same account. If you want to use separate accounts for these areas, change the Fixed Assets intercompany account after the conversion process.

Setting Up Control Parameters

Use Fixed Asset Control (32.24) to specify:

- If asset IDs are generated by the system or assigned manually
- If the system creates summary or detailed journal entries for fixed-asset GL transactions
- Whether the differences between the primary and secondary books are posted to the GL or the full amounts of the secondary posting books are posted to the GL

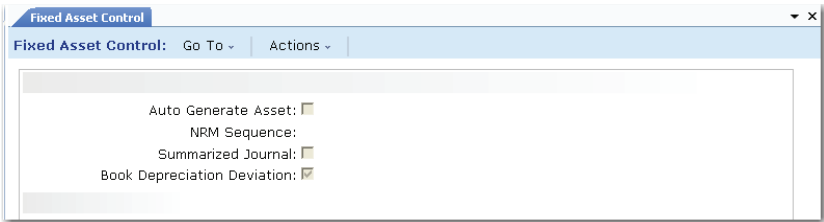


Fig. 5.3
Fixed Asset Control
(32.24)

Auto Generate Asset. If Yes, the system assigns unique asset IDs, using the Number Range Management (NRM) sequence for assets entered in Fixed Asset Maintenance and Fixed Asset Batch Maintenance. NRM is used to generate, control, and audit sequence numbers. Users cannot specify them manually.

NRM Sequence. If Auto Generate Asset is Yes, enter the predefined NRM Sequence ID set up for the target dataset of fa_id.

For details, see
*User Guide:
QAD System
Administration.*

Use Number Range Maintenance (36.2.21.1) and Sequence Number Maintenance (36.2.21.5) to define the NRM Sequence ID. The sequence must be 12 characters or less.

Summarized Journal. If Yes, Fixed Asset Transaction Post (32.13) creates transactions by account, sub-account, cost center, and project combination.

When you first implement Fixed Assets, consider creating detailed journal entries. You can verify that each transaction is being processed with the right account numbers and then correct any mistakes. After you verify that the entries are correct, you can switch to a summarized journal, which takes less space and is easier to handle in the GL.

Book Depreciation Deviation. If Yes, the full amounts of the secondary posting books are posted to the GL. If No, the differences between the primary and secondary books are posted to the GL.

Setting Up Business Rules

Set up business rules to define your accounting needs and customize Fixed Assets to meet your specific needs. Business rules provide defaults for assets entered in Fixed Asset Maintenance (32.3), minimizing data entry and errors.

Before you begin setting up your company's business rules, you should decide on some basic information.

- Your company's fixed-asset locations
- If your company uses custom calendars for non-posting fixed-asset books or if your books follow the GL calendar
- What and how many fixed-asset books your company needs to set up
- Which system-supplied depreciation methods your company uses
- Which depreciation methods you use for financial and tax purposes
- What classes you define for grouping similar assets

Figure 5.4 summarizes the steps required to set up the business rules.

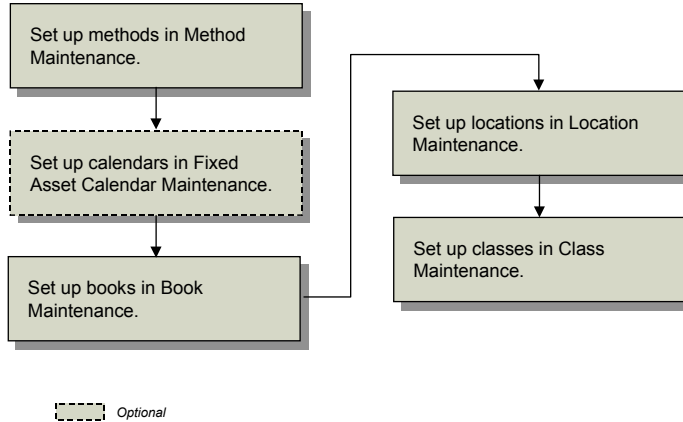


Fig. 5.4
Business Rules
Workflow

Setting Up Methods

Use Method Maintenance (32.1.1) to specify the depreciation methods that your company uses. Depreciation allocates an asset cost to periods in its service life. Depreciation affects both tax and financial reporting.

Before you can use one of the supplied methods, you must copy it and give it a new ID. After the method is copied, you can update, modify, or delete the copied method.

Active depreciation methods are assigned to assets in Fixed Asset Maintenance and can be assigned as class defaults in Class Maintenance. Methods identify how annual depreciation is calculated for the asset. You cannot modify methods that are assigned to assets.

You can use several methods to calculate depreciation. Assets can be depreciated one way for tax reporting purposes and another for financial purposes. Depreciation methods for tax purposes are usually based on the type of asset and the tax laws in effect when the asset was placed in service. Depreciation methods for financial or management purposes usually follow generally accepted accounting practices and policies.

See “Using Depreciation Methods” on page 267.

The following depreciation methods are supplied with Fixed Assets:

- 1 Straight Line
- 2 Units of Production
- 3 Declining Balance
- 4 Sum of the Years' Digits
- 5 Flat Rate
- 6 Custom Table

Fig. 5.5
Method
Maintenance
(32.1.1)

The screenshot shows the 'Method Maintenance' window. It has a title bar 'Method Maintenance' and a menu bar with 'Method Maintenance: Go To' and 'Actions'. Below the menu bar is a table with three columns: 'Method', 'Active', and 'Description'. The table contains the following rows:

Method	Active	Description
0001	☐	Straight Line
0002	☐	Units of Production
0003	☐	Declining Balance
0004	☐	Sum Years Digits
0005	☐	Flat Rate
0006	☐	Custom Table
1UOP	☒	Units of Production
C006	☐	Custom Table
DB05	☒	Declining Balance 5 Years
SL03	☒	Straight Line 3 Years

At the bottom of the window are several buttons: 'Update', 'Detail', 'Table', 'Copy', 'Find', 'Delete', and 'End'.

Select one of the standard methods and click Copy to create a new method based on it. You are prompted to specify an ID.

Method. Enter an identifier for the copied depreciation method. This is a four-character alphanumeric ID and cannot start with a zero.

Methods starting with a zero are system-supplied. To use a system-supplied depreciation method, you must copy it and then make it active.

Click Update to indicate if the method is active and provide a description.

Active. Enter Yes if this depreciation method is active. Enter No if it is not active. Active is always set to No for system-supplied depreciation methods and cannot be changed. After you copy the method, you can set the Active field to Yes.

Note If you change this field from Yes to No and this method is used by any classes, update the classes to use another active method before using them again. Otherwise, an error displays when you create new assets that use the classes.

Description. Enter a brief (55 characters) description of the method to display on lookups and reports.

Choose the Detail function to display attributes of the copied method. Click Update to enable the attribute fields for changes.

Note You cannot modify a method after it has been associated with a fixed asset.

The screenshot shows a software window titled "Method Maintenance". Inside, there's a tab labeled "Method Detail". The details listed are: Method: DB05, Declining Balance 5 Years, Depreciation Type: 3, Convention: 1 (with a magnifying glass icon), Switch to SL: [checked], Factor: 200.0%, Use Salvage: [unchecked], Actual Days: [unchecked], and Expected Life: 5.00.

Fig. 5.6
Method
Maintenance,
Method Detail

Convention. Conventions determine how much depreciation is taken in the first and last period of an asset life. See “Using Conventions” on page 273

Enter the number that corresponds to the convention for this method.

- 1: Full Period. A full-period depreciation is calculated for the first period of the asset life. No depreciation is calculated for the last period of the asset life. Depreciation is calculated as if the asset was put into and taken out of service the first day of the month.
- 2: Half Period. A half-period depreciation is calculated for the first and last period of the asset life.
- 3: Next Period. A full-period depreciation is calculated for the period following the period that the asset was placed into service. A full-period depreciation is taken in the last period of the asset life.

4: Full Quarter. A full-quarter depreciation is calculated for the first quarter of the asset life. No depreciation is calculated for the last quarter of the asset life.

Table 5.5 lists the factors used in calculating depreciation for the asset acquisition quarter.

Table 5.5
Full-Quarter
Depreciation
Factors

Quarter in Service	Acquisition Factor	Retirement Factor
1	100%	0%
2	75%	25%
3	50%	50%
4	25%	75%

5: Half Quarter. A half-quarter depreciation is calculated for the first and last quarter of the asset life.

Table 5.6 indicates the factors used in calculating depreciation for the asset acquisition and retirement quarters.

Table 5.6
Half-Quarter
Depreciation
Factors

Quarter in Service	Acquisition Factor	Retirement Factor
1	87.5%	12.5%
2	62.5%	37.5%
3	37.5%	62.5%
4	12.5%	87.5%

6: Full Year. A full year of depreciation is taken regardless of the period that the asset was put into service. No depreciation is calculated for the last year of the asset life.

7: Half Year (Standard). A half-year depreciation is calculated for the first and last year of the asset life.

8: Modified Half Year (Version 1). If the asset is put into service in the first half of the year, a full year of depreciation is calculated for the year. If the asset is put in service in the second half of the year, no depreciation is taken. If the asset is disposed of in the first half of the year, no depreciation is calculated for the year. If the asset is disposed of in the second half of the year, a full-year depreciation is taken.

9: Modified Half Year (Version 2). If the asset is put into service in the first half of the year, a full year of depreciation is calculated for the year. If the asset is put in service in the second half of the year, a half-year depreciation is calculated. If the asset is disposed of in the first half of the year, no depreciation is calculated for the year. If the asset is disposed of in the second half of the year, a half-year depreciation is calculated.

Table 5.7 indicates which conventions are valid for each depreciation method.

		Conventions								
		1	2	3	4	5	6	7	8	9
Depreciation Methods	Straight Line	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Units of Production	✓								
	Declining Balance	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Sum of the Years' Digits	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Flat Rate	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Custom Table									

Table 5.7
Valid Depreciation
Method and
Convention
Combinations

Switch to Straight Line (SL). If Yes, the declining-balance depreciation method switches to the straight-line method when the depreciation calculated using the straight-line method is greater than the depreciation calculated using the declining-balance method.

Factor. Enter the depreciation factor rate expressed as a percentage. This percentage is used to calculate the depreciation per period. Factor only applies to declining-balance and flat-rate depreciation methods.

Declining balance uses the factor percentage against the net book value of the asset at the beginning of each fiscal year.

Use Salvage. This field indicates whether the depreciation method reduces the cost by the salvage value to calculate the depreciation basis. Salvage value is the book value the asset is expected to have at the end of its expected life.

Actual Days. If Yes, the actual calendar days in the period that the asset is put into service are used when calculating the depreciation expense.

After the annual depreciation is calculated, it is divided by a standard 365 to determine the calendar-day depreciable expense. Depreciation expense for each period is defined as the number of calendar days in the period times the daily depreciation expense.

Expected Life. Enter the expected useful life for assets depreciated by this method. The expected life is used in calculating depreciation over the life of the asset.

This field is required if the depreciation method is a custom table. Otherwise, it is used as the default life for the method in Class Maintenance and Fixed Asset Maintenance.

If the method is based on the QAD Custom Table method, you can use the Table function to create a custom depreciation table.

Fig. 5.7
Method
Maintenance,
Custom Table

Method	Active	Description	Acquisition Period						
Year	1	2	3	4	5	6	7		
1	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%		
2	0.000%	2.000%	0.000%	0.000%	0.000%	0.000%	0.000%		
3	0.000%	2.000%	0.000%	0.000%	0.000%	0.000%	0.000%		
4	0.000%	2.000%	0.000%	0.000%	0.000%	0.000%	0.000%		

Buttons: Update, Add, <-, >-, Delete, End

Click Add to add information to the table. A new row opens where you can specify the year and percentage amounts for each period. Use the arrow functions to move right or left through the period detail.

Year. Enter a year for the estimated asset life. For example, enter 1 if this is the first year of the asset life. This field cannot exceed the estimated asset life plus one year.

Percentage Factor. Enter a percentage factor to use for calculating the annual amount of depreciation. The total percentage of each period column must equal 100%.

Setting Up Fixed-Asset Calendars

Use Fixed Asset Calendar Maintenance (32.1.5) to set up optional fixed-asset calendars for non-posting books. Use this program to add and delete fixed-asset calendars. You can use the Find function to go directly to a fixed-asset calendar by entering the calendar ID.

You can associate a fixed-asset calendar with non-posting books in Book Maintenance (32.1.9). You cannot associate a fixed-asset calendar with posting books. Posting books automatically follow the GL calendar set up in Financial Calendar Setup Menu (25.4).

You cannot modify a fixed-asset calendar after an asset has been assigned to a book that uses the calendar.

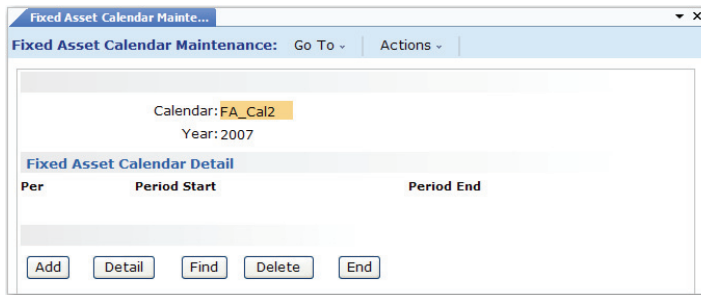


Fig. 5.8
Fixed Asset
Calendar
Maintenance
(32.1.5)

Click Add to create a new calendar.

Calendar. Enter up to an eight-character calendar ID.

Year. Enter the year that applies to this fixed-asset calendar.

Click Detail and then Update to define fixed-asset calendar periods and their start and end dates.

Fig. 5.9
Fixed Asset
Calendar
Maintenance, Fixed
Asset Calendar
Detail

The screenshot shows a window titled "Fixed Asset Calendar Maintenance" with a sub-header "Fixed Asset Calendar Maintenance: Go To - Actions -". Below this, it displays "Calendar: FA_Cal2" and "Year: 2007". The main section is titled "Fixed Asset Calendar Detail" and contains a table with three columns: "Per", "Period Start", and "Period End".

Per	Period Start	Period End
1	01/01/2007	01/31/2007
2	02/01/2007	02/28/2007

At the bottom of the window are four buttons: "Update", "Add", "Delete", and "End".

Period Start. Enter the start date for this period. The default is one day after the previous Period Finish date. Periods cannot overlap.

Period End. Enter the end date for this period. Periods cannot overlap.

A warning displays if the calendar does not cover an entire year.

Setting Up Books

Use Book Maintenance (32.1.9) to set up depreciation books for fixed assets. You can add, modify, and delete fixed-asset books. Any fixed assets that are depreciated must be assigned to a posting book.

For each book, you specify:

- If it is the primary posting book
- If the book updates the GL
- Any user-defined fixed-asset calendars associated with non-posting books
- The unique sort sequence used for reporting

A depreciable asset must be assigned to a posting book for fixed-asset transactions to be recorded in the GL. Multiple depreciation books are often required to meet different reporting needs. An asset can be depreciated under an unlimited number of non-posting books. However, only posting books affect the GL.

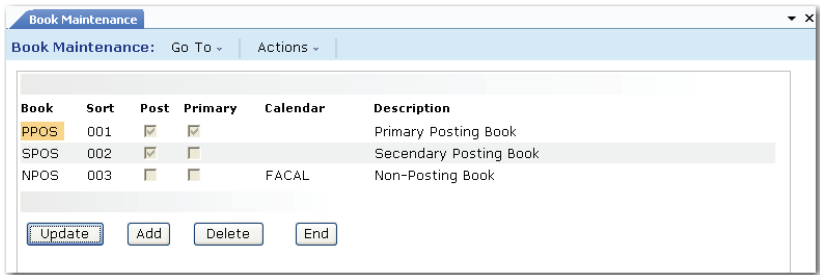


Fig. 5.10
Book Maintenance
(32.1.9)

Click Add to add a new book or Update to modify the selected book.

Book. Enter a unique ID (maximum 4 characters) identifying the fixed-asset book. The information set up in Book Maintenance establishes default book information for assets set up in Fixed Asset Maintenance.

Sort. Enter the order in which the system should display this book in browses, reports, and on the Depreciation Books screen in Fixed Asset Maintenance.

Post. If Yes, this book posts to the GL. There can be more than one posting book, but only one can be a primary book; the others are secondary posting books. Fixed Asset Transaction Post (32.13) creates unposted transactions for accumulated depreciation and depreciation expense accounts based on depreciation calculated for this book. Posting books always follow the GL calendar.

Primary. If Yes, this book is referred to as the primary posting book. Only one primary posting book is allowed.

Calendar. This field only applies to non-posting books. Enter the calendar ID for the calendar you want associated with this non-posting book. Define calendar IDs in Fixed Asset Calendar Maintenance. If this field is blank, the non-posting book automatically follows the GL calendar.

See “Setting Up Fixed-Asset Calendars” on page 261.

Description. Enter a brief description (maximum 30 characters) describing this fixed-asset book. This description displays on various reports and inquiries.

Setting Up Locations

Use Location Maintenance (32.1.13) to set up, modify, and delete fixed-asset locations. Use the Find function to view the Location Browse by location ID.

Asset locations identify the accounting location and entity of the fixed asset and the default sub-accounts and cost centers for depreciation reporting.

Note In contrast to location IDs used elsewhere in the system, fixed-asset location IDs are generally used to locate an asset for tax and asset tracking purposes. There is no connection between the fixed-asset location and inventory location. For example, you cannot issue inventory from a fixed-asset location.

Fig. 5.11
Location
Maintenance
(32.1.13)

The screenshot shows the 'Fixed Asset Location Maint' window. The title bar includes 'Fixed Asset Location Maint' and standard window controls. Below the title bar is a menu bar with 'Fixed Asset Location Maint:', 'Go To', and 'Actions'. The main area contains the following fields:

- Location: Loc1
- Description: Location 1
- Entity: 1000
- Sub-Account: 20
- Cost Center: A1
- Business Relation: (empty field with a search icon)
- Name: Location 1
- Address: Location 1
- City: (empty field)
- State: (empty field)
- Postal Code: (empty field)
- Country: (empty field)
- County: (empty field)
- Telephone: (empty field)
- Fax/Telex: (empty field)

Location. Enter a unique ID identifying a fixed-asset location.

Description. Enter a brief description (maximum 32 characters) of this fixed-asset location.

Entity. Enter a valid, active entity code to associate with this location.

Sub-Account. Enter a sub-account code. This sub-account defaults for assets entered in Fixed Asset Maintenance for this location.

Cost Center. Enter a cost center code. This cost center defaults for assets entered in Fixed Asset Maintenance for this location.

Business Relation. If address information is needed for the location, specify a business relation. Address details from the headoffice address type of this business relation are used. See *User Guide: QAD Financials A* for details on business relations.

Setting Up Classes

Use Class Maintenance (32.1.17) to set up, modify, and delete fixed-asset classes. Also set up default depreciation books and GL accounts. Depreciation for assets in the same class generally affects the same GL accounts for the asset investment, accumulated depreciation, and depreciation expense.

Primary criteria for a class are:

- Items are similar and grouping is reasonable.
- Items are related for accounting purposes, affecting the same GL accounts. These accounts are set as the default entries for the class.
- Items use the same books.
- Items have the same service lives for calculating depreciation.
- Items use the same depreciation methods for both book and tax purposes.

After you set up a class, assets can be assigned to it in Fixed Asset Maintenance. The information set up in Class Maintenance provides default book and account information for the asset.

In Fixed Asset Maintenance, accounts default from the class-book combination. The entity, sub-account, and cost center default from the location.

The screenshot shows the 'Class Maintenance' window. At the top, the 'Class' is set to 'MACH' and the 'Description' is 'Machines'. The 'Depreciate Assets' checkbox is checked. Below this is a section titled 'Default Books' containing a table with the following data:

Book	Method	Life	Posting Book	Primary
NPOS	DB05	5.00	☐	☐
PPOS	SL03	3.00	☒	☒
SPOS	SL05	5.00	☒	☐

Fig. 5.12
Class Maintenance
(32.1.17)

Class. Enter a unique class ID.

Description. Enter a brief (43 characters maximum) description of this fixed-asset class ID. This description displays on various reports and inquiries.

Depreciate Assets. If Yes, this fixed-asset class is depreciated. Depreciation schedules are created for assets assigned to this class.

Choose the Books function to specify default fixed-asset books.

Note You must choose the Books function before the Accts function, which lets you maintain the account numbers for the selected book of the fixed asset. Account numbers default from the class-book combination.

Fig. 5.13
Class Maintenance,
Default Books

Book	Method	Life	Posting Book	Primary
NPOS	DB05	5.00	☐	☐
PPOS	SL03	3.00	☒	☒
SPOS	SL05	5.00	☒	☐

Book. Enter a predefined fixed-asset book ID for this class. Define book IDs in Book Maintenance (32.1.9). Any fixed assets that are depreciated must be assigned to a posting book. See “Setting Up Books” on page 262.

Method. Enter the predefined depreciation method ID. It cannot begin with a zero. Set up depreciation methods in Method Maintenance. Methods identify how depreciation is calculated for the asset service years. See “Setting Up Methods” on page 255.

Life. Enter the number of years for the book’s life. This number is used as a basis for depreciation calculations.

Posting Book, Primary. The system displays the values associated with the book in Book Maintenance. See “Post” on page 263.

Choose the Accts function to specify default GL accounts. This screen can only be accessed for a posting book. When the book is not a posting book and the Accts button is selected, an error displays. No accounts can be entered for a non-posting book.

The screenshot shows the 'Class Maintenance' window. At the top, there's a tab labeled 'Class Maintenance'. Below it, a header bar contains 'Class Maintenance: Go To -' and 'Actions -'. The main content area shows 'Class: MACH' and a table titled 'Class Book Acct Default Maintenance'. The table has three columns: 'Label', 'Account', and 'Description'. The 'Account' column for the first row is highlighted in yellow.

Label	Account	Description
Asset Account	0100	FA Machines and Equipm.
Accumulated Expense	0101	FA Mach/Equip Depr.
Periodic Expense	4600	FA Depreciation Expense
Construction in Process	0390	FA Constr. in Progress
Gain on Disposal	9850	FA Gain/Loss on Disposal
Loss on Disposal	9850	FA Gain/Loss on Disposal
Asset Suspense	0385	FA Asset Suspense

Fig. 5.14
Class Maintenance,
Class/Book
Account Default
Maintenance

Account. Enter valid, active GL accounts to be associated with each type of fixed-asset account. Table 5.2, “Fixed-Asset Accounts,” on page 248 lists the accounts and GL types that you specify here. The system validates the account types you enter.

Primary posting books and secondary posting books must have different accounts. If you try to enter an account for a secondary book that already exists for the primary book belonging to the same class, an error displays.

Depreciation Methods and Conventions

Using Depreciation Methods

Depreciation is the process of allocating the cost of an asset over its service life. There are several methods of calculating depreciation. Depreciation can be calculated one way for tax purposes and another for financial purposes.

Straight Line

Straight-line depreciation allocates the asset cost evenly over its service life. The formula for straight-line depreciation is:

$$\text{Depreciation Charge} = \text{Depreciable Basis} / \text{Service Life}$$

$$\text{Depreciable Basis} = \text{Cost} - \text{Salvage Value}$$

Example A company purchases a \$20,000 car that has a \$2,000 salvage value and a five-year service life.

Table 5.8 illustrates the straight-line depreciation schedule.

Table 5.8
Straight-Line
Depreciation
Schedule

Year	Calculation	Depreciation Expense
1	\$18,000 / 5	\$3,600
2	\$18,000 / 5	\$3,600
3	\$18,000 / 5	\$3,600
4	\$18,000 / 5	\$3,600
5	\$18,000 / 5	\$3,600

Declining Balance

Declining balance is an accelerated method that provides higher depreciation charges in the earlier years of the asset life and lower depreciation charges in the later years.

The annual depreciation is calculated by using a constant depreciation percentage rate and multiplying it by the remaining net book value each year of the asset service life.

The formulas for declining-balance depreciation are:

$$\text{Depreciation Rate} = \text{Percentage Multiplier} / \text{Service Life}$$

$$\text{Depreciation Charge} = \text{Depreciation Rate} * \text{Net Book Value}$$

Each year the net book value is calculated with the following formula:

$$\text{Net Book Value} = \text{Net Book Value} - \text{Depreciation Expense}$$

Example A company purchases a \$20,000 car that has a five-year service life. The company uses a percentage multiplier of 150% to calculate the depreciation for the automobile. The annual depreciation rate is calculated by annualizing the percentage multiplier over the automobile's service life:

$$150\% / 5 \text{ years} = 30\%$$

Table 5.9 illustrates the declining-balance depreciation schedule.

Year	Net Book Value	Depreciation Rate	Calculation	Depreciation Expense
1	\$20,000	30%	\$20,000 * 30%	\$6,000
2	\$14,000	30%	\$14,000 * 30%	\$4,200
3	\$9,800	30%	\$9,800 * 30%	\$2,940
4	\$6,860	30%	\$6,860 * 30%	\$2,058
5	\$4,802	30%	\$4,802 * 30%	\$1,441

Table 5.9
Declining-Balance
Depreciation
Schedule

With the declining-balance method, \$3,361 (\$4,802 - \$1,441) of the asset cost is not depreciated. This amount is used to calculate a gain or loss at the time of retirement.

Declining Balance Switch to Straight Line

The standard declining-balance method does not depreciate the asset to zero. You can choose to switch the declining-balance method to the straight-line method when the depreciation calculated by the straight-line method is greater than the depreciation calculated by the declining-balance method. This method fully depreciates the asset.

When you specify the switch to straight-line method, the system uses a different calculation than for the standard straight-line method.

$$\text{Depreciation Charge} = (\text{Depreciable Basis} - \text{Accumulated Depreciation}) / \text{Remaining Service Life}$$

The system performs this calculation every year to compare the results against the declining balance. When the straight-line method yields higher annual depreciation, the calculation is switched.

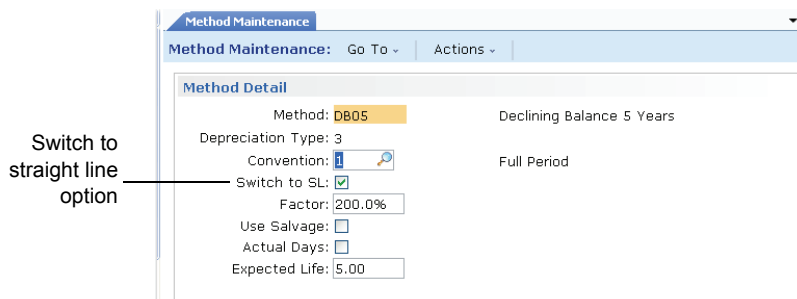


Fig. 5.15
Switch to Straight
Line Option in
Method
Maintenance

Example A company purchases a \$20,000 car that has a \$2,000 salvage value and a five-year service life. The company uses a percentage multiplier of 150% to calculate the depreciation for the automobile. The annual depreciation rate is calculated by annualizing the percentage multiplier over the automobile's service life:

$$150\% / 5 \text{ years} = 30\%$$

Table 5.10 illustrates the depreciation charges for declining-balance and straight-line methods.

Table 5.10
Declining-Balance
Switch to
Straight-Line
Depreciation
Schedule

Year	Declining-Balance Depreciation	Straight-Line Depreciation	Declining-Balance Switch to Straight-Line Depreciation	Accumulated Depreciation
1	\$5,400	\$3,600	\$5,400	\$5,400
2	\$3,780	\$3,150	\$3,780	\$9,180
3	\$2,646	\$2,940	\$2,940	\$12,120
4	N/A	\$2,940	\$2,940	\$15,060
5	N/A	\$2,940	\$2,940	\$18,000

In year 3, the declining-balance depreciation charge is less than the straight-line depreciation charge. Therefore, the straight-line method will be used for the remaining years.

Sum of the Years' Digits

Sum of the years' digits is an accelerated method that provides a decreasing fraction to the asset depreciable basis.

The annual depreciation is calculated by applying a fraction to the asset depreciable basis. Each fraction uses the sum of the years' digits as the denominator and the remaining years in the asset service life as the numerator. The numerator decreases each year while the denominator remains constant.

The formula for sum-of-the-years'-digits depreciation is:

$$\text{Depreciation Charge} = \text{Depreciable Basis} * (\text{Number of Years Remaining} / \text{Sum-of-the-Years'-Digits})$$

$$\text{Depreciable Basis} = \text{Cost} - \text{Salvage Value}$$

Sum-of-the-Years'-Digits = 1 + 2 + n . . .

Example A company purchases a \$20,000 car that has a \$2,000 salvage value and a five-year service life.

Depreciable Basis = \$20,000 – \$2,000 = \$18,000

Sum of the Years' Digits = 1 + 2 + 3 + 4 + 5 = 15

Table 5.11 illustrates the sum-of-the-years'-digits depreciation schedule.

Year	Remaining Life	Depreciation Fraction	Calculation	Depreciation Expense
1	5	5 / 15	\$18,000 * (5 / 15)	\$6,000
2	4	4 / 15	\$18,000 * (4 / 15)	\$4,800
3	3	3 / 15	\$18,000 * (3 / 15)	\$3,600
4	2	2 / 15	\$18,000 * (2 / 15)	\$2,400
5	1	1 / 15	\$18,000 * (1 / 15)	\$1,200

Table 5.11
Sum-of-the-Years'-
Digits Depreciation
Schedule

Flat Rate

Flat rate calculates depreciation by using a constant percentage and multiplying it by the depreciable basis over the asset service life until the sum of the depreciation is greater than the basis amount. At this time, the final year of depreciation is adjusted so that the total of depreciation equals the basis amount.

The formula for flat-rate depreciation is:

*Depreciation Charge = Depreciable Basis * Flat-Rate Percentage*

Depreciable Basis = Cost – Salvage Value

When the sum of depreciation is greater than the basis amount, you use the following equation to calculate the last year of depreciation:

Depreciation Charge = Depreciable Basis – Accumulated Depreciation

Example A company purchases a \$20,000 car that has a \$2,000 salvage value and a five-year service life. The annual flat-rate is 23.6%.

Table 5.12 illustrates the flat-rate depreciation schedule.

Table 5.12
Flat-Rate
Depreciation
Schedule

Year	Flat-Rate	Calculation	Depreciation Expense	Accumulated Depreciation
1	23.6%	$\$18,000 * 23.6\%$	\$4,248	\$4,248
2	23.6%	$\$18,000 * 23.6\%$	\$4,248	\$8,496
3	23.6%	$\$18,000 * 23.6\%$	\$4,248	\$12,744
4	23.6%	$\$18,000 * 23.6\%$	\$4,248	\$16,992
5		$\$18,000 - \$16,992$	\$1,008	\$18,000

In year 5, the accumulated depreciation exceeds the asset depreciable basis. The depreciation charge is adjusted in year 5.

Units of Production

The units of production (UOP) method calculates depreciation based on items produced or units consumed from the asset. The formulas for units of production are:

Depreciation Per Unit of Production = Depreciable Basis / Total Units of Production

Depreciable Basis = Cost – Salvage Value

*Depreciation Charge = Units of Production Per Period * Depreciation Per Unit of Production*

Example A company purchases a \$25,000 stamping machine with a \$2,000 salvage value. The machine is expected to produce 150,000 units over its service life. The depreciation per unit of production is:

$$\$25,000 - \$2,000 / 150,000 = \$0.15 \text{ per unit}$$

Table 5.13 illustrates the units-of-production depreciation schedule for 5 years.

Table 5.13
Units-of-
Production
Depreciation
Schedule

Year	Units of Production Per Period	Calculation	Depreciation Expense
1	30,000	$30,000 * \$0.15$	\$4,500
2	25,000	$25,000 * \$0.15$	\$3,750
3	20,000	$20,000 * \$0.15$	\$3,000
4	40,000	$40,000 * \$0.15$	\$6,000
5	30,000	$30,000 * \$0.15$	\$4,500

Custom Table

You can substitute custom depreciation tables for the standard depreciation methods for calculating depreciation. Depreciation is calculated by specifying a depreciation factor for each period and year of the asset life. The depreciation factors are user-defined and must equal 100% at the end of the asset service life.

The formulas for custom table are:

*Depreciation Charge = Depreciable Basis * Depreciation Factor*

Depreciable Basis = Cost – Salvage Value

Example A company purchases a \$10,000 computer that has a \$2,000 salvage value and a four-year service life. The depreciation factors for each year of the asset service life are:

Year	Depreciation Rate
1	7.0%
2	9.5%
3	27.0%
4	56.5%
Total	100.0%

Table 5.14
Custom-Table
Depreciation
Factors

Table 5.15 illustrates the custom-table depreciation schedule.

Year	Depreciation Rate	Calculation	Depreciation Expense
1	7.0%	\$8,000 * 7.0%	\$560
2	9.5%	\$8,000 * 9.5%	\$760
3	27.0%	\$8,000 * 27.0%	\$2,160
4	56.5%	\$8,000 * 56.5%	\$4,520

Table 5.15
Custom-Table
Depreciation
Schedule

Using Conventions

Fixed assets are not always acquired on the first day of the year, nor are they always retired on the last day of year. Fixed-asset conventions are used for averaging depreciation in the first and last years of an asset life.

Example A company purchases a \$3,600 computer that has a three-year service life and does not have a salvage value. The computer is depreciated using the straight-line method.

Using the straight-line method, the first year depreciation calculation and depreciation per period are:

$$\text{Annual Depreciation} = \$3,600 / 3 \text{ Years} = \$1,200$$

$$\text{Depreciation Per Period} = \$1,200 / 12 = \$100$$

This example is used to illustrate how each convention works.

Full Period

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

Table 5.16 illustrates the depreciation taken for each period.

Table 5.16
Full-Period
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	\$100	\$100
April	\$100	\$100
May	\$100	\$100
June	\$100	\$100
July	\$100	\$100
August	\$100	\$100
September	\$100	\$100
October	\$100	0
November	\$100	0
December	\$100	0

Half Period

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

Table 5.17 illustrates the depreciation taken for each period.

Table 5.17
Half-Period
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	\$50	\$100
April	\$100	\$100
May	\$100	\$100
June	\$100	\$100
July	\$100	\$100
August	\$100	\$100
September	\$100	\$100
October	\$100	\$50
November	\$100	0
December	\$100	0

Next Period

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

Table 5.18 illustrates the depreciation taken for each period.

Table 5.18
Next-Period
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	0	\$100
April	\$100	\$100
May	\$100	\$100
June	\$100	\$100
July	\$100	\$100
August	\$100	\$100
September	\$100	\$100
October	\$100	\$100
November	\$100	0
December	\$100	0

Full Quarter

The computer is placed into service in the third quarter on September 14, 1999, and it is retired in the fourth quarter on November 13, 2000.

The following factors are used for calculating depreciation using the full-quarter convention:

Table 5.19
Full-Quarter
Factors

Quarter in Service	Acquisition Factor	Retirement Factor
1	100%	0%
2	75%	25%
3	50%	50%
4	25%	75%

The first year depreciation and depreciation per period calculations are:

$$\text{Annual Depreciation} = \$1,200 * 50\% = \$600$$

$$\text{Depreciation Per Period} = \$600 / 4 = \$150$$

The retirement depreciation calculation is:

$$\text{Depreciation} = \$1,200 * 75\% = \$900$$

When the computer is retired, \$1,100 has already been taken in depreciation. There is a difference of \$200 (\$1,100 – \$900) in the depreciation calculation due to the early retirement. Therefore, a depreciation expense credit of \$100 is applied in the retirement period.

Table 5.20 illustrates the depreciation taken for each period.

Table 5.20
Full-Quarter
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	0	\$100
April	0	\$100
May	0	\$100
June	0	\$100
July	0	\$100
August	0	\$100

Period	1999	2000
September	\$150	\$100
October	\$150	\$100
November	\$150	–\$100
December	\$150	0

Half Quarter

The computer is placed into service in the third quarter on September 14, 1999, and it is retired in the fourth quarter on November 13, 2000.

The factors listed in Table 5.21 are used for calculating depreciation using the half-quarter convention.

Quarter in Service	Acquisition Factor	Retirement Factor
1	87.5%	12.5%
2	62.5%	37.5%
3	37.5%	62.5%
4	12.5%	87.5%

Table 5.21
Half-Quarter
Factors

The first year depreciation and depreciation per period calculations are:

$$\text{Annual Depreciation} = \$1,200 * 37.5\% = \$450$$

$$\text{Depreciation Per Period} = \$450 / 4 = \$112.50$$

The retirement depreciation calculation is:

$$\text{Depreciation} = \$1,200 * 87.5\% = \$1050$$

When the computer is retired, \$1,100 has already been taken in depreciation. There is a difference of \$50 (\$1,100 – \$1,050) in the depreciation calculation due to the early retirement. Therefore, a depreciation expense credit of \$50 is applied in the retirement period.

Table 5.22 illustrates the depreciation taken for each period.

Period	1999	2000
January	0	\$100
February	0	\$100

Table 5.22
Half-Quarter
Depreciation

Period	1999	2000
March	0	\$100
April	0	\$100
May	0	\$100
June	0	\$100
July	0	\$100
August	0	\$100
September	\$112.50	\$100
October	\$112.50	\$100
November	\$112.50	–\$50
December	\$112.50	0

Full Year

The computer is placed into service on July 14, 1999, and it is retired on October 13, 2000.

The first year of depreciation is allocated to the six remaining periods.

$$\text{Depreciation Per Period} = \$1,200 / 6 = \$200$$

When the computer is retired, \$1,000 has already been taken in depreciation. Depreciation must be reversed in the retirement period. Therefore, a depreciation expense credit of \$1000 is applied in the retirement period.

Table 5.23 illustrates the depreciation taken for each period.

Table 5.23
Full-Year
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	0	\$100
April	0	\$100
May	0	\$100
June	0	\$100
July	\$200	\$100
August	\$200	\$100
September	\$200	\$100

Period	1999	2000
October	\$200	–\$1000
November	\$200	0
December	\$200	0

Half Year

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

The first year depreciation and depreciation for the 10 periods of ownership calculations are:

$$\text{Annual Depreciation} = \$1,200 / 2 = \$600$$

$$\text{Depreciation Per Period} = \$600 / 10 = \$60$$

The retirement depreciation calculation is:

$$\text{Depreciation} = \$1,200 / 2 = \$600$$

When the computer is retired, \$900 of depreciation has already been taken and only \$600 is allowed in the retirement year. Depreciation must be reversed in the retirement period. Therefore, a depreciation expense credit of \$300 (\$900 – \$600) is applied in the retirement period.

Table 5.24 illustrates the depreciation taken for each period.

Period	1999	2000
January	0	\$100
February	0	\$100
March	\$60	\$100
April	\$60	\$100
May	\$60	\$100
June	\$60	\$100
July	\$60	\$100
August	\$60	\$100
September	\$60	\$100
October	\$60	–\$300

Table 5.24
Half-Year
Depreciation

Period	1999	2000
November	\$60	0
December	\$60	0

Modified Half Year Version 1

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

The depreciation for the 10 periods of ownership calculations are:

$$\text{Depreciation Per Period} = \$1,200 / 10 = \$120$$

Since the computer is retired in the second half of the year, a full-year depreciation is taken. The remaining depreciation for the year is added to the retirement period.

Table 5.25 illustrates the depreciation taken for each period.

Table 5.25
Modified Half-Year
(Version 1)
Depreciation

Period	1999	2000
January	0	\$100
February	0	\$100
March	\$120	\$100
April	\$120	\$100
May	\$120	\$100
June	\$120	\$100
July	\$120	\$100
August	\$120	\$100
September	\$120	\$100
October	\$120	\$300
November	\$120	0
December	\$120	0

Modified Half Year Version 2

The computer is placed into service on March 14, 1999, and it is retired on October 13, 2000.

The depreciation for the 10 periods of ownership calculations are:

$$\text{Depreciation Per Period} = \$1,200 / 10 = \$120$$

The retirement depreciation calculation is:

$$\text{Depreciation} = \$1,200 / 2 = \$600$$

When the computer is retired, \$900 of depreciation has already been taken and only \$600 is allowed in the retirement year. Depreciation must be reversed in the retirement period. Therefore, a depreciation expense credit of \$300 (\$900 – \$600) is applied in the retirement period.

Table 5.26 illustrates the depreciation taken for each period.

Period	1999	2000
January	0	\$100
February	0	\$100
March	\$120	\$100
April	\$120	\$100
May	\$120	\$100
June	\$120	\$100
July	\$120	\$100
August	\$120	\$100
September	\$120	\$100
October	\$120	–\$300
November	\$120	0
December	\$120	0

Table 5.26
Modified Half-Year
(Version 2)
Depreciation

Creating Meters

Use Fixed Asset Meter Maintenance (32.11) to create, modify, and delete meters, and enter meter readings. You can also view any assets and fixed-asset books that use the meter.

Meters measure asset usage for the units-of-production depreciation method. You can attach a meter to an asset or group of assets to collect the usage in Fixed Asset Maintenance.

For example, a punch press machine costs \$5000 and the meter records that the machine produced 10,000 units for the period. The punch press is expected to produce 1,000,000 units during its service life. The depreciation per period calculation is:

$$\text{Depreciation Per Period} = (10,000 \text{ Units} / 1,000,000 \text{ Units}) * \$5,000 = \$50$$

Fig. 5.16
Fixed Asset Meter
Maintenance
(32.11)

The screenshot shows the 'Fixed Asset Meter Maintenance' window. It contains the following fields and data:

- Meter ID:** Meter1
- Number of miles:** (empty field)
- Initial Setting:** 0
- Date:** 06/10/2007
- Rollover:** 99,999
- Reset Setting:** 0
- Date:** (empty field)

Below these fields is a section titled 'Meter Readings' containing a table:

Action	Date	Reading	Accumulated Units
READING	08/10/2007	1,289	1,289
READING	07/10/2007	500	500
INITIAL	06/10/2007	0	0

Meter. Enter a code (maximum 12 characters) identifying a meter.

Description. Enter a brief description (maximum 30 characters) for this fixed asset meter.

Rollover. Enter the number after which the meter should reset to zero. For example, if a meter can read a maximum number of 1000, enter 1000. When the meter reaches 1001, it begins again at zero.

Initial Setting. Enter the beginning meter number. The default is 0.

Date. Enter the initial date of the meter setting.

Reset Setting. Enter the initial setting for the new meter. You can use this field if you need to replace the meter. The reset setting represents the previous ending meter number.

Date. Enter the date of the reset setting. This date must be after the initial setting date.

Choose the Detail function to enter meter readings.

Meter Readings			
Action	Date	Reading	Accumulated Units
	08/10/2007	1,289	1,289
READING	08/10/2007	1,289	1,289
READING	07/10/2007	500	500
INITIAL	06/10/2007	0	0

Fig. 5.17
Fixed Asset Meter
Maintenance,
Meter Readings

Action. The following are system-assigned actions:

INITIAL: Displays the initial meter setup number.

READING: Displays meter readings.

RESET: Displays the meter reset number.

Date. Enter the date for the meter reading. This date must be later than the previous reading date.

Reading. Enter the meter reading. You can delete only the most recent meter reading.

Accumulated Units. The system displays the total number of units since the meter was created.

Choose the Assets function to view assets and books that use the meter.

Creating and Managing Fixed Assets

After you define the control program parameters and your company’s business rules, you can add fixed assets to the system. You can add fixed assets individually in Fixed Asset Maintenance (32.3) or create a batch of similar assets in Fixed Asset Batch Maintenance (32.7).

When you add a new asset, you can optionally create GL postings for the acquisition cost.

After assets are created, you can perform multiple functions using Fixed Asset Maintenance. Your company may not use all of these functions, and not all of the functions are required when managing assets in Fixed Asset Maintenance. The functions include:

- Maintaining asset account information
- Retiring or transferring an asset
- Entering asset comments
- Maintaining user fields for customizations
- Maintaining insurance data
- Adjusting depreciation books
- Adjusting posted depreciation
- Maintaining book detail
- Maintaining information for the units-of-production depreciation method
- Maintaining information about asset components
- Dividing an asset into two separate assets

If you are retiring or transferring a group of assets, you can use Fixed Asset Transfers (32.16) and Fixed Asset Retirements (32.19) to process a batch of assets.

Fixed Asset Maintenance

Use Fixed Asset Maintenance (32.3) to set up and maintain your company's fixed assets. Before you enter assets in Fixed Asset Maintenance, you must set up values in the following programs:

- Fixed Asset Control
- Method Maintenance
- Fixed Asset Calendar Maintenance (optional)
- Book Maintenance
- Location Maintenance
- Class Maintenance
- Fixed Asset Meter Maintenance (optional)

You can also use functions on the CIM Interface Menu (36.15) to update assets in Fixed Asset Maintenance. See “Using CIM to Load Fixed-Asset Data” on page 313.

Fixed Asset Maintenance Header

Figure 5.18 illustrates the different screens you can access with the navigation buttons.

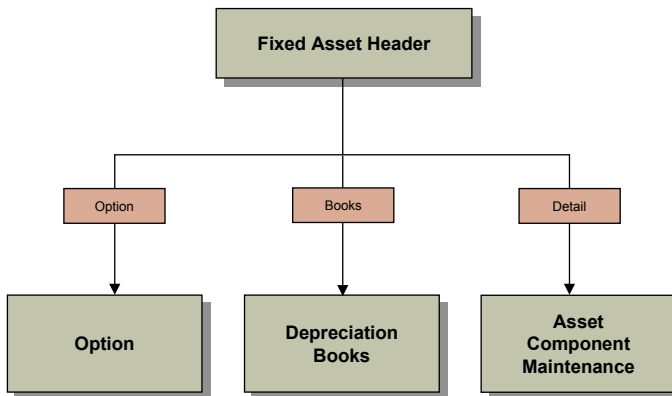


Fig. 5.18
Fixed Asset Header

Use this header to enter your company’s fixed assets. Asset IDs are assigned automatically by the system or manually, based on the value of Auto Generate Asset in Fixed Asset Control. See “Preparing to Use Fixed Assets” on page 252.

After you have assigned an asset ID, you set up the following for each asset:

- Class
- Location
- Service date
- Asset cost
- Salvage amount
- Replacement cost
- Number of asset components
- If the asset is depreciated

- Authorization number

Fig. 5.19
Fixed Asset
Maintenance
(32.3), Header

Fixed Asset Maintenance

Fixed Asset Maintenance: Go To - Actions -

Asset: **Auto_1** Company Car

Class: Auto Components: 1

Location: FA_LOC1 Depreciate Asset: ☒

Entity: 1000 Posted: ☐

Service Date: 06/01/2007 Authorization Number: US_1234D-57

Cost: 23,000.00 Disposition Date:

Salvage: 500.00 Disposition Reason:

Replacement: 23,000.00 Sold For: 0.00

Depreciation Books

Book	Serv Date	Method	Life	Cost	Net Book Value	As Of
PPOS	06/01/2007	SL03	3.00	23,000.00	23,000.00	
SPOS	06/01/2007	SL05	5.00	23,000.00	23,000.00	
NPOS	06/01/2007	1Uop	0.00	23,000.00	23,000.00	

Update

Add

Option

Books

Detail

Find

Delete

End

Asset. Enter a unique alphanumeric asset ID for the fixed asset if Auto Generate Asset is No in Fixed Asset Control. Duplicate asset IDs are not allowed.

If Auto Generate Asset is Yes in Fixed Asset Control, the system automatically assigns an asset ID using the predefined Number Range Management sequence.

Description. Enter up to 50 characters describing the fixed asset.

Class. Enter a predefined class ID. Define class IDs in Class Maintenance (32.1.17). See “Setting Up Classes” on page 265.

If you change the class before the asset has been posted, the depreciation schedule is updated with the new values.

Important If you change the class after the asset is created, the accounts are not automatically updated.

Location. Enter a predefined location ID. Define location IDs in Location Maintenance (32.1.13). You cannot update the location if the asset has been posted to the GL. See “Setting Up Locations” on page 264.

Important If you change the location after the asset is created, the sub-accounts and cost centers are not automatically updated.

Service Date. Enter the date that this fixed asset was put into service. This date defaults as the service date for each asset book and is used to calculate depreciation.

The service date must exist in the GL calendar and any fixed-asset calendar associated with the default books. You cannot update the service date if the asset has been posted to the GL.

Cost. Enter the amount paid to acquire the asset. This cost is not necessarily a basis for a depreciation calculation. This cost defaults as the cost for each asset book.

You cannot update the cost if the asset has been posted to the GL. You must make a basis adjustment on the Depreciation Adjustments screen.

Salvage. Optionally enter a salvage value for this asset. The salvage value must be less than the asset cost.

Salvage value is the estimated value of property at the end of its useful life. It is the amount reasonably expected in an open market for the asset after it is no longer productive. If a salvage value is defined at the beginning of the depreciation calculation, it is used to reduce the depreciable base.

This amount defaults as the salvage amount for each asset book when the depreciation method uses salvage value.

You cannot update the salvage amount if the asset has been posted to the GL.

Replacement. Enter the replacement value for the asset. This value is not used for any calculations, but can be used for management purposes. For example, this value can be used to create budgets for assets replaced on a recurring basis.

Components. Enter the number of items that belong to this asset ID.

For example, if an asset is acquired that consists of 200 chairs, the chairs can be grouped as one asset. In this case, set Components to 200.

If you update the number of components in the Asset Component Maintenance screen, this field is automatically updated.

Depreciate Asset. If Yes, this is a depreciable asset and must be assigned to a posting book.

Auth Number. Optionally enter an authorization number for this fixed asset. This field is for reference only.

Acquisition Costs

After completing the header, you are prompted to post GL transactions related to acquisition costs. The frame containing these fields displays when you click Back or Add.

Whether you post to GL is determined by how you manage such costs. For example, if you account for the acquisition cost during purchase order receipt, you can enter No in Post to GL to avoid double-booking of the cost.

Fig. 5.20
Fixed Asset
Maintenance, Post
to GL



Post to GL: ☐
Effective Date:
Daybook:
Print GL Audit Trail: ☐

Note You can also post GL transactions when you use the Create function in Fixed Asset Batch Maintenance. See “Fixed Asset Batch Maintenance” on page 308.

If you choose to generate those transactions when you add the asset, set Post to GL to Yes. You then can specify an effective date and daybook, as well as display a report showing an audit trail for the resulting transactions.

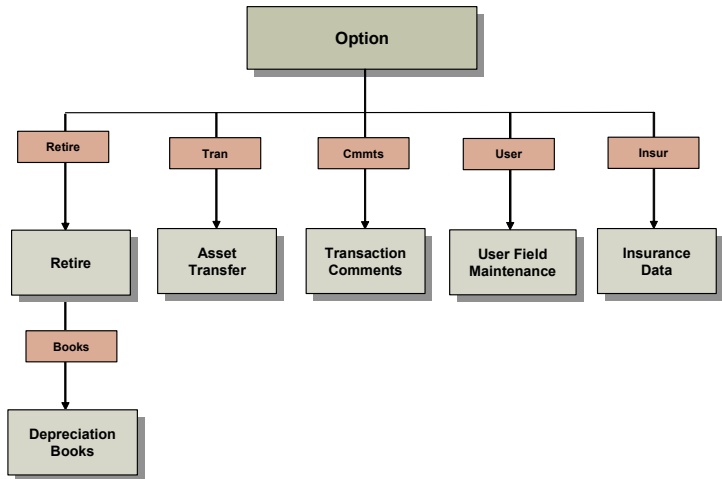
Note The setting of Summarized Journal in Fixed Asset Control has no effect on transactions created for acquisition costs. These transactions are always created in detail.

Option

Access this function by choosing Option on the Fixed Asset Maintenance header.

Figure 5.21 illustrates the different screens you can access with the navigation buttons.

Fig. 5.21
Option Screen



Use this function to maintain optional asset data, such as sort codes, warranty date, and an asset custodian. Also, specify the supplier and an associated PO or receiver number.

Fig. 5.22
Fixed Asset Maintenance, Option

The screenshot shows a window titled "Option" with the following fields:

- Sort Code: 1
- Warranty Date: 7/1/2007 (with a calendar icon)
- Parent: (with a magnifying glass icon)
- Supplier: Ford
- Receiver: HME
- PO Number: (empty)
- Custodian: (empty)
- Split From: (empty)
- Split Date: (empty)

Click Update to specify basic option values.

Sort Code. Optionally enter a sort code. Use sort codes for sorting purposes and grouping similar assets within a category. You can also use them to establish a standard for describing assets.

The field is validated against codes set up in Generalized Codes Maintenance for field fa_code.

For example, sort codes can include FC (Filing Cabinets), FC2 (Filing Cabinets, 2 drawer), FC4 (Filing Cabinets, 4 drawers).

Warranty Date. Optionally enter an expiration date for the asset warranty.

Parent. Enter the parent asset ID for this asset if it is a component for another asset. For example, a keyboard is a component of a computer, the parent asset.

Supplier. Optionally enter a predefined supplier of this asset. Define suppliers in Supplier Create (28.20.1.1) and complete the operational data in Supplier Data Maintenance (2.3.1).

Receiver. Optionally enter a receiver number for this fixed asset. When you receive fixed assets, you can create a receiving record for verification against the supplier invoice when it is entered into Accounts Payable (AP).

Note There is no interface between the AP module and the Fixed Assets module.

If you enter a receiver number, the associated purchase order number defaults in the PO Number field.

PO Number. Optionally enter a purchase order number for this asset. The default is the PO number associated with the receiver.

Custodian. Enter up to eight characters describing the name of the asset custodian. Custodians are employees responsible for tracking the location of fixed assets.

Retirement

Access this function by choosing Retire on the Option screen.

Use this function to retire an asset. Retirement removes the asset-acquisition cost from the books and posts any gains or losses to the GL.

Note If depreciation has not been posted for this asset, delete the asset instead of retiring it.

After retiring the asset, the system calculates and displays values for Basis Amount, Accumulated Depreciation, Net Amount, and Gain/Loss on Disposal. Appropriate GL retirement transactions and reversing transactions are created to void future depreciation periods.

You can view the adjustments on the Depreciation Query screen by choosing the Audit function on the Depreciation Books screen. Run Fixed Asset Transaction Post to create unposted transactions. After you run Fixed Asset Transaction Post, you must run Operational Transaction Post (25.13.7) to update the GL.



Fig. 5.23
Fixed Asset
Maintenance,
Retirement

Disposition Date. Enter the disposal date for the asset. The disposal date is the date the asset is removed from service and ownership interest is relinquished. If the asset is suspended as of the disposal date, you must reinstate the asset before retiring it.

The date must be a valid date in the GL calendar or any fixed-asset calendar associated with the book. It must also be in an open GL period and must be after the service date.

Disposition Reason. Enter the reason for the disposal of the asset. The field is validated against codes set up in Generalized Codes Maintenance for field fa_disp_rsn.

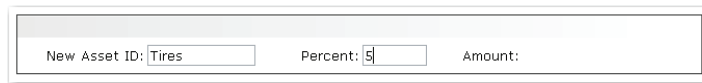
Disposition reason is the reason the asset is removed from service and ownership interest relinquished. Examples of disposition reasons are sold, stolen, destroyed, donated, and impaired.

Sold For. Enter the amount received for the disposal of the asset. This amount is optional and used when calculating the gain or loss on the disposition of an asset.

Partial. If Yes, this is a partial retirement and you split the existing asset into two separate assets. The new asset created is retired.

If this is a partial retirement and the asset has only one component, enter either a percentage of the original cost in the Percent field or a currency amount in the Amount field. Figure 5.24 illustrates this screen.

Fig. 5.24
Fixed Asset
Maintenance,
Partial Retirement



New Asset ID: Tires	Percent: 5	Amount:

New Asset ID. Enter a unique asset ID for the components being removed from the asset. If Auto Generate Asset is Yes in Fixed Asset Control, the system automatically assigns an asset ID using the predefined sequence defined in Number Range Maintenance.

Percent. If the asset has only one component, enter the percentage of the original asset cost to assign to the new asset. You can also enter a currency amount in Amount.

Amount. If the asset has only one component, enter the base currency amount to assign to the new asset. You can also enter a percentage of the original cost in Percent.

If this is a partial retirement and the asset has multiple components, the system displays a list of assets. By default, all components are selected.

Asset Transfer

Access this function by choosing Tran on the Option screen.

Use this function to transfer an asset from one predefined location to another. The asset is transferred when you choose Move. Appropriate unposted transactions are created when you run Fixed Asset Transaction Post.

The new sub-account and cost center default from the new location. The new cost center and sub-account combination is validated with the accounts associated with the asset. You cannot complete the transfer if the combination is invalid.

Fig. 5.25
Fixed Asset
Maintenance, Asset
Transfer

New Location. Enter a predefined location for the transferred asset. Define locations in Location Maintenance.

The entity, cost center, and sub-account associated with this new location default for the transferred asset.

New Sub-Account. Enter a valid, active sub-account. Define sub-accounts in Sub-Account Create (25.3.17.1). The default is the sub-account for the new location.

New Cost Center. Enter a valid, active cost center. Define cost centers in Cost Center Create (25.3.20.1). The default is the cost center for the new location.

Partial. If Yes, this is a partial transfer and you split the existing asset into two separate assets. The new asset created is transferred.

Transfer Date. Enter the effective date for the transfer. This date determines the year and period of the GL transaction.

The transfer date must be a valid date in the GL calendar and any fixed-asset calendars associated with the asset books. It must also be in an open GL period and must be after the service date.

If this is a partial transfer and the asset has only one component, enter either a percentage of the original cost in the Percent field or a currency amount in the Amount field. This is exactly the same screen that displays when you do a partial retirement. See Figure 5.24 on page 292 for detailed field descriptions.

If this is a partial transfer and the asset has multiple components, the system displays a list of components. By default, all components are selected. Modify the selection as needed and click Next to continue.

Transaction Comments

Access this function by choosing Cmmts on the Option screen.

Use this function to enter comments about the asset.

Fig. 5.26
Fixed Asset
Maintenance,
Transaction
Comments

Master Reference. To copy master comments, enter the reference code identifying the master comment. Reference codes identify a master comment, usually identifying the topic of the comment, perhaps by the item number or address code to which the comment text applies. Leave blank to enter your own comments.

Type. Enter the type code for this comment. Type codes group similar comments.

Type code can identify the source or use of the comment. Type can be left blank. This field is validated against codes set up in Generalized Codes Maintenance for field `cd_type`.

Language. Enter a valid, active language code for this master comment. Language codes identify the comment text language. Define language codes in Language Create (36.4.1.1). Leave blank if you are not using multiple languages.

Page. Enter the page number for this master comment. Multiple pages of text can be stored for any comment. Each page is identified and accessed by page number.

Comments. Enter the comments. Multiple pages of text can be stored for any transaction comment. Pages are identified and accessed by page number. Each page number of transaction comments can be copied from a different master comment by specifying an existing master comment reference, type, language, and page. Transaction comment text can also be entered manually with up to 15 lines of text per page.

User Field Maintenance

Access this function by choosing User on the Option screen.

Use this function to maintain user fields for customization.

User Field Maintenance

Character01:		Date 1:	Integer 1: 0
Character02:		Date 2:	Integer 2: 0
Character03:		Date 3:	Integer 3: 0
Character04:		Date 4:	Integer 4: 0
Decimal01:	0.00	Decimal02:	0.00

Fig. 5.27
Fixed Asset
Maintenance, User
Field Maintenance

Insurance Data

Access this function by clicking Insur on the Option screen; then Update.

Use this function to set up insurance information for the asset, such as the insurance company, policy number, and the insurance value for the asset. Insurance data is for reference only.

Insurance Data

Insurance Company:	State Farm
Insurance Number:	002887111
Insurance Date:	06/01/2007
Insurance Value:	4,000

Fig. 5.28
Fixed Asset
Maintenance,
Insurance Data

Insurance Company. Optionally enter the name of the company that insures the asset.

Insurance Number. Optionally enter an insurance policy number for the asset.

Insurance Date. Optionally enter the date that insurance coverage begins or ends for the asset. This date depends on how your company records coverage dates.

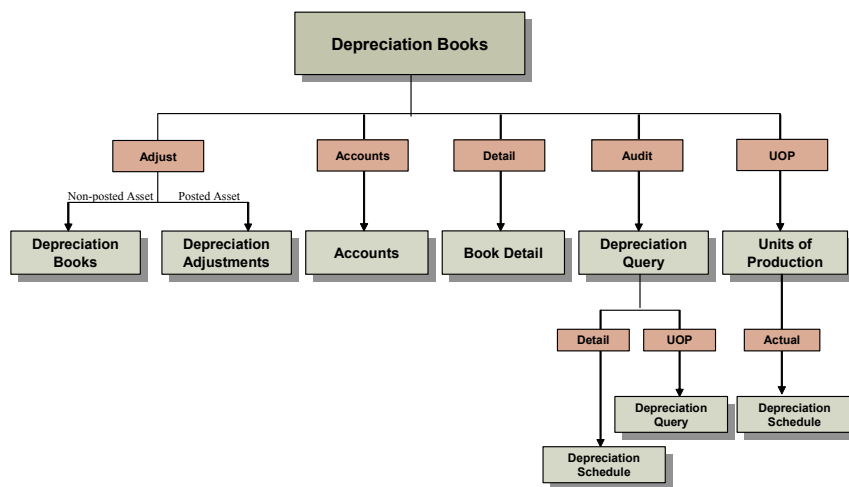
Insurance Value. Optionally enter an insurance value or replacement cost of the asset.

Depreciation Books

Access this function by choosing Books on the Fixed Asset Maintenance header.

Figure 5.29 illustrates the different screens you can access with the navigation buttons.

Fig. 5.29
Depreciation Books
Screen



Use this function to assign or change depreciation books for the asset. Books default from the asset class. You can change the default books or add other books.

If the asset has been posted to the GL, you cannot modify the depreciation books.

Fixed Asset Maintenance

Fixed Asset Maintenance: Go To Actions

Asset: Auto_1Company Car

Class: AutoComponents: 1

Location: FA_LOC1Depreciate Asset: ☒

Entity: 1000Posted: ☐

Service Date: 06/01/2007Authorization Number: US_1234D-57

Cost: 23,000.00Disposition Date:

Salvage: 500.00Disposition Reason:

Replacement: 23,000.00Sold For: 0.00

Depreciation Books

Book	Serv Date	Method	Life	Cost	Net Book Value	As Of
PPOS	06/01/2007	SL03	3.00	23,000.00	23,000.00	
SPOS	06/01/2007	SL05	5.00	23,000.00	23,000.00	

Fig. 5.30
Fixed Asset
Maintenance,
Depreciation Books

Book. Enter a predefined book ID. Define books in Book Maintenance. An asset must have a posting book to record fixed-asset transactions in the GL. An asset can be depreciated under an unlimited number of non-posting books. See “Setting Up Books” on page 262.

Serv Date. Enter the date that depreciation calculation starts. The service date must be a valid date in the GL calendar or in the fixed-asset calendar associated with the book if it is a non-posting book.

Method. Enter an active depreciation method ID. Set up methods in Method Maintenance. The ID is a four-character alphanumeric ID and cannot start with a zero. See “Setting Up Methods” on page 255.

Life. Enter the expected useful life for assets depreciated by this method. The expected life is used in calculating depreciation over the life of the asset.

Cost. Enter the acquisition cost. This amount is used to determine the basis for the book. The default is the cost from the Fixed Asset Maintenance header.

Depreciation Adjustment

Access this function by choosing Adjust on the Depreciation Books screen.

You can only access this function if the asset has been posted to the GL. Use this function to add adjustments to the depreciation schedule. Run Fixed Asset Transaction Post to create unposted transactions. An audit trail is maintained showing a history of the depreciation activity. After you run Fixed Asset Transaction Post, you must run Operational Transaction Post (25.13.7) to update the GL.

Fig. 5.31
Fixed Asset
Maintenance,
Depreciation
Adjustments

Depreciation Adjustments					
Type	Method	Life	Adjustment Amt	Yr-Per	SL/RL
Suspend	SL03	3.00	0.00		SL
			0.00		RL

Type. Enter the adjustment type for the posted asset. Run Fixed Asset Transaction Post to create the adjustment transactions. An audit trail is maintained showing a history of the depreciation activity.

For details, see
the *Conversion
Guide*.

Note You cannot undo an adjustment for an asset that has been converted from a previous fixed-asset system.

Fixed Assets supplies the following adjustment types:

Basis: Adjust Basis. Lets you change the cost of the asset after depreciation has been posted. The system uses the new basis to recalculate the depreciation schedule for the life of the asset. Then the difference between the old depreciation schedule and the new depreciation schedule is calculated. Any adjustments to posted periods are posted in the first open period. The new basis must be greater than the posted depreciation and cannot be negative.

Bonus: Bonus Adjustment. Lets you record additional depreciation for an asset. For example, bonus depreciation is used to indicate that an asset has become obsolete. Bonus adjustments are not allowed in posted, suspended, or final periods of the depreciation schedule. The bonus amount must not exceed the remaining total of the depreciation schedule.

Life: Adjust Life. Lets you change the estimated life of an asset after depreciation has been posted. The system calculates the difference between the old depreciation schedule and the new depreciation schedule. The new depreciation schedule begins in the first open period.

Method: Adjust Method. Lets you change the depreciation method after depreciation has been posted. The system calculates the difference between the old depreciation schedule and the new depreciation schedule. The new depreciation schedule begins in the first open period.

Reinstate: Reinstate Depreciation. Lets you reinstate the asset into service. The reinstate date must be after the suspension date.

Suspend: Suspend Depreciation. Lets you suspend the asset from service. Suspensions are not allowed if the asset is already suspended or the starting period is posted.

Method. If you are adjusting the method, enter a depreciation method ID. Set up methods in Method Maintenance. The ID is a four-character alphanumeric ID and cannot start with a zero. See “Setting Up Methods” on page 255.

Life. If you are adjusting the life, enter the new expected useful life for the asset. The expected life is used in calculating depreciation over the life of the asset.

Adj Amt. For Bonus Depreciation, enter the bonus amount. Bonus adjustments are not allowed in posted, suspended, or final periods of the depreciation schedule. The bonus amount must not exceed the remaining total of the depreciation schedule.

For Adjust Basis, enter the new asset basis. The new basis must be greater than the posted depreciation and cannot be negative.

Yr-Per. Enter the year and the period for this adjustment. The format is YYYYXX, where YYYY is the year and XX is the period.

You can modify this field only if the adjustment type is:

- Bonus Depreciation
- Suspend Depreciation
- Reinstate Depreciation

SL/RL. Assign the code indicating the type of recalculation to use for the depreciation.

SL: Service Life. Calculate the difference between the old depreciation schedule and the new depreciation and post the adjustments to posted periods in the first open period.

RL: Remaining Life. Calculate the difference between the old depreciation schedule and the new depreciation and spread the adjustments to posted periods over the remaining periods.

The system prompts you to enter this field when the recalculation of the depreciation of the fixed asset is performed for the *first time and* the adjustment type is Basis, Life, or Method.

Once chosen, the method is normally the same for later recalculations of the same asset, but you are not excluded from changing the life.

The following example illustrates the effect of this setting.

Fixed Asset Cost:	600.00	
Life:	5 years (60 periods)	
Depreciation Amt:	10.00	
Posted Periods:	24	
Cum Depreciation Amt:	240.00	
Adjustment Amt:	660.00 (Type = Basis)	
New Depr. Amt:	11.00	
Corr. Depr. Amt:	24.00 = (24 * 11.00 – 10.00)	
Cum Depreciation Amt:	254.00	
	Service Life	Remaining Life
Period 24	10.00	10.00
25	35.00	11.666.67
26	11.00	11.666.67
27	11.00	11.666.67
and so on....		
Period 60	11.00	11.666.67

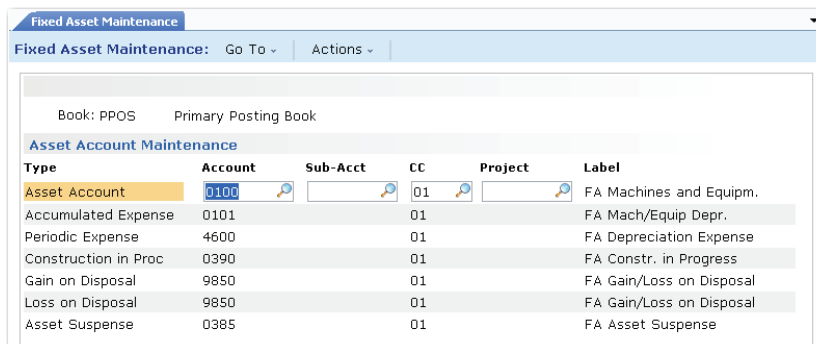
Asset Account Maintenance

Use Asset Account Maintenance to change the accounts, sub-accounts, and cost centers that defaulted from the asset book, class, and location. You can also add an optional project code.

See *User Guide: QAD Financials A* for details on accounts.

Access this function by choosing Accts on the Depreciation Books screen. You have to choose the Books function first to maintain the account numbers for the selected book of the fixed asset. The screen to maintain the asset account numbers can only be accessed for a posting book. No accounts can be entered for a non-posting book. When the book is not a posting book and the Accts option is selected, an error occurs.

The account, sub-account, cost center, and project combination must be valid.



Type	Account	Sub-Acct	CC	Project	Label
Asset Account	0100		01		FA Machines and Equipm.
Accumulated Expense	0101		01		FA Mach/Equip Depr.
Periodic Expense	4600		01		FA Depreciation Expense
Construction in Proc	0390		01		FA Constr. in Progress
Gain on Disposal	9850		01		FA Gain/Loss on Disposal
Loss on Disposal	9850		01		FA Gain/Loss on Disposal
Asset Suspense	0385		01		FA Asset Suspense

Fig. 5.32
Fixed Asset
Maintenance, Asset
Account
Maintenance

Account. For each type of FA account, enter a valid, active GL account code that records transactions for this fixed-asset book. Define accounts in Account Create (25.3.13.1). Fixed-asset accounts default from class-book combination defined in Class Maintenance.

The same restrictions on account types apply here that applied in Class Maintenance. See Table 5.2, “Fixed-Asset Accounts,” on page 248 for a list of accounts and GL types that you specify here.

Sub-Acct. Optionally enter a valid, active sub-account code that records transactions for this fixed-asset book. Define sub-accounts in Sub-Account Create (25.3.17.1). Fixed-asset sub-accounts default from Location Maintenance.

CC. Optionally enter a cost center code that records transactions for this fixed-asset book. Define cost centers in Cost Center Create (25.3.20.1). Fixed-asset cost centers default from Location Maintenance.

Project. Optionally enter a valid, active project code that records transactions for this fixed-asset book. Define project codes in Project Create (25.3.11.1.1).

Book Detail

Access this function by choosing Detail on the Depreciation Books screen.

Use this function to view book detail and optionally override accumulated depreciation.

You might need to override accumulated depreciation if you convert from another fixed-assets system. Enter the date that the new fixed-assets system begins calculating depreciation in the Override Depreciation Date field. Enter the amount of depreciation previously taken in the Override Accumulated Dep field. If at the end of the asset life there was any difference in the total depreciation and the actual amount that was taken, it is added to the final period depreciation amount.

Fig. 5.33
Fixed Asset
Maintenance, Book
Detail

Book	Serv Date	Method	Life	Cost	Net Book Value	As Of
Book Detail						
Book: PPOS						
Service Date: 06/01/2007						
Method: SL03						
Life: 3.00						
Cost: 23,000.00						
Salvage: 0.00						
Basis Amount: 23,000.00						
Override Accumulated Dep: 0.00						
Override Depreciation Date:						

Override Accumulated Dep. Enter the amount of depreciation that was taken between the service date and the override depreciation date. You can update this amount only if the asset has not been posted to the GL.

Override Depreciation Date. Enter the date that the override depreciation calculation begins. You can update this date only if the asset has not been posted to the GL.

Depreciation Query

Access this function by choosing Audit on the Depreciation Books screen.

Use this function to view the original depreciation schedule and any adjustments. You can view the depreciation schedule in a rolled-up or detailed version.

- The rolled-up schedule displays the calculated depreciation amount.
- The detailed schedule displays the original depreciation calculation and any adjustments.

If you are using the units-of-production depreciation method, you can also view the estimated, actual, and estimated accumulated units for each period.

Asset: Auto_1		Book: PPOS			
Depreciation Query					
Yr-Per	Location	Period Depreciation	Accum Dep Amt	Net Book Value	Posted
200706	FA_LOC1	638.89	638.89	22,361.11	☐
200707	FA_LOC1	638.89	1,277.78	21,722.22	☐
200708	FA_LOC1	638.89	1,916.67	21,083.33	☐
200709	FA_LOC1	638.89	2,555.56	20,444.44	☐
200710	FA_LOC1	638.89	3,194.45	19,805.55	☐
200711	FA_LOC1	638.89	3,833.34	19,166.66	☐
200712	FA_LOC1	638.89	4,472.23	18,527.77	☐
200801	FA_LOC1	638.89	5,111.12	17,888.88	☐

Fig. 5.34
Fixed Asset
Maintenance,
Depreciation Query

Choose the Detail function to view the detailed depreciation schedule.

Depreciation Schedule				
Period	Reserve	Type	Location	Period Depreciation
2007-06	0	Original	FA_LOC1	638.89
2007-07	0	Original	FA_LOC1	638.89
2007-08	0	Original	FA_LOC1	638.89
2007-09	0	Original	FA_LOC1	638.89
2007-10	0	Original	FA_LOC1	638.89
2007-11	0	Original	FA_LOC1	638.89
2007-12	0	Original	FA_LOC1	638.89
2008-01	0	Original	FA_LOC1	638.89

Fig. 5.35
Fixed Asset
Maintenance,
Depreciation
Schedule

Choose the UOP function to view the units-of-production (UOP) information.

Fig. 5.36
Fixed Asset
Maintenance, UOP
Audit

UOP Audit				
Yr-Per	Estimated	Accumulated	Actual	Units Consumed
200706	200	200	0	0
200707	200	400	0	0
200708	100	500	0	0

Units of Production and Depreciation Schedule

Access this function by choosing UOP on the Depreciation Books screen.

If you are using the UOP depreciation method, use this function to update the total and estimated units of production. You also track the actual period of production.

Fig. 5.37
Fixed Asset
Maintenance, Units
of Production

Units of Production	
Asset: Auto_1	Total Units: 500
Book: NPOS	Period Units: 200
Unit of Measure: ea	Eff Period:
Meter ID: Meter1	Cost: 23,000.00
Unit Cost: 46.00	Salvage: 0.00

Unit of Measure. Enter the unit of measure for this asset; for example, inch or foot.

Meter ID. Enter a predefined meter ID. Meters are used to measure asset usage for the units-of-production depreciation method. You can attach a meter to an asset or group of assets to collect the usage in Fixed Asset Maintenance.

Total Units. Enter the estimated total number of units that this asset is expected to produce during its service life.

Eff Period. Enter the effective period that you want to use to adjust the total and estimated units of production. The format is YYYYXX, where YYYY is the year and XX is the period.

Important If you modify this number, all unposted periods are automatically adjusted.

Period Units. Enter the estimated number of units that this asset is expected to produce each period. This amount must be less than the total units.

Cost. Enter the cost to acquire this asset. This amount cannot be less than the amount of depreciation already taken for this asset.

Choose the Actual function to track the actual period of production.

Depreciation Schedule		
Yr-Per	Actual	Units Consumed

Fig. 5.38
Fixed Asset
Maintenance,
Depreciation
Schedule

Yr-Per. Enter the year and the period for the actual period of production.

The format is YYYYXX, where YYYY is the year and XX is the period.

Actual Period Production. Enter the actual number of units that this asset produced this period. This number must be less than the remaining units for the asset.

Asset Component Maintenance

Access this function by choosing Detail on the Fixed Asset Maintenance header.

Figure 5.39 illustrates the different screens you can access with the navigation buttons.

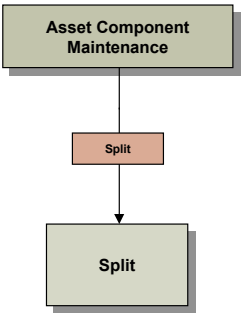


Fig. 5.39
Asset Component
Maintenance
Screen

Use this function to maintain serial numbers, tag numbers, and costs for each asset or asset component. For example, if the fixed asset has separate components, you can track the asset and all of its components. If you want to modify an existing tag, you must first delete it and then create a new tag.

When an asset is created, the asset component records are automatically created based on the value entered in the Components field on the Fixed Asset Maintenance header screen.

Fig. 5.40
Fixed Asset
Maintenance, Asset
Component
Maintenance

Tag Number	Description	Cost	Serial Number
Mach1-0001		3,333.33	
Mach1-0002		3,333.33	
Mach1-0003		3,333.34	

Update Add Split Delete End

Tag Number. Enter a unique tag number for the asset component. You can access this field only if you are adding a tag.

Description. Enter up to 20 characters describing this asset component.

Cost. Enter the amount paid to acquire the asset component. This amount is automatically calculated by dividing the cost by the number of components entered on the Fixed Asset Maintenance header screen. If you change this amount, the total amounts for all asset components must equal the value in the Cost field on the Fixed Asset Maintenance header.

Serial Number. Optionally enter a serial number for the asset. This number is a unique identifier for the asset and is not necessarily the same as the asset ID.

Split

Access this function by choosing Split on the Asset Component Maintenance screen.

Use this function to divide an asset into two separate assets. This is referred to as splitting. Splitting is used to divide an asset containing a group of individual items into two separate assets. Splitting is also used for partial retirements and transfers.

Enter a unique asset ID for the components being removed from the asset. If Auto Generate Asset is Yes in Fixed Asset Control, the system automatically assigns an asset ID using the predefined Number Range Management sequence.

The new asset is created containing the separate items and the appropriate percentage of the original asset cost, salvage, depreciation, and depreciation adjustments. The Split From and Split Date fields on the Option screen are updated to reflect the source asset and the date of creation.

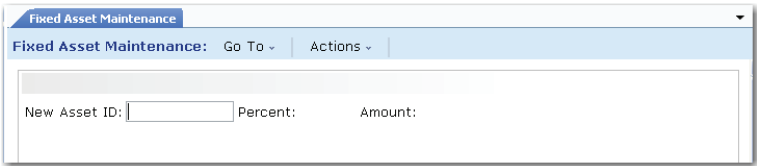


Fig. 5.41
Fixed Asset
Maintenance, Split

New Asset ID. Enter a unique asset ID for the components being removed from the asset. If Auto Generate Asset is Yes in Fixed Asset Control, the system automatically assigns an asset ID using the predefined Number Range Management sequence.

Percent. If the asset has only one component, enter the percentage of the original asset cost to assign to the new asset. You can also enter a currency amount in Amount.

Amount. If the asset has only one component, enter the base currency amount to assign to the new asset. You can also enter a percentage of the original cost in Percent.

Fixed Asset Batch Maintenance

Use Fixed Asset Batch Maintenance (32.7) to group similar fixed assets together in a batch and add them to the system as individual asset records. Batch processing lets you group up to 25 fixed assets and add them to the system as individual asset records.

When you create assets, you can optionally post GL transactions related to acquisition costs. Whether you post to GL is determined by how you manage such costs. For example, if you account for the acquisition cost during purchase order receipt, you can enter No in Post to GL to avoid double-booking of the cost. This feature is described in more detail in “Acquisition Costs” on page 288.

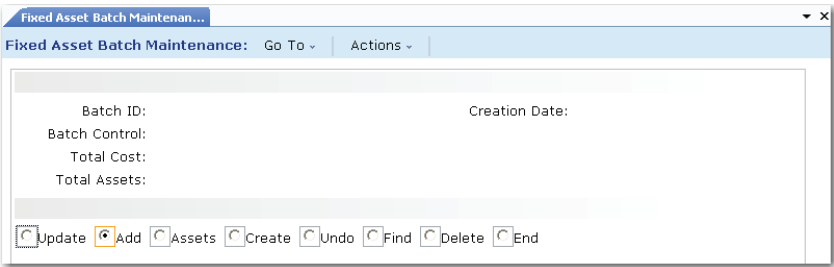
Note Fixed-asset batches have no relation or similarity to batches used in other financial modules.

After the assets are created, you can modify them individually in Fixed Asset Maintenance.

To allow for CIM processing, Fixed Asset Batch Maintenance does not use the standard buttons found in other fixed-asset functions. You can use the CIM-load functions to load fixed-asset data into the system.

See page 316 for details.

Fig. 5.42
Fixed Asset Batch Maintenance (32.7)



Batch. Enter a unique batch ID or click Next to have the system assign a batch ID. System-generated batch IDs are in the format YYMMDDNN. YY is the year, MM is the month, DD is the day, and NN is the next batch number for the day.

Batch Control. Enter a control amount for this batch. The control amount is the total value for all the assets in the batch. Use the control amount to set a minimum or maximum amount allowed for the batch.

Choose the Assets function to add assets to the batch.

Fig. 5.43
Fixed Asset Batch
Maintenance,
Assets

Asset. Enter a unique ID of up to 12 characters identifying a fixed asset that is part of the batch.

If Auto Generate Asset is Yes in Fixed Asset Control, this field cannot be updated. Asset IDs are automatically assigned.

Asset Description. Enter up to 30 characters describing the fixed asset. This description is for reference only and displays on various reports and inquiries.

Class. Enter a predefined class ID. Define class IDs in Class Maintenance. The class determines the default account codes for the asset.

Location. Enter a predefined location ID. Define location IDs in Location Maintenance.

Fixed-asset location codes refer to the accounting location of the fixed asset. This location is not necessarily the physical location of the fixed asset.

Service Date. Enter the date that this fixed asset was put into service. The service date is the default date used to calculate depreciation.

This date must be in an open GL calendar period and must exist in any fixed-asset calendars associated with default books in the class.

Cost. Enter the amount paid to acquire the asset.

This cost is used to calculate the basis amount for each default book created for the asset.

Salvage. Enter an optional salvage value for this asset.

Salvage value is the estimated value of property at the end of its useful life. It is the amount reasonably expected in an open market for the asset after it is no longer productive. If a salvage value is defined at the beginning of the depreciation calculation, it is used to reduce the depreciable basis.

Components. Enter the number of components that belong to this asset ID. If you are updating an asset, the new value cannot be less than the original value entered.

For example, if an asset is acquired that consists of 200 chairs, the chairs can be grouped together as one asset. In this case, you set components to 200.

You cannot enter a value less than 1.

Total Units. If you are using the units-of-production depreciation method, enter the estimated total number of units that this asset is expected to produce during its service life.

Units/Period. If you are using the units-of-production depreciation method, enter the estimated number of units that this asset is expected to produce each period.

UM. If you are using the units-of-production depreciation method, enter the unit of measure for this asset; for example, inch or foot.

Fixed Asset Transfers

Use Fixed Asset Transfers (32.16) to transfer multiple assets from one predefined location to another.

The new cost center and sub-account combination is validated with the accounts associated with the asset. You cannot complete the transfer if there is an invalid combination.

Fig. 5.44
Fixed Asset
Transfers (32.16)

Asset, To. Enter a range of asset IDs to select assets to transfer.

Class, To. Enter a range of class IDs to select assets to transfer.

Location, To. Enter a range of location IDs to select assets to transfer.

Service Date, To. Enter a range of service dates to select assets to transfer.

Acquisition Cost, To. Enter a range of acquisition costs to select assets to transfer.

Transfer Date. Enter the effective date of the transfer. This date must be in an open GL period.

There cannot be any other transfer transactions for these assets in the same period as the date entered.

New Location. Enter the new location for the assets. This location must be defined in Location Maintenance.

New Sub-Account. Enter the new sub-account for the transferred assets. The default is the sub-account for the new location.

New Cost Center. Enter the new cost center for the transferred assets. The default is the cost center for the new location.

Select All. This field indicates whether the assets matching the selection criteria are automatically selected for the transfer.

Yes: All assets matching the selection criteria are selected to transfer. You can modify the assets on the Select Assets to Transfer screen.

No: Assets are not automatically selected. You must manually select the assets on the Select Assets to Transfer screen.

Click Next to display a list of assets that match your selection criteria. Adjust the list as needed and then click Next again to transfer the assets.

Fixed Asset Retirements

Use Fixed Asset Retirements (32.19) to dispose of multiple assets at one time.

Fig. 5.45
Fixed Asset
Retirements (32.19)

The screenshot shows the 'Fixed Asset Retirements' window. It has a title bar with 'Fixed Asset Retirements' and standard window controls. Below the title bar is a menu bar with 'Fixed Asset Retirements:', 'Go To', and 'Actions'. The main area contains several input fields and checkboxes:

- Asset:** A text field with a magnifying glass icon.
- Class:** A text field with a magnifying glass icon.
- Location:** A text field with a magnifying glass icon.
- Service Date:** A date field set to '06/04/2007' with a calendar icon.
- Acquisition Cost:** A text field set to '0.00'.
- To:** A text field with a magnifying glass icon.
- To:** A text field with a magnifying glass icon.
- To:** A text field with a magnifying glass icon.
- To:** A date field set to '06/04/2007' with a calendar icon.
- To:** A text field set to '0.00'.
- Entity:** A text field set to '1000'.
- Disposition Date:** A date field set to '06/04/2007' with a calendar icon.
- Disposition Reason:** A text field with a magnifying glass icon.
- Sold For:** A text field set to '0.00'.
- Select All:** A checked checkbox.
- Output:** A label at the bottom right.

Asset, To. Enter a range of asset IDs to select assets to retire.

Class, To. Enter a range of class IDs to select assets to retire.

Location, To. Enter a range of Location IDs to select assets to retire.

Service Date, To. Enter a range of service dates to select assets to retire.

Acquisition Cost, To. Enter a range of acquisition costs to select assets to retire.

Entity. Enter the entity for the assets you want to select to retire. This is a required entry. The default is the database primary entity.

Disposition Date. Enter the effective date of the retirement. This is a required entry. This date must be in an open GL period.

Disposition Reason. Enter the reason for the disposal of the asset.

The field is validated against codes set up in Generalized Codes Maintenance for field fa_disp_rsn.

This is the reason the asset is removed from service and ownership interest relinquished. Examples of disposition reasons are sold, stolen, destroyed, donated, and impaired.

Sold For. Enter the amount received for the disposal of the asset. This field is optional.

The disposition amount is assigned to each asset that you are retiring. This amount is used when calculating the gain or loss on the disposition of an asset.

Select All. This field indicates whether the assets matching the selection criteria are automatically selected to retire.

Yes: All assets matching the selection criteria are selected to retire. You can modify the assets on the Select Assets to Retire screen.

No: Assets are not automatically selected. You must manually select the assets on the Select Assets to Retire screen.

Click Next to display a list of assets that match your selection criteria. Adjust the list as needed and then click Next again to transfer the assets.

Using CIM to Load Fixed-Asset Data

The functions on the CIM Interface Menu (36.15) let you transfer properly formatted data from an external file into the QAD database. This is particularly useful when initially populating the database or when large numbers of changes are required.

◆ See *User Guide: QAD System Administration* for details on CIM.

You can use either of two programs for loading fixed-asset data using CIM:

- Use Fixed Asset Maintenance to load basic data and specific details such as prior depreciation amounts or to change default values such as the asset life and depreciation method.
- Use Fixed Asset Batch Maintenance to load basic data for 25 asset records at a time. These records can then be modified as needed in Fixed Asset Maintenance.

Using CIM with Fixed Asset Maintenance

When loading CIM data into Fixed Asset Maintenance, include the names of the buttons that are pressed while manually entering data. The following example illustrates how to add asset FA01 by specifying the Add button.

```
@@batchload fafamt.p
"add"
"FA01" "Asset Added through CIM" "FL01" "001"
04/24/07 1000
100
"end"
@@end
```

Figure 5.46 is an example of a CIM data input file to add an asset and update the depreciation amount and date for a selected book. An explanation of each line follows the example.

Fig. 5.46
CIM Data
Input File for
Depreciation
Amount

```
1 @@batchload fafamt.p
2 "add"
3 "FA02" "Asset Added through CIM" "FL01" "001"
4 04/28/07 1000
5 100 1000 1 Yes "Auth-No"
6 "books"
7 "find"
8 "PB"
9 "detail"
10 "update"
11 300 04/26/07
12 "end"
13 "end"
14 "end"
15 .
16 @@end
```

Table 5.27 explains each element of the CIM data input file.

Table 5.27
CIM Data Input
File Elements

Line	Explanation
1	Indicates the beginning of the CIM data file
2	Select Add button on the Fixed Asset Maintenance header
3	“FA02”: Asset field
	“Asset Added through CIM”: Asset description field
	“FL01”: Class field
	“001”: Location field

Line	Explanation
4	04/28/07: Service Date field 1000: Cost field
5	100: Salvage field 1000: Replacement field 1: Components field Yes: Depreciate Asset field “Auth-No”: Auth Number field
6	Select Books button on the Fixed Asset Maintenance header
7	Select Find button on the Depreciation Books frame
8	Enter the name of the book to find: PB
9	Select Detail button on the Depreciation Books frame
10	Select Update button on the Book Detail frame
11	300: Override Accumulated Dep field 4/26/07: Override Depreciation Date field
12	Select End button on the Book Detail frame
13	Select End button on the Depreciation Books frame
14	Select End button on the Fixed Assets Maintenance header
15	End
16	Indicates the ending of the CIM data file

In Fixed Asset Location Maintenance (32.1.13), you can define a sub-account and cost center for all assets referencing a location. This sub-account and cost center combination sets the default for all accounts defined in Fixed Asset Maintenance.

In some cases, a business may have different sub-accounts or cost centers associated with each fixed-asset account. The default values can be modified using a CIM-load script.

Up to seven accounts can be defined in the Accounts frame of Fixed Asset Maintenance. See “Asset Account Maintenance” on page 301. These are referenced by numbers from 1 to 7.

- 1: Asset Account
- 2: Accumulated Expense
- 3: Periodic Expense

- 4: Construction in Proc
- 5: Gain on Disposal
- 6: Loss on Disposal
- 7: Asset Suspense

The example in Figure 5.47 is a CIM data input file to update the first three GL accounts of an existing asset. The general format is as follows:

- Enter a number representing the account type (1–7).
- On the next line, specify an update statement.
- On the next line, enter account code values: account, sub-account, cost center, and project.

Fig. 5.47
CIM Data
Input File for
Updating Accounts

```
@@@batchload fafamt.p
"find"
"asset1"
"options"
"accts"
"1"
"update"
"1800" "sub1" "cc-1" "pr1"
"2"
"update"
"1810" "sub2" "cc-2" "pr1"
"3"
"Update"
"1820" "sub3" "cc-3" "pr1"
"end"
"end"
"end"
@@@end
```

Using CIM Load in Fixed Asset Batch Maintenance

In Fixed Asset Batch Maintenance, you can use the CIM-load functions to load basic fixed-asset data for 25 assets at a time into the system.

Use the numbers in Table 5.28 to represent the corresponding radio buttons in your CIM data input file.

Screen	Number	Radio Button
Fixed Asset Batch Maintenance header screen	1	Update
	2	Add
	3	Assets
	4	Create
	5	Undo
	6	Find
	7	Delete
	8	End
Assets screen	1	Update
	2	Add
	3	Delete
	4	End

Table 5.28
Radio Button
Definitions

Figure 5.48 is an example of a CIM data input file for Fixed Asset Batch Maintenance.

```
1 @@batchload fabchmt.p
2 "2"
3 "30" "960"
4 "3"
5 "2"
6 "Asset 1" "first asset" "db01" "ca" "11/01/07" "430" "100" "1"
7 "100000" "1000" "ea"
8
9 "Asset 2" "second asset" "db01" "ca" "11/05/07" "530" "100" "1"
10 "100000" "1000" "ea"
11 "4"
12 "4"
13 "8"
14 .
15 @@end
```

Fig. 5.48
CIM Data
Input File

Table 5.29 explains each element of the CIM data input file.

Line	Explanation
1	Indicates the beginning of the CIM data file
2	Add radio button on the Fixed Asset Batch Maintenance header
3	Input for Batch and Batch Control fields
4	Assets radio button on the Fixed Asset Batch Maintenance header
5	Add radio button on the Assets screen

Table 5.29
CIM Data Input
File Elements

Line	Explanation
6	“Asset 1”: Asset field “first asset”: Asset description field “db01”: Class field “ca”: Location field “11/01/07”: Service Date field “430”: Cost field “100”: Salvage field “1”: Components field “100000”: Total Units field “1000”: Units/Period field “ea”: UM field
7	If the units-of-production depreciation method is used, enter information for the following three fields: • “100000”: Total Units field • “1000”: Units/Period field • “ea”: UM field
8	Leave a blank line after each asset in the batch except the last
9	Same explanation as line 6
10	Same explanation as line 7
11	End radio button on the Assets screen
12	Create radio button on the Fixed Asset Batch Maintenance header
13	End radio button on the Fixed Asset Batch Maintenance header
14	End
15	Indicates the ending of the CIM data file

Maintaining Fixed Assets

This section describes how to maintain fixed assets.

Creating Fixed-Asset Transactions

Use Fixed Asset Transaction Post (32.13) to create unposted fixed-asset transactions for assets by entity. Transactions are created for depreciation expenses, transfer, retirement of assets, and adjustments. After you run Fixed Asset Transaction Post, you must run Operational Transaction Post (25.13.7) to update the GL.

Note Optionally, you can generate unposted GL transactions related to acquisition costs when you initially create fixed assets using Fixed Asset Maintenance (32.3) or Fixed Asset Batch Maintenance (32.7). See “Acquisition Costs” on page 288.

At the end of each reporting period, run Fixed Asset Transaction Post to create unposted fixed-asset transactions. An audit trail report is created before creating unposted transactions. If necessary, make adjustments in Fixed Asset Maintenance and rerun Fixed Asset Transaction Post for that period.

Accumulated depreciation and depreciation expenses from the posting book update the asset accounts, sub-accounts, cost centers, and projects.

Fixed Asset Transaction Post creates unposted transactions for the following fixed-asset accounts:

- Asset
- Accumulated Expense
- Periodic Expense
- Gain on Disposal
- Loss on Disposal
- Asset Suspense

If transactions are created in error, use Fixed Asset Transaction Void (32.14) to reverse the entries. See page 322.

To create the GL entries for the fixed-asset transactions, you must run Operational Transaction Post (25.13.7) for transaction type FA.

Fig. 5.49
Fixed Asset
Transaction Post
(32.13)

Entity, To. Enter a range of entities to select transactions to be posted.

Note If Entity is blank and you are using daybooks, you must first create a system daybook for a blank entity in Default Daybook Maintenance (25.8.4). Otherwise, an error displays and you cannot proceed.

Asset, To. Enter a range of asset IDs to select assets to be posted.

Effective. Enter the date when fixed-asset transactions are effective in the GL. GL entries are created for the year/period. The effective date is validated against the open GL period. The default is the system date.

Daybook. Enter a valid, active daybook code. Define daybooks in Daybook Create (25.8.1.1) and Default Daybook Maintenance (25.8.4). This daybook is the default for FA transaction types and FA document types. If a default daybook is not defined for FA, the system daybook defaults.

Post Transactions. This field determines whether transactions are posted to the GL.

Yes: A journal report is printed and the unposted transactions are created. GL entries post summary or detail information according to the Summarized Journal field in Fixed Asset Control.

No: The system generates the journal report and the unposted transactions are not created.

If any errors occur, an error report is generated with the problematic journals and no unposted transactions are created. You must fix the errors and run the Fixed Asset Transaction Post function again.

GL Transactions in Fixed Assets

The following unposted transactions are created when you run Fixed Asset Transaction Post for each activity. See “Accounts” on page 247 for details.

When the asset depreciation is posted, the following accounts are affected:

- The depreciation expense debits the Periodic Expense account.
- The depreciation expense credits the Accumulated Expense account.

When an asset is retired, the following accounts are affected:

- The acquisition cost credits the Asset account.
- The accumulated depreciation debits the Accumulated Expense account.
- The amount of the sale debits the Asset Suspense account.
- If there is a gain on disposal, the Gain on Disposal account is credited. If there is a loss on disposal, the Loss on Disposal account is debited.

When an asset is transferred within the same entity and different locations, the following accounts are affected:

- The asset-acquisition cost credits the Asset account for the old location and debits the Asset account for the new location.
- The accumulated asset depreciation debits the Accumulated Expense account for the old location and credits the Accumulated Expense account for the new location.

When an asset is transferred between two entities, the following accounts are affected:

- The asset-acquisition cost credits the old entity and debits the new entity. The asset-acquisition cost also updates the Cross-Company Fixed Assets account for the domain using the intercompany codes associated with each entity.
- The accumulated asset depreciation debits the Accumulated Expense account for the old entity and credits the Accumulated Expense account for the new entity. The asset-acquisition cost also updates the Cross-Company Fixed Assets account for the domain using the intercompany codes associated with each entity.

Voiding GL Transactions

Use Fixed Asset Transaction Void (32.14) to correct errors for unposted depreciation, transfers, retirements, and adjustments. Reversing fixed-asset transactions are generated for the original entries created by Fixed Asset Transaction Post. You must run Operational Transaction Post (25.13.7) to update the GL.

You can void fixed-asset transactions only if the GL is open for the period you want to void. You cannot void entries for periods before the last posted period unless the last posted period is voided first. You must use the Fixed Asset Transaction Post function to repost the voided periods.

Unposted fixed-asset transactions are created for voids that affect posting books. For voided depreciation, the fixed-asset transactions reverse the postings for accumulated depreciation and depreciation expense.

Fig. 5.50
Fixed Asset
Transaction Void
(32.14)

Most fields in this function are similar to those in Fixed Asset Transaction Post, except that you indicate if you want to void transactions rather than post them.

Void Transactions. This field determines whether GL transactions are voided.

No: The system generates the journal report and the fixed-asset transactions are not voided.

Yes: Fixed-asset transactions are voided and an audit trail is printed.

Deleting and Archiving Fixed Assets

Use Retired Asset Delete/Archive (32.23) to delete and archive retired assets.

Historical information is not automatically deleted at period or year end. It is up to you to delete this information, as frequently as you prefer. Most companies keep historical information for at least one year, depending on availability of disk space.

Usually a delete/archive function is run twice. First run it with Delete set to No and review the report. Then run it with Delete set to Yes.

Fig. 5.51
Retired Asset
Delete/Archive
(32.23)

Disposition Date, To. Enter a range of disposition dates to select retired assets to delete or archive.

Disposition Reason, To. Enter a range of disposition reasons to select retired assets to delete or archive.

Asset, To. Enter a range of asset IDs to select retired assets to delete or archive.

Class, To. Enter a range of class IDs to select retired assets to delete or archive.

Location, To. Enter a range of location IDs to select retired assets to delete or archive.

Delete. This field indicates whether to delete the selected records without generating a report.

Yes: The selected records are deleted from your database.

If you set Archive to Yes, the selected records are copied to an ASCII file before deletion. Use Archive File Reload to reload the data, if needed.

No: The selected records are not deleted. A report is generated listing the selected records.

Archive. This field indicates whether to archive the selected records.

Yes: The selected records are copied to an ASCII file. The system creates a file name in the following format: faYYMMDD.hst, where YYMMDD is the file creation date. If this file does not exist, it is created. If it does exist, it is modified.

No: The selected records are not copied to an ASCII file.

Note Keep a record of the name of the file and its contents because there is no label within the file. The name of the file only identifies the module and the date the file was created. If you need to reload particular data, you must know the correct file name.

Asset Owned Report

Use Asset Owned Report (32.5.11) to view all your company's fixed assets in detail or summary form. Use the selection criteria to limit the information reported.

If you enter an As of Date that is after the last depreciable period, then the accumulated depreciation calculation is based on the last depreciable year period.

Note If the asset uses the units-of-production depreciation method and no actual period units exist for the date entered in the As of Date, the accumulated depreciation is calculated by multiplying the accumulated units by the unit cost. If actual period units do exist for the As of Date, then accumulated depreciation is determined from the fixed asset book depreciation detail record that contains the actual period units.

Fig. 5.52
Asset Owned
Report (32.5.11)

Year/Period, To. Enter a range of periods for selecting assets for reporting. The format is YYYYXX, where YYYY is the year and XX is the period.

Note This date range is used only for selecting records. The system uses the value specified in As of Date to determine the accumulated depreciation to be included in the report.

When the posting book is used for reporting, the system uses the GL calendar to obtain the report output based on the specified year and period range. When a non-posting book is used, the system uses the associated fixed-asset calendar. If one is not available, the GL calendar is used just as with posting book report output.

As of Date. Enter the effective year and period for this report. The default is the year and period associated with today's date in the GL calendar. The format is YYYYXX, where YYYY is the year and XX is the period.

The system calculates accumulated depreciation up to this year and period.

Print Totals Only. Indicate whether you want a summary or detail report of your company's assets. This is a required entry.

No: The report prints the details for each individual asset.

Yes: The report prints a summary report for your company's assets.

Include Non-Depreciating Assets. Specify whether to include non-depreciating assets in this report.

Include Fully Depreciated Assets. Specify whether to include fully depreciated assets in this report based on the year/period range.

No: Fully depreciated assets are not included in this report regardless of the year/period range.

Yes: Fully depreciated assets are included in this report when the life of the fully depreciated assets spans the specified year/period range. To include all fully depreciated assets in the system, set this field to Yes and leave the year/period range blank.

Include Retired Assets. Specify whether retired assets are included in this report based on the year/period range and the disposition date of the assets.

No: Retired assets are not included in this report when their disposition date is prior to the end of the specified year/period range. If the disposition date is after the end of the range, the assets are included in the report.

Yes: Retired assets are included in this report when the life of the retired assets spans the specified year/period range. To include all retired assets in the system, set this field to Yes and leave the year/period range blank.

Other Fixed Assets Reports

Table 5.30 summarizes Fixed Assets reports.

Table 5.30
Fixed Assets
Reports

Report	Menu Number	Description
Periodic Activity Report	32.5.1	Displays asset activity for a period by entity. Shows per asset account the begin balance and the end balance of the fixed assets for a given period as well as the increases (acquisitions) and decreases (retirements). You can print a summary or detail report, and choose to include or exclude non-depreciating assets.
Depreciation Adjustment Report	32.5.3	Displays adjusted assets by book, location, class, and entity. Shows the type of adjustment and any relevant adjustment amounts.

Report	Menu Number	Description
Acquisition Report	32.5.5	Displays acquired assets, their depreciations and bonus depreciations within a specific period by class, location, and entity. Lists posting book information only.
Depreciation Expense Report	32.5.7	Displays depreciation expenses within a specific period by entity, book, class, and asset. You can choose a summary or detail report of the depreciation expenses. You can also specify whether the report should include all assets, even if they are not depreciated, and whether the report should include information regarding the transfer of assets between entities.
Asset Depreciation Array Report	32.5.9	Displays the lifetime depreciation expenses of your assets for one or more books. Also displays the original depreciation expense schedule and any adjustments. You can choose a summary or detail report of the asset lifetime depreciation expenses.
Primary Book Activity Report	32.5.13	Displays per asset account the begin balance and the end balance of the fixed assets for a given period as well as the increases (acquisitions) and decreases (retirements).
Primary Book Acquisition Report	32.5.15	Displays acquired assets, their depreciations and bonus depreciations within a specific period. Lists posting book information only.
Primary Book Retirement Report	32.5.17	Displays retirements, with the reason and the acquisition costs, depreciations, and net book value.

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