

Correcting WAC FAQ

Q: I've found an issue with the Weighted Average Cost on an Item. What should I do to correct it?

A: To correct WAC issues, you'll need to do the following.

1. Locate the issue
2. Determine what caused the issue and what has been affected.
3. Choose the best solution to correct the issue, Adjust or Re-do.
4. Implement the best solution.

Q: How can I determine what the issue is?

A: Locate the issue by running the following reports, • Margin on Recent Receipts in the Purchasing folder • Cost Exception in the Inventory Costing/Price folder • Cost Comparison also in the Inventory Costing/Price folder.

An additional report to run is the Margin Exceptions report found in the Exceptions folder.

Q: I need to determine what caused the issue and what has been affected so what do I do next?

A: Review the activity on the Item by first opening the Item and navigating to the Activity tab and selecting the Transactions section. When using this option, be sure to indicate the Financial Periods you need to review and indicate if you need information for all or one Site, then click the Show Results button.

Q: What I'm supposed to do on the Activity window?

A: At the top of the window, select these checkboxes

- Order (OE) • PO Rcpt (PO) • Site Tfr ITF)
- Exchange (OX) • NonPO Rcpt (RE) • PO Adj (PA)

The transactions to focus on will have a value indicated in the W. Ave Cost column which shows the WAC of inventory as it was added. Select the line item and in the footer of the window, the WAC of the item after the transaction is indicated.

Q: What do I need to think about to correct the issue?

A: Choose the solution to the issue based on these additional questions,

1. How long ago did the issue occur?
2. How many transactions have occurred since then?

Q: But how do I know when choosing Adjust the Weighted Average Cost is the right solution?

A: You'd want to Adjust if the issue occurred in one or more prior periods and more than 10 transactions have taken place since the issue first occurred. There are advantages and disadvantages to this solution.

Pro:

Con:

- Quick • Does not fix individual Order/Batch margin • Fixes the bottom line • Reporting will not be updated.

Q: If I decide to select Re-do as the solution, what will I have to do?

A: If Re-do is truly the correct solution, it will be for situations where the issue has occurred in the current financial period and less than 10 transactions have occurred since the issue happened. If you've selected Re-do as the solution, follow the steps below in the order they are listed.

First, you will need to "un-do" all transactions that have occurred since the issue date. Then, "un-do" the transaction that caused the issue. Re-enter the Inventory transaction that caused the issue then Re-enter all reversed transactions.

Q: What do you mean by un-do?

A: This could be as simple as reversing a transaction using the Reverse button or entering the opposite of the transaction. For example, to "un-do" an Order or Batch, open the Closed Order or Batch and select Reverse, or if the transaction is an Order Entry Return, enter a Sale. If there was any Physical Adjustment, enter the opposite transaction to add or subtract inventory.

Q: I've followed the steps to un-do the transactions that happened since the issue occurred, what's next?

A: Next you'll need to Un-do the transaction that's the root cause of the problem. But before you do that, it's very important that you do not attempt to correct the cost before you un-do the transaction. When you un-do the root cause, if it's a Purchase Orders, you'll Reverse the PO or if a Value Change was entered, change the Value back to the original WAC.

Q: Okay, all the transactions that happened since, and the one that caused the issue have been reversed, what is my next step?

A: To re-do, first enter the Inventory transaction that caused the issue correctly. Once that's complete, you'll need to re-do all the transactions that were backed out. There are advantages and dis-advantages to this solution as well.

Pro:

- Good audit trail
- Reports are corrected
- All transactions are corrected

Con:

- This is a much longer process

Q: What if I still have questions or want to review what I need to do?

A: Contact EFC Software Support for assistance!