CKL SOFTWARE

Inventory 365 - Application Guide

Inventory 365 Application Guide for Microsoft Dynamics 365 Business Central ®

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CONTENT

1. FIELD OF APPLICATION INVENTORY 365

Inventory 365 is an ISV Solution based on Microsoft Dynamics 365 Business Central®. This is a special functional extension of the standard solution Microsoft Dynamics 365 Business Central®. **Inventory 365** assists you with the efficient and quick analysis of stock values and their connection to the general ledger in financial accounting. In doing so, Inventory 365 solves the probem of lengthy, usually difficult analyses and reconciliations between the general ledger and the subledger of current assets. Furthermore the **Inventory 365** module offers a 'real NEM' (nature-of-expense method), which can be set up and applied when deploying the Microsoft Dynamics 365 Business Central Production module.

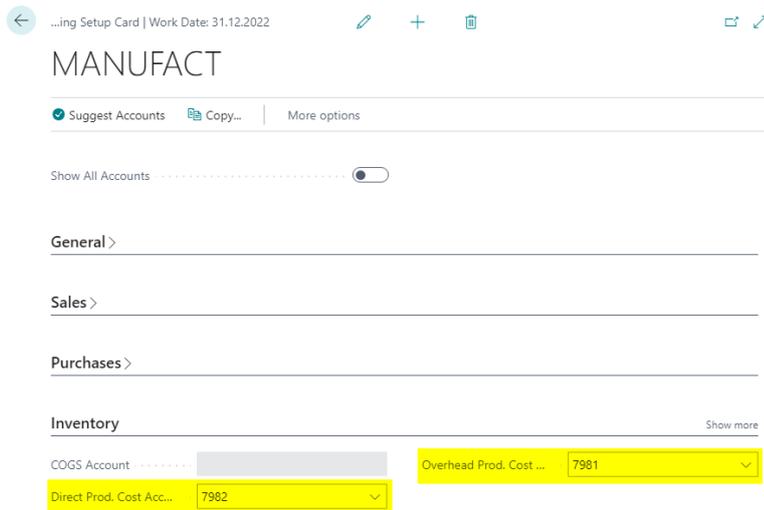**Inventory 365** assists Microsoft Dynamics 365 Business Central® Users in the following points:

- *Income Statement Postings* for *Manufacturing Costs* to achieve a complete illustration of the *Total Costs*

- *Assigning G/L Accounts* for material management postings based on *Source- and/or Reason Code*

- *Analysis* of the *Secondary Book* material management in form of Value Entries with the *Main Book* general ledger. The focus is set on *Recognizing Differences* through changing the Product- and/or Inventory Posting Group for items as well as accounts in the General Posting Setup and Inventory Posting Setup.
  Just as well an evaluation of *Rolling Goods* in *Purchase* or *Sales* with regard to Vendors and Customers is possible.

The special solution is seamlessly integrated in the departments of Finance Management and Inventory from the Microsoft Dynamics 365 Business Central®-System.

2. DETERMINING THE COSTS OF GOODS SOLD AND THE USE VALUE WHEN CALCULATING TOTAL COSTS

If you miss the *Cost of Goods Sold* in *Manufacturing* and the *Use Value of Manufacturing* to precisely generate an Illustration of the classic Total Costs, you can now map this with **Inventory 365**.

Inventory 365 expands the **General Posting Setup** with two additional Columns *Direct Prod. Cost Account* and *Overhead Prod. Cost Account*:

as well as the **Inventory Posting Setup** with two additional columns *WIP Change Account, Prod. Accrual Account (Interim)* and *Prod. Accrual Account.*

Location Code ↑	Invt. Posting Group Code ↑	Descr...	View All Acco... on	Inventory Account	Inventory Account (Interim)	WIP Account	WIP Change Account	Prod. Accrual Account (Interim)	Prod. Accrual Account	Material Variance Account
	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
	RAW MAT		☐	2130	2131	2140	7955			7890
	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
BLUE	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
BLUE	RAW MAT		☐	2130	2131	2140	7955			7890
BLUE	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
GREEN	FINISHED		☐	2120	2121	2140	7955	7965		7890
GREEN	RAW MAT		☐	2130	2131	2140	7955			7890
GREEN	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
OUT. LOG.	FINISHED		☐	2120	2121			7965	7960	
OUT. LOG.	RAW MAT		☐	2130	2131					
OUT. LOG.	RESALE		☐	2110	2111			7965	7960	
OWN LOG.	FINISHED		☐	2120	2121			7965		
OWN LOG.	RAW MAT		☐	2130	2131					
OWN LOG.	RESALE		☐	2110	2111			7965	7960	
RED	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
RED	RAW MAT		☐	2130	2131	2140	7955			7890
RED	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
SILVER	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
SILVER	RAW MAT		☐	2130	2131	2140	7955			7890
SILVER	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
WHITE	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
WHITE	RAW MAT		☐	2130	2131	2140	7955			7890
WHITE	RESALE		☐	2110	2111	2140	7955	7965	7960	7890
YELLOW	FINISHED		☐	2120	2121	2140	7955	7965	7960	7890
YELLOW	RAW MAT		☐	2130	2131	2140	7955			7890

The five new columns are used for the following Postings:

Posting	Direct Manu-facturing Costs	Indirect Manu-facturing Cost	WIP Change Account	Prod. Accrual Account (In-terim)	Prod. Accrual Account
Consumption	Cost of Goods Sold (Debit) or Change of stock Unfin-ished/Finished goods (Debit)		Change of stock WIP (Credit)		
Capacity Posting intern	Production Unit Costs (Debit)	Production Costs (Debit)	Change of stock WIP (Credit)		
Capacity Posting For-eign Labor	External Ser-vices Unit Costs (Debit)	External Ser-vices Costs (Debit)	Change of stock (Credit)		
Output (Amount)			Resolution Change of stock WIP in the amount of the Nominal Costs (Debit)	Change of stock Fin-ished goods (Credit)	
Status change to finished and Adjust Cost Item En-tries = Billing Document		Production Costs (Debit)	Change of stock WIP (Debit)		Change of stock Unfin-ished/Fin-ished goods (Credit)

2.1. Overview of the additional G/L Entries

Cost-Postings are displayed in red and Benefit-Postings green.

    (1.1) Consumption for Production Order 30,00 €
    (1.2) Consumption for Production Order 30,00 €
    (1.3) Consumption for Production Order 70,00 €
    (2.1) Capacity Posting with Purchase-Price = 55,00 €
    (2.2) Capacity Posting with Overhead Expenses 27,50 €

Dynamics NAV Standard

Consumption

WIP Account (B)
Inventory Posting Setup

30,00 €		(1.1)
30,00 €		(1.2)
70,00 €		(1.3)

Inventory Account (B)
Inventory Posting Setup

	30,00 €	(1.1)
	30,00 €	(1.2)
	70,00 €	(1.3)

Capacities

WIP Account (B)
Inventory Posting Setup

30,00 €		(1.1)
30,00 €		(1.2)
70,00 €		(1.3)
55,00 €		(2.1)

Direct Cost Applied Account (GuV)
Posting Setup (Capacity)

	55,00 €	(2.1)

WIP Account (B)
Inventory Posting Setup

30,00 €		(1.1)
30,00 €		(1.2)
70,00 €		(1.3)
55,00 €		(2.1)
27,50 €		(2.2)

Overhead Applied Account (GuV)
Posting Setup (Capacity)

	27,50 €	(2.2)

CKL Inventory PLUS

WIP Change Account (GuV)
Inventory Posting Setup

	30,00 €	(1.1.plus)
	30,00 €	(1.2.plus)
	70,00 €	(1.3.plus)

Direct Prod. Cost Account (GuV)
Posting Setup (Item)

30,00 €		(1.1.plus)
30,00 €		(1.2.plus)
70,00 €		(1.3.plus)

WIP Change Account (GuV)
Inventory Posting Setup

	30,00 €	(1.1.plus)
	30,00 €	(1.2.plus)
	70,00 €	(1.3.plus)
	55,00 €	(2.1.plus)

Direct Prod. Cost Account (GuV)
Posting Setup (Capacity)

55,00 €		(2.1.plus)

WIP Change Account (GuV)
Inventory Posting Setup

	30,00 €	(1.1)
	30,00 €	(1.2)
	70,00 €	(1.3)
	55,00 €	(2.1.plus)
	27,50 €	(2.2.plus)

Overhead Prod. Cost Account (GuV)
Posting Setup (Capacity)

27,50 €		(2.2.plus)

(3.1)   Notification of the last Operation, Nominal Costs 212,50 €
(4.1)   Refund of the Nominal Costs of 212,50 €
(4.2)   Invoice Production Order with 212,50 €
(4.3)   Production Overhead Expenses of 21,25 €

Finished Notification last Operation (Delivery)

WIP Account (B)		
Inventory Posting Setup		
30,00 €	212,50 €	(3.1)
30,00 €		
70,00 €		
55,00 €		
27,50 €		

WIP Change Account (GuV)		
Inventory Posting Setup		
212,50 €	30,00 €	(3.1.plus)
	30,00 €	
	70,00 €	
	55,00 €	
	27,50 €	

Inventory Account (Interim) (B)		
Inventory Posting Setup		
212,50 €		(3.1)

Production Accrual Account (Interim)		
Inventory Posting Setup		
	212,50 €	(3.1.plus)

Finishing the Production Orders (Invoice)

WIP Account (B)		
Inventory Posting Setup		
30,00 €	212,50 €	(3.1)
30,00 €		
70,00 €		
55,00 €		
27,50 €		
212,50 €		(4.1)

WIP Change Account (GuV)		
Inventory Posting Setup		
212,50 €	30,00 €	(3.1.plus)
	30,00 €	
	70,00 €	
	55,00 €	
	27,50 €	
	212,50 €	(4.1.plus)

Inventory Account (Interim) (B)		
Inventory Posting Setup		
212,50 €	212,50 €	(4.1)

Production Accrual Account (Interim)		
Inventory Posting Setup		
212,50 €	212,50 €	(4.1.plus)

WIP Account (B)		
Inventory Posting Setup		
30,00 €	212,50 €	(3.1)
30,00 €	212,50 €	(4.2)
70,00 €		
55,00 €		
27,50 €		
212,50 €		(4.1)

WIP Change Account (GuV)		
Inventory Posting Setup		
212,50 €	30,00 €	(3.1.plus)
212,50 €	30,00 €	(4.2.plus)
	70,00 €	
	55,00 €	
	27,50 €	
	212,50 €	(4.1.plus)

Inventory Account (B)
Inventory Posting Setup

| 212,50 € | | (4.2) |

Production Accrual Account (GuV)
Inventory Posting Setup

| | 212,50 € | (4.2.plus) |

Inventory Account (B)
Inventory Posting Setup

| 212,50 € | | (4.2) |
| 21,25 € | | (4.3) |

Production Accrual Account (GuV)
Inventory Posting Setup

| | 212,50 € | (4.2.plus) |
| | 21,25 € | (4.3.plus) |

Overhead Applied Account (GuV)
Posting Setup (Finished Item)

| | 21,25 € | (4.3) |

Overhead Prod. Cost Account (GuV)
Posting Setup (Finished Item)

| 21,25 € | | (4.3.plus) |

Inventory Account (B)
Inventory Posting Setup

212,50 €	30,00 €
21,25 €	5,00 €
	2,50 €
	3,75 €

Material Variance Account (GuV)
Inventory Posting Setup

| 30,00 € | |

Capacity Variance Account (GuV)
Inventory Posting Setup

| 5,00 € | |

Cap. Overhead Variance Account (GuV)
Inventory Posting Setup

| 2,50 € | |

Mfg.-Overhead Variance Account (GuV)
Inventory Posting Setup

| 3,75 € | |

2.2. Setup and Process

Through the new Field *Production cost posting to G/L* in the **Inventory Setup** the additional Postings are activated:

To keep a permanent consistency between Activating and Deactivating of Ware in Process (WIP), the field *Production cost posting to G/L* first controls a field in the background of Production Orders indifferent of their status. This is not affected by the means the Production Orders were created, either manually, through Sales Order Planning or through the Planning Worksheet. This way the Production Orders that existed before the field was set also get posted.

When Posting the contend of this background field is copied in field *Production Costs* of the generated Value Entries. If this Value Entries are also poste to G/L, the additional Posting to the G/L Accounts are generated.

2.3. Where-Used List

As known from G/L Accounts, the Where-Used List has been extended for the additional columns as well as for the extra windows **General Posting Setup PLUS** and **Inventory Posting Setup PLUS**. Even when deleting a G/L Account a proof process takes place, as long as this is activated in the General Ledger Setup.

3. SEPERATING ACCOUNTS BY PROCESS OR INCIDENTS

With **Inventory 365** you have the possibility to separate the accounts for the inventory postings according to processes or incidents. For example, the *Inventory Account (Interim)* for one and the same item can be separated between purchasing and production. Or the inventory adjustment on the inventory adjustment account are separated according to inventory, revaluation, scrapping postings and manual postings.

With **Inventory 365** you receive a **General Posting Setup PLUS** and **Inventory Posting Setup PLUS**. This way you can override the well-known posting Columns in the **General Posting Setup** and **Inventory Posting Setup** based on the Source Code and/or Reason Code. The PLUS Setups can be open from the **General Posting Setup** or **Inventory Posting Setup**.

The following examples are intended to illustrate this once again:

3.1. Separation of accounts according to processes

In the **Inventory Posting Setup** the *Inventory Account* for Production was added. The Purchase is a specific process, that can be accessed with the help of its Source Code. This is why in the **Inventory Posting Setup PLUS** only one entry is defined with Source Code PURCHASES and that contains only the *Inventory Account (Interim)*.

Depending on the source code and/or the reason code, all other relevant accounts for the inventory postings can be set up.

3.2. Separation of accounts according to incidents

In the **General Posting Setup** the *Inventory Adjustment Account* for manual adjustment postings was added. Inventory and Revaluation have unique Source Codes. This is why in the **General Posting Setup PLUS** there are three new entries with the Source Codes PHYSINVORD, PHYSINVJNL, REVALJNL and Reason Code SCRAP each with their own respective Inventory Adjustment Account. After you set the Reason Code to Scrap in the Journal Batch for Scrapping, all the postings from that Journal will receive that Reason Code.

The different accounts, if any, in these two **PLUS Setups** are used both in the direct postings of the Value Entries to the G/L Entries (automatic cost posting) as well as in the periodic activity **Post Inventory Cost to G/L**.

4. ANALYSIS OF FINANCIAL ACCOUNTING AND WAREHOUSE ACCOUNTING (COMPARISON OF MAIN- AND SUB-ACCOUNTING)

With **Inventory 365** you have the possibility to reconcile your inventory management with the accounts of the financial accounting or to retrieve information about delivered but not invoiced items.

By analyzing the value items in inventory management (**sub ledger**), a comparison can be made with financial accounting (**general ledger**). For this the focus is with **Recognizing Differences** through changing the Product- and/or Inventory Posting Group for Items as well as Accounts in the **General Posting Setup** and **Inventory Posting Setup**.

Just as well an evaluation of **Floating Goods** in **Purchase** or **Sales** with regard to Vendors and Customers is possible.

Through the new Analysis **Inventory – G/L Reconciliation PLUS Reports** you can group and filter Value Entries by different criteria.

For this purpose, the relevant values are first stored in a separate table, the **Inventory - G/L reconciliation PLUS Entries**. These items are either actualized with each posting or sporadically by manual call. This procedure corresponds to the analysis views in the financial accounting.

4.1. Setup

The general settings for the reconciliation reports are made in the **Inventory 365 Setup**.

The **General** part displays data about the last update. The field *Update on Posting* can be activated or deactivated via the actions. Via **Update** the reconciliation entries are created or updated. By clicking **Reset**, it is possible to delete the existing entries. If master data has changed, it can be changed in the items using the **Update Only Master Data** call without having to create the entries again.

Under **Warnings** you can define for which circumstances warnings will be shown on the created reconciliation entries. For example, you can use the *Product Posting Group - Warning* field to specify that the system should check whether the Product Posting Group in the master data and the posting are different.

4.2. Analysis

The analysis of the newly created reconciliation entries is then carried out in the **Inventory – G/L Reconciliation Entries** page. Any number of different report views can be defined here.

For each report, you specify which characteristics should be displayed in the rows and columns. Options are: *Balance Sheet, Income Statement, Item, Item Tracking, Item Category, Gen. Prod. Posting Group, Inventory Posting Group, Location, Period, Global Dimension 1, Global Dimension 2, Inventory*

Valuation, Item Inventory Valuation, G/L Account. The values are grouped according to these criteria and displayed accordingly. For the balance sheet, Income Statement and G/L account options, deviations from financial accounting are also shown.

The individual reports can then be called up via the **Show Matrix** operation.

An example of such a report is the display of Income Statement and Balance Sheet in the rows and columns. In addition, filters can be set here, for example to check individual Inventory Posting Groups (*Inventory Posting Group Filter* field) or also Production Orders (*Order No. Filter* field).

In addition to all the fields of the Value Entries, the analysis entries also contain master data from the item, such as *Description, Inventory Posting Group* or *Gen. Prod. Posting Group*. This allows you to find items whose posted values differ from the item's settings. The relevant reconciliation entries can be displayed by Drill-down into the amount fields of the matrix. Details of the values and warnings are shown per entry. For each entry, the existence of warnings is generally indicated at the beginning of the line; the fact box on the right-hand side of the page then shows the warnings in detail.

In the footer lines, the corresponding total values are shown as well as a reconciliation to the financial accounting.

Furthermore, the values from the Value Entries are transferred to the financial posting values and the corresponding posted accounts are shown.

Via filter codes it is additionally possible to set further filters on entry level. For example, filters can be set on the entry types, quantities and values. By setting the filter code in the reconciliation report, further criteria for the analysis can thus be set in a quick way.

For example, the **PURCHASE** filter and a Product Posting Group / Inventory Posting Group display can be used to check whether purchase postings have been made to finished goods:

Below are some examples of such filter codes:

5. SETUP DATA INVENTORY 365

Initial report templates for the Inventory- G/L Reconciliation PLUS Analysis can be generated via **Create Report Templates**.