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Article # 1270

Technical Note: How to Properly Use the Unit of Measurement Feature when Processing Storage, Sales and Purchase Transactions in AccountMate 7

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
AccountMate 7 for LAN

Module(s) Affected: Inventory Control, Sales Order, Accounts Receivable, and Purchase Order

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DESCRIPTION

Inventory item transactions are not always created using the same unit of measurement (**U of M**). Items stocked using a certain U of M may be purchased from vendors using a different U of M, and sold to customers using yet another U of M. A sound accounting software provides you the flexibility to assign different U of Ms to various transactions, to automatically translate item pricing based on the U of M used, and to correctly account for the items' costs.

This document discusses how AccountMate addresses the scenarios described above. In particular, it explains how to properly assign a U of M to each inventory type and inventory item record, and how to properly use U of Ms when processing storage, sales, and purchase transactions.

SOLUTION

A. *Key Components of the Unit of Measurement Feature*

At the heart of this feature is the **Unit-of-Measurement Maintenance** function that is available only in the **Inventory Control** module. Using this function, you can set up an unlimited number of U of M records.

Each U of M record has the following key components:

1. **U of M Code** –represents the U of M record. While you can utilize the naming convention of your choice, it is best to use codes that clearly reflect the U of M's relationship to another U of M. For example, you may set up a code that represents the English measurement "Inch"; however, that U of M may be used in relation to other U of M such as "Feet" and "Yards". Simply using the code "Feet" or "Yards" may prove to be ineffective. To avoid confusion, we suggest using codes like "FT_IN"

and "YD_IN" to represent the U of M "Feet to Inches" and "Yards to Inches", respectively.

2. **Factor** – AccountMate uses a conversion factor to translate the transaction's U of M to the item's U of M. The transaction quantity is multiplied by the conversion factor to arrive at the quantity by which inventory is to be increased or decreased. The factor can be assigned only when the U of M record is first set up.

B. Assigning Default Unit of Measurement to Inventory Type and Inventory Item records

When you create an inventory type record, you may assign to it different U of Ms for storage, for sales, and for purchase transactions. The code you enter in the U of M field will be the default Stock, Sales, and Purchase U of M. To amend the default U of M, click the Overwrite U of M button to display the Overwrite U of M button, and assign three (3) different units of measurement to be used for storage, sales, and purchases transactions.

The U of M codes assigned in the inventory type record will become the default Stock, Sales, and Purchase U of M when you create inventory item records with that type assigned; however, if you do not assign an inventory type, you must manually assign the three (3) units of measurements to successfully save the inventory item record.

Note: *If you did not mark the Used in Invoice/Sales Order and/or Used in Purchase Order checkboxes in the Information tab of the Inventory Type and Inventory Maintenance functions, you need not assign a Purchase U of M and/or Sales U of M. AccountMate will automatically identify the inventory type or inventory item record as using a factor of "1."*

Refer to section D for an illustration on how to best assign Stock, Sales, and Purchase U of Ms to inventory type and inventory item records.

C. Assigning Units of Measurement to Inventory, Sales, and Purchase Transactions

You can assign various units of measurement when you process storage, sales, and purchase transactions involving inventory items. The following paragraphs discuss which particular inventory transactions use the inventory item's Stock, Sales, and Purchase U of M as default.

*Functions using the inventory item record's **Stock U of M** as default:*

	Function	Comments/Exceptions
1	Inventory Adjustment	
2	Warehouse Inventory Transfer	
3	Input Physical Count	
4	Kit Formula Maintenance	
5	Build Kit Item	
6	Create Sales Order Create Sales Quote	Only for inventory items added to customize a kit formula

*Functions using the inventory item record's **Sales U of M** as default:*

	Function	Comments/Exceptions
1	Inventory Basic Price Maintenance*	
2	Inventory Multi-level Price Maintenance*	
3	Customer Inventory Maintenance*	
4	Create Sales Order Create Sales Quote Recurring SO Setup Create Blanket SO*	Except: • for items added to customize a kit • when the Customer Item # feature is activated • when the Customer Contract Price feature is activated • when a customer price code is assigned • when an item price code is assigned
5	Import Sales Order Import AR Invoice	Except when the imported text file includes a U of M code
6	Create Invoice Create Sales Return without Invoice Recurring Invoice Setup	Except when the: • Customer Item # feature is activated • Customer Contract Price feature is activated • customer price code is assigned • item price code is assigned
7	RMA Transaction*	Except when the: • AR invoice is associated with the RMA order • Customer Item # feature is activated • Customer Contract Price feature is activated • Customer price code is assigned • Item price code is assigned

*Functions using the inventory item record's **Purchase U of M** as default:*

	Function	Comments/Exceptions
1	Create Purchase Order by Vendor Create Purchase Quote by Vendor Create Blanket PO* RTV Transactions*	Except for items that have inventory vendor records set up and the vendor is set to use vendor part numbers
2	Create Purchase Order by Item, by Sales Order, and by Reorder Quantity Create Purchase Quote by Item, by Sales Order, and by Reorder Quantity	Except for items that have inventory vendor records set up
3	Import Purchase Order	

*   *The Inventory Basic Price Maintenance, Inventory Multi-level Price Maintenance, Customer Inventory Maintenance, Create Blanket SO, RMA Transaction, Create Blanket PO, and RTV Transactions functions are available only in AM7 for SQL/Express.*

Refer to section D for an illustration on how to best assign U of M to various inventory, sales, and purchases transactions.

D. Illustration

When AccountMate translates the transaction quantity to the assigned U of M, it uses that U of M's factor. To minimize the effect that rounding may have on the translation process, it is best to assign to the inventory item record the smallest Stock U of M that supports a finite conversion factor. To illustrate this, assume the following:

Item# A111 is purchased from two suppliers. One supplier (vendor# AFF1) sells it by the yard while the other (vendor# CLF32) sells it in feet. You sell the same item to customers in either inches (customer# ACC1) or feet (customer# AER1).

The conversion factors for inches, feet and yards are as follows:
- Feet to inches: 12
- Inches to feet: 1/12 or 0.083333333333…
- Yard to inches: 36
- Inches to yard: 1/36 or 0.0277777777…
- Yard to feet: 3
- Feet to yard: 1/3 or 0.3333333333…

Based on the illustration, it is best to set up item# A111 with a Stock U of M expressed in "Inches," and assign to it a factor value of 1. You can then assign to the item a Purchase U of M and a Sales U of M that translate to Inches without any rounding variances.

NOTE: *You can still set up "feet" or "yards" as the Stock U of M; however, AccountMate supports a maximum of four (4) decimal places for its conversion factor so some rounding variances may result.*

When recording transactions involving item # A111, you may amend the default Stock, Sales, or Purchase U of M (whichever is applicable); however, bear in mind that AccountMate uses the factor of the transaction's U of M to translate the transaction's units into the inventory item record's Stock U of M units.

To continue with the previous illustration:
1. Create the following U of M records:
    a. YD_IN => this represents "yards to inches" and uses a conversion factor of 36
    b. FT_IN => this represents "feet to inches" and uses a conversion factor of 12
2. Assign the "YD_IN" U of M to purchase orders placed with vendor AFF1.
3. Assign the "FT_IN" U of M to purchase orders placed with CLF32.
4. Assign the "Inches" U of M to sales orders created for ACC1.
5. Assign the "FT_IN" U of M to sales orders created for AER1.

Assume the following:
- Received 3 yards of item# A111 from AFF1.
- Received 12 feet of item# A111 from CLF32.
- Shipped an order for 24 inches of item# A111 to ACC1.

Given that there are no other transactions and balances to consider, the on-hand quantity for item# A111 would be 228 inches (3 yards @ 36 inches/yard + 12 feet @ 12 inches/ft – 24 inches).

To determine the net effect these transactions have on the item quantity, AccountMate converts the transaction quantity into the inventory item record's Stock U of M units. Using the factor assigned to the latter it also converts the unit price and unit cost into the prices and costs applicable to the transaction U of M.

For example, given that the unit price and unit cost for an inch of item# A111 are $15 and $7.25, respectively, based on the conversion factors assigned to the respective U of M used AccountMate will make the following automatic adjustments to the transaction unit price and unit cost:

- The purchase order placed with vendor # AFF1 for item# A111 will have a default unit cost of $261 (36 inches in a yard @ $7.25/inch).
- The purchase order placed with vendor # CLF32 for item# A111 will have a default unit cost of $87 (12 inches in one foot @ $7.25/inch).
- The sales order created for customer # ACC1 will have a default unit price of $15.
- The sales order created for customer # AER1 will have a default unit price of $180 (12 inches in one foot @ $15/inch).

Proper use of the Unit of Measurement feature when processing inventory storage, sales, and purchases can help to ensure that inventory item transactions are recorded in AccountMate using their correct item costs and prices. It also facilitates the efficient monitoring of required inventory quantity levels.