

ACCOUNTS PAYABLE/COST PROCEDURES

PPV ANALYSIS

A. General

1. The PPV (Purchase Price Variance) Report is run on Friday after all AP batches have been processed (released by Employee 1). The batches enter all invoices, corrections, etc. into the system before month-end close.
2. Request the report through the Lawson system (see screens below). MIS should call or deliver the report within an hour. If not, call them.
3. Bold, underlined data at the bottom of each screen indicates selection entries.

```
Lawson Midrange Software
User -

Master Menu
1 ACCOUNTS PAYABLE      4.5    <    19 Universe
2 EMPLOYEE EXPENSE      4.5    22 Currency Setup
3 ACCOUNTS RECEIVABLE   25 Time Accrual
4 Fixed Assets          R.4    35 AP ENCORE PRODUCTS
5 General Ledger        R.5    91 DISPLAY MESSAGES
6 Report Writer         R.5    92 DISPLAY OUTPUT QUEUE
7 Ratio Analysis        R.5    93 DISPLAY SUBMITTED JOBS
8 Flexible Budgeting    R.5    98 END PASS THRU
9 Cost Allocations      R.5    99 SIGN OFF
10 Payroll              R.4
11 Human Resources      R.5
12 Personnel            R.4
13 BENEFITS             R.5
15 ACCOUNTS PAYABLE (GAS III)
17 ORDER ENTRY
18 SUBLEDGER INTERFACE  5.0

Enter Selection . . . 01
Reset          Sign Off      Applications
F2=Xfer  F3=Exit  F4=Select  F5=Clear  F6=Define  F7=Detail
F24=More Keys
(INF.001) Inquiry complete.
```

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```
Lawson Midrange Software
User - E CERDAS          ACCOUNTS PAYABLE          4.5 Menu
      M E N U   S E L E C T I O N S                T O K E N   O P T I O N
S
1 A/P SETUP AND MAINTENANCE      7 PUR PARTS PRICE VARIANCE RPTS
2 A/P INVOICE MAINTENANCE        10 UNMATCHED RECEIPTS REPORT
3 A/P PAYMENT CYCLE              12 PUR PRICE VAR W/FRT IN STDS
4 A/P UPDATES&RECONCILIATIONS    40 MANL MAINT RECEIPTS/PURCHASES
5 A/P REPORTS                    41 RECEIPTS/PURCHASES INQUIRY
6 A/P USI CUSTOM PROGRAMS      91 DISPLAY MESSAGES
7 A/P NON-LAWSON CONVERSION      92 DISPLAY OUTPUT QUEUE
91 DISPLAY MESSAGES              93 DISPLAY SUBMITTED JOBS
92 DISPLAY OUTPUT QUEUE          99 SIGNOFF
93 DISPLAY SUBMITTED JOBS
99 SIGN OFF

Enter Selection . . .06      Enter Option . . .12
      Reset                      Sign Off          Applications
F2=Xfer  F3=Exit  F4=Select  F5=Clear  F6=Define  F7=Detail
F24=More Keys
(INF.001) Inquiry complete.
```

```
AXRG311          Purchased Price Variance Reporting
10/21/98

User ID . . . . . YOUR NAME
Job ID . . . . . PPV
Comments . . . .
Run Option . . . B (B)atch processing
-----
Company ..... 0010
Process Level ..... (Blank=All Process Levels)
Monthly, YTD or Current Month Report? C (M=Monthly, Y=YTD,
C=Current)
If Monthly, enter month and year .. _____
```

- **Process Level: Blank=All Process Levels** means all three locations, San Leandro (11), El Dorado (13) and Carrolton (21) will print. For month-end, leave it blank. Enter the number, indicated in parentheses above, for a specific location.
- **Monthly, YTD ...:** If running this for month end, enter M for monthly
- **If Monthly, enter...:** Enter month/year without dividers (i.e. 1010 for October 2010). No date is needed for a mid-month report.
- Press Enter
- Go to DSJ (Display Submitted Jobs) to release the job.
- **IF RUNNING FOR MONTH END, BE SURE ALL BATCHES ARE RELEASED.**

```
CMD: 1-RET 5-CNL
```

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B. Analyzing the Report

1. Review variances in the **MATERIAL** column. Highlight variances over \$500 whether favorable or unfavorable **or** if the variance appears to be more than 50% between ACTUAL and STANDARD even if not more than \$500.
2. Sign into the AS400 (SIM - Manufacturing) to verify current costs.
 - a. Enter option 12100, and the company number (C/N). San Leandro is 2, El Dorado is 3. Press Enter.
 - b. Enter the part number, press F5 to verify current cost.
 - c. Multiply the quantity on the PPV report by the Current Cost. If it equals the ACTUAL in the report the variance is acceptable. This means the part has a new cost but the new cost has not been rolled up into Total Standard Cost (TSC). The old Standard, which is no longer valid, is being used to calculate the variance. The Standard will change when Cost Accounting processes a Cost Roll, which is done periodically.
 - d. If the calculation in step c. does not validate the variance, press F3, return to the main SIM menu and choose option 7250, Purchase Orders.
 - e. Enter the part number, arrow down to the P.O. on the PPV report and enter **5** to see the P.O. price for this part. Multiply the quantity on the PPV report by the P.O. price. The total of this should equal the ACTUAL on the PPV report. If not, the invoice needs to be pulled and researched.

C. Corrective Actions

1. When checking the invoice, look for:
 - a. Quantity on the receiver matches the quantity on the report.
 - b. Part number is correct.
 - c. Invoice amount matches the report.
 - d. Pricing matches the Current Cost for the part. If not, get Purchasing's approval and accept the variance.
2. Quantity discrepancies.
 - a. If the receipts and invoice are found, check unmatched receipts and match off the invoice with the receipt. If the invoice or receipts are not found and there is a quantity difference, multiply the quantity difference by Standard **TOTAL** Cost to get the dollar amount to adjust.

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- b. If the report quantity is more than the invoice quantity, credit (-) the Purchases Account, 370XX (item class) and debit (+) the PPV Account, 373XX (item class). The adjustment will include freight charges, which are part of Standard Total Cost.
 - c. If the report quantity is less than the invoice quantity, debit (-) the Purchases Account, 370XX (item class) and credit (+) the PPV Account, 373XX (item class). The adjustment will include freight charges, which are part of Standard Total Cost.
 3. Part Number Error
 - a. Access option 12100 and key in the right part number. Multiply the quantity by the Standard Total Cost. The difference between this amount and the amount on the report is the adjustment.
 - b. Check that the part number was not classed as outside processing. If it was, the adjustment must be debited to 37332 (PPV) and credited to 37035 (Purchases Account).
 - c. If not outside processing, debit the Purchases Account, 370XX for the Item Class that was wrong and credit the PPV Account, 373XX for the Item Class that was right.
 - d. Check the unmatched receipts for the correct part number to match off the receiver, if available.
 4. Invoice Amount Error
 - a. If the Invoice amount is greater than the amount on the report (amount originally keyed in), credit the Purchases Account, 370XX for the amount the invoice was over the amount keyed in and debit the PPV Account, 373XX for the same amount.
 - b. If the Invoice amount is less than the amount on the report (amount originally keyed in), debit the Purchases Account, 370XX for the amount the invoice was under the amount keyed in and credit the PPV Account, 373XX for the same amount.
 5. After the journal entries are entered into the system, run a second PPV report and write the corrections on the report. File the report with the other month-end reports.