

Inflation Accounting



HELP.CAINTINFLATION

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Inflation Accounting

Use

The *Inflation Accounting* solution allows you to adjust your accounts for inflation. All the functions described in the following documentation are for high-inflation countries in which such adjustments are to be made at regular intervals.

Features

The solution affects three application components:

- *Financial Accounting* (FI)
The functions here allow you to restate your G/L accounts and open payables and receivables for inflation (general and specific price-level changes).
- *Asset Accounting* (FI-AA)
In this component, you can reevaluate your assets to take into account the effects of inflation.
- *Materials Management* (MM)
In this component, you can reevaluate your materials according to various principles.

Inflation Accounting for Financial Accounting (FI)

Use

This solution enables you to:

- Adjust G/L accounts for inflation
- Adjust open payables and receivables
- Prepare financial statements adjusted for inflation

In addition to the above functions, these financial statements also draw on the information from the *Inflation Accounting* solutions for *Asset Accounting* (FI-AA) and *Materials Management* (MM), depending on your requirements.

Activities

Customizing

In order to be able to work with the solution, you make the appropriate Customizing settings in Customizing for *Financial Accounting* (FI), by choosing *Financial Accounting Global Settings* → *Inflation Accounting*.

After you have gone into production operation, you must continue to enter the inflation indexes in Customizing as they are published.

Master Data

As regards the master data, you have to assign an [inflation key \[Ext.\]](#) to each G/L account that is to be revaluated.

Day-to-Day Activities

There is little to do in the way of day-to-day activities. However, if you require specific line items (in any form of document) to be adjusted for inflation using a specific inflation index, you must [assign it to the line item \[Page 15\]](#) when you post the document.

Closing

When the time comes for you to adjust your accounts, at period end, you run the appropriate programs to adjust various accounts for inflation:

- [Inflation Adjustment of G/L Accounts \[Page 16\]](#)
- [Inflation Adjustment of Open Items in Local Currency \[Page 24\]](#)
- [Inflation Adjustment of Open Items in Foreign Currency \[Page 26\]](#)

Reporting

The adjustments that you make in the closing activities automatically flow into the general ledger, and thus into any financial statements that you prepare. You may, however, need to customize your system so that you can prepare two sets of financial statements, [adjusted and unadjusted \[Page 28\]](#).

You can also create [inflation-adjusted comparative financial statements \[Page 29\]](#).

Inflation Method

Definition

See [inflation method \[Ext.\]](#).

Use

The inflation method contains basic information used by all of the programs in the *Inflation Accounting* solution for *Financial Accounting* (FI). Before you run any of these programs, you need to customize the inflation method.

Customizing

You maintain inflation methods in Customizing for FI, by choosing *Financial Accounting Global Settings* → *Inflation Accounting* → *Inflation Methods*.

Closing

When you come to run the various inflation adjustment programs, the system uses the settings in the inflation method assigned to your company code to determine:

- Which is the [general inflation index \[Ext.\]](#)
- Which is the default [time base and exposure to inflation variant \[Ext.\]](#)
- Whether you want the [adjustments to be split \[Ext.\]](#)
- Which document type, posting keys, and tax codes to use when creating [inflation adjustment documents \[Ext.\]](#)

Inflation Key

Definition

See [inflation key \[Ext.\]](#).

Use

The inflation key instructs all the programs in the *Inflation Accounting* solution for *Financial Accounting* (FI) how to adjust for inflation a given G/L account.

Customizing

You maintain inflation keys in Customizing for FI, by choosing *Financial Accounting Global Settings* → *Inflation Accounting* → *Inflation Keys*.

Once you have maintained the keys, you assign one at company code level to every G/L account that is to be adjusted.

In order to adjust accounts receivable and accounts payable, you assign an inflation key to the appropriate reconciliation account.

Closing

When you come to run the various inflation adjustment programs, they only adjust G/L accounts that you have assigned a key to. The key instructs the programs:

- Whether the account is a [monetary account \[Ext.\]](#)
- Which [adjustment method \[Ext.\]](#) to apply to the account
- Whether the account is to be adjusted using a [specific inflation index \[Ext.\]](#) or a particular [time base and exposure to inflation variant \[Ext.\]](#)
- Whether to actually post inflation adjustments calculated on this account
- Whether to post the adjustments to an account for specific inflation adjustments

Inflation Adjustment Document

Definition

See [inflation adjustment document \[Ext.\]](#).

Use

The system creates inflation adjustment documents automatically whenever you run any of the *Inflation Accounting* programs in update mode.

In some programs, the system creates and posts the documents online; in others, the system creates them and stores them in a batch input session, which you then have to process in order for them to be posted.

Structure

As with all [accounting documents \[Ext.\]](#), the inflation adjustment document consists of a header and line items.

Header

When the system creates an inflation adjustment document, it obtains some of the information (for example, the posting date) from the entries that you make on the program selection screen, and some of the information (the document type) from the inflation method. Which information is used from where varies from program to program.

Line Items

Each document includes at least two line items, typically one to record the increase in an item's value, and one to post this increase (because it is usually considered to represent an expense or revenue) to a profit and loss account.

Each line item contains the following information:

- Posting key

In the *Inflation Adjustment of G/L Accounts* and *Inflation Adjustment of Open Items in Foreign Currency* programs, this information is taken from the **inflation method**.

In the *Inflation Adjustment of Open Items in Local Currency* programs, you specify the posting key on the **selection screen**.
- Inflation amount

The amount is calculated by the system on the basis of the item to be adjusted and your Customizing settings (see [Inflation Calculation \[Page 12\]](#))
- G/L accounts

The system uses the Customizing settings that you have made to identify which accounts to post the adjustments to
- Tax codes (taxes on sales and purchases)

Not all of the inflation adjustment documents require taxes to be calculated; in some case, a tax code is required for technical purposes in order to be able to post a document to a G/L account that requires a tax code.

Inflation Adjustment Document

The tax code is usually taken from the inflation method, although the *Inflation Adjustment of Open Items in Local Currency* programs also allow you to use the same tax code as the one in the item to be adjusted.

Inflation Calculation

Use

This function is used by all of the programs in the *Inflation Accounting* solution for *Financial Accounting* (FI). You use these programs to adjust G/L accounts, payables, and receivables to account for the inflation rate as published in inflation indexes.

Features

The system:

- Ensures that you adjust all items – G/L account balances, line items, or open items – without inadvertently missing out any days, by recording the [last adjustment date \[Ext.\]](#)
- Allows you to work with an unlimited number of [inflation indexes \[Page 13\]](#)
- Allows you to take into account bookkeeping assumptions that you have to make about new items (by means of [time base and exposure to inflation variants \[Page 14\]](#))
- Posts all inflation adjustments to the general ledger using [inflation adjustment documents \[Page 10\]](#)
- Allows you to differentiate between specific inflation adjustments and general inflation adjustments (see [inflation adjustment split \[Ext.\]](#))

Activities

When you come to run the programs in the *Inflation Accounting* solution for FI, the system adjusts each G/L account as follows:

- It determines which inflation index to use.

If any of the line items on the account have inflation indexes, the system adjusts them with these. For the others, it uses the index that you have assigned to the inflation key. If you have not entered an inflation index in the inflation key, the system uses the one that you have entered in the inflation method.
- It then calculates the [net inflation rate \[Ext.\]](#).

To do so, it takes the inflation index value as per the [last adjustment date \[Ext.\]](#) and from the date that you have entered on the program selection screen. Note that, irrespective of which index format you maintain your inflation index values in, the system always calculates the inflation rate using the accumulated index.

If the system looks for an inflation index value for a particular date, but you have not maintained a value for that date, the system will determine the value on that date automatically. To do so, it assumes that inflation progresses at a constant rate between any two inflation values. So, for example, if you enter an inflation index value for 31 January (1,500) and one for 28 February (1,510), but want to calculate inflation as at 14 February, it will assume that the inflation index on that date is 1,505.

Inflation Index

Definition

See [inflation index \[Ext.\]](#).

Use

The inflation indexes are a key part of the inflation calculation function. They are used in Customizing, posting, and closing procedures.

Customizing

You maintain inflation indexes in Customizing for Financial Accounting (FI), by choosing *Financial Accounting Global Settings* → *Inflation Accounting* → *Maintain Inflation Indexes*.

As the inflation figures (known in the system as [inflation index values \[Ext.\]](#)) are published, you enter this data in the inflation index. In most countries, inflation indexes are published on a monthly basis, but there are exceptions.

The system allows for:

- Inflation indexes in three different [formats \[Ext.\]](#)
- The use of [composite \[Ext.\]](#) indexes and [provisional indexes \[Page 18\]](#)
- [General \[Ext.\]](#) and [specific \[Ext.\]](#) indexes

Once you have maintained your indexes, you enter the general index in the inflation method. If a G/L account is to be adjusted using a specific index, you enter it in the account's [inflation key \[Page 9\]](#).

Posting

You can assign an inflation index to individual line items as you post them, if you have customized the SAP System accordingly (see [Assigning Specific Inflation Indexes to Line Items \[Page 15\]](#)).

Closing

When you come to run the programs in the *Inflation Accounting* solution for *Financial Accounting* (FI), they reevaluate each G/L account, line item, and open item using the inflation index assigned to it.

Structure

The inflation index consists of header data and values. In addition, you can define multiple [versions \[Ext.\]](#) of each index, although you normally need only define one.

Time Base and Exposure to Inflation Variant

Definition

See [time base and exposure to inflation variant \[Ext.\]](#) (TBE variant).

Use

The TBE variants are used in the inflation calculation function. They are used in Customizing, posting, and closing procedures.



The TBE variant also determines which date's inflation rate applies.

Typically, the authorities require you to adjust your accounts for inflation at the end of each month using the inflation index published for the last day of that month. That means, for example, that you adjust your accounts for inflation on 31 January using the inflation index for January, on 28 February using the index for February, and so on.

In one or two cases, however, you are required to adjust your accounts using the inflation index from a different date, for example, from the preceding month. For example, you may be required to adjust accounts on 31 May using the inflation index published for 30 April.

Customizing

You maintain TBE variants in Customizing for *Financial Accounting* (FI), by choosing *Financial Accounting Global Settings* → *Inflation Accounting* → *Maintain Time Base and Exposure to Inflation Variants*.

You then assign one TBE variant to the inflation method; this is the TBE variant that the system applies to each G/L account by default when you use the FI inflation adjustment programs. If you have other G/L accounts that need to be adjusted using a different TBE variant, you can assign them a TBE variant directly by creating an inflation key with a different TBE variant.

Closing

When you come to run the programs in the *Inflation Accounting* solution for FI, they adjust each G/L account using the TBE variant in the inflation key that you have assigned to it. If you have not entered a TBE variant in the inflation key, the system uses the one that you have entered in the inflation method.


Assigning Specific Inflation Indexes to Line Items

Use

When you post a document (of any kind), you may want to assign one or more of the line items a [specific inflation index \[Ext.\]](#), so that when you come to adjust your accounts for inflation, this index will be applied.

This feature is intended primarily for the adjustment of open items, but also works for G/L accounts. When you come to run the programs, the system will adjust these items using the index at that level.

Procedure

When you post a document, you can assign an inflation index to a line item in the line item display by choosing  *More data*.

Result

When you run the inflation adjustment programs, the line item will be adjusted using the index that you have assigned it.

Inflation Adjustment of G/L Accounts

Use

You use this program to adjust G/L accounts for inflation. It calculates the inflation adjustment required for each account and makes the appropriate adjustment postings.

Prerequisites

If you are using this program for the first time, you may have to run the [Changing of Last Adjustment Dates \[Page 23\]](#) program.

Features

To access the program, from the *SAP Easy Access* screen, choose *Accounting* → *Financial Accounting* → *General Ledger* → *Periodic Processing* → *Closing* → *Valuate* → *Inflation Adjustment of G/L Accounts*.

Selection

On the selection screen, you specify:

- Which G/L accounts you want to adjust for inflation adjustment
- Which fiscal period you want to adjust them up to
- The parameters for the adjustment postings

Output

The system:

- [Calculates the inflation \[Page 12\]](#) on the G/L accounts
 - The following are handled differently:
 - Accounts adjusted using the [balance method \[Ext.\]](#) (see also [Adjustment of Balances in Foreign Currency \[Page 22\]](#))
 - Accounts adjusted using the [line item method \[Ext.\]](#)

Normally, only line items in local currency are adjusted; those in foreign currency are left to be valued using the standard program (see [Valuation of Open Items in Foreign Currencies \[Ext.\]](#)). However, it is possible to value open items in foreign currency using this program, if you select the indicator on the selection screen. However, with this program, you can only use one valuation method. With the other, you have a range of methods.

If you adjust the open items in foreign currency, the inflation adjustment amount is split as when you adjust **balances** in foreign currency.
- Determines which accounts to post the adjustments to
 - When you adjust your G/L accounts for inflation, there are several instances in which you might want to make a compound posting. The system supports these as follows:
 - Balances or items adjusted using a [specific inflation index \[Ext.\]](#)

Inflation Adjustment of G/L Accounts

Depending on your Customizing settings, the inflation expense or revenue is split between the **specific inflation gain or loss** and the general inflation gain or loss. However, if you do not want the amount to be split, it does not have to be.

- Balances or [items denominated in foreign currency \[Page 22\]](#)
Here the expense or revenue is split between the **exchange rate gain or loss** and general inflation gain or loss.
- [Interest on interest-bearing accounts \[Page 19\]](#)
Here, the inflation expense or revenue is split between the **interest earned** and general inflation gain or loss.
- Creates a batch input session with the [inflation adjustment documents \[Ext.\]](#) (update mode only)



Even if your company code works with [parallel currencies \[Ext.\]](#), the inflation adjustments are only made in the local currency.

Activities

As with all programs, we recommend that you execute it in test mode until you are sure that the results are correct. For these purposes, the program allows you to [cross-check the balances of your monetary and nonmonetary accounts \[Page 21\]](#).

Once you have run the program, you process the batch input session. The system then:

- Posts the inflation adjustment documents
- Updates the [last adjustment date \[Ext.\]](#)
 - Accounts adjusted using the **balance method** have the date stored at account level only. To check an account's last adjustment date, use the [Changing of Last Adjustment Dates \[Page 23\]](#) program.
 - Accounts adjusted using **line item method** have this information stored in the G/L account **and** the line items. The date in the G/L account is for information purposes only: It is the date in the line items that counts when you adjust them the next time.

See also:

- Use of [provisional inflation indexes \[Page 18\]](#)
- [Adjustment of accounts with interest indicators \[Page 19\]](#)

Adjustment Using Provisional Inflation Indexes

Adjustment Using Provisional Inflation Indexes

Purpose

Most countries only work with [definitive \[Ext.\]](#) indexes, but in some countries, the inflation indexes are first published as [provisional \[Ext.\]](#) figures before the definitive values are published.

The SAP System allows you to calculate inflation adjustments using provisional indexes. If you want to, it can make the appropriate postings and then reverse them before the definitive index is published.

Process Flow

1. The government publishes the provisional inflation index for the period and you maintain the index values accordingly.
2. You run the [Inflation Adjustment of G/L Accounts \[Page 16\]](#) program for provisional indexes.
The program calculates the inflation adjustments and creates two batch input sessions, one with the inflation adjustment documents, and one with documents to reverse these postings.
3. You process the first of the two batch input sessions.
The system:
 - Posts the inflation adjustment documents, so that the G/L accounts are effectively adjusted for inflation using the provisional inflation figures
 - Updates the [last provisional adjustment date \[Ext.\]](#) in the adjusted G/L accounts and line items
4. Once you have checked the figures, you process the second batch input session.
The system posts the documents with the reverse postings, thus returning the G/L accounts to their unadjusted state.
5. The government publishes the definitive inflation index for the period.
6. You overwrite the inflation value in the inflation index (if it has changed from the provisional value) and mark it as definitive value.
7. You run the *Inflation Adjustment of G/L Accounts* program again, but this time for definitive indexes.

Adjustment of Interest-Bearing Accounts

Purpose

This process describes how you can adjust for inflation interest-bearing accounts (in the SAP System, G/L accounts with interest indicators) so that any interest earned is reduced to reflect the general inflation index.

Prerequisites

In addition to the usual settings required for adjusting a G/L account, you must also bear in mind the following:

- Since the system only supports the use of the general inflation index, you must not have assigned any interest-bearing accounts a specific index.
- In the account determination settings for the account to be adjusted, you must have entered the interest earned account as the general inflation contra account. This enables the system to deduct the inflation from the interest earned.

Process Flow

1. You calculate the interest accrued on each G/L account.

To do so, you run the [interest calculation program \[Ext.\]](#) as normal. The program calculates the interest accrued and posts it to the interest receivable and interest earned accounts that you have defined in the program's Customizing settings.

2. You calculate the inflation on each G/L account.

You do so using the *Inflation Adjustment of G/L Accounts* program. This calculates the inflation on all accounts, using the general inflation index, and transfers the inflation from the interest earned account to the general inflation gain or loss account.

Example

You have a bank account with a balance of UNI 100,000. The interest rate is 10%, and the general inflation rate is running at 3%.

1. You run the interest calculation program, and the system calculates the interest (UNI 10,000), which it posts to the interest receivable and interest earned accounts (in the graphic below, posting 1).
2. You run the *Inflation Adjustment of G/L Accounts* program, and the system calculates the inflation on the bank account over the period (UNI 3,000) and posts it to the interest earned account and the inflation gain or loss account (2).

This effectively reduces the interest earned from UNI 10,000 to UNI 7,000.

Adjustment of Interest-Bearing Accounts

Bank	Interest receivable	Interest earned	Inflation gain or loss
100,000	(1) 10,000	(2) 3,000 10,000 (1)	3,000 (2)
		7,000	

Cross-Checking of Inflation Adjustments

Purpose

When you have calculated the inflation on your [nonmonetary \[Ext.\]](#) items, you can cross-check the result by calculating the inflation on [monetary \[Ext.\]](#) items. The total balance of the nonmonetary accounts must be the same as that of the monetary accounts, since every nonmonetary transaction is reflected on a monetary account at some stage.

Prerequisites

You have classified each G/L account as monetary or nonmonetary, by assigning each an inflation key in which you have selected or deselected *Monetary acct* (Monetary account).

Process Flow

1. You adjust your nonmonetary accounts in test mode using the *Inflation Adjustment of G/L Accounts* program.
2. Run the program in test mode again, but this time for monetary accounts
The amount of inflation calculated must be the same. If not, you trace the source of the error and make the necessary corrections.

Adjustment of Balances in Foreign Currency

Adjustment of Balances in Foreign Currency

Use

When you run the *Inflation Adjustment of G/L Accounts* program, it automatically adjusts any G/L account balances in foreign currency according to the net change in the exchange rate since the [last adjustment date \[Ext.\]](#). This applies both to [foreign currency balance sheet accounts \[Ext.\]](#) and to accounts managed in local currency that allow balances in foreign currency.

Features

The system values each balance in foreign currency using the [average exchange rate \[Ext.\]](#).

It creates an inflation adjustment document for each balance, which it adds to the batch input session.

If you have activated the inflation adjustment split in the inflation method, the system:

- Calculates how much of this amount is due to the exchange rate and how much is due to the general inflation rate
 - In order to do so, it calculates how much the balance would have been worth if it had been in your local currency and subject to the general inflation rate. It then subtracts this amount from the foreign currency valuation.
- Posts the general inflation amount to the general inflation gain and loss account and the remainder to the specific inflation gain and loss account

The amounts are always posted in your local currency only, not in the foreign currency.

Example

Your local currency is the UNI; you have an account managed in UNI and euros. At the start of the month, it has a balance of EUR 10,000 which is worth UNI 80,000: The exchange rate is 8.00.

At the end of the month, the balance has not changed, and the exchange rate is 8.50, which means that the EUR 10,000 is now worth UNI 85,000: an increase of UNI 5,000 (in the example below, posting 1). However, the general inflation rate in that month was 0.5%, which accounts for UNI 400 of that increase (posting 2). After allowing for inflation, therefore, the exchange rate gain is UNI 4,600.

UNI/euro account	
80,000	
(1) 5,000	
85,000	

Foreign exchange gain or loss	
(2) 400	5,000 (1)
	4,600

Inflation gain or loss	
	400 (2)

Changing of Last Adjustment Dates

Use

You use this program to change the [last adjustment date \[Ext.\]](#) of specific G/L accounts. You may need to use this program in the following cases:

- If you are using the [Inflation Adjustment of G/L Accounts \[Page 16\]](#) program for the first time midway through the fiscal year

For example, assume your fiscal year runs from January to December. In July, you import some general ledger account data from a legacy system. This data has already been adjusted, in the legacy system, up until the end of June.

- If the system has processed incorrectly a batch input session with inflation adjustment documents and you need to reset some of the dates so that the G/L accounts can be adjusted again



Use this program with caution because when it changes the last inflation adjustment dates, the old dates cannot be recovered.

Features

To access the program, from the *SAP Easy Access* screen, choose *Accounting* → *Financial Accounting* → *General Ledger* → *Periodic Processing* → *Closing* → *Valuate* → *Reset Inflation Data*.

Selection

On the selection screen, specify:

- Which G/L accounts you want to adjust
- The G/L accounts' last adjustment dates

Inflation Adjustment of Open Items in Local Currency

Use

Using the SAP System, you can adjust open items, that is, payables and receivables, for inflation. The system does this by creating a **new open item** on the customer or vendor account for the [net inflation rate \[Ext.\]](#).



You adjust an open customer invoice worth UNI 4,000 for inflation, which is running at 10%. The system creates a new customer invoice for UNI 400 in addition to the existing invoice.

There are two separate programs, one for open receivables and one for open payables.

Features

Business Practice

This program is based on the following business practice: During periods of high inflation, customers and vendors sometimes come to individual agreements about how to adjust outstanding invoices for inflation. Inflation accounting laws do not usually provide for the blanket adjustment of open items. For this reason, once an agreement has been made, we recommend that you enter an inflation index in the appropriate line item; by default, the program only adjusts open items that you have assigned an inflation index to individually, although you can override this.

Accessing the Programs

To access the receivables program, from the *SAP Easy Access* screen, choose *Accounting* → *Financial Accounting* → *Accounts Receivable* → *Periodic Processing* → *Closing* → *Valuate* → *Inflation Adjustment of Open Receivables in Local Currency*.

To access the payables program, from the *SAP Easy Access* screen, choose *Accounting* → *Financial Accounting* → *Accounts Payable* → *Periodic Processing* → *Closing* → *Valuate* → *Inflation Adjustment of Open Payables in Local Currency*.

Selection

On the selection screen, you specify:

- Which customers or vendors you want to adjust the open items for
- The parameters for the inflation adjustment documents (required in update mode only)

Output

The system:

- Calculates the inflation on each open item

It calculates the inflation as from the item's last adjustment date (or its posting date, if it has not been adjusted before). If you use the *Extended Withholding Tax* solution, it also calculates withholding taxes.

Inflation Adjustment of Open Items in Local Currency

- Calculates the appropriate taxes on sales and purchases, if you have specified so on the selection screen
- Creates and posts a separate [inflation adjustment document \[Page 10\]](#) for each document adjusted (update mode only)

These documents are similar to those created by the *Inflation Adjustment of G/L Accounts* program, except for the following:

- Parallel currencies

These documents contain amounts in any parallel currencies.

- Document number of original open item

The original open item's document number is stored in the vendor or customer line item text field.

- Inflation index

The system assigns the same inflation index to the inflation accounting document that it used to adjust the original open item.

Inflation Adjustment of Open Items in Foreign Currency

Inflation Adjustment of Open Items in Foreign Currency

Use

You use this program to adjust for inflation open receivables and payables denominated in foreign currency **and** split the adjustment between the exchange rate fluctuation and the inflation rate.



Do not use this program if you only need to value the foreign currency items without splitting the result. In that case, use the standard [Foreign Currency Valuation \[Ext.\]](#) program.

Features

To access the program, on the initial screen, choose *Accounting* → *Financial Accounting* → *General Ledger* → *Periodic Processing* → *Closing* → *Valuate* → *Adjustment of Open Items in Foreign Currency*.

Selection

On the selection screen, you specify:

- Which customers or vendors you want to run the program for
- Which valuation method you want to use
- Whether you want to value and adjust the open items or just carry out one step
- Whether you want to run the program in update mode
- What name the data file is to have (see below)

Output

Assuming you value and adjust the open items for inflation, the program:

1. Values the open items using the standard program (see [Foreign Currency Valuation \[Ext.\]](#))
When it has done so, it:
 - Records the exchange rate difference in each open item
The exchange rate difference is only present in the local currency, not in any parallel currencies.
 - Posts the exchange rate difference online to a foreign exchange gain or loss account
 - Creates a data file with some additional information that is required for the second step
2. [Calculates the inflation \[Page 12\]](#) on the open items using the [general inflation index \[Ext.\]](#)
3. Splits the difference between the inflation adjustment amount and the valuation amount (see example below)
4. Deletes the data file from step 1.

The transaction currency of the split postings is always the transaction currency of the valued item, that means, the foreign currency.

Inflation Adjustment of Open Items in Foreign Currency

Example

<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="border-bottom: 1px solid black; padding: 5px;">Accounts receivable</th> </tr> <tr> <td style="width: 50%; padding: 5px;">(1) 1,500</td> <td style="width: 50%;"></td> </tr> </table>	Accounts receivable		(1) 1,500		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="border-bottom: 1px solid black; padding: 5px;">Foreign exchange adjustments</th> </tr> <tr> <td style="width: 50%; padding: 5px;">(b) 200</td> <td style="width: 50%;"></td> </tr> </table>	Foreign exchange adjustments		(b) 200		<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="border-bottom: 1px solid black; padding: 5px;">Foreign exchange gain or loss</th> </tr> <tr> <td style="width: 50%; padding: 5px;">(d) 150</td> <td style="width: 50%; padding: 5px;">(b) 200</td> </tr> </table>	Foreign exchange gain or loss		(d) 150	(b) 200	<table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="border-bottom: 1px solid black; padding: 5px;">General inflation gain or loss</th> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%; padding: 5px;">(d) 150</td> </tr> </table>	General inflation gain or loss			(d) 150
Accounts receivable																			
(1) 1,500																			
Foreign exchange adjustments																			
(b) 200																			
Foreign exchange gain or loss																			
(d) 150	(b) 200																		
General inflation gain or loss																			
	(d) 150																		

1. On 31 July you post an open receivable for USD 1,000.
 Your local currency is the German mark (DEM). The dollar–mark exchange rate is 1:1.5, so the receivable is worth DEM 1,500.
2. One month later, on 31 August, you run the *Inflation Adjustment of Open Items in Foreign Currencies* program, which:
 - a. Values the receivable using the new exchange rate
 The exchange rate now stands at 1:1.7, which means that the item is now worth DEM 1,700, an increase of DEM 200.
 - b. Credits the foreign exchange difference revenue, DEM 200, to the account for foreign exchange gains or losses and debits it to the account for balance sheet adjustments
 - c. Calculates how much of the DEM 200 has resulted from inflation and how much is due to fluctuations in the exchange rate
 Since inflation is running at 10%, DEM 150 can be attributed to the general inflation effect ($DEM\ 1,500 \times 10\% = DEM\ 150$). The increase due to the exchange rate is thus DEM 50.
 - d. Credits the inflation adjustment amount to the foreign exchange gain or loss account and debits it to the inflation gain or loss account
 You now have an inflation adjustment of DEM 150 and a foreign exchange gain of DEM 50.

Adjusted and Unadjusted Financial Statements

Use

Depending on your legal requirements and business practice, as well as preparing a set of inflation-adjusted financial statements, you may also need to prepare a set of unadjusted financial statements.

You can do so by using a special purpose ledger that does not take the information from any inflation adjustment documents.

Activities

1. Define a special purpose ledger for creating unadjusted financial statements.
2. Exclude the inflation accounting documents from the special ledger by defining a rule that prevents the special ledger from accepting inflation accounting documents.

For example:

```
<BKPF> $BLART <> DT
```

Where DT is the document type that you use for the inflation accounting documents.

See also:

[Special Purpose Ledger \(FI-SL\) \[Ext.\]](#)

Inflation-Adjusted Comparative Financial Statements

Use

To prepare inflation-adjusted comparative financial statements, you can use the standard financial statement report.

This function is not intended for businesses that are required to adjust their accounts for inflation for their general-purpose financial statements. It is designed for businesses that want to create comparative financial statements in which the comparison period is adjusted for inflation.



You want to create a comparative balance sheet that compares the figures for January 20X2 with those of the previous year, January 20X1. The figures from the comparison period, January 20X1, are to be adjusted for the inflation between then and January 20X2.

Prerequisites

In order to use this function, you have to make the same Customizing settings that you would need to use the [Inflation Adjustment of G/L Accounts \[Page 16\]](#) program. That includes:

- Defining an inflation method and assigning it to the company code
- Defining an inflation index and maintaining the values accordingly
- Defining a time base and exposure to inflation variant (TBE variant)
- Defining inflation keys and assigning them to the G/L accounts that you want to adjust

Activities

Run the *Financial Statement* report as described in the standard documentation (see [Creating the Financial Statements \[Ext.\]](#)), but on the selection screen, on the *Special evaluations* tab, select *Inflation adjust. comp. period*.

It prepares the comparative statement as usual, but adjusts the comparison period for inflation using the general inflation index.

Inflation Accounting for Asset Accounting (FI-AA)

Use

This solution is intended for use in high-inflation countries where you are required to adjust for inflation your fixed assets on a regular basis, as part of normal closing activities. It is not intended for [one-time revaluations \[Ext.\]](#), which in the SAP System are covered by different functions.

The solution allows you to revalue assets for inflation by adjusting their historical cost and depreciation according to the inflation index.

Features

Recording of Revaluation Amounts

Just as you record asset acquisition and production costs – and the appropriate depreciation – in depreciation areas, you record asset [revaluation amounts \[Ext.\]](#) in [revaluation areas \[Page 36\]](#), a form of depreciation area.

You carry out the revaluation using a [program \[Page 39\]](#) designed specifically for this purpose, which calculates the revaluation amounts and are stores them in the asset subledger until such time as you execute a depreciation run. The amounts are then posted to the general ledger along with the depreciation.

The system allows you to work with provisional and definitive indexes.

Revaluation of Depreciation

The system automatically revalues the depreciation amounts along with the assets' acquisition and production costs, to ensure that the entire asset is depreciated fully. For more information about the general revaluation procedure, see [Asset Revaluation \[Page 32\]](#).

Manual Revaluation

Normally you revalue your assets at regular [intervals \[Ext.\]](#) by applying the inflation index. Sometimes, however, a government may issue a ruling that stipulates that assets of a certain kind are to be adjusted using other criteria for a particular interval. In this event, you can revalue the asset accordingly using the *Manual Revaluation* transaction. When you come to run the revaluation program for the interval, it recognizes that the asset has already been revaluated and does not attempt to revalue it again until the next interval. For more information, see [Manual Revaluation \[Page 55\]](#).

Revaluation of Assets Under Construction

The program allows you to revalue assets under construction and investment measures so that the revaluation amounts are settled to the correct object.

Activities

If you use this solution, there are a number of Customizing activities involved. When you close your accounts at period-end, you run the *Asset Revaluation (Inflation)* program in order to revalue the assets.

Inflation Accounting for Asset Accounting (FI-AA)**Customizing**

In order to be able to work with the solution, you make the appropriate Customizing settings in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation for the Balance Sheet* → *Inflation Accounting*.

You continue to enter the inflation indexes in Customizing as they are published by the appropriate authorities.

Master Data

As regards the master data, you have to assign a [revaluation key \[Ext.\]](#) to each new asset master that you create.

Closing

As described above, you run the program at regular intervals, for example, at the end of every month. This program revalues assets and posts the revaluation amounts to the asset subledger. The system then posts the revaluation amounts to the general ledger (together with the depreciation amounts) when you execute a depreciation run.

Reporting

Depending on how you customize the account determination, you can include the revaluation amounts in various financial statements.

Revaluation of Assets at Regular Intervals

Revaluation of Assets at Regular Intervals

Purpose

This process illustrates how you can use the SAP System to automatically revalue your assets. For the purposes of this example, we assume:

- That you revalue assets at the end of each month, which is standard practice in the majority of countries
- That assets are not to be revaluated in the month that you acquire them in, but every month after
- That your fiscal year is the same as the calendar year

Process Flow

1. In January, you post an asset acquisition of some drilling equipment for UNI 12,000.

The system debits the [acquisition and production costs \[Ext.\]](#) (APC) to the asset subledger account for drilling equipment and credits the vendor's account (see graphic below); the transaction is automatically recorded on the asset reconciliation account in the general ledger.

Vendor	Drilling equipment	Asset reconciliation
12,000	12,000	12,000

The system automatically calculates the planned depreciation amounts for the entire year in the asset subledger, but without yet posting them to the general ledger. The equipment has a useful life of 10 years and is to be depreciated using the straight-line method without any scrap value. That means that one month's depreciation is UNI 100.

2. At the end of January, you [execute a depreciation posting run \[Ext.\]](#).

The program posts the depreciation amount – UNI 100 – to the general ledger as follows:

Depreciation on drilling equipment	Depreciation expense
100	100

Revaluation of Assets at Regular Intervals

Note that there is no revaluation amount for this month, as in this example, assets are not to be revaluated in the same month as they are acquired.

3. At February month-end, you need to revalue the equipment. To this end, you run the [Asset Revaluation \(Inflation\) \[Page 39\]](#) program.

The program:

- [Revaluates \[Page 42\]](#) the asset acquisition
 - The inflation rate is currently running at 10% a month, which means that the equipment, which was originally worth UNI 12,000, is now worth UNI 13,200, a [revaluation amount \[Ext.\]](#) of UNI 1,200.
- Creates an asset document to post the revaluation amount in a [revaluation area \[Page 36\]](#) in the asset subledger
 - Note that the program creates these documents in a batch input session, which you then have to process in order for the document to be posted to the subledger (see step 4).
- Calculates the planned annual depreciation on the revaluation amount
 - Now that the equipment's value has increased, the original monthly depreciation of UNI 100 will not be enough to fully write off the asset over 10 years. For this reason, the monthly depreciation amount has to be extended to cover the revaluation amount (UNI 1,200).
 - The system calculates the depreciation on the revaluation amount by using the same rules as it used to calculate the unadjusted depreciation, so spread over the asset's useful life of 10 years, the UNI 1,200 has to be depreciated at UNI 120 per annum, or UNI 10 per month.

4. As soon as the program has created the batch input session, you process it.

The system posts the asset revaluation documents, which serve to update the revaluation amounts in the asset subledger.

5. As soon as you have done that, you then execute a depreciation run in order to post February's revaluation and depreciation amounts to the general ledger.

The program:

- Posts the revaluation amount from the subledger to the general ledger
 - The program creates an [inflation adjustment document \[Ext.\]](#) that debits the revaluation amount to a contra account for the revaluation of the drilling equipment, and credits the revenue to an inflation gain or loss account.

Revaluation of drilling equipment <hr style="width: 80%; margin: 0 auto;"/> 1,200	Inflation gain or loss <hr style="width: 80%; margin: 0 auto;"/> 1,200
---	---

Revaluation of Assets at Regular Intervals

- Posts February's depreciation on the APC to the general ledger

The graphic shows the UNI 100 for January and the UNI 100 for February.

Depreciation on drilling equipment	Depreciation expense
100 100	100 100

- Posts the depreciation on the revaluation amount from the subledger to the general ledger

Although January has already passed, the revaluation amount is typically still depreciated equally over the 12 months of the year. For this reason, that means that we now depreciate not just UNI 10 for February, but also UNI 10 for January as well, a total of UNI 20. The posting is as follows:

Depreciation on revaluation	Depreciation on revaluation: expense
20	20

After these postings have been made, the revaluated net book value of the drilling equipment is:

$$(APC + \text{revaluation amount}) - (\text{depreciation on APC} + \text{depreciation on revaluation amount})$$

Or

$$(UNI\ 12,000 + UNI\ 1,200) - (UNI\ 200 + UNI\ 20) = UNI\ 12,980.$$

To cross-check the result, we can work out what the unadjusted net book value would have been at the end of the month:

$$UNI\ 12,000\ APC - UNI\ 200\ \text{depreciation} = UNI\ 11,800$$

We can then adjust this amount for inflation:

$$UNI\ 11,800 \times 10\% \text{ inflation} = UNI\ 1,180$$

If you add the revaluation amount to the unadjusted net book value, you get the same amount, UNI 12,980.

Revaluation of Assets at Regular Intervals

6. You repeat steps 3 to 5 until year-end. Each month, the system revalues the asset by applying the inflation rate to its APC and the current year's accumulated revaluation amount. Similarly, the APC and each month's revaluation amount are also depreciated.

Note that in some countries, you are required to use separate G/L accounts to record revaluation of the current month's depreciation amount; and revaluation of that from previous months. For more information, see [Revaluation of Depreciation Split \[Page 49\]](#).

7. At year-end, you execute the depreciation run one last time.

At this point, the whole year's depreciation and revaluation amounts have been posted to the general ledger.

You also [change the fiscal year \[Ext.\]](#). When you do so, the system automatically carries forward the accumulated depreciation to the new fiscal year.

8. The next year, the procedure is the same. As before, you calculate the revaluation amounts, depreciation amounts, and revaluation of depreciation amounts at the end of each month. However, you revalue the previous year's depreciation and the current year's depreciation separately. At the end of January, with inflation still running at 10%, you would make the following posting in addition to the others:

Inflation on <u>accumulated depn</u> 120	Depreciation <u>expense</u> 120
--	---------------------------------------

Revaluation Area

Revaluation Area

Definition

In the asset subledger, a [depreciation area \[Ext.\]](#) that you use for the purposes of revaluation.

Use

Recording Revaluation Amounts

You use revaluation areas to record asset [revaluation amounts \[Ext.\]](#). In the [asset revaluation \[Page 32\]](#) process, we saw that when you revaluated the drilling equipment, that resulted in an increase in the asset's value of UNI 1,200.

One way of handling the revaluation amount in the SAP System is to record it in a separate revaluation area. In the graphic below, the asset's acquisition and production costs (APC) are recorded in the book depreciation area, depreciation area 01. The revaluation amount (UNI 1,200) is recorded in a separate revaluation area, area 03. The asset's adjusted net book value is shown in area 4.

Area 4 is termed a [derived area \[Ext.\]](#), because the values that it shows are derived from two other areas, in this case the APC from area 01 and the revaluation amount from area 03. Areas 01 and 03, conversely, are termed real areas, because they record values that have been calculated in their own right.

Recording Inflation in Revaluation Areas

	Area 01 APC	Area 03 Revaluation amounts	Area 04 APC + revaluation amounts
Drilling equipment	12,000	1,200	13,200
Depreciation	200	20	220
Net book value	11,800	1,180	12,980

This is the most common way of using revaluation areas, although accounting procedures vary from country to country. In Turkey, for example, inflation adjustments are recorded in the book depreciation area (01), so no separate revaluation areas (in the graphic, 03 or 04) are required.

As you can see, the revaluation areas also show the depreciation on the inflation.

Recording Inflation Adjustments for Different Purposes

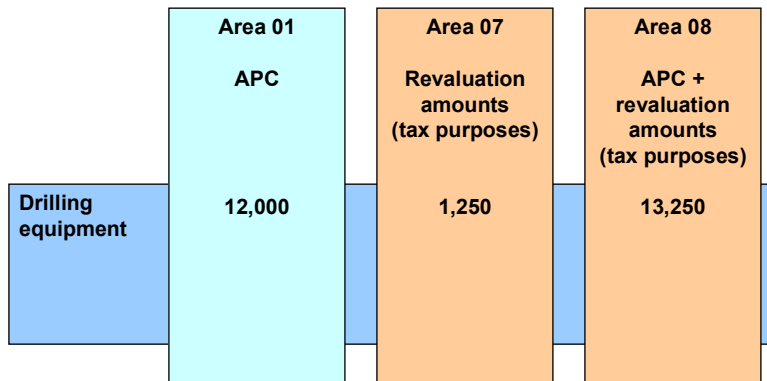
In some countries, you are required to depreciate and revalue assets for different purposes. For example, as well as calculating depreciation for use in general purpose financial statements, you may well have to calculate depreciation differently in order to determine how much income

Revaluation Area

tax you have to pay. Similarly, you may have to revalue your assets for different purposes, using different rules.

To this end, you define separate revaluation areas. The above graphic has one area for recording revaluation amounts calculated for general purposes, area 03, and a derived area, area 04. For the purposes of asset revaluation for tax purposes, you would define two further revaluation areas, as shown in the graphic below:

Inflation for Tax Purposes



Here, as you can see, the revaluation amount for tax purposes (in area 07, UNI 1,250) is slightly higher than that for general purposes (in area 03, UNI 1,200).

Parallel Currencies

For each parallel currency used by your company code, you must create a copy of each revaluation area that posts to the general ledger. You must customize them in the same way as the base depreciation area, with one exception: You must mark them as not to be posted to the general ledger.

These parallel currency areas are required only for technical reasons, because, logically, inflation is specific to a currency only (in this case, your local currency). Therefore, the *Asset Revaluation (Inflation)* program always posts zero amounts to parallel currencies.

Customizing

You maintain revaluation areas in Customizing for *Financial Accounting*, under *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation of the Balance Sheet* → *Inflation Accounting* → *Revaluation Areas*.

Asset Master Data

Asset Master Data

Definition

See [The Asset Master Record \[Ext.\]](#).

Use

You can assign a revaluation key to all assets that are in a company code for which you have activated *Inflation Accounting for Asset Accounting (FI-AA)*.

To access the revaluation data in the asset master, go to the detail screen of the depreciation area maintenance and choose *Data for revaluation*.

Master Data Maintenance

When you create a new asset master record, you assign a revaluation key to each real revaluation area.



To exclude an asset from revaluation, you can assign it a revaluation key whose inflation index contains only zero values.

Day-to-Day Activities

If you [adjust an asset manually \[Page 56\]](#), the system:

- Sets the [last revaluation date \[Ext.\]](#) to the last date in the interval in question
- Deletes any entry from the *Last inflation index* field

If any asset has a last revaluation date but not an index, this information tells the *Asset Revaluation (Inflation)* program that it was last revaluated manually.

Closing

When you come to run the *Asset Revaluation (Inflation)* program, it revaluates every asset using the information from the revaluation key. Once the batch input session with the asset revaluation amounts has been processed, the system updates the asset's last revaluation date. It also records which [inflation index \[Ext.\]](#) it adjusted the asset with.

Asset Revaluation (Inflation) Program

Use

You use this program to revalue assets for inflation.

This program is intended for use **at regular intervals**, as described in the [above procedure \[Page 32\]](#). If you need to revalue assets **once only**, you use a different program (see [One-Time Revaluation Measures \[Ext.\]](#)).

For information about how the program handles provisional and definitive indexes, see [Revaluation Using Provisional Inflation Indexes \[Page 48\]](#).

Prerequisites

You have made the settings in Customizing for *Financial Accounting* (FI), by choosing *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation for the Balance Sheet* → *Inflation Accounting*.

In addition, before you run this program the first time in a production system, you must run this program as a dummy run for each company code in question for the last day of the interval before the one that you are going to start revaluation amounts in. This creates the appropriate entry in the program log. You must also include this date in the posting variant.

Features

To access the program, from the *SAP Easy Access* screen, choose *Accounting* → *Financial Accounting* → *Fixed Assets* → *Periodic Processing* → *Revaluation for the Balance Sheet* → *Inflation*.

Selection

On the selection screen, you specify:

- Which assets you want to revalue
You can only select specific assets when you run the program in test mode. In update mode, the program runs for the whole company code.
- Which date the assets are to be revaluated up to
You can only run the program for dates in the [posting variant \[Page 43\]](#) assigned to the inflation method.
You can execute the program as often as necessary for a particular date. It will create postings independent of the provisional or definitive version of the index.
- Batch input session ID (update mode only)

Output

When you execute the program, the system:

- [Revaluates each asset \[Page 42\]](#) and creates a batch input session with the revaluation amounts
For information about how the program handles any manual postings that you have made for this interval, see [Manual Revaluation \[Page 58\]](#).

Asset Revaluation (Inflation) Program

- Displays a list of the revaluation amounts, showing:
 - Which assets have been revaluated
 - Which assets have been revaluated at zero
 - Which assets did not need to be revaluated (for example, assets that were not yet capitalized on the date in question)
 - Any errors that occurred

If the program takes too long, you can use another version of it that allows you to process the assets using more than one batch input session (see [Asset Revaluation \(Inflation\) Program – Parallel Sessions \[Page 53\]](#)).

Activities

1. Once the program has created the batch input session, process it immediately in order to effect the changes to the asset values at asset subledger level. You must not run the program again until you have processed the session, as this can lead to inconsistencies.
 - When the batch input session has been processed, the system updates the assets' [last revaluation date \[Ext.\]](#) (again, at revaluation area level).
2. If there are any errors you can correct them as follows:
 - Errors arising from incorrect Customizing settings (for example, incorrect inflation index values)
 - In this case, change the Customizing setting and run the program again. It posts the appropriate revaluation amounts to make up the difference. You can, however, only do so if the run was with provisional indexes.
 - Individual errors
 - You can correct problems with individual assets using a manual posting.
3. To transfer the revaluation amounts from the asset subledger to the general ledger, execute a depreciation run.
 - When the system posts the revaluation amounts to the general ledger, it creates only one accounting document for each account determination.

Inflation Method

Definition

See [inflation method \[Ext.\]](#).

Use

The inflation method contains basic information required by the *Asset Revaluation (Inflation)* program. Before you can run the program, you first have to customize the inflation method.

Customizing

You maintain inflation methods in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting → Special Valuation → Revaluation of Fixed Assets → Revaluation for the Balance Sheet → Inflation Accounting → Inflation Methods*.

Closing

When you come to run the *Asset Revaluation (Inflation)* program, the system uses the settings in the inflation method assigned to your company code to determine:

- Whether you are allowed to run the program for this date or not (by means of the [posting variant \[Ext.\]](#))
- Whether to activate the [split revaluation of depreciation \[Page 49\]](#) function
- Whether you want the program to take into account revaluation amounts when [settling costs \[Page 51\]](#) accumulated on assets under to construction
- Which [transaction types \[Ext.\]](#) to post the revaluations with

See also the information about [Country Version Turkey \[Ext.\]](#).

Revaluation Calculation

Revaluation Calculation

Use

The system revalues assets when you run the *Asset Revaluation (Inflation)* program.

Activities

In order to revalue an asset, the system determines:

- How to handle the asset transactions (by means of the [period control method \[Page 46\]](#))
- Which [inflation index \[Page 45\]](#) the asset is to be revaluated with
- What period of time is to be revaluated (the time between the asset's [last revaluation date \[Ext.\]](#) and the program date)

It reads this information from the [asset master data \[Page 38\]](#) and the asset's [revaluation key \[Page 44\]](#).

Example

In the [sample process \[Page 32\]](#), you were required to revalue drilling equipment at the end of every month. Let us consider what happens at February month-end.

When you come to revalue the asset on 28 February, the program proceeds as follows:

1. It looks up the asset's revaluation key to see which period control method is assigned to it.
2. In the period control method, it looks up what TBE variant you have entered for acquisitions.
The TBE variant tells the program to revalue the asset for the interval of 1–28 February.
3. It looks up the asset revaluation key to see what inflation index to apply.
4. In the inflation index, it looks up the inflation values in the inflation index and then calculates the [net inflation rate \[Ext.\]](#) for the month of February.
5. It then checks the posting variant to see whether you have set 28 February as a posting date. Because you have, the system knows to create an asset revaluation document for this asset.



If the system looks for an inflation index value for a particular date, but you have not maintained a value for that date, the system will determine the value on that date automatically. To do so, it assumes that inflation progresses at a constant rate between any two inflation values. So, for example, if you enter an inflation index value for 31 January (1,500) and one for 28 February (1,510), but want to calculate inflation as at 14 February, it will assume that the inflation index on that date is 1,505.

With this information, the system is able to revalue the asset.

See also:

[Manual Revaluation \[Page 55\]](#)

Posting Variant

Definition

See [posting variant \[Ext.\]](#).

Use

The posting variant is used by the *Asset Revaluation (Inflation)* program when you run it. The posting variants have two uses, which are outlined below.

Customizing

You maintain posting variants in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting → Special Valuation → Revaluation of Fixed Assets → Revaluation for the Balance Sheet → Inflation Accounting → Maintain Posting Variants*.

Once you have done so, you assign:

- One posting variant to the inflation method
This posting variant instructs the system which dates you can run the program for. You can only run it on the dates that you specify here.
- One posting variant to every time base and exposure to inflation variant (TBE variant)
You assign TBE variants to period control methods, and these in turn to revaluation keys, which ultimately you assign to an asset. These posting variants therefore control how often to post revaluation amounts on a given asset.

Closing

You can only run the *Asset Revaluation (Inflation)* program for the dates that you have entered in the posting variant assigned to the inflation method.

Furthermore, the program will only reevaluate the assets that you have assigned a posting variant that also contains this date.

See also the information about the following country versions:

- [Chile \[Ext.\]](#)
- [Turkey \[Ext.\]](#)

Revaluation Key

Revaluation Key

Definition

See [revaluation key \[Ext.\]](#).

Use

The revaluation key instructs the *Asset Revaluation (Inflation)* program how to revalue each asset.

Customizing

You maintain revaluation keys in Customizing for *Financial Accounting*, by choosing *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation for the Balance Sheet* → *Inflation* → *Revaluation Keys*.

Once you have maintained the keys, you assign one to every asset master.

Day-to-Day Activities

Whenever you create a new asset, you specify in the asset master data which revaluation key the asset is to be revaluated with.

Closing

When you run the *Asset Revaluation (Inflation)* program, it revalues each asset according to the information in the revaluation key.

See also:

[Asset Master Data \[Page 38\]](#)

Inflation Index

Definition

See [inflation index \[Ext.\]](#).

Use

The *Asset Revaluation (Inflation)* program uses the inflation indexes when [calculating revaluation \[Page 42\]](#).

Customizing

You maintain inflation indexes in Customizing for Financial Accounting (FI), by choosing *Asset Accounting → Special Valuation → Revaluation of Fixed Assets → Revaluation for the Balance Sheet → Inflation Accounting → Maintain Inflation Indexes*.

Once you have done so, you assign an inflation index to each revaluation key.

Closing

When you come to run the *Asset Revaluation (Inflation)* program, it revaluates each asset using the inflation index that you have entered in the revaluation key.

Period Control Method

Definition

See [period control method \[Ext.\]](#).

Use

The *Asset Revaluation (Inflation)* program uses the period control methods when [calculating revaluation \[Page 42\]](#).

Customizing

You maintain period control methods in Customizing for *Financial Accounting*, by choosing *Asset Accounting → Special Valuation → Revaluation of Fixed Assets → Revaluation for the Balance Sheet → Inflation Accounting → Maintain Period Control Methods*.

Once you have done so, you assign one to every revaluation key.

Closing

When you come to run the *Asset Revaluation (Inflation)* program, the period control method instructs the system how to handle each asset transaction.

See also the information about [Country Version Turkey \[Ext.\]](#).

Time Base and Exposure to Inflation Variant

Definition

See [time base and exposure to inflation variant \[Ext.\]](#) (TBE variant).

Use

The *Asset Revaluation (Inflation)* program uses the TBE variants when [calculating revaluation \[Page 42\]](#).

Customizing

You maintain TBE variants in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting → Special Valuation → Revaluation of Fixed Assets → Revaluation for the Balance Sheet → Inflation Accounting → Maintain Time Base and Exposure to Inflation Variants*.

Once you have done so, you create period control methods on the basis of the TBE variants, with a separate TBE variant for each asset transaction type. In turn, you assign a period control method to each revaluation key.

Closing

When you run the *Asset Revaluation (Inflation)* program, it revalues each asset using the TBE variants assigned to it by means of the revaluation key.

Revaluation Using Provisional Inflation Indexes

Revaluation Using Provisional Inflation Indexes

Purpose

The *Asset Revaluation (Inflation)* program allows you to first revalue your assets with [provisional \[Ext.\]](#) indexes, then, once the authorities publish the [definitive \[Ext.\]](#) index, to revalue the assets one last time – definitively.

Note that all the inflation indexes that you use must be definitive in order for the run to be finished properly.

Process Flow

1. When the authorities publish the inflation index in its provisional form for an [interval \[Ext.\]](#), you maintain the inflation index values in Customizing, making sure not to mark the index as definitive.
2. To carry out a provisional run, you execute the *Asset Revaluation (Inflation)* program for the interval.

The program revalues the assets as normal, creating a batch input session with the appropriate revaluation amounts. When you process the session, the system updates the assets' [last revaluation date \[Ext.\]](#).

You can execute as many provisional runs as you want. Each time, the system calculates the difference between the revaluation since the last run and posts this amount.

3. Once the authorities publish the definitive index for the interval, you enter the definitive values in the inflation index in Customizing, and mark the index as definitive.
4. You then run the program one last time – in update mode – with definitive inflation indexes. This time, it creates asset revaluation documents to make up the difference between the provisional revaluation amounts.

Once you have run the program, you can no longer change the index value.

Split Revaluation of Depreciation

Use

Using this function, the *Asset Revaluation (Inflation)* program splits the revaluation of an asset's depreciation into two components (as illustrated in step 3 of the [asset revaluation process \[Page 32\]](#)) which you can then record on separate accounts:

- The amount for the current month
- The amount for months that have already passed

Normally, these amounts are not split and are posted to a single account, but this distinction is required by law in some countries.

Prerequisites

To activate the split, you

- Select the indicator in the inflation method
- Define the appropriate G/L accounts

Example

This function is best explained using an example. Consider the aforementioned sample asset revaluation process.

February

At the end of February, the drilling equipment is revaluated from UNI 12,000 to UNI 13,200. The increased value of the equipment has to be taken into account in the depreciation process. Before we reevaluate the asset, we have to depreciate it by UNI 100 per month in order to write it off over the course of its useful life of 10 years. Now that the value of the asset has increased, the monthly depreciation also has to be revaluated too. To this end, we take the asset's new value and calculate how much we need to depreciate each month over the machinery's useful life:

$$\text{UNI } 13,200 \div 120 \text{ months (10 years)} = \text{UNI } 110$$

This figure breaks down into the **unadjusted depreciation** on the APC at UNI 100 and the **revaluation of the depreciation amount**, UNI 10.

That means that on 28 February you post:

- The revaluation amount on the asset's APC for February (UNI 1,200)
- The unadjusted depreciation for February (UNI 100)
- The revaluation of the depreciation **for the current month** (UNI 10)
- The revaluation of the depreciation **for past months** (UNI 10)

On 31 January you had already posted UNI 100 depreciation on the asset. The posting here serves to increase this amount to UNI 110, which is necessary in order for the machinery to be depreciated over the asset's useful life.

Split Revaluation of Depreciation

March

In March, inflation is again running at 10%, which means that the asset is now worth UNI 1,320 more:

$$\text{UNI } 13,200 + \text{UNI } 1,320 = \text{UNI } 14,520$$

This takes the monthly depreciation up to UNI 121:

$$\text{UNI } 14,520 \div 120 \text{ months (10 years)} = \text{UNI } 121$$

This represents an increase of UNI 21 on the original monthly depreciation amount, and an increase of UNI 11 on the depreciation amount adjusted for February. So on 31 March you make the following posting:

- The revaluation amount on the asset's APC for March ($\text{UNI } 13,200 \times 10\% = \text{UNI } 1,320$)
- The unadjusted depreciation for March (UNI 100)
- The revaluation of the depreciation **for the current month** (UNI 21)
This sum increases the depreciation for March (UNI 100) to UNI 121, the amount now required to depreciate the asset.
- The revaluation of the depreciation **for past months** ($\text{UNI } 11 \times 2 = \text{UNI } 22$)
This sum, UNI 11, increases the depreciation already accumulated in January and February ($\text{UNI } 100 + \text{UNI } 10 = \text{UNI } 110$) to the necessary amount (UNI 121)

Revaluation of Assets Under Construction and Investment Measures

Use

You revalue [assets under construction \[Ext.\]](#) and investment measures the same way as other assets, either using the *Asset Revaluation (Inflation)* program or manually.

Furthermore, once an asset under construction has been completed and the costs are to be settled, you can also settle any revaluation values like any other costs.

Features

Where **assets under construction** are concerned, the system determines automatically how much of the revaluation amount is to be settled to the receivers in direct proportion to the other costs assigned to them. You cannot split the revaluation amounts in any other way.

The settlement of **investment measures** works the same way, except that you can also settle them at the summary level.

See also:

[Settlement of an Asset Under Construction \[Ext.\]](#)

Delete Asset Revaluation (Inflation) Program Log

Delete Asset Revaluation (Inflation) Program Log

Use

You use this program to delete the *Asset Revaluation (Inflation)* program log. The log records when the program was last executed, whether it was a provisional run, and so on.

You may want to use this program when you delete all of the *Asset Accounting* (FI-AA) test data for a given company code. This program serves to complement that function.

Features

The program only deletes the information for one company code at a time.

You can only run the program for company codes with test status for *Asset Accounting* (FI-AA). The status is controlled by the setting in Customizing for FI, under *Asset Accounting* → *Preparing for Production Startup* → *Production Startup* → *Activate Company Code*.

Activities

You delete the FI-AA test data in Customizing for *Financial Accounting* (FI), by choosing *Asset Accounting* → *Preparing for Production Startup* → *Production Startup* → *Tools* → *Reset Company Code*.

The program is not included in the *SAP Easy Access* menu. In order to run it, use the program name J_1AALG1.

Asset Revaluation (Inflation) Program – Parallel Sessions

Use

You use this program if the standard revaluation program takes too long. Whereas the standard *Asset Revaluation (Inflation)* program automatically processes **all** assets, this program allows you to revalue a **range** of assets.

Features

You can run this program in several [sessions \[Ext.\]](#) concurrently, and process a range of assets in each session, thereby speeding up the revaluation process. In all other respects, the two programs are identical.



You must still ensure that you revalue **every** asset each [interval \[Ext.\]](#). When you use the standard program, this is a built-in mechanism, since you can only run it for all assets. With the *Parallel Sessions* program, however, it is possible accidentally to skip assets.

Activities

The program is not included in the *SAP Easy Access* menu. In order to run it, use the report name J_1AAP01.



If you execute the program in the background, we recommend that in the *Background Print Parameters* dialog box, you select *SAP cover page*. This way you can log your selection criteria.

Asset Customizing Settings Report

Asset Customizing Settings Report

Use

This report displays a list of the Customizing settings associated with each asset pertaining to the *Inflation Accounting* solution. You can use it for troubleshooting purposes, for example, to find out why an asset is not being revaluated correctly if you suspect that the Customizing settings are wrong.

Features

Selection

On the selection screen, you specify which asset you want to display.

Activities

The program is not included in the *SAP Easy Access* menu. In order to run it, use the report name J_1AAINFO_01.

Manual Revaluation

Use

The *Asset Revaluation (Inflation)* program revalues all assets in a single run on the basis of inflation indexes. If, however, you need to revalue a particular asset by a specific amount – for example, if required by government legislation for whatever purpose – you can do so by posting a manual revaluation.

Features

The manual revaluation function works independently of the *Inflation Accounting* solution, but contains one or two features that are specific to it:

- When you [post a manual revaluation \[Page 56\]](#), the system updates the asset master data with the revaluation information.
- Should you [reverse a manual revaluation \[Page 57\]](#), you have to make sure that the *Asset Revaluation (Inflation)* program is able to handle it correctly.
- The *Asset Revaluation (Inflation)* program generally assumes that if you have revaluated an asset for a given interval, it does not need to be revaluated again. However, this depends on your settings (see [Manual Revaluation and the Asset Revaluation \(Inflation\) Program \[Page 58\]](#)).

Posting of Manual Revaluations

Posting of Manual Revaluations

Use

If you need to revalue an asset manually, you can do so using the [manual revaluation function \[Ext.\]](#), as normal.

Activities

Assuming you work with the *Inflation Accounting* solution, when you manually revalue an asset, the system:

- Posts the revaluation to the revaluation areas that you specify in the manual revaluation transaction
- Updates the asset's last revaluation date using the appropriate date from the posting variant
- Updates the asset's last index used field with a blank

Reversal of Manual Revaluation

Use

When you reverse a manual revaluation, the system **does not** reset the last revaluation date in the asset master. That means that despite the fact that you have reversed the revaluation, the *Asset Revaluation (Inflation)* program still assumes that the asset has been revaluated for the interval and will not reevaluate it.



Assume that in June you manually revalue an asset worth UNI 25,000 by UNI 1,000; the system sets the asset's last revaluation date to 30 June. A few days later, you realize that you have revaluated the wrong asset, and reverse the manual revaluation. However, the system does not change the last revaluation date.

When at the end of the interval (that is, on 30 June) you come to run the *Asset Revaluation (Inflation)* program, the program incorrectly assumes that the asset has already been revaluated and does not attempt to reevaluate it again, leaving a discrepancy in the accounts.

Activities

You can get around this by posting the revaluation for the interval manually.

Alternatively, if you work with [revaluation difference areas \[Ext.\]](#) (see [Manual Revaluation and the Asset Revaluation \(Inflation\) Program \[Page 58\]](#)), you can activate a function that overrides this. You can do so in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation for the Balance Sheet* → *Inflation Accounting* → *Revaluation Areas* → *Define Base Depreciation Areas* and selecting *No zeros*.

Manual Revaluation and the Asset Revaluation (Inflation) Program

Manual Revaluation and the Asset Revaluation (Inflation) Program

Use

Normally, the *Asset Revaluation (Inflation)* program does not reevaluate again assets that you have manually revaluated for a given interval. You can, however, override this function if you wish.

Features

Nonrevaluation of Manually Revaluated Assets

Normally, the *Asset Revaluation (Inflation)* program **does not** reevaluate again assets that you have manually revaluated for a given interval.



Assume that in June you manually revalue an asset worth UNI 25,000 by UNI 1,000. When at the end of the interval (that is, on 30 June) you come to run the *Asset Revaluation (Inflation)* program, it recognizes that you have already revaluated the asset and does not attempt to reevaluate it again.

Revaluation of Manually Revaluated Assets

However, you can also customize the system so that the program **does** reevaluate the asset. In that case, the program:

1. Revaluates the asset as normal (on the basis of the value at the start of the interval)
2. Subtracts the manual revaluation from the automatic revaluation to get the difference between the two
3. Posts the difference so that the asset is effectively revaluated as it would have been had you not manually revaluated it in the first place.
4. Posts the difference in the negative to a [revaluation difference area \[Ext.\]](#). This function allows you to keep track of the original manual revaluations.

Activities

To activate the revaluation of manually revaluated assets, you must assign the revaluation area a revaluation difference area, which you can do in Customizing for *Financial Accounting (FI)*, by choosing *Asset Accounting* → *Special Valuation* → *Revaluation of Fixed Assets* → *Revaluation for the Balance Sheet* → *Inflation Accounting* → *Revaluation Areas* → *Define Base Depreciation Areas*.

Legacy Data Transfer

Use

During [legacy data transfer \[Ext.\]](#), you must pay special attention only when transferring data during the course of the fiscal year. Although we recommend that you do not transfer data during the course of the fiscal year, due to the complexity of the project, it is possible to do so.

Activities

If you do transfer legacy data during the course of the fiscal year, you must post manually all of the revaluations made in the legacy system for the year to date.

Inflation Accounting for Materials Management (MM)

Use

This solution enables you to carry out replacement cost valuation for your materials. Depending on your business and legal requirements, you can revalue materials – based on their market price, an inflation index, or both – and subsequently adjust your stock. Using the replacement costs, you can also revalue goods issues for these materials.

Prerequisites

In addition to the Customizing activities described below, you must maintain the inflation data in your material master records.

If you require that all relevant invoices and credit memos are included in the inflation adjustment processes, you must post them using [Logistics Invoice Verification \[Ext.\]](#).

Due to legal requirements, some functions are applied differently in [Chile \[Ext.\]](#).

Features

The Inflation Accounting solution for MM determines a replacement cost for your materials, based on either the market price or the inflation index. If you run the replacement-cost valuation reports in update mode, the system calculates the specific inflation effect and posts the [specific gain or loss \[Ext.\]](#) at the material G/L account level.

If you want to calculate the general effect of inflation for your materials at the G/L account level, you must run the [Inflation Adjustment of G/L Accounts \[Page 16\]](#) report in *Financial Accounting* (FI).

Activities

Customizing

When you first install the SAP System, you have to make global settings for the Inflation Accounting solution. These objects are referred to as global settings since they are also used by the Inflation Accounting solution in the [Financial Accounting \[Page 7\]](#) (FI) and [Assets Accounting \[Page 30\]](#) (FI-AA) components; note in the corresponding documentation, however, that the Customizing settings vary from component to component.

In Customizing for *Materials Management* (MM), make your global settings by choosing *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Global Inflation Settings*. You define the following:

- [Inflation indexes \[Page 62\]](#)
- [Time base and exposure to inflation variants \[Page 63\]](#)
- [Inflation methods \[Page 64\]](#)
- Inflation adjustment accounts

In addition, you have to make MM-specific settings. In Customizing for MM, choose *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Replacement-Cost Valuation Settings*. You must define [material inflation classes \[Page 66\]](#) and assign them to your materials. Depending on the replacement-cost

Inflation Accounting for Materials Management (MM)

valuation procedure and the type of update you specify, you can define additional settings in these activities.

Closing

When the time comes to adjust your materials, typically at period end, you run the appropriate reports:

- [Market Price Determination \[Page 71\]](#)
- [Inflation Index Adjustment \[Page 75\]](#)
- [Goods Issue Revaluation \[Page 79\]](#)

Inflation Index

Definition

See [inflation index \[Ext.\]](#).

Use

Customizing

You maintain inflation indexes in Customizing for *Materials Management* (MM), by choosing *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Global Inflation Settings* → *Maintain Inflation Indexes*.

As the inflation figures (known in the system as [inflation index values \[Ext.\]](#)) are published, you must continue to enter this data in the inflation index. In most countries, inflation indexes are published on a monthly basis, but there are exceptions.

When you maintain the inflation index values, you enter them in the [format \[Ext.\]](#) that they are published in: The system allows for indexes published in three different formats.

In MM, the system allows for [specific \[Ext.\]](#) indexes. You assign indexes to materials through the [material inflation class \[Page 66\]](#). Each material requires an inflation class and each inflation class requires an index.

Closing

When you run the [Inflation Index Adjustment \[Page 75\]](#) report, the system adjusts each material using the inflation index that you have entered in that material's inflation class, unless you have specified a different one in the material master.

Structure

The inflation index consists of header data and values. In addition, you can define multiple versions of each index, although you normally need only define one.

Time Base and Exposure to Inflation Variant

Definition

See [time base and exposure to inflation variant \[Ext.\]](#) (TBE variant).

Use

Customizing

When you first install the SAP System, you have to define TBE variants you need, in Customizing for *Materials Management (MM)*, by choosing *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Global Inflation Settings* → *Maintain Time Base and Exposure to Inflation Variants*.

In MM, you have to assign each material its own [material inflation class \[Page 66\]](#) with its own TBE variant.

Closing

When you run the [Inflation Index Adjustment \[Page 75\]](#) report, the system adjusts each material using the TBE variant that you have entered in that material's inflation class, unless you have specified a different one in the material master.

The Inflation Index Adjustment report uses the TBE variant differently, depending on the currency specified for your materials.

- If you specify a local currency for your materials, the TBE variant determines which inflation index applies.

In many cases, inflation is calculated at the end of each month using the inflation index published for the last day of the month. That means, for example, that you adjust your materials for inflation on 31 January using the inflation index for January, on 28 February using the index for February, and so on.

However, there are exceptions. For example, in Chile, some materials are adjusted every half year using the inflation index from the penultimate month in that period. Assuming that the fiscal year runs concurrently to the calendar year, the materials would be adjusted on 30 June, using the index published for 31 May, and again on 31 December, using the index from 30 November.

- If you specify a foreign currency for your materials, the TBE variant determines which dates are used for a double currency conversion.

For more information, see [Replacement Cost Calculation via Inflation Index \[Page 77\]](#).

Inflation Method

Definition

See [inflation method \[Ext.\]](#).

Use

Customizing

You maintain inflation methods in Customizing for *Materials Management* (MM), by choosing *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Global Inflation Settings* → *Inflation Methods*.

Closing

When you come to run the various replacement-cost valuation reports, the system uses the settings in the inflation method assigned to your company code to determine, for example, whether a price change is to be posted, or whether a manual replacement cost change is to be taken into account.

Inflation Data in the Material Master Record

Definition

See [Material Master Records \[Ext.\]](#).

Use

The material master record contains a number of fields for replacement-cost valuation purposes, provided the Inflation Accounting solution has been activated for *Materials Management* (MM) in your inflation method.

The system automatically updates certain fields when you run the replacement-cost valuation reports in update mode. Others you can maintain manually, such as the replacement cost.

Structure

If the material is relevant to inflation revaluation and appropriate Customizing settings have been made, you access inflation information by choosing *Inflation data* on the *Accounting 2* view of the material master.

The inflation data in the material master is structured as follows:

- Material
 - The material is displayed, along with any relevant organizational data (valuation area and valuation type).
- General data
 - Here the currency in which the material is managed is displayed. In most cases, this is the local currency, but it can also be a foreign currency. In addition, the current period is displayed.
- Control data
 - Here you assign the [material inflation class \[Page 66\]](#) to the material.
- Revaluation data
 - This is displayed for both the current and previous period, and includes, for example, the [replacement cost \[Page 68\]](#), [revaluation date \[Page 69\]](#), and the material moving average price and/or standard price.

Material Inflation Class

Material Inflation Class

Definition

See [material inflation class \[Ext.\]](#).

Use

You define material inflation classes in Customizing for *Materials Management*, and then assign a material inflation class to each material relevant for inflation in material master records. You must define a material inflation class for each of your valuation areas.

Structure

The material inflation class consists of the following components:

- [Revaluation method \[Page 67\]](#)
- [Inflation index \[Page 62\]](#)
- [Time base and exposure to inflation variant \[Page 63\]](#)
- Price tolerance

You define a price tolerance to prevent the Market Price Determination report from determining an unrealistic replacement cost. The system calculates the acceptable price range from the material's standard or moving average price. Any replacement cost that falls outside of this range will be rejected as the new replacement cost.

You can also define any of these values directly in the material master record. When you run the replacement-cost valuation reports for a material, this value then overrides the value defined in the material inflation class.

Revaluation Method

Definition

A setting that controls how the system revalues a material – on the basis of its market price or using an inflation index. If you want stock to be adjusted by its market price, you must specify which price is to apply – the lowest, highest, or latest price found in the [price sources \[Page 74\]](#). This value is taken into account when you execute the replacement-cost valuation reports Market Price Determination and Inflation Index Adjustment, as described below.

Integration

Market Price Determination

If the system is to revalue a material using the latest price, it looks at the following dates; they must fall within the date range entered on the selection screen for the price sources:

Document	Date Used
Invoice	Posting date
Purchase order	Document date
Contract	Start or end of the validity period
Info record	Price condition date
Manual replacement cost change (if the appropriate setting is defined in the inflation method [Page 64])	Date of change

If the system finds more than one document with the same date, it uses the documents in the following order:

1. Manual entries
2. Invoices
3. Purchase records
4. Info records
5. Contracts

If the system determines more than one document of the same type (two invoices with the same posting date, for example), it uses the document with the highest document number.

Inflation Index Adjustment

This report covers materials that are to be revaluated by an inflation index **and** those for which a market price could not be found.

See also:

[Market Price Determination \[Page 71\]](#)

[Inflation Index Adjustment \[Page 75\]](#)

Replacement Cost

Replacement Cost

Definition

The value of replacing a material at a given point in time. The system calculates a material's replacement cost by means of its market price or by adjusting the material price with an inflation index. You can also change a replacement cost manually.

Use

When you **create** a material, you manually enter an initial replacement cost. If the material is to be revaluated by inflation index only (as specified in the [revaluation method \[Page 67\]](#)), or if the Market Price Determination report does not find a valid market price, then the Inflation Index Adjustment report uses this initial replacement cost the first time it runs.

If you run a replacement-cost valuation report in update mode and it determines a replacement cost, the system automatically updates this value as the replacement cost in the material master.

Structure

The material master contains fields for the replacement cost for the current period and the previous period. The system fills these fields according to the period for which you run the reports – either under *Current period* or *Previous period* (see [Market Price Determination \[Page 71\]](#) and [Inflation Index Adjustment \[Page 75\]](#)).

Integration

The original currency of the replacement cost is displayed in the *Orig. currency* field.



The original currency refers only to the currency of the replacement cost before any conversion that the system carries out when it determines the replacement cost. The replacement cost itself, however, is always displayed in your local currency. If the *Orig. currency* field is blank, then the replacement cost was originally found in your local currency.

You can also set the original currency manually.

Revaluation Date

Definition

When you run the Market Price Determination report or the Inflation Index Adjustment report in update mode and the system determines a replacement cost, the revaluation date refers to the date from which the new replacement cost is valid.

If you post the replacement cost as a [price change \[Page 82\]](#), the revaluation date additionally refers to the date up to which your materials have been revaluated.

Use

The revaluation date in the material master enables you to see at a glance the last date on which you have adjusted your materials (with or without a price change posting). In addition, the system uses this date in conjunction with the processing date to ensure that materials are adjusted consistently.

Structure

The system sets the revaluation date in the material master as follows, when you run these reports:

- [Market Price Determination \[Page 71\]](#)

The system sets the revaluation date to the end date you specified on the report selection screen. Depending on the dates you run the program for, the system enters this value under either the current period or the previous period.
- [Inflation Index Adjustment \[Page 75\]](#)

The system sets the last day of the previous posting period as the revaluation date under the previous period.

In addition, the system resets the revaluation date if you change the replacement cost manually. If you do this in the current period, the revaluation date is reset to the system date of the change; in the previous period, the revaluation date is reset to the system date of the change or, if the system date is after the last day of the period, the date is reset to the last day of the previous period.

Replacement-Cost Valuation Reports

Replacement-Cost Valuation Reports

Use

In the Inflation Accounting solution for *Materials Management (MM)*, the replacement-cost valuation reports enable you to reevaluate materials for inflation, as follows:

- [Market Price Determination \[Page 71\]](#)
The system searches through various system documents to determine a replacement cost based on real market prices.
- [Inflation Index Adjustment \[Page 75\]](#)
The system reevaluates materials on the basis of an inflation index.
- [Goods Issue Revaluation \[Page 79\]](#)
Once you have reevaluated your materials with a replacement cost determined via the market price or the inflation index, you can reevaluate goods issues for these materials.

Prerequisites

- You have made all Customizing settings, as described under [Inflation Accounting for Materials Management \(MM\) \[Page 60\]](#), as well as the settings described in the individual reports.
- Inflation Accounting must be activated for MM in the inflation method assigned to your company code.
- If the system is to post a replacement cost resulting from Market Price Determination or Inflation Index Adjustment as a [price change \[Page 82\]](#), the appropriate indicator must be set in the inflation method **and** you must select *Update run* on the selection screen of the individual report.

Market Price Determination

Use

You use this report to revalue materials that you have procured externally or those produced in-house for which you have a valid price. The system searches through various system documents to determine material replacement costs based on real market prices. In most cases, you adjust materials for the previous period only and carry over price changes to the current period.

The report determines replacement costs of materials for which a market price [revaluation method \[Page 67\]](#) is specified. If the system does not find a valid market price, then inflation adjustment by means of an index is necessary. In this case, you must run the [Inflation Index Adjustment \[Page 75\]](#) report.

Prerequisites

If you want the system to include delivery costs and credit memos when it calculates the material's replacement cost, they must be entered in Logistics Invoice Verification with reference to the original material invoice. In addition, in the inflation method, you must specify which delivery costs are to be taken into account when the Market Price Determination report is run.

Features

To access the report, from the *SAP Easy Access* screen, choose *Logistics → Materials Management → Valuation → Balance Sheet Valuation → Replacement cost valuation → Market price determination*.

Selection

On the selection screen, you specify:

- Which materials you want to revalue
 - If you require it, this report enables you to revalue materials that are subject to [split valuation \[Ext.\]](#). To do so, enter the corresponding valuation types.
 - You cannot revalue materials that are handled in batches.
- Which [price sources \[Page 74\]](#) are to be used in determining the market price
- The time frame from which the price sources are to be taken
 - You can enter dates in the current or previous posting period, as described below. Both the start date and the end date must fall within a single period. If you enter dates in the current period, the end date must be before the current date.
- Whether an update is to occur
 - If you select *Update run*, the system updates material master fields and [logs \[Page 83\]](#) all changes. Otherwise, you simulate the results of the report; in this case, you can generate a log if you select *Create log*.

Running the Report in Update Mode

In most cases, you run the Market Price Determination report for the previous period. If you run it in update mode and a valid market price is found, the system updates the material master as follows, under *Previous period*:

Market Price Determination

- Replacement cost

The replacement cost is always shown in the **local currency**. If a currency conversion takes place during replacement cost calculation, the original currency of the price source is filled in the *Orig. currency* (Original currency - previous period) field.

- [Revaluation date \[Page 69\]](#)

The system sets the end date that you specified on the report selection screen.

- Processing date

Likewise, the system sets the end date – regardless of whether or not a valid price is found.

In addition, if the appropriate Customizing settings are made, the system [posts a price change \[Page 82\]](#) in *Financial Accounting*, and updates the material's valuation price.

If you need to run the Market Price Determination report for statistical purposes, you can also run it for the current period.



If you **manually** change a material's replacement cost in the **current** period and you want to subsequently adjust the material, we recommend that you first close the current period and then run the Market Price Determination report for the previous period. Then carry over the price change to the current period.

Replacement Cost Calculation via Market Price

Purpose

When you run the [Market Price Determination \[Page 71\]](#) report, the system calculates the replacement cost of specified materials and displays this information in the output list.

Process Flow

1. You run the Market Price Determination report.
2. The system searches through the [price sources \[Page 74\]](#) you specified on the selection screen to find market prices.
3. Based on the [revaluation method \[Page 67\]](#) specified in the material inflation class, the system checks the determined prices to find the highest, lowest, or latest price.



If the system cannot find a valid market price in any of these sources, you must adjust the material by means of the inflation index.

4. The system checks that the determined price falls within the price tolerance range that is defined in the material's [inflation class \[Page 66\]](#).
5. The system converts any prices in foreign currencies to your local currency, based on the *Currency type* indicator in the inflation method.

Result

If you run the report in update mode, the system automatically updates the replacement cost in the material master – under either *Current period* or *Previous period*, depending on the dates specified for the report.

In simulation mode, the report generates an output list. If you choose *Create log*, the system additionally logs all activities. The system does not update any data in simulation mode.

Price Sources

Price Sources

When you run the Market Price Determination report, the system checks the price sources you have specified on the report selection screen to determine the market price. The price sources and their conditions for being considered, if any, are as follows:

1. Invoices

For invoices to be considered, they must be entered in Logistics Invoice Verification.

Including Delivery Costs

Delivery costs that are invoiced separately are only included in market price determination if this invoice is referenced to the original material invoice. During invoice entry, you enter the number of your original invoice in the *Reference* field, and the system automatically links the delivery costs to the original invoice.



You can only enter an invoice reference number when you **create** an invoice for delivery costs. The system does not take any later change of reference into account when it calculates the material's market price.

In addition, in your [inflation method \[Page 64\]](#) – in the *Del.costs MP* (Delivery costs in market price determination) field – you must specify which delivery costs are to be taken into account.

Including Credit Memos

Similar to delivery costs, the system includes credit memos in the invoice price only if they were linked to the original material invoice. Again, you can only establish this reference when you create a credit memo, by entering the original invoice number in the *Reference* field.

2. Purchase orders

3. Contracts

4. Info records

The system does not check info records for materials subject to split valuation.

5. Material master records

If manual changes of the material's replacement cost are to be taken into account as a valid market price, that is, if the *Man. RC change* (Manual change of replacement cost relevant) indicator is set in the inflation method, then the system checks the replacement cost in the material master record.

Inflation Index Adjustment

Use

In many cases, you use this report to reevaluate your materials by means of a predefined inflation index. If your local currency is specified for your materials, this report determines each material's replacement cost by means of the inflation index you have maintained in Customizing.

This report also enables you to reevaluate materials specified in a foreign currency on the basis of exchange rate differences – for imported materials, for example. In this case, the system adjusts each material price based on a foreign currency according to the exchange rate difference between the dates entered in your time base and exposure to inflation variant (TBE variant) (see [Replacement Cost Calculation via Inflation Index \[Page 77\]](#)).

You execute the Inflation Index Adjustment report for materials with the revaluation method *only index revaluation (no market price)*. The report also covers materials for which no valid market price was determined using the [Market Price Determination \[Page 71\]](#) report. You can only run the Inflation Index Adjustment report for the previous period.

Prerequisites

To run the Inflation Index Adjustment report:

- All the prerequisites for the [Replacement Cost Valuation \[Page 70\]](#) programs have been fulfilled.
- You have maintained the [inflation data \[Page 65\]](#) in material master records for materials you want to adjust.

Before you run the report for the first time, make sure that values are entered for the replacement cost and the revaluation date (for the previous period). The program cannot run if either of these fields are empty.

If you want to adjust your materials on the basis of exchange rate differences, before you run the report you must enter the foreign currency in the *Orig. currency (Original currency - previous period)* field, under *Previous period*.

- You have already run the Market Price Determination report – provided the materials to be adjusted have [revaluation methods \[Page 67\]](#) related to the market price.

Features

To access the report, from the *SAP Easy Access* screen, choose *Logistics → Materials Management → Valuation → Balance Sheet Valuation → Replacement cost valuation → Inflation index adjustment*.

Selection

On the selection screen, you can specify:

- The posting period you want materials to be adjusted for
This must be the previous period.
- Which materials you want to reevaluate
- Whether a [provisional index \[Ext.\]](#) is to be used in the material revaluation

Inflation Index Adjustment

If you select *Provisional run*, the system uses provisional index values to determine the material's replacement cost. Otherwise, it uses a [definitive inflation index \[Ext.\]](#).



If you use a provisional index, we recommend that you do **not** post a price change.

- Whether an update is to occur

If you select *Update run*, the system updates material master fields and [logs \[Page 83\]](#) all changes. Otherwise, the results of the report are simulated; in this case, you can generate a log if you select *Create log*.

Running the Report in Update Mode

If you run the report in update mode, the system updates the material master as follows (under *Previous period*):

- Replacement cost

The replacement cost is always shown in the **local currency**. If the system performed a double currency conversion for your material, it enters the foreign currency in the *Orig. currency* field.

- Revaluation date

The system sets this to the last day of the previous period.

- Processing date for definitive or provisional index adjustment

Again, the system sets this to the last day of the previous period.

If addition, if the appropriate Customizing settings are made, the system [posts a price change \[Page 82\]](#) in *Financial Accounting*, and updates the material's valuation price.

Replacement Cost Calculation via Inflation Index

Purpose

When you execute the Inflation Index Adjustment report, the system calculates the replacement cost of the materials and displays this information in the output list.

Process Flow

1. You run the Inflation Index Adjustment report.
2. For each material, the system checks the material inflation class for each of the following values. However, if you have assigned different values directly in the material master, the system uses these instead.
 - [Revaluation method \[Page 67\]](#)

If the revaluation method is one of the market price methods (lowest, highest, or latest price), the system checks if the materials were already adjusted with the Market Price Determination report. If not, then it revaluates materials using the inflation index.
 - [Time base and exposure to inflation variant \[Page 63\]](#) (TBE variant)
 - [Inflation index \[Page 62\]](#)

If you select *Provisional run* on the report selection screen, the system uses a provisional inflation index. Otherwise, it uses a definitive inflation index.
3. The system checks the inflation method to determine which indexing method applies.
4. The system determines the replacement cost. The procedure varies, depending on the original currency of the material:
 - Local currency

The system checks the TBE variant to determine which inflation indexes are to be applied. Typically, you use the index published for the last day of the month being revaluated. For example, you revalue your materials for May, and the report accesses index values from 31 May.
 - Foreign currency

For materials specified in a foreign currency, the system uses the inflation-index dates (defined on the right-hand side) in the TBE variant differently: It converts your local currency to the foreign currency, using the exchange rate on the inflation-index date for the month previous to the revaluation month. Then, it converts the foreign currency to your local currency, using the exchange rate on the inflation-index date for the revaluation month. Finally, the system calculates your material's replacement cost on the basis of the exchange rate difference.



Example 1

You run the Inflation Index Adjustment report for period 5. Your fiscal year runs concurrently to the calendar year, so your revaluation month is May. Your TBE variant (shown only partially) looks like this:

Replacement Cost Calculation via Inflation Index

Year	Month	Day	Post	Month	Day	Prev. year
9999	4	30		1	31	
9999	5	31		5	31	

When you run the report:

- First, the system converts your local currency to the foreign currency, using the exchange rate on the inflation-index date for April: The TBE variant states that for April, we use the exchange rate on 31 January.
- Secondly, the system converts the foreign currency to your local currency, using the exchange rate on the inflation-index date for May.
- Finally, the system determines your material's replacement cost by calculating the exchange rate difference between 31 January and 31 May.

Example 2

In most cases, your TBE variant is defined for inflation adjustments at regular monthly intervals, with inflation-index dates that correspond directly to the revaluation month. Your TBE variant would look like this (again, shown partially):

Year	Month	Day	Post	Month	Day	Prev. year
9999	4	30		4	30	
9999	5	31		5	31	

In this case, the system determines your material's replacement cost by calculating the exchange rate difference between 30 April and 31 May.

Result

If you run the report in update mode, the system automatically updates the replacement cost in the material master, under *Previous period*.

In simulation mode, the report only generates an output list. If you choose *Create log*, the system additionally logs all activities. The system does not update any data in simulation mode.

Goods Issue Revaluation

Use

You use this report to revalue all goods issues for the previous period for movement types that are relevant to revaluation.

You have adjusted your materials for inflation via either the [market price \[Page 71\]](#) or [inflation index \[Page 75\]](#). However, to additionally revalue the goods issues for these materials in the previous period, you must run the Goods Issue Revaluation report. The system checks the goods issue price against the replacement cost. If you run the report in update mode, the system posts inflation adjustments for the difference.

Prerequisites

To run the Goods Issue Revaluation report:

- Materials have already been revaluated by either the market price or the inflation index.
- All the prerequisites for the [Replacement Cost Valuation \[Page 70\]](#) programs have been fulfilled.
- In Customizing for MM, under *Valuation and Account Assignment → Balance Sheet Valuation Procedures → Configure Replacement Cost Procedure → Replacement-Cost Valuation Settings →*
 - *Maintain Movement Types for Goods Issue Revaluation*: Movement types must be defined as being relevant to revaluation.
 - *Define Attributes of Material Types*: Value updating must be selected for material types.
 - *Configure Automatic Postings*: Account determination must be maintained for revaluation postings from goods issue revaluation or goods receipt revaluation.

Features

To access the report, from the *SAP Easy Access* screen, choose *Logistics → Materials Management → Valuation → Balance Sheet Valuation → Replacement cost valuation → Goods issue revaluation*.

Selection

On the selection screen, you specify:

- The valuation period you want goods issues to be adjusted for
- Which materials you want the goods issues to be taken into account for
- Whether an update is to occur
 - If you select *Update run*, the system posts inflation adjustments for the difference between the goods issue price and the replacement cost with which your materials were already revaluated.

Goods Issue Revaluation

Difference Calculation

Once you have revaluated your materials with a replacement cost, you can reevaluate the goods issues (GI) for all your revaluated materials. The system checks the goods issue price against the replacement cost as follows:

1. The system calculates the stock values at the time of the GI (a):

$$\text{GI amount (a)} = \text{quantity} \times \text{price (a)}$$

2. Using the replacement cost, the system calculates the GI value at the period end (b):

$$\text{GI amount (b)} = \text{quantity} \times \text{price (b)}$$

3. It then calculates the difference between the two GI amounts:

$$\text{Difference} = \text{quantity} \times (\text{price (b)} - \text{price (a)})$$

The system then posts this difference to the following accounts for each GI in the relevant period:

Adjustment Account Inventory A	Inflation Adjustment Account
(1) 200	200 (2)

- Separate adjustment account for inventory account A (1)

This parallel account to your material G/L account contains the increase or decrease in inventory due to the inflation effect. The system determines the account by the transaction key WGI (wrongly valued goods issue), which you define in Customizing.
- Specific inflation adjustment account (2)

This account contains the offsetting entry. The system determines the account from the inflation adjustment information of the original material account.

The system creates [inflation adjustment documents \[Ext.\]](#) only, no material documents.

The system posts the difference in the previous period only; you cannot carry forward the difference to the current period.

Output

The system generates an output list that contains all materials that were revaluated. In update mode, it provides the GI amount, the price applied to the revaluation, the quantity, and the adjustments that were posted with references to the inflation adjustment documents that were created. In simulation mode, the output list contains the simulated results.

The system ensures that no more than one posting is made for the same material in the specified period.

Goods Issue Revaluation for Transfers

Use

The system handles goods issue (GI) revaluation differently for transfers because two plants must be taken into account – the issuing plant and the receiving plant.

Features

For transfers, the system posts differences resulting from GI revaluation as follows:

- Issuing plant
 - Separate adjustment account to inventory account A, determined by the transaction key WGI (wrongly valuated goods issue) (1)
 - Specific inflation adjustment account (for definitive adjustments only), determined from the inflation adjustment information of the original material account (2)
- Receiving plant
 - Separate adjustment account to inventory account B, determined by the transaction key WGR (wrongly valuated goods receipt) (3)
 - Specific inflation adjustment account (for definitive adjustments only), determined from the inflation adjustment information of the original material account (4)

Adjustment Account Inventory A Issuing Plant	
(1) 200	

Inflation Adjustment Account	
	200 (2)

Adjustment Account Inventory B Receiving Plant	
	200 (3)

Inflation Adjustment Account	
(4) 200	

Posting Price Changes

Posting Price Changes

Use

In the Market Price Determination and Inflation Index Adjustment reports, the system can post a price change directly to *Financial Accounting* (FI), and update the material valuation price in the material master.

Prerequisites

For the system to post a price change:

- You must run the report in update mode.
- The *Post replacement cost* indicator must be set in the inflation method assigned to your company code.
- Stock must be available.

Features

The system posts the price change resulting from replacement cost valuation to the material G/L account and the offsetting entry to the inflation adjustment account that you have defined in Customizing. In MM, the inflation adjustment account is defined as a specific inflation gain or loss account for definitive adjustments.

The system creates a material document and an [inflation adjustment document \[Ext.\]](#).

If you run the report for the previous period, the system posts a price change on the last day of the previous period (1). In Customizing for MM, you can also define that the new material price is carried forward to the current period, by choosing *Valuation and Account Assignment* → *Balance Sheet Valuation Procedures* → *Configure Replacement Cost Procedure* → *Replacement-Cost Valuation Settings* → *Configure Price Change in Previous Period/Previous Year*. If you carry the price forward, the system also posts the price change on the first day of the current period (2).

300000 Raw Materials		300003 Inflation Adjustment Account	
(1) 2,000	2,000 (2)	(2) 2,000	2,000 (1)

See also:

[Posting a Price Change to the Previous Period or Previous Year \[Ext.\]](#)

Log File

Definition

File that the system generates during [Market Price Determination \[Page 71\]](#) (MPD) and [Inflation Index Adjustment \[Page 75\]](#) (IIA). A log file is created if you run the program in update mode, or if you have selected *Create log*.

Structure

The log file is structured as follows:

Field	Content
J_1AMMANDT (K)	(MPD + IIA): Client
J_1AMVALTY (K)	(MPD + IIA): Revaluation process 1 = Market price revaluation 2 = Inflation index revaluation 3 = Manual revaluation 4 = Goods issue revaluation
J_1AMBUKRS (K)	(MPD + IIA): Company code
J_1AMBWKEY (K)	(MPD + IIA): Valuation area
J_1AMBWTAR (K)	(MPD + IIA): Valuation type
J_1AMMATNR (K)	(MPD + IIA): Material
J_1AMCDATE (K)	(MPD + IIA): Creation date of log record
J_1AMCTIME (K)	(MPD + IIA): Creation time of log record
J_1AMPBDAT	(MPD + IIA): Begin date of selection period
J_1AMPYEAR	(MPD + IIA): Year of posting period
J_1AMPERID	(MPD + IIA): Posting period
J_1AMPMETH	(MPD + IIA): Revaluation method
J_1AMMETYP	(MPD + IIA): Revaluation type (1 = global, 2 = local)
J_1AMVALMD	(MPD + IIA): Valuation mode 0 = No revaluation 1 = Normal revaluation (via price change) 2 = Material ledger revaluation
J_1AMOLDPR	(MPD + IIA): Old (not revaluated) price
J_1AMNEWPR	(MPD + IIA): New (revaluated) price
J_1AMPDONE	(MPD + IIA): Revaluation in update mode -> material master updated

Log File

J_1AMCURRP	(MPD + IIA): Revaluation currency
J_1AMDODAT	(MPD): Date of document, where market price was found
J_1AMDONUM	(MPD): Document number, where market price was found
J_1AGJAHR	(MPD): Fiscal year of document, where market price was found
J_1AMDOITM	(MPD): Document item, where market price was found
J_1AMDOTYP	(MPD): Document type, where market price was found PO = Purchase order CO = Contract IR = Info record IV = Invoice receipt GR = Goods receipt M = Manual price change
J_1AMINDXP	(IIA): Inflation index used for revaluation (see J_1AINFT01)
J_1AMINDXV	(IIA): Version of inflation index used
J_1AMIXTYP	(IIA): Type of inflation index (1 = material inflation class, 2 = material master)
J_1AMBEDEP	(IIA): Time base and exposure to inflation variant
J_1AMTBTYP	(IIA): Type of TBE (1 = material inflation class, 2 = material master)
J_1AMCNTRY	(IIA): Country for which index revaluation has been applied
J_1AMCUTY	(IIA): Exchange rate type for currency translation
J_1AMPVOVI	(IIA): Provisional inflation index used
J_1AERNAM	(MPD + IIA): Name of program that created the log record