I calculate inventory reserves

Domain: Costing	**Responsibility area:** Supervise Inventory Valuation

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    - 3.4. I calculate inventory reserves
    - 3.5. I send the report to the GBUs

Scope

WW

ERP

PF2

WP2

Frequency

References

- ZCO_SPAREPARTS - Industrial Supplies Depreciation
- ZWFA10A - Determination of Lowest Value;
- MRN1 - Lowest Value Determination Based On Range Of Coverage
- ZWFA21A-Determination of Lowest Value
- ZFI_INVENTORY_SMOG - Inventory SMOG report
- ZWFA23A
- MRN0
- ZWDV11 - Transfer Program of UNIX file to PC file

Forms

Attachments

- Inventory Impairment
- posting scheme for inventory reserve
- Hard-Close instruction for inventory reserve
- PF1 reserves Template BW
- *PF1 reserves Template BW (5642)*
- *WP1 reserves Template BW*
- *WP1 reserves Template BW - With posting file*
- *WP1 reserves Template BW (CM) - Posting File*
- *PF1 reserves Template BW SPP Monthly*
- *PF1 reserves Template BW SPP Quarterly*
- *Spare Parts & Provision Report in PF1 / WP1*
- *Inventory Valuation*
- *Calculate and post Inventory Reserve*

Previous OP << I calculate inventory reserves >> *Next OP*

1. Objective and Scope

1.1. Objective of this Operation

The purpose of this document is to explain how to generate the proposition and how to account in ERP the valuation of the stocks at the “fair value” in order to give relevant information about the “real value” of the company to all economic actors (share-holders, legal authorities...).

1.2. Scope

This procedure is applied to all companies WW.

2. Definitions

Finance - Glossary

3. Tasks description

3.1. Background

*** Hard-Close instruction for Inventory Reserve (please check attachment)**

Objectives

The purpose of this document is to explain how to generate the proposition and how to account in ERP the valuation of the stocks at the “fair value” in order to give relevant information about the “real value” of the company to all economic actors (share-holders, legal authorities...).

Before the closure in the months of March, June, September and (November and or December)*****. The final validation and postings should be done until D-5 at the latest.

General Rules - Frequency (*Best Practice)

- On a quarterly basis, review the impairment of inventories based on the matrix of inventory and impairment type that is recommended and update an existing inventory reserve.
- At least once a year, justify slow-turn inventory reserve in November for hard-close and NRV inventory reserve in December for year-end close.

- Mandatory for all companies included in the consolidation under full integration
- Recommended for "joint operation", joint-ventures and where Solvay is considered as "associate"
- All types of inventories that need to be written down by below impairment cases:
  - Slow-turn
  - Obsolescence (end of shelf-life)
  - Off-specification / bad-quality
  - Damage
  - Net realizable value

	Slow-turn	**Obsolescence / Off-specification / Bad-quality / Damage**	**NRV**
To be validated	**In November**	**In November**	**In December**
Finished Goods	X	**YES**	**YES**
Intermediate	**YES**	**YES**	X
RM	**YES**	**YES**	X
Spare Parts	**YES**	**YES**	X
Packaging	X	**YES**	X

***YES** means "designated impairment types should be checked for the concerned inventory type

WHO	WHAT	WHEN
FRA	• Ask Service Center to reverse the slow-turn inventory reserve of Q3. • Ask PIM to initiate an inventory reserve for obsolete, off-spec and damaged inventories and validate it. • In WP1 perimeter, ask Service Center to calculate a slow-turn inventory reserve **based on the stocks at the end of October** and validate it. • In PF1 perimeter, calculate a slow-turn inventory reserve based on the stocks at the end of October. • Ask Service Center to post a new slow-turn inventory reserve for November closing.	November
PIM	• Validate an obsolete, off-spec and damaged inventories and propose an inventory reserve to FRA.	November
GCCO	• Identify the NRV invnetory reserve of Q3 and if no NRV reserve posted in Q3, validate it if there is no impairment indication by NRV. • Ask Service Center to recalculate the NRV inventory reserve **based on the stocks at the end of November** and validate it in WP1 perimeter and calculate it in PF1 perimeter.	November December
Technical expert for spare part	• Propose an inventory reserve for obsolete, off-spec and damaged spare parts.	November
Service Center	• Calculate an inventory reserve in WP1 perimeter and report it to FRA, according to this procedure. • Post an inventory reserve that is validated by FRA (slow-turn) or GCCO (NRV).	November
RCOM	• Follow up external audit requirements for hard-close in Audit WIKI.	December
CAM	• Review stock accounts for inventory reserve based on the CAM Guidebook.	December D4

? Unknown Attachment

General Rules - Depreciation

- Standard rule for NRV/LCM and Slow-turn if no local procedure defined.
- Local procedure for inventory reserve for obsolete, off-spec and damaged inventory reserve

3.2. Responsibilities

SU MAC runs the transactions and prepares the Excel files with proposal of rotation and financial depreciation.

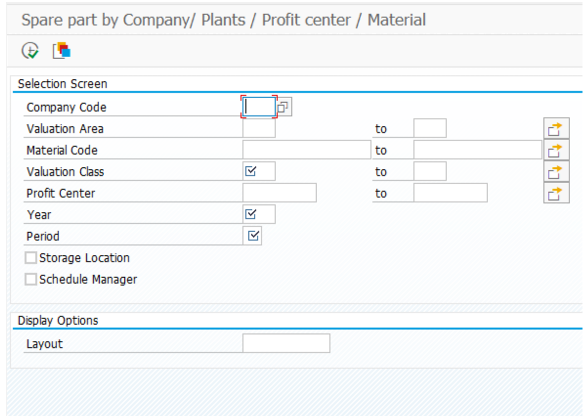
Controllers are responsible to analyze the posting proposal sent by **SU MAC** and provide the final validation for the depreciation amounts to be posted, indicating the changes to be done to the original posting proposal. In some cases, an additional comment on the largest variances between depreciation proposed and validated is required.

Regarding Spare Parts and Gen & Tech (exc. Packaging) the **Accounting Platform Team** is responsible to perform IFRS vs LOCAL GAAP postings - see specificity on point 3.3) 1) For Spare Parts 1) PF1: Industrial Supplies - DE Specificities

3.3. I run inventory valuation reports

STEP 1

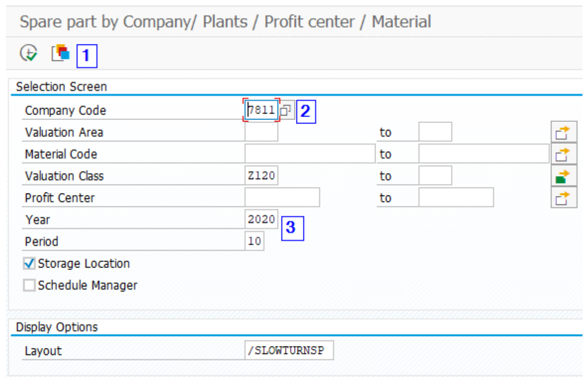
Start the transaction ZCO_SPAREPARTS



> Industrial Supplies
> Depreciation: initial screen

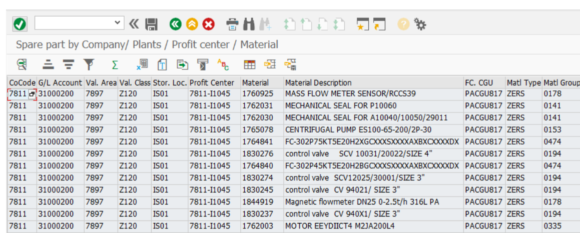
STEP 2

1. Select variant: **SLOWTURN-SP**
2. Enter the **company code**
3. Enter **Year and Period** (period must be end of month before quarterly. Feb May Aug and Oct for Hardclose)
4. Execute to display the report or execute in background to save the report to SQ00



STEP 3

The report is displayed



Save the report by pressing in order to have it available in the SQ00 query ZCO_SPAREPARTS. These will be the final figures to use in the posting. If you have not saved the report, some inconsistencies may be created.

STEP 4

extract the report and put in the inventory reserve template

1. there are 2 provision type in the report
2. **Unrestricted provision** is calculated by slow moving day defined by the rule
3. Blocked provision is calculated by amount of inventory in blocked status (100% provision)

STEP 5

Tasks to be completed when documenting an SAP Transaction, Report or Message code.

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    - SAP Message => "sap_msg"

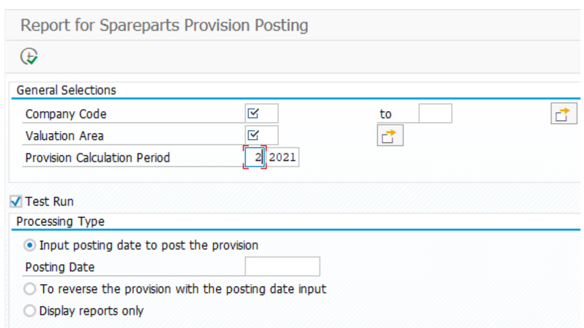
3. On the left section, describe the steps. On the right section, insert respective print screens and additional guidelines, if needed (e.g. Main selections of the transaction...)

STEP 1

Use transaction code: ZCO_SPAREPARTS_POST

> ZCO_SPAREPARTS_POST- Spare parts provision posting: Initial Screen

> This program is for automatic posting of spare parts provision which data is saved in SQ00 table ZCO_SPAREPARTS
>
> The data must be available in SQ00 before processing this transaction

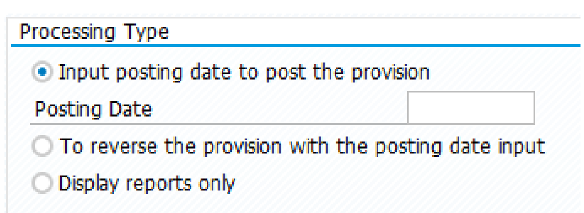


STEP 2

This program is used to post/reverse spare parts provision

There are 3 processing type for this transaction

1. Posting
2. Reverse



3. Display

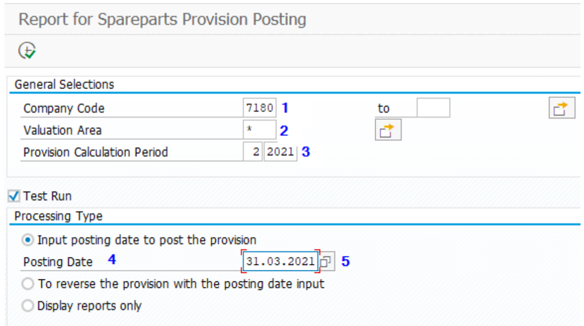
STEP 3

Fill the selection

Selection Parameters:

1. Company code
2. Valuation area **put * to select all valuation area** or specific the value
3. Provision calculation period: period that the data is extracted to SQ00 (provision period = Feb, May, Aug and Oct)
4. Processing type:
   - Posting = put the posting date as end of quarterly month
   - Reverse = put the same date of the posting to repost the provision or put it in next quarter
   - Display = only display the data

   Then execute the transaction

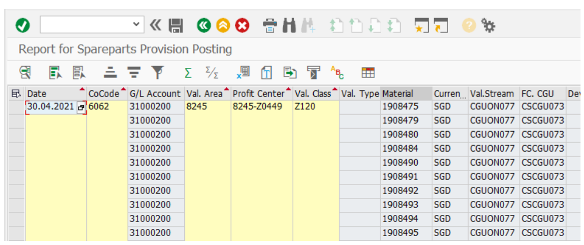


STEP 4

Output results:

Posting

- When Test mode is selected: you can save and output will give you the status whether it can be posted (in case of the error from Master data is missing please contact SU MAC)

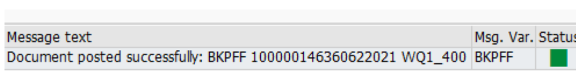


Report for Spareparts Provision Posting

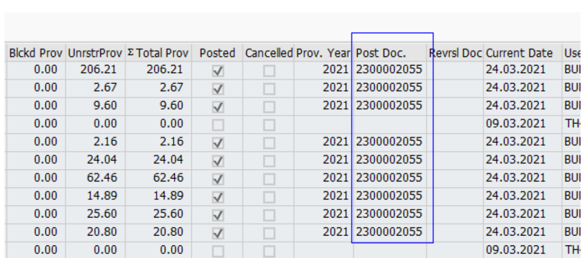
Date	CoCode	G/L Account	Val. Area	Profit Center	Val. Class	Val. Type	Material	Curren...	Val.Stream	FC. CGU	De
30.04.2021	6062	31000200	8245	8245-Z0449	Z120		1908475	SGD	CGUON077	CSCGU073	
		31000200					1908479	SGD	CGUON077	CSCGU073	
		31000200					1908480	SGD	CGUON077	CSCGU073	
		31000200					1908484	SGD	CGUON077	CSCGU073	
		31000200					1908490	SGD	CGUON077	CSCGU073	
		31000200					1908491	SGD	CGUON077	CSCGU073	
		31000200					1908492	SGD	CGUON077	CSCGU073	
		31000200					1908493	SGD	CGUON077	CSCGU073	
		31000200					1908494	SGD	CGUON077	CSCGU073	
		31000200					1908495	SGD	CGUON077	CSCGU073	

Message text	Msg. Var.	Status
Document check - no errors: BKPFF $ WQ1_400	BKPFF	

- When test mode is not selected: when you save the output will return with document number and the items will be locked with document number



Message text	Msg. Var.	Status
Document posted successfully: BKPFF 100000146360622021 WQ1_400	BKPFF	



Blckd Prov	UnrstrProv	Σ Total Prov	Posted	Cancelled	Prov. Year	Post Doc.	Revrsl Doc	Current Date	Use
0.00	206.21	206.21	✓		2021	2300002055		24.03.2021	BUI
0.00	2.67	2.67	✓		2021	2300002055		24.03.2021	BUI
0.00	9.60	9.60	✓		2021	2300002055		24.03.2021	BUI
0.00	0.00	0.00						09.03.2021	TH
0.00	2.16	2.16	✓		2021	2300002055		24.03.2021	BUI
0.00	24.04	24.04	✓		2021	2300002055		24.03.2021	BUI
0.00	62.46	62.46	✓		2021	2300002055		24.03.2021	BUI
0.00	14.89	14.89	✓		2021	2300002055		24.03.2021	BUI
0.00	25.60	25.60	✓		2021	2300002055		24.03.2021	BUI
0.00	20.80	20.80	✓		2021	2300002055		24.03.2021	BUI
0.00	0.00	0.00						09.03.2021	TH

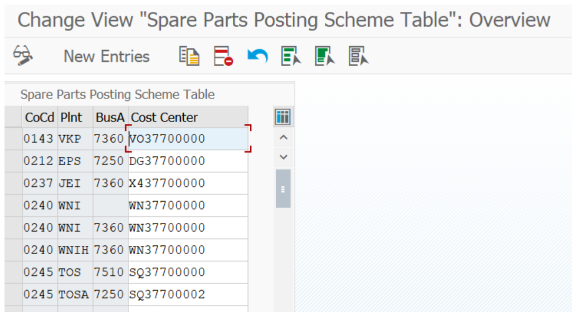
Reverse

- Steps are similar to the posting

Provision data will be frozen in the table SQ00 after document is posted by the program

NOTE:

In case it's necessary to update the CC automatically used, this should be done directly in transaction ZCO_SP_POS TSCHEME



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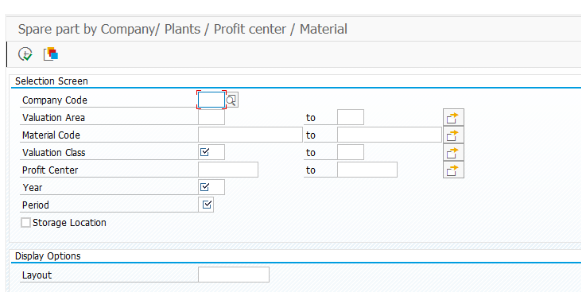
3. On the left section, describe the steps. On the right section, insert respective print screens and additional guidelines, if needed (e.g. Main selections of the transaction...)

STEP 1

Use transaction code: Z1K_SPAREPARTS

You will be able to find four sections:

- Selection Screen
- Layout
- Download to excel



PF2 - Report Z1k_SPAREPARTS: This report will provide you extraction of several fields of the master data of the material as well as stock quantities, values and consumption-

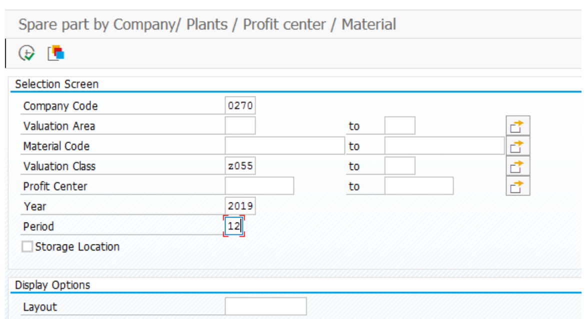
This report is mainly used to provide information for the calculation PF1 inventory reserves:

- Raw Materials
- Spare Parts
- Finished goods (limited)

STEP 2 **Selection Screen**

In the Selection screen, the following data needs to be selected:

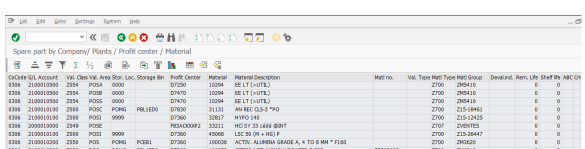
- Company code
- Valuation class (Of the material)
- Year
- Month
- The other fields, can be selected depending on the level of detail available /needed
- Layout can also be selected if available (Otherwise can be define after execution)



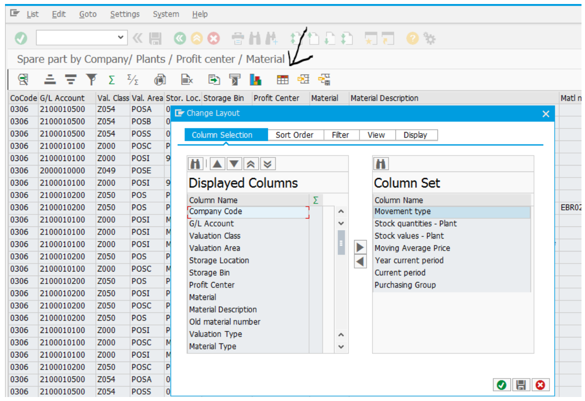
STEP 3 **Layout**

Depending on the information needed, select the different fields to prepare the report

First screen after execution:



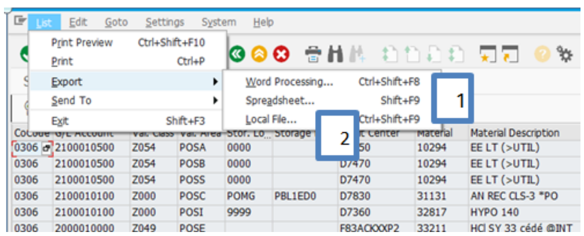
Layout selection:



STEP 4 Extraction to excel

Go to list - > Export

and select the option needed



It is possible to extract to excel in two different ways:

1. Excel
2. Local File

IFRS accounts

The Z1K_SPAREPARTS transaction only uses the G/L account 6310000000 on the debit side which is a limitation for Germany companies, once they use dedicated accounts depending on the material. For Spare Parts it should be used the G/L account 6310000020 and for Gen & Tech (exc. Packaging) the G/L account 6310000050, according the following matrix: PF2 Germany WD_Inventories accounts.

To guarantee the correct reporting, a manual reclassification will have to be performed by **Accounting Platform Team.**

Debit PL account 6310000020 AND/OR 6310000050 (in order to determine the amount to be transferred take into consideration the balance account, whether it is 2119010000 Spare Parts or 2119000000 Gen & Tech (exc. Packaging).

Credit PL account 6310000000

Eliminations accounts

The Z1K_SPAREPARTS transaction only posts in IFRS. Therefore, elimination will have to be manually performed by the **Accounting Platform Team**:

- Spare Parts: post elimination as per the following matrix: PF2 Germany WD_Inventories accounts.

Debit BS account B119010009

Credit PL account F310000029

- Gen & Tech (exc. Packaging): not to eliminate (no difference IFRS vs LOCAL GAAP)

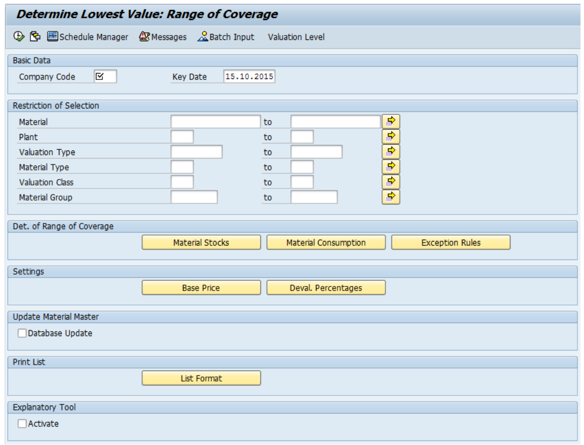
Every time there are new users performing this procedure, it's important to maintain them in a specific table, so that they can be considered "Authorized Users to Save Spare Parts Report": T-Code GS02, Table ZCO_USER_SPAREPARTS (to be done by the TL).

NOTE All users can run the report (both in foreground and background), but only the User IDs that are maintained in the set ZCO_USER_SPAREPARTS can save the report result in the customized table. If the Saving part is not Done, we might have inconsistencies between the proposal posting and the real posting performed by the system.

STEP 1

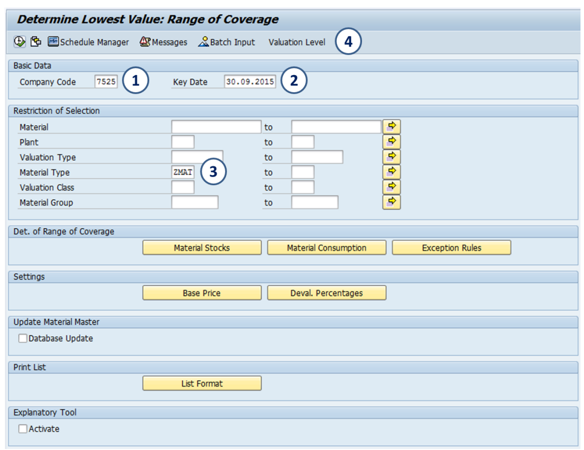
Start the transaction MRN1

Determine Lowest Value: Range of Coverage: initial screen



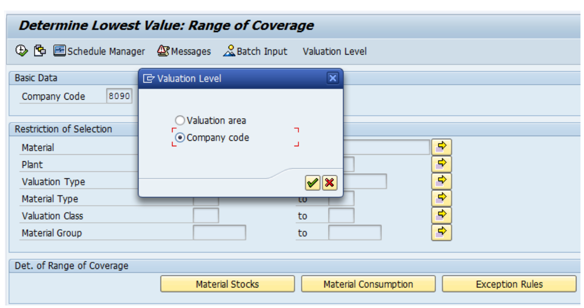
STEP 2

1. Enter the **company code**
2. **Key date**: Last day of the month = reference date for the calculation of R.O.C.
3. **Material type**: ZMAT : Finished products & RM & SF
4. Click on **Valuation level** to o pen a new window



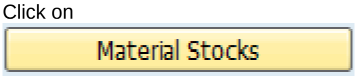
STEP 3

Select "Company Code"



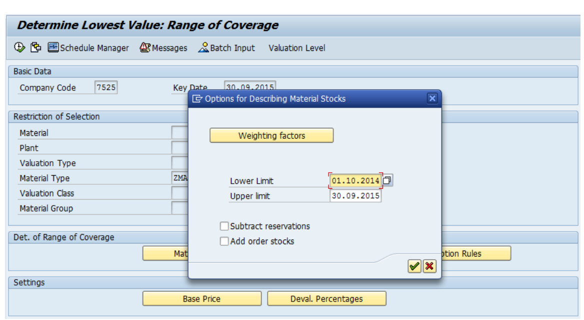
STEP 4

Click on



Enter:

- “Upper limit” = “key date”
- “Lower limit” = “Upper Limit” – 12 months

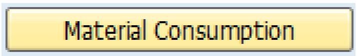


The range of dates corresponds to the period of analysis of the monthly stocks

and enter 

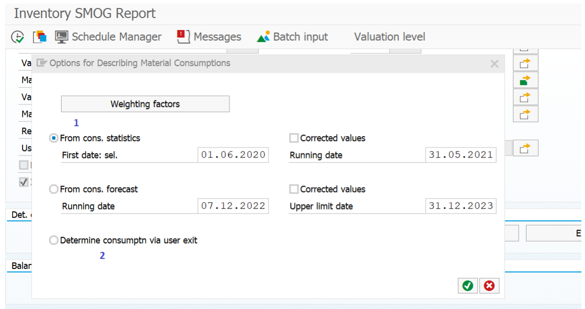
STEP 5

Click on



1. Select and enter the range of date in the first range as the analysis period for the determination of consumptions.

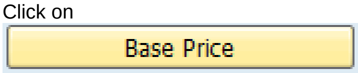
and enter 



The option “Determine consumption via user exit” can be selected to apply the rules to calculate the range of coverage (average consumption).

STEP 6

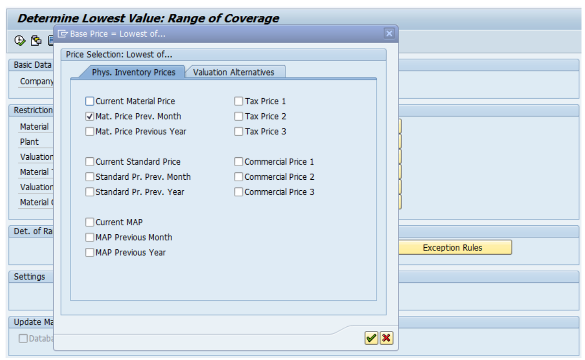
Click on



It is the standard cost of the month

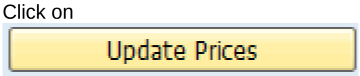
- If the transaction is run before the end of the month:
  - Select the **current material price**
- It the transaction is run after the end of the month:
  - Select the **Mat. Price Prev. Month**

and enter 



STEP 7

1. Check “Database Update” and 2 new buttons appear.
   - Never click on “Change Material Price”
2. Click on



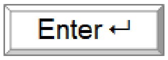
3. Check “Tax Price 1” to store the price calculated by the system

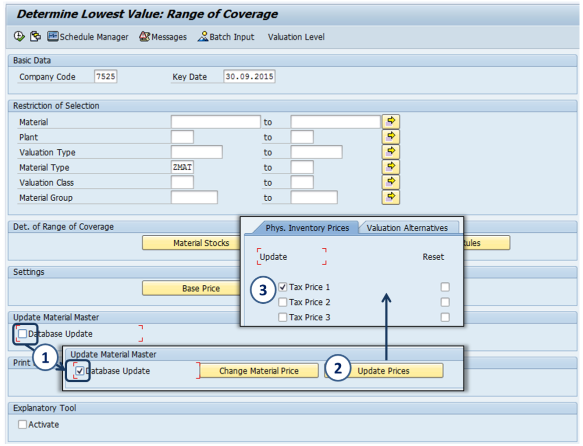
and enter 

Then start the calculation by clicking on 

Ignore the warning message

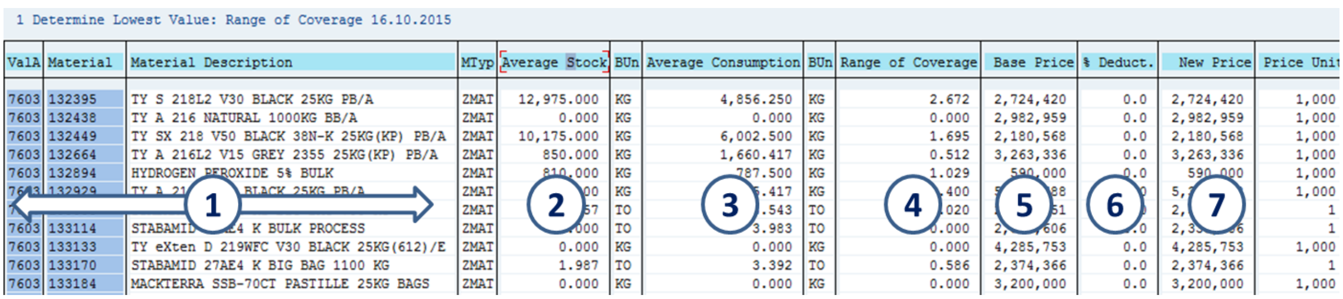
⚠ No material number interval entered. Please check

by clicking on 



STEP 8

The report is displayed



1 Determine Lowest Value: Range of Coverage 16.10.2015

ValA	Material	Material Description	MTyp	Average Stock	BUn	Average Consumption	BUn	Range of Coverage	Base Price	% Deduct.	New Price	Price Unit
7603	132395	TY S 218L2 V30 BLACK 25KG PB/A	ZMAT	12,975.000	KG	4,856.250	KG	2.672	2,724,420	0.0	2,724,420	1,000
7603	132438	TY A 216 NATURAL 1000KG BB/A	ZMAT	0.000	KG	0.000	KG	0.000	2,982,959	0.0	2,982,959	1,000
7603	132449	TY SX 218 V50 BLACK 38N-K 25KG(KP) PB/A	ZMAT	10,175.000	KG	6,002.500	KG	1.695	2,180,568	0.0	2,180,568	1,000
7603	132664	TY A 216L2 V15 GREY 2355 25KG(KP) PB/A	ZMAT	850.000	KG	1,660.417	KG	0.512	3,263,336	0.0	3,263,336	1,000
7603	132894	HYDROGEN PEROXIDE 5% BULK	ZMAT	810.000	KG	787.500	KG	1.029	590,000	0.0	590,000	1,000
[illegible]	132929	TY A 21[illegible] BLACK 25KG PB/A	ZMAT	[illegible]	KG	[illegible].417	KG	[illegible].400	[illegible]	[illegible]	[illegible]	1,000
[illegible]	[illegible]	[illegible]	ZMAT	[illegible]57	TO	[illegible].543	TO	[illegible].020	[illegible]51	[illegible]	[illegible]	1
7603	133114	STABAMID [illegible]E4 K BULK PROCESS	ZMAT	[illegible]000	TO	3.983	TO	[illegible].000	[illegible]606	[illegible]	[illegible]	1
7603	133133	TY eXten D 219WFC V30 BLACK 25KG(612)/E	ZMAT	0.000	KG	0.000	KG	0.000	4,285,753	0.0	4,285,753	1,000
7603	133170	STABAMID 27AE4 K BIG BAG 1100 KG	ZMAT	1.987	TO	3.392	TO	0.586	2,374,366	0.0	2,374,366	1
7603	133184	MACKTERRA SSB-70CT PASTILLE 25KG BAGS	ZMAT	0.000	KG	0.000	KG	0.000	3,200,000	0.0	3,200,000	1,000

1. **M aterial Master Data** & plant code.
2. **Stock quantity** at the end of the month (execution date)
3. **Average consumption** on the last 12 months
4. **Number of months** needed to consume the whole stock with the average consumption = Average stock (2) / Average consumption (3)
5. **Base price** used for the calculation of impairment (= standard cost)
6. **% Deduct** calculated in function of range of coverage (4)
    - Range of coverage < 12 = 0 %
    - 12 < Range of coverage 24 = 50 %
    - 36 < Range of coverage = 100 %
    - 24 < Range of coverage 36 = 75 %
7. **New price** on which the range of coverage is applied = (100 - % Deduct (6)) x Base price (5)

Tasks to be completed when documenting an SAP Transaction, Report or Message code.

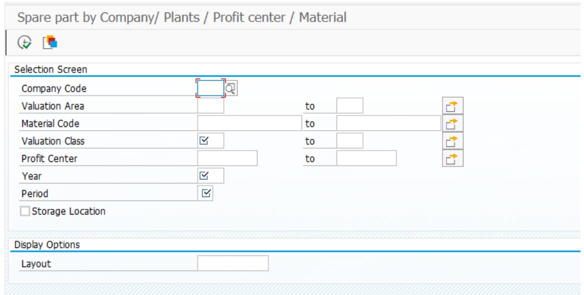
1. **Title of the page = SAP Transaction code, SAP Report or SAP Message**

2. Add the following Labels, respectively:

- SAP Transaction => "sap_transaction", Transaction code "xxxx"
    - SAP Report => "sap_report"
    - SAP Message => "sap_msg"

3. On the left section, describe the steps. On the right section, insert respective print screens and additional guidelines, if needed (e.g. Main selections of the transaction...)

STEP 1



Use transaction code: Z1K_SPAREPARTS

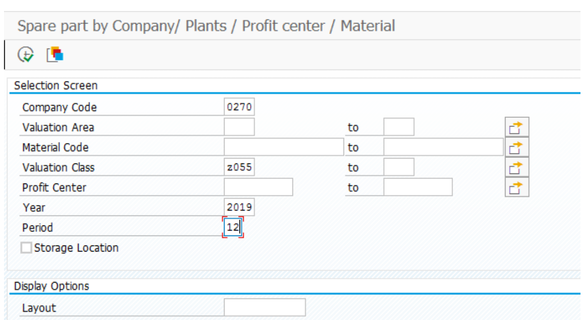
You will be able to find four sections:

- Selection Screen
- Layout
- Download to excel

> ⓘ PF2 - Report Z1k_SPAREPARTS: This report will provide you extraction of several fields of the master data of the material as well as stock quantities, values and consumption-

> ⓘ This report is mainly used to provide information for the calculation PF1 inventory reserves:
>
> - Raw Materials
> - Spare Parts
> - Finished goods (limited)

STEP 2 **Selection Screen**



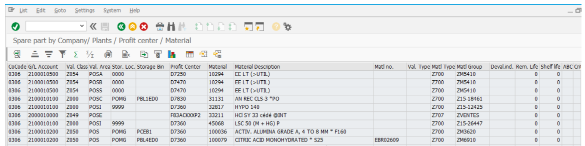
In the Selection screen, the following data needs to be selected:

- Company code
- Valuation class (Of the material)
- Year
- Month
- The other fields, can be selected depending on the level of detail available /needed
- Layout can also be selected if available (Otherwise can be define after execution)

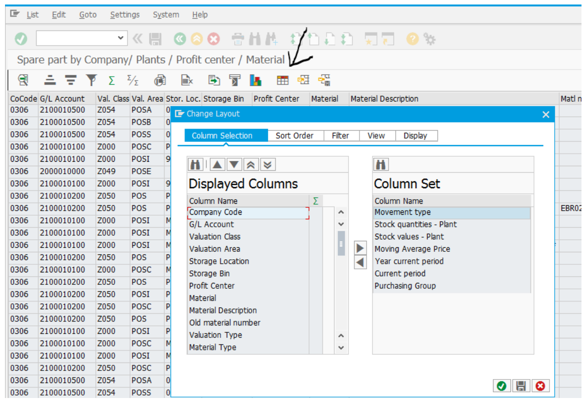
STEP 3 **Layout**

First screen after execution:

Depending on the information needed, select the different fields to prepare the report



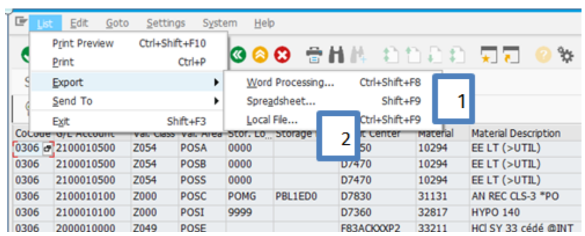
Layout selection:



STEP 4 **Extraction to excel**

Go to list - > Export

and select the option needed



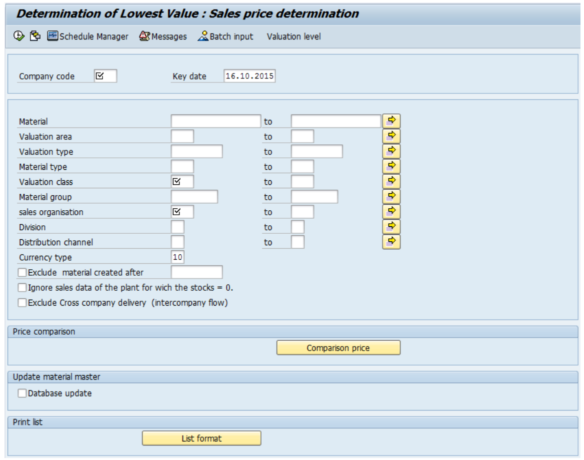
It is possible to extract to excel in two different ways:

1. Excel
2. Local File

STEP 1

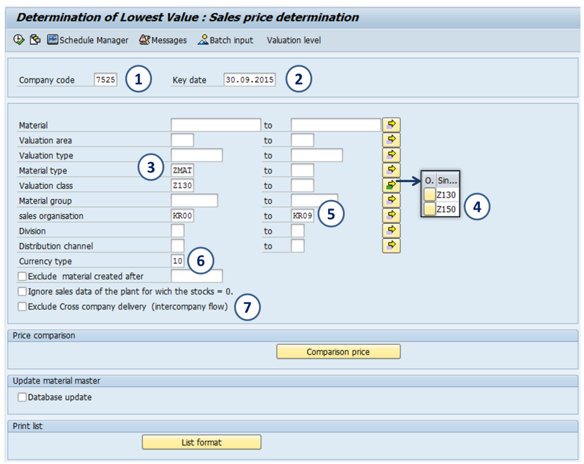
Start the transaction ZWFA21A

ⓘ Determination of Lowest Value: Sales price determination: initial screen



STEP 2

1. Enter the **company code**
2. **Key date**: Last day of the month
3. **Material type**: ZMAT - Raw materials & Finished goods
4. **Valuation class**:
    - Z130 : Trading goods
    - Z150 : Finished products
5. **Sales organisation**: All sales organisation of the company
6. **Currency type**: Useless (all data in specific table are in local currency
7. Uncheck **Exclude Cross company delivery**



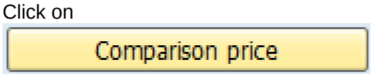
STEP 3

1. Click on "Valuation level"
2. Check "Company code"

and enter 

STEP 4

Click on

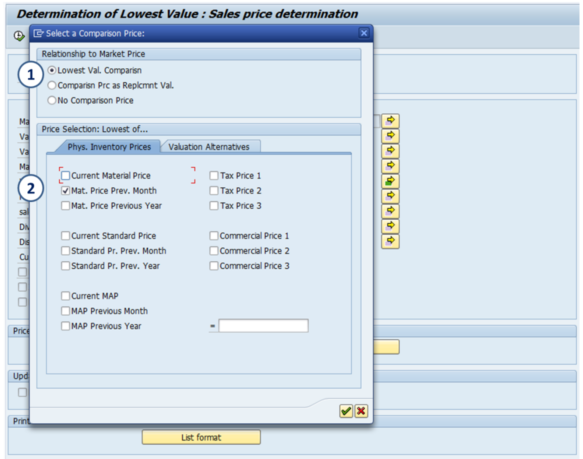


Select the relationship to Market Price = **Lowest val. Comparisn**

Select the price used for the comparison:

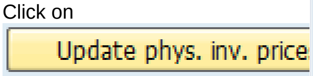
- “ Mat.Price Prev.Month ” (material price previous month)

and enter 



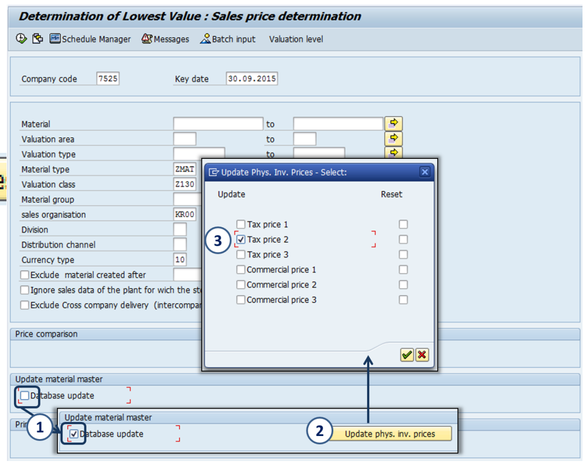
STEP 5

1. Check “Database update” and a new button appears.
2. Click on



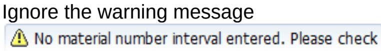
3. Select “Tax price 2”: field of the material master data in which the calculated price is saved

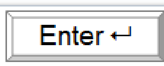
and enter 



Then start the calculation by clicking on 

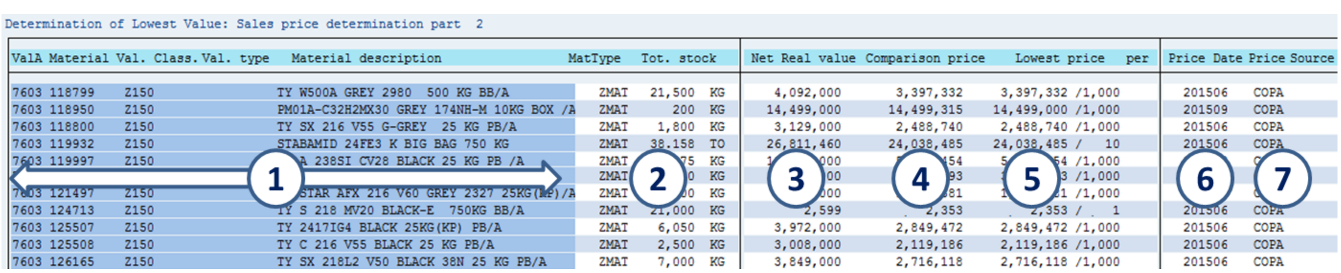
Ignore the warning message



by clicking on 

STEP 5

The report is displayed



Determination of Lowest Value: Sales price determination part 2

ValA	Material	Val. Class.	Val. type	Material description	MatType	Tot. stock		Net Real value	Comparison price	Lowest price	per	Price Date	Price Source
7603	118799	Z150		TY W500A GREY 2980 500 KG BB/A	ZMAT	21,500	KG	4,092,000	3,397,332	3,397,332	/1,000	201506	COPA
7603	118950	Z150		PM01A-C32H2MX30 GREY 174NH-M 10KG BOX /A	ZMAT	200	KG	14,499,000	14,499,315	14,499,000	/1,000	201509	COPA
7603	118800	Z150		TY SX 216 V55 G-GREY 25 KG PB/A	ZMAT	1,800	KG	3,129,000	2,488,740	2,488,740	/1,000	201506	COPA
7603	119932	Z150		STABAMID 24FE3 K BIG BAG 750 KG	ZMAT	38.158	TO	26,811,460	24,038,485	24,038,485	/ 10	201506	COPA
7603	119997	Z150		[illegible]A 238SI CV28 BLACK 25 KG PB /A	ZMAT	[illegible]75	KG	[illegible]	[illegible]454	[illegible]54	/1,000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	ZMAT	[illegible]	KG	[illegible]00	[illegible]93	[illegible]3	/1,000	[illegible]	[illegible]
7603	121497	Z150		[illegible]STAR AFX 216 V60 GREY 2327 25KG(KP)/A	ZMAT	[illegible]00	KG	[illegible]000	[illegible]81	[illegible]1	/1,000	[illegible]	[illegible]
7603	124713	Z150		TY S 218 MV20 BLACK-E 750KG BB/A	ZMAT	21,000	KG	2,599	2,353	2,353	/ 1	201506	COPA
7603	125507	Z150		TY 2417IG4 BLACK 25KG(KP) PB/A	ZMAT	6,050	KG	3,972,000	2,849,472	2,849,472	/1,000	201506	COPA
7603	125508	Z150		TY C 216 V55 BLACK 25 KG PB/A	ZMAT	2,500	KG	3,008,000	2,119,186	2,119,186	/1,000	201506	COPA
7603	126165	Z150		TY SX 218L2 V50 BLACK 38N 25 KG PB/A	ZMAT	7,000	KG	3,849,000	2,716,118	2,716,118	/1,000	201506	COPA

1. **Material Master Data** & plant code
2. **Stock quantity** at the end of the month (execution date)
3. **Net Real value** most recent “net real value” on the “key date”
4. **Comparison price:** Price selected in the “comparison price” box (here “price on the previous month”)
5. **Lowest price**: Lowest value of the two prices (3) & (4) followed by the price unit
6. **Price date**: Date of calculation of the price
7. **Price Source**: Origin of the price

Unable to render {include} The included page could not be found.

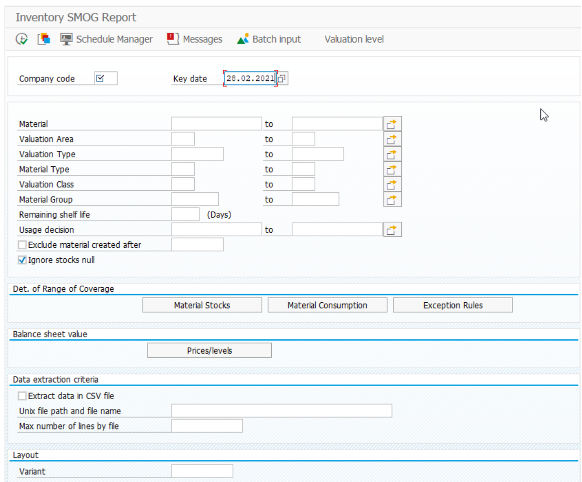
3.4. I calculate inventory reserves

Responsibility area: Calculate and post Inventory Reserve

STEP 1

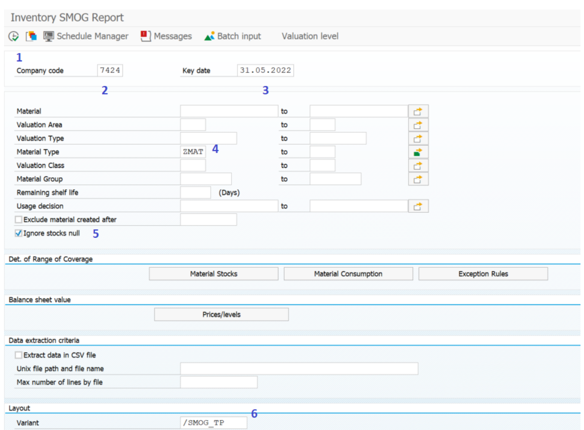
Start the transaction ZFI_INVENTORY_SMOG

Inventory SMOG report: initial screen



STEP 2

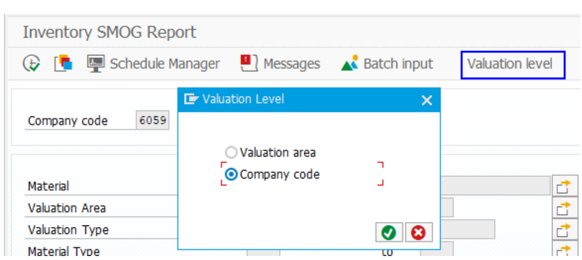
1. Select variant: /SMOG_TEMPLATE
2. Enter the **company code**
3. **Key date**: Last day of the month before quarterly
4. **Material type:** ZMAT and ZVER
5. The materials with null stock should not be considered in the calculation. The field must to be flagged. Note: The new materials can be excluded by flagging the field "Exclude material created after" - it is not mandatory, it will depends of the business.
6. **Variant layout**: /SMOG_TP



STEP 3

1. Click on "Valuation level"
2. Select "Company code"

and enter 



Note: The rate of coverage is calculated at **company code level** and not batch level -The reason is that in some plants we only have the transfer of stock between 2 locations and no sale or consumption, which means that these plants always have 100% depreciation.

STEP 4

Click on

Prices/levels

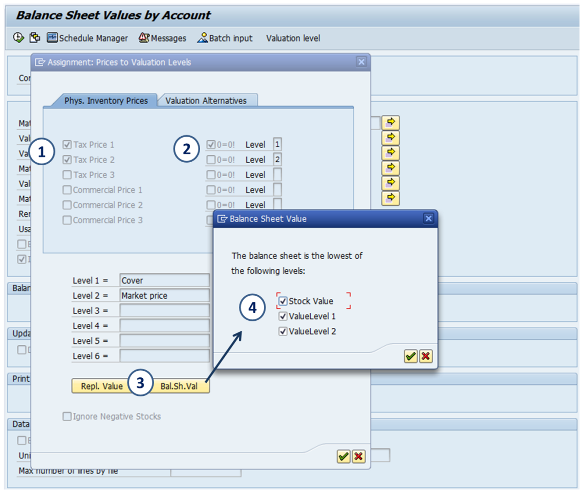
1. Check “Tax Price 1” (where the range of coverage is stored) and “Tax Price 2” (where the Net realizable value is stored)
2. Check “0=0” Level 1
3. Click on Bal.Sh.Val
4. Add “Stock Value” to the already selected values.

   The calculation of impairment will be based on the lowest of the 3 values

   - Stock value (=standard)
   - Value Level 1 (= Tax Price 1)
   - Value Level 2 (= Tax Price 2)

and enter if you have a message you can click on

Continue



STEP 5

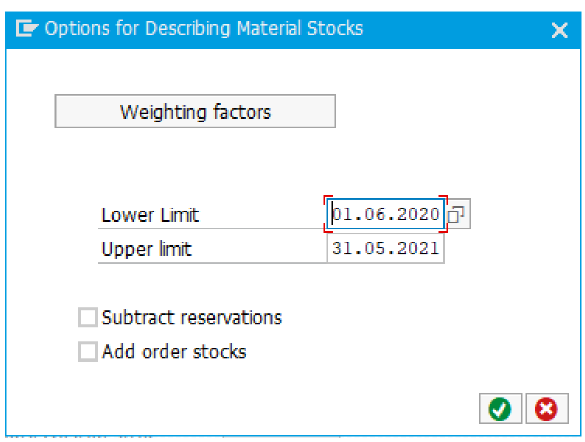
Click on

Material Stocks

Enter:

- “Upper limit” = “key date”
- “Lower limit” = “Upper Limit” – 12 months

The range of dates corresponds to the period of analysis of the monthly stocks



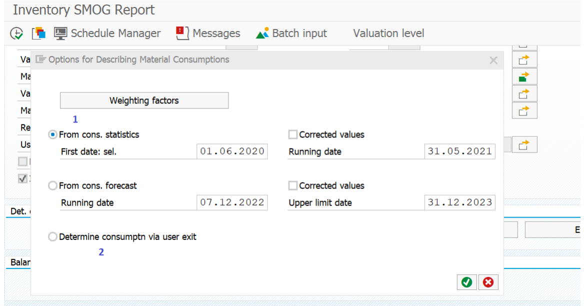
STEP 6

Click on

Material Consumption

1. Select and enter the range of date in the first range as the analysis period for the determination of consumptions.

Then execute the transaction



The option “Determine consumption via user exit” ca be selected to apply the rules to calculate the range of coverage (average consumption).

Then start the calculation by clicking on

Ignore the warning message

STEP 7

SMOG Report Functions

1.The total stock are summarized by the batch stock, non batch stock and stock in transit.

Inventory SMOG Report

Account	Val. Area	Val. Class	Material	Val. Type	Material Description	Stor. Loc.	Batch	BatchStock	NoBatchStk	Stock in Transit	Unit	Total Value
31000300	8192	Z110	1825577		PE DRUM 208L PO BLUE Y1.4/150 VENTED			0	446	0	PC	10,644.35
31000300	8192	Z110	1825585		STEEL DRUM 208L PO 1.2X0.9X1.2 WBG ODPHL			0	461	0	PC	12,043.85
31000300	8192	Z110	1825590		STEEL DRUM 208L PO 1.2X0.9X1.2 WBB UNLND			0	564	0	PC	14,127.75
31000300	8192	Z110	1825601		STEEL DRUM 208L TO 1.1X0.8X1.1 WBB ODPHL			0	499	4	PC	14,304.03

2. Reserves and Financial depreciation

Manuf. Dte	Days Expr.	Expires On	ROC (M)	%Reserve	Coverage	BlockedQty	BlockedAmt	BlckQtyAdj	BlckAmtAdj	Aged Qty	ΣAged Amt	ΣNetCover	ΣFinReserve	ΣGood
08.09.2017	723- days	08.09.2019	9,999.000	1.00	2.86	0	0.00	0	0.00	1	2.86	0.00	2.86	0.00
15.09.2017	716- days	15.09.2019	18.000	0.50	1.34	0	0.00	0	0.00	1	2.68	0.00	2.68	0.00
30.09.2017	701- days	30.09.2019	0.077	0.00	0.00	0	0.00	0	0.00	1	3.35	0.00	3.35	0.00
25.11.2017	645- days	25.11.2019	0.006	0.00	0.00	0	0.00	0	0.00	1	2.89	0.00	2.89	0.00
06.12.2017	634- days	06.12.2019	9,999.000	1.00	3.02	0	0.00	0	0.00	1	3.02	0.00	3.02	0.00

- **Fin.Depr:** value is calculated from ZWFA21A stored in field **tax price 2** in material master data
- **ROC(M):** value is calculated from MRN1 stored in field **tax price 1** in material master data
- %Reserve:

If ROC<12, then %Reserve = 0

If ROC>12 & ROC<24, then %Reserve = 0.5

If ROC>24 & ROC<36, then %Reserve = 0.75

If ROC>36, then %Reserve = 1

- **Financial Depreciation:** based on Solvay standard : If source price is ‘COPA’ and Market price < Total value, then Financial depreciation = Total value - Market price
- **Coverage:** (Stock qty * % Reserve)* Standard material price
- **Blocked Qty:** (Off spec material) material batch with blocked status then total batch stock is blocked (100% provision).
- **Blocked Amt:** Blocked Qty * Standard Material Price
- **Aged Qty:** (Obsolescence material) When the day until expiration is less than 0, the whole batch stock will be aged (100% provision).
- **Aged Amt:** Aged Qty * Standard Material Price
- **NetCover:** Coverage - blocked amt - aged amt - blocked amt adj
- **FinReserve:** NetCover **+** blocked amt + aged amt + blocked amt adj
- **Good:** Total value - Financial Reserve

IMPORTANT

The program **ZFI_INVENTORY_SMOG** will prioritize the 3 following rules:

1.Identify any blocking stock of the batch
If yes, it will be proposed to be 100% reserved

2.Identify the aging of the stock/batch based on Expiration Date
If date expired, it will be proposed to be 100% reserved

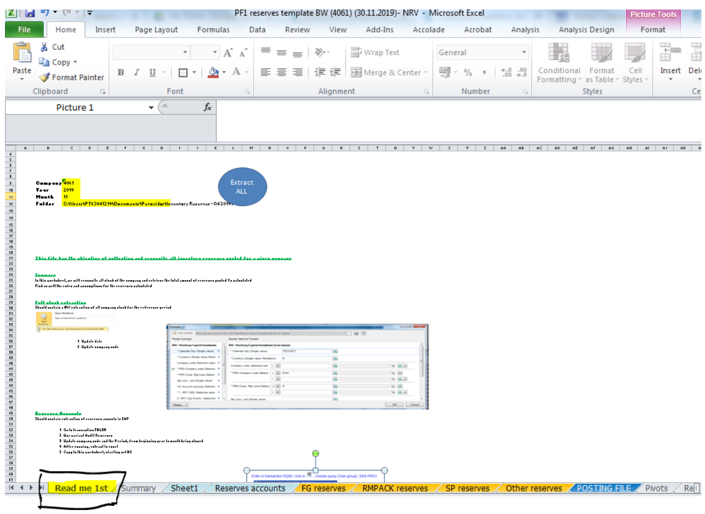
3.Identify the Range of Coverage (RoC) based on the last 12 months of consumption (average consumption / average stock)
Reserved proposed based on following ranges

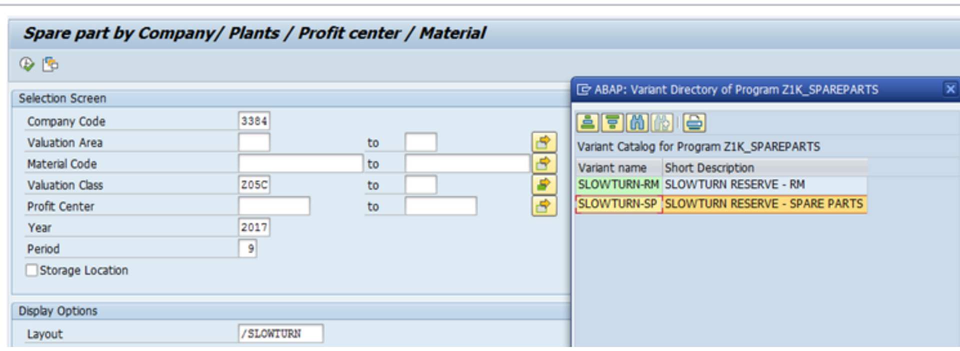
If ROC<12, then %Reserve = 0
If ROC>12 & ROC<24, then %Reserve = 0.5
If ROC>24 & ROC<36, then %Reserve = 0.75
if ROC>36, then %Reserve = 1, so for cases where ROC is equal or 9.999,00, it means that there is no consume for a long time

Note: If stock status is blocked or expired **Depreciation is 100%.**

The process is currently processed with the support of one excel template that needs to be updated with the extractions from each transaction mention in section 3.3.

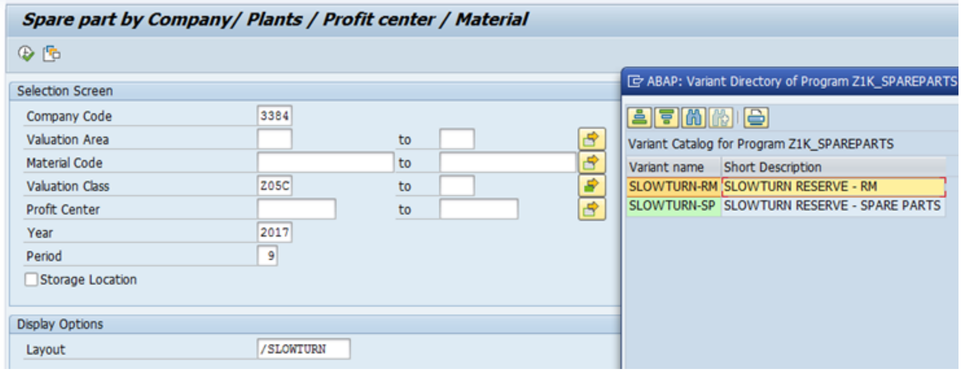
<table>
<tr>
<td>Worksheet "Read Me" in the template:

• The excel template contains a Read Me worksheet with the details of how to extract data and fill in each worksheet.
• Some files, might contain one Excel Macro to extract automatically the data from SAP and fill in each worksheet.</td>
<td>
</td>
</tr>
<tr>
<td>Prepare Spare Parts data (3.3.1):

1. Go to report Z1K_spareparts
2. Select variant /SLOWTURN-SP
3. Update the company code
4. Update the year and month
5. After running, extract to excel
6. Copy to worksheet "SP reserves", starting cell A2</td>
<td>
</td>
</tr>
</table>

<u>Prepare Raw Materials & Packaging data (3.3.2):</u>

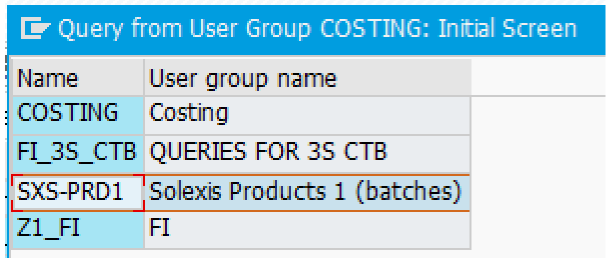
1. Go to report Z1K_spareparts
2. Select variant /SLOWTURN-RM
3. Update the company code
4. Update the year and month
5. After running, extract to excel
6. Copy **to worksheet "RMPACK reserves"**, starting cell A2



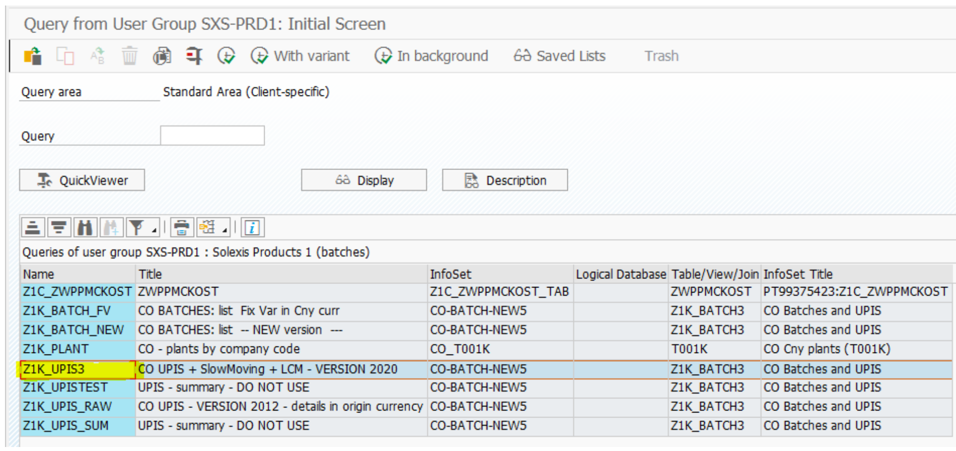
Prepare Finished Goods Data (3.3.3):

1. Got to SQ00
2. Select query/user group SXS-PRD1
3. Run table Z1K_UPIS3
4. Select Variant "INV RESERVES" with the complany, plant (if necessary) and period/Year
5. After running, extract to excel
6. Copy to **worksheet "FG reserves"**, starting cell A2

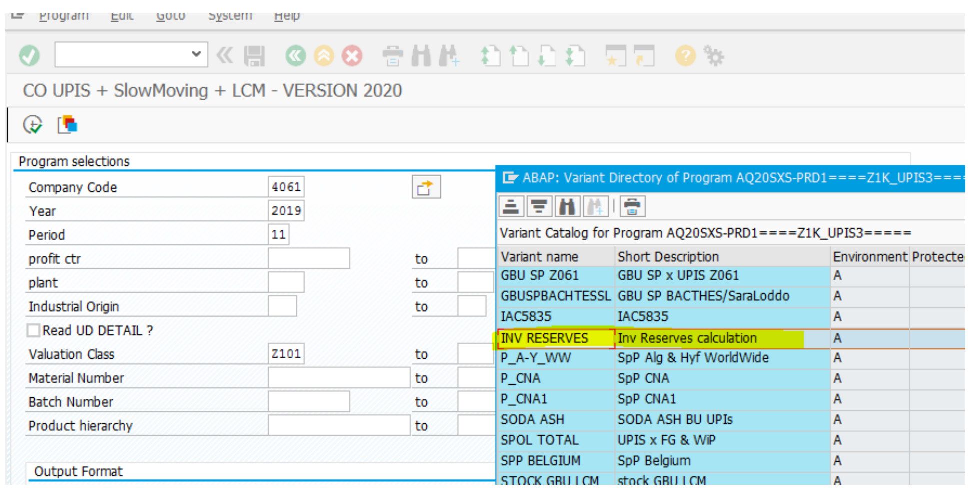
Select query/user group SXS-PRD1



Run table Z1K_UPIS3



Select Variant "INV RESERVES" with the complany, plant (if necessary) and period/Year



3.5. I send the report to the GBUs

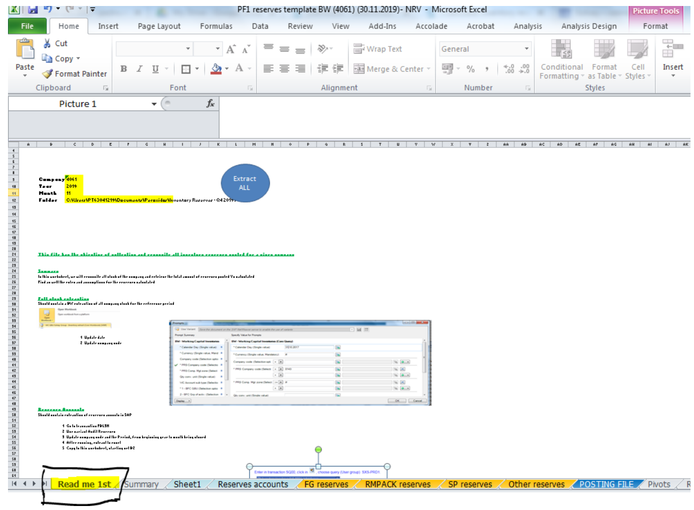
3.5.1. I generate the proposition files

Extract the data in spreadsheet format from ZCO_SPAREPARTS and ZFI_INVENTORY_SMOG and copy the data to inventory reserves template field A2 in both "**RMFG reserves" & "Industrial supplies reserves"**

Having the extractions done in section 3.4 related to PF2, each worksheet needs to be completed

<u>Worksheet "Read Me" in the template:</u>

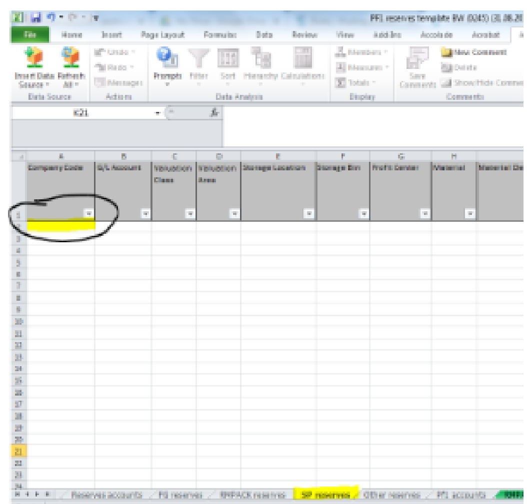
- The excel template contains a Read Me worksheet with the details of how to extract data and fill in each worksheet.
- Some files, might contain one Excel Macro to extract automatically the data from SAP and fill in each worksheet.



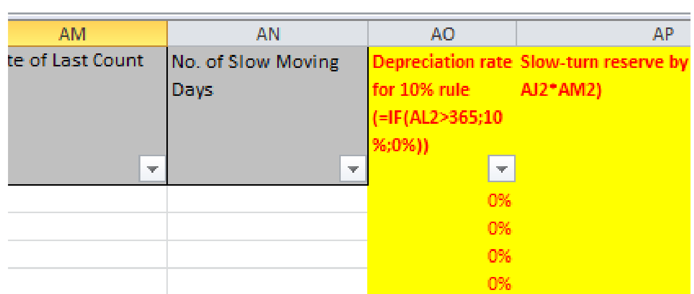
<u>Prepare Spare Parts data (3.3.1):</u>

1. Copy the extraction to **worksheet "SP reserves"**, starting cell A2
   a. Check the last columns are not overwrite, as these contain the formulas to calculate the reserves

Copy the extraction to cell A2



Have in mind that not to overwrite the last columns:

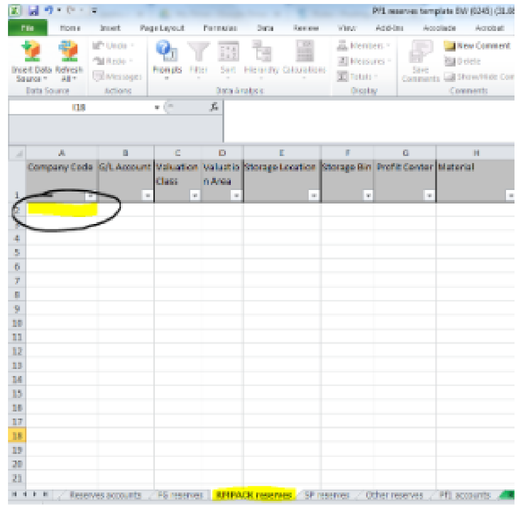


These columns are the ones containing the formulas to calculate the final res

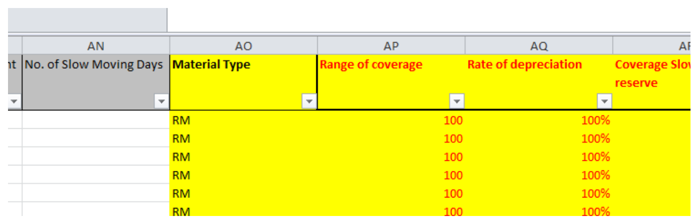
Prepare Raw Materials & Packaging data (3.3.2):

1. Copy the extraction to **to worksheet "RMPACK reserves"**, starting cell A2
   a. Check the last columns are not overwrite, as these contain the formulas to calculate the reserves

Copy the extraction to cell A2



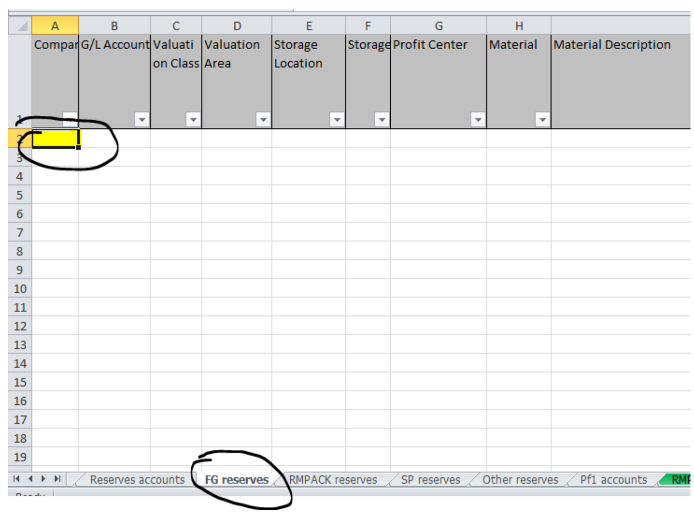
Have in mind that not to overwrite the last columns:



These columns are the ones containing the formulas to calculate the final res

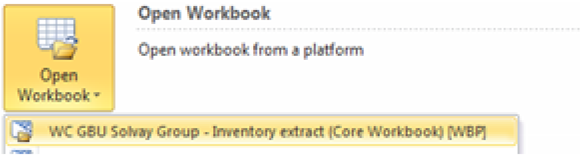
Prepare Finished Goods Data (3.3.3):

1. Copy the extraction to **worksheet "FG reserves"**, starting cell A2



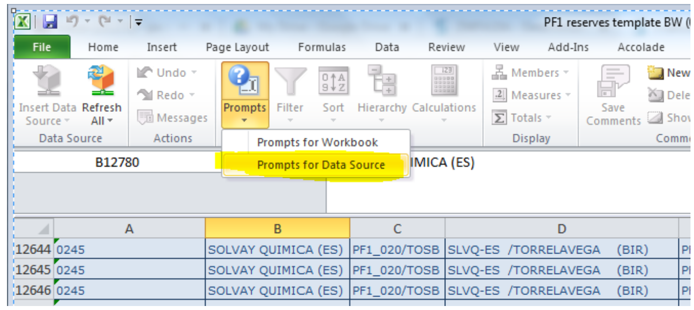
Worksheet "Full stock extraction" :

- Extract through BW, the stock of the company for the period in analysis

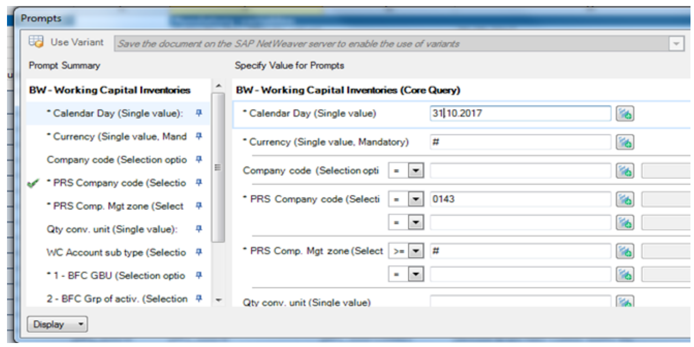


1. Refresh this worksheet through Analysis/Prompt
2. Select date (Last day of the month in analysis)
3. Select the company code

Go to "prompt" to perform the refresh

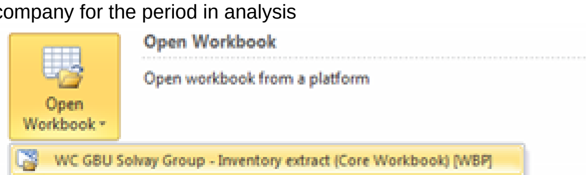


Select the date and company



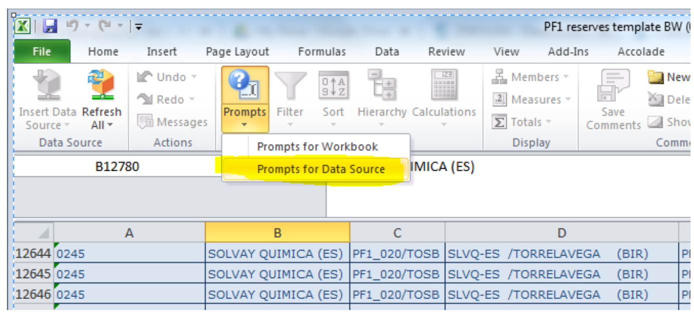
Worksheet "Reserve accounts" :

- Extract through BW, the Balance sheet reserve accounts of the company for the period in analysis

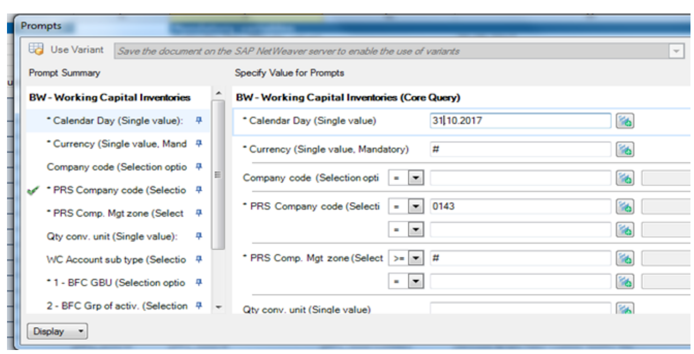


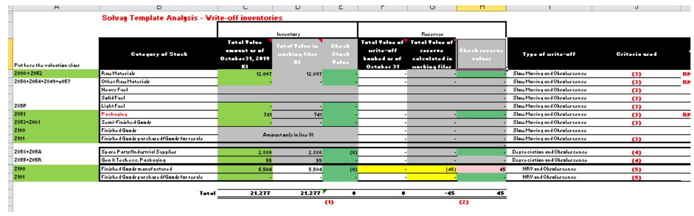
1. Refresh this worksheet through Analysis/Prompt
2. Select date (Last day of the month in analysis)
3. Select the company code

Go to "prompt" to perform the refresh



Select the date and company



Worksheet "Summary" in the template:	
Worksheet "Summary" in the template: • The total amount of the columns with the calculated reserve, should be in column G • The total amount of company stock retrieved in worksheet "full stock extraction" should be in column C • The total amount of the Balance sheet accounts coming from worksheet "reserve accounts" should be in column F	

Template

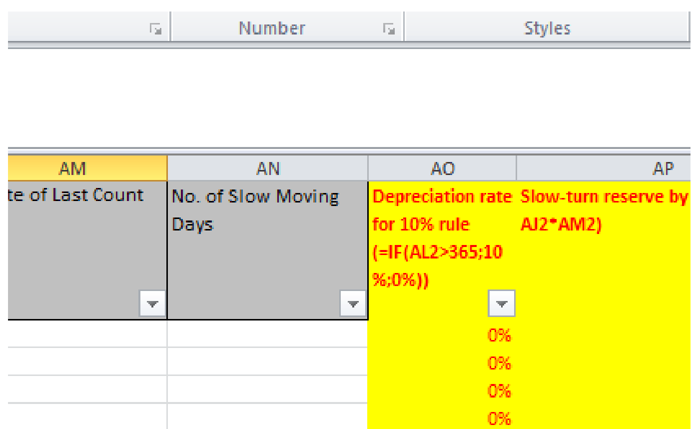
3.5.2. I prepare the proposition files

Ensure all the data in other sheets are reflected into tab Summary

Solvay Template Analysis - Write-off inventories

Material class	Category of Stock	Check of Total Stock Amounts: Total Value LC amount	Total Value LC amount from reserves calculation	Differences	Check of Reserves Posted: Total Value LC of write-off booked	Total Value LC of write-off calculated	Differences
Z100	Raw Materials	-	-	-	-	-	-
Z105	Other Raw Materials	-	-	-	-	-	-
	Heavy Fuel						-
	Solid Fuel						-
	Light Fuel						-
Z110	Packaging	-	-	-	-	-	-
	Semi-Finished Goods						-
Z120/Z125	Spare Parts/Industrial Supplies RM	-	-	-	-	-	-
Z160	Spare Parts/Industrial Supplies FP	-	-	-	-	-	-
Z170/Z175	Gen & Tech exc. Packaging	-	-	-	-	-	-
Z150/Z140	Finished Goods manufactured	-	-	-	-	-	-
Z130	Finished Goods purchased/Goods for resale	-	-	-	-	-	-
	Total	0	0		0	0	

To finalize the template before send it to the Controllers, some consistency checks need to be done.

Prepare Spare Parts data (3.3.1):	
Prepare Spare Parts data (3.3.1): 1. Check that no formula is missing in the last columns	Have in mind that not to overwrite the last columns: Formula to determine if there is % to be calculated IF(R2="X";0;IF(AN2>365;10%;0%)) Where column R is related to "critical spare part" and Column AN is related to  The formulas can change, depending on additional criteria implemented for a

Prepare Raw Materials & Packaging data (3.3.2):

1. Check that no formula is missing in the last columns

Have in mind that not to overwrite the last columns:

Formula for Column AO - Material type. Will provide what type of material is.

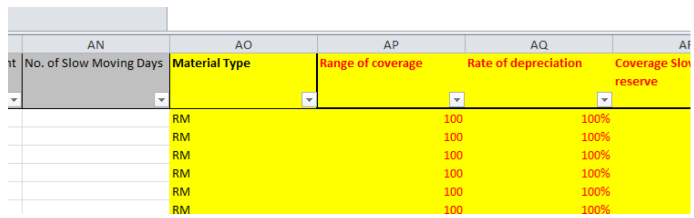
=IF(C2="Z000";"RM";IF(C2="Z05L";"FUEL";IF(C2="Z05P";"FUEL";IF(C2="Z0
PACK";"RM")))))

Formula for Column AP - it is going to calculate the range of coverage (avera
last 12Months against current stock)

=IF(AO2="RM";IFERROR(AJ2/(AE2/12);100);0%)

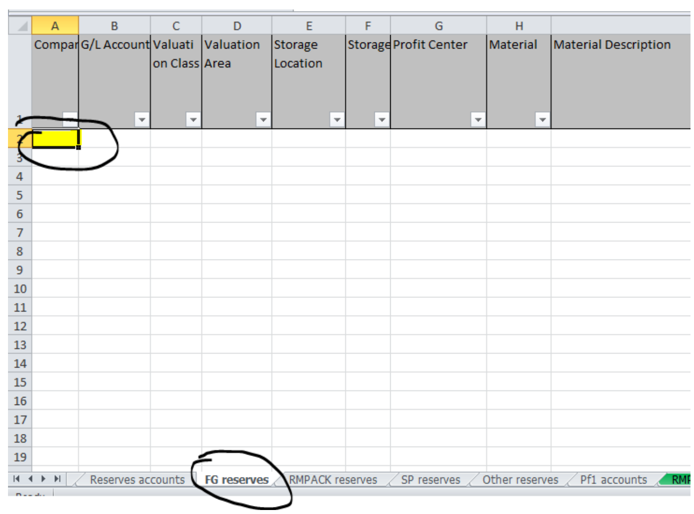
Formula for column AQ - to identify what will be the % to be used to calculate

=IF(AP2<12;0%;IF(AP2<25;50%;IF(AP2<37;75%;100%)))



Here, also the formulas can change, depending on additional criteria impleme

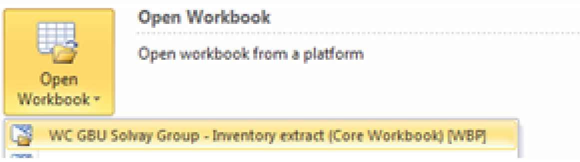
Prepare Finished Goods Data (3.3.3):



<table>
<tr>
<td>

<u>Worksheet "Full stock extraction" :</u>

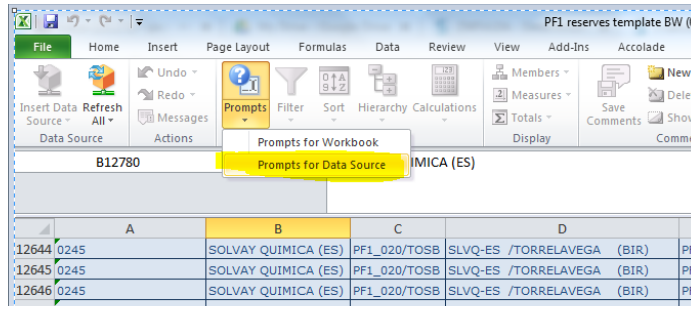
- Extract through BW, the stock of the company for the period in analysis



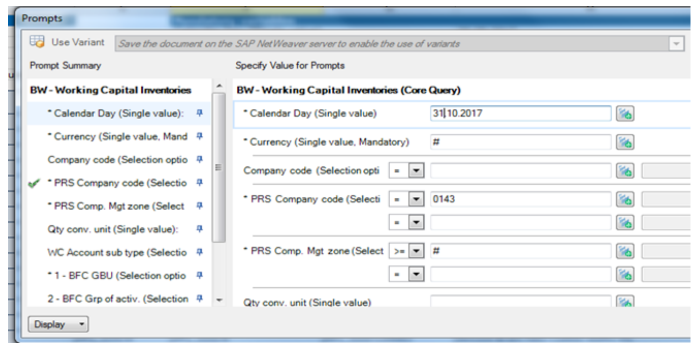
1. Refresh this worksheet through Analysis/Prompt
2. Select date (Last day of the month in analysis)
3. Select the company code

</td>
<td>

Go to "prompt" to perform the refresh



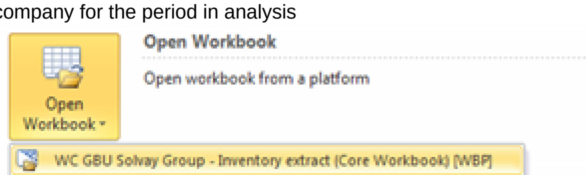
Select the date and company



</td>
</tr>
<tr>
<td>

<u>Worksheet "Reserve accounts" :</u>

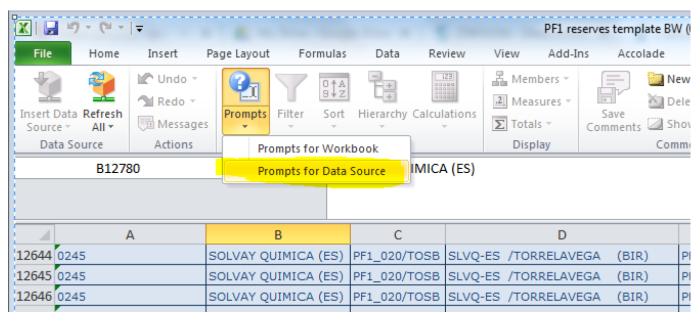
- Extract through BW, the Balance sheet reserve accounts of the company for the period in analysis



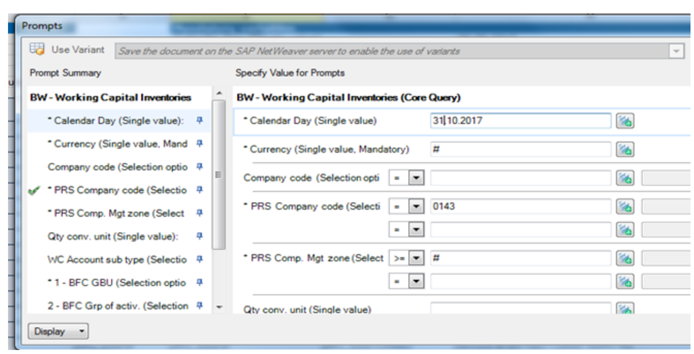
1. Refresh this worksheet through Analysis/Prompt
2. Select date (Last day of the month in analysis)
3. Select the company code

</td>
<td>

Go to "prompt" to perform the refresh



Select the date and company

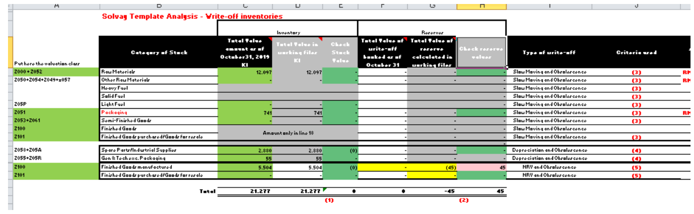


</td>
</tr>
</table>

Worksheet "Summary" in the template:

1. There is a table to reconcile all stock of the company and retrieve the total amount of reserves posted Vs calculated
   a. Ensure that column E is zero, as this will confirm that all stock of the company is included in the analysis
      i. Any difference, should be analysed
   b. Column H, at this stage of the preparation, this column will not be zero. It will show the different of the current reserve amount to the proposed new reserve amount

- Find as well the rules and assumptions for the reserves calculated



Solvay Template Analysis - Write-off inventories

Put here the valuation class	Category of Stock	Inventory: Total Value amount as of October31, 2019 KI	Total Value in working files KI	Check Stock Value	Reserves: Total Value of write-off booked as of October 31	Total Value of reserve calculated in working files	Check reserve values	Type of write-off	Criteria used
Z000+Z052	Raw Materials	12.097	12.097	-	-	-	-	Slow Moving and Obsolescence	(3)
Z050+Z054+Z049+z057	Other Raw Materials	-	-	-	-	-	-	Slow Moving and Obsolescence	(3)
	Heavy Fuel						-	Slow Moving and Obsolescence	(3)
	Solid Fuel						-	Slow Moving and Obsolescence	(3)
Z05P	Light Fuel	-	-	-			-	Slow Moving and Obsolescence	(3)
Z051	Packaging	741	741	-	-	-	-	Slow Moving and Obsolescence	(3)
Z053+Z061	Semi-Finished Goods	-	-	-	-	-	-	Slow Moving and Obsolescence	(3)
Z100	Finished Goods	Amount only in line 18			-	-	-	Slow Moving and Obsolescence	
Z101	Finished Goods purchased/Goods for resale				-	-	-	Slow Moving and Obsolescence	(3)
Z058+Z05A	Spare Parts/Industrial Supplies	2.880	2.880	(0)	-	-	-	Depreciation and Obsolescence	(4)
Z055+Z05R	Gen & Tech exc. Packaging	55	55	-	-	-	-	Depreciation and Obsolescence	(4)
Z100	Finished Goods manufactured	5.504	5.504	(0)	-	(45)	45	NRV and Obsolescence	(5)
Z101	Finished Goods purchased/Goods for resale	-	-	-	-	-	-	NRV and Obsolescence	(5)
	Total	21.277	21.277	0	0	-45	45		
				(1)			(2)		

3.5.3. I send the proposition files

After the file is completed, send the depreciation proposals to the controllers.

> In the message clearly indicate the deadline, which should be D-5 at the latest and request the amount validated for Rotation and Financial Depreciation.