

Infor MP2 6.1

Dealing with Costs and Inventory Refurbishment

From time to time, you may need to repair or refurbish inventory items. As part of the process, you will want to bring them back into the warehouse at an altered value that reflects the actual repair costs plus any manual adjustments. This document will walk you through the different steps while explaining your options.

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Prerequisites

Before we get started, there are a few things that you'll need to take care of.

- Create a REPAIR warehouse for storing items while they are being repaired. The process outlined below will require you to make cost changes, it is essential that these cost changes be made outside of the main warehouse in order to preserve the integrity of your inventory cost history.
- Create a REPAIR location to use for associated work orders. You can do this in the *Locations* application, under the *Equipment* menu.

Repairing/Refurbishing an Inventory Item

Here are the high-level steps required to send an item out for repair or refurbishment and receive it back into the warehouse at a modified price, all while maintaining clean records of the pieces and transactions involved.

Since we assume that you already know how to do basic inventory transactions, we will not present the click-by-click steps involved with each sub-process.

1. Create a work order for the repair. Assign the work order to the REPAIR location.
2. Transfer the quantity to be repaired (probably just one) to the REPAIR warehouse using an inter-warehouse transfer.

NOTE: As we mentioned, the purpose of the REPAIR warehouse is to isolate the cost changes that will be necessary. It is very bad practice to perform manual cost adjustments when the quantity of the item is more than zero because MP2 does not properly track the cost adjustment – it does what we call a “magic wand” transaction, which doesn’t leave a record of the change itself. Unfortunately, the current process requires you to make a couple of these changes. Since you won’t ever be running transactional reports on the REPAIR warehouse, we’re making the decision that it’s OK to perform these “magic wand” updates over there. When you later run your reports from the main warehouse, it will simply show that the item was transferred out of the warehouse at one price, then transferred back in at another price. There won’t be any gaps in the audit trail.

3. (optional) Change the unit cost in the REPAIR warehouse to zero or to an estimated scrap value.

NOTE: The decision you need to make here is what, if any, existing value for the item you want to be included in the total work order cost. Let’s say that the original cost for the item was \$10,000. The eventual WO costs for labor and materials (we know, we haven’t gotten to that yet) will be \$5,000. Anticipating this, you have three options at this point regarding the average unit cost.

1. Leave the current value. The value after the repair will be \$15,000, reflecting the original value plus the repair cost. (\$10,000 + \$5,000)

2. Reduce it to a scrap value that you will determine, let’s say \$2,000. The value after the repair will be \$7,000, reflecting the scrap value plus the repair cost. (\$2,000 + \$5,000)

3. Reduce it to zero. The value after repair will be \$5,000, reflecting the repair cost only.

4. Check the item(s) out to the work order.

TIP: It is best to do this from the 'Inventory' application instead of directly inside the work order. Before you select 'Check Out Item' from the 'Options' menu, make sure that the REPAIR warehouse is selected in the 'Stock' table at the bottom of the 'Inventory' screen. Otherwise, the part will be issued from the main warehouse.

Populate the fields in the 'Check Out Items' dialog as follows. Note that if you do them out of order, some value may be inadvertently overwritten as you proceed.

Issue To – Select “Vendor” or “Employee”

Employee Code or Vendor ID – Specify the vendor or employee in charge of the refurbishment.

Charge To – Select “Work Order”

WO No.

Issue-from Warehouse – this should already be OK, but verify that you see the REPAIR warehouse here, not the main warehouse.

Check-out Quantity – the quantity that are going to be refurbished, probably just one.

Reason – if you'd like, you can add a lookup value for “Refurbishment” or something.

5. Process the work order as usual, recording all costs for inventory and internal/external labor. This may include writing POs for parts and external labor that will be received to the work order.
6. Use MP2's built-in dialog to tabulate the work order costs (*Option menu > Material and Labor Costs*). Make any manual adjustments for extra value added, and update the unit cost in the REPAIR warehouse.
7. Return the item to the REPAIR warehouse (perform a return transaction from the *Inventory* application). It will inherit the updated cost.
8. Return the item to the main warehouse using another inter-warehouse transfer. The average, FIFO, or LIFO costs will be updated to reflect the new cost.
9. Close any related POs, and then close the work order.

Other Ideas and Options

Here are a few other thoughts that we thought we'd include here, as the related to the topic at hand.

- If you are only interested in making a cost change to an individual unit without associating the part to the work order or tracking the items status during the refurbishment process, you can perform steps 2, 3, and 8 only of the previous procedure. In step 8, you will simply change the cost to whatever value you determine is correct.
- To separate refurbished parts (including costs) from the non-refurbished ones, you might want to consider creating a warehouse specifically for that purpose. Remember that warehouses should be based on accounting function and not physical proximity. It is perfectly fine to have two identical parts physically located next to each other on the shelf yet located in different MP2 warehouses. You could even assign them the same bin location. If you are using weighted averaging as your inventory costing method (the most common approach), then creating a secondary warehouse like this is the only way to keep the price of a refurbished item separate from the averaged price for the non-refurbished ones.
In step 8 of the previous process, you would transfer the item to the REFURBISHED warehouse instead of the main warehouse.
- For more advanced options that approach the “Rotating Assets” functionality available in more robust platforms like Maximo or SAP, contact your MP2 support administrator. There are ways that MP2 can be enhanced to do things like group assets under a single rotating item number, include aggregated financial data in the list view, and much more.

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