

Workaround for Retroactive Price Updates in Cloud



Blog By – Nikhil Lodha

Workaround for Retroactive Price Updates in Cloud

What is Retroactive Price Update?

This is functionality in EBS for updating prices on purchasing documents. Price updates are needed on purchasing documents over the period because of changes in agreements with suppliers. The Retroactive Price Update on purchasing Documents concurrent program automatically updates existing blanket releases and standard purchase orders retroactively with price changes from the parent blanket agreement or global purchase agreement.

After updating prices on purchasing document, it creates payables invoices of type **Purchase Price Adjustments (PPA)** with difference amount from already billed amount and new updated amounts after price updates.

This functionality is not yet available in Cloud. Therefore, we need to use invoice price corrections a workaround for this.

What are Invoice Corrections?

With corrections, you can adjust invoices that were matched to purchase order schedules, distributions, receipts or consumption advice documents. You can also adjust amounts of invoices that were not matched. The correction is the difference between the original price, quantity, or amount, and the new price, quantity, or amount. For example, if a supplier decreases the price by 10 USD, the correction invoice is for -10 USD.

You can perform price, quantity, and amount corrections. The purchase order line type determines what type of correction you can make to a matched invoice. The purchase order line type can be amount-based or quantity-based.

For purchase price adjustments, we need to perform **Invoice Price Corrections**.

What is Price Correction?

A price correction adjusts the unit price of an invoice that was matched to a purchase order, receipt or consumption advice.

Following are two scenarios we need to handle for price correction:

A. Price Decrease

In this case, need to create credit or debit memo with adjustment price; this will decrease (debit) liability and balance it (credit) with price variance account in case of Goods items and item expense account in case of Services.

B. Price Increase

In this case, need to create standard invoice with adjustment price. This will increase (credit) liability and balance it (debit) with price variance account in case of Goods items and item expense account in case of Services.

Note: The calculation of the invoice price variance follow this formula: (invoice unit price - purchase order line unit price) * invoiced quantity

Steps for correcting prices:

Consider there are POs with lines having Product Type as Goods and Services. Also, there are PO matched invoices, which are already paid and accounted.

PO: Product Type = Goods






Procurement BU	Vision BU	Supplier	Accton	Ordered	78,141.00 USD
Requisitioning BU	Vision BU	Supplier Site	Sunnyvale	Total Tax	2,992.05 USD
Sold-to Legal Entity	Vision	Supplier Contact		Total	81,133.05 USD
Bill-to BU	Vision BU	Communication Method	None	Description	
Order	15	Bill-to Location	LA	Requisition	REQ00010
Status	Open i	Ship-to Location	Multiple	Source Agreement	
Buyer	finuser			Supplier Order	
Creation Date	2/3/18				

Terms Notes and Attachments

Required Acknowledgment	None	Shipping Method	Evergreen Marine-Ocean-Port to port
Payment Terms		Freight Terms	— Pay on receipt
		FOB	— Confirming order






▶ Additional Information

Lines Schedules Distributions

Actions ▼ View ▼ Format ▼    Freeze  Detach  Wrap

Line	Item	Product Type	Description	Category Name	Quantity	UOM	Price	Total	Status	Loc
1	MS120-48-HW	Goods	MS120-48-HW	Misc	427	Ea	183.00	81,133.05	Open	Mult

Lines **Schedules** Distributions

Actions ▼ View ▼ Format ▼    Freeze  Detach  Wrap

Line	Description	Location	Requested Delivery Date	Promised Delivery Date	Quantity	UOM Name	Status	MFG Start Date	MFG Comp Date	Pack Comp Date	PO I
1	MS120-48-HW	LA	12-03-2022		0	Ea					
i 1	MS120-48-HW	Sydney	12-03-2022		200	Ea	Closed for Invoicing				
i 1	MS120-48-HW	DCL Inc.	12-03-2022		127	Ea	Open				
i 1	MS120-48-HW	AIL	12-03-2022		100	Ea	Open				

Payables Invoice:

Invoice Header [Show More](#)

Identifying PO 15	Number 20181127-1	Date 27-11-2018
Business Unit Vision BU	USD - US	Payment Terms Immediate
Supplier Accton	* Amount 38,430.00	Terms Date 27-11-2018
Supplier Number 10001	Dollar	Requester
Supplier Site Sunnyvale	Type Standard	Attachments None
Legal Entity Vision	Description	Note
Invoice Group		

Lines [Match Invoice Lines](#)

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[Distribution](#) [Budgetary Control](#) [Reference](#) [Tax](#) [Purchase Order](#) [Asset](#) [Project](#)

* Number	* Type	* Amount	Reference	Tax	Purchase Order	Asset					
			Description	Tax Classification	Ship-to Location	Number	Line	Schedule	Track as Asset	Project Number	Task Number
1	Item	36,600.00	MS120-48-HW		Sydney	15	1	2			

Taxes

Totals

Items 36,600.00	Freight 0.00	Miscellaneous 0.00	Tax 1,830.00	Included Prepayments 0.00	Total 38,430.00
			Withholding 0.00	Applied Prepayments 0.00	Due 38,430.00

Accounting Lines for this invoice:

Accounting Lines: Standard Invoice 20181127-1

Ledger Vision US Date 27-11-2018 Status Final

View [View T-Accounts](#) [Detach](#) [Override Account](#)

Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	Invoice Validated	Vision	01-000-211010-02-00000-00000	Accrual	36,600.00	
2	Invoice Validated	Vision	01-000-211010-02-00000-00000	Nonrecoverable tax	1,830.00	
3	Invoice Validated	Vision	01-000-211100-02-00000-00000	Liability		36,600.00
4	Invoice Validated	Vision	01-000-211100-02-00000-00000	Liability		1,830.00

PO: Product Type = Services






Procurement BU	Vision BU	Supplier	Accton	Ordered	1,200.00 USD
Requisitioning BU	Vision BU	Supplier Site	Sunnyvale	Total Tax	60.00 USD
Sold-to Legal Entity	Vision	Supplier Contact		Total	1,260.00 USD
Bill-to BU	Vision BU	Communication Method	None	Description	
Order	48	Bill-to Location	LA	Requisition	
Status	Open	Ship-to Location	LA	Source Agreement	
Buyer	finuser			Supplier Order	
Creation Date	3/28/19				

Terms [Notes and Attachments](#)

Required Acknowledgment	None	Shipping Method	Evergreen Marine-Ocean-Port to port	— Pay on receipt
Payment Terms	Net 30	Freight Terms	None	— Confirming order
		FOB	None	

► **Additional Information**

Lines [Schedules](#) [Distributions](#)

Actions ▼ View ▼ Format ▼    Freeze  Detach  Wrap

Line	Item	Product Type	Description	Category Name	Quantity	UOM	Price	Total	Status	Location
1		Services	Office Stationary	Office Supplies			1,200.00	1,260.00	Open	LA

Payables Invoice:

Invoice Header [Show More](#)

Identifying PO: 48	* Number: 20181212-1	* Date: 12-12-2018
Business Unit: Vision BU	* Amount: USD - 1,260.00	* Payment Terms: Net 30
Supplier: Accton	Type: Standard	* Terms Date: 12-12-2018
Supplier Number: 10001	Description:	Requester:
Supplier Site: Sunnyvale		Attachments: None
Legal Entity: Vision		Note:
Invoice Group:		

Lines [Match Invoice Lines](#)

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[Distribution](#) [Budgetary Control](#) [Reference](#) [Tax](#) [Purchase Order](#) [Asset](#) [Project](#)

* Number	* Type	* Amount	Reference	Tax		Purchase Order			Asset	Proj Num
			Description	Tax Classification	Ship-to Location	Number	Line	Schedule	Track as Asset	
1	Item	1,200.00	Office Stationary		LA	48	1	1	<input type="checkbox"/>	

Accounting Lines for this invoice:

Accounting Lines: Standard Invoice 20181212-1 ✕

Ledger: Vision US Date: 12-12-2018 Status: Draft

View [+](#) [-](#) [Print](#) [View T-Accounts](#) [Detach](#)

Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	Invoice Validat...	Vision	01-000-501030-02-00000-00000	Item expense	1,200.00	
2	Invoice Validat...	Vision	01-000-501030-02-00000-00000	Nonrecoverable tax	60.00	
3	Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		1,200.00
4	Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		60.00

[Done](#)

Now consider cases,

A. Price Decrease

1. Create a new payables invoice using same PO details. Select invoice type either **Credit Memo** or **Debit Memo** and enter remaining invoice details.
2. Select **Correct Matched Invoices** option and click **Go**.

Create Invoice:

Invoice Actions Save and Create Next Save Save and Close Cancel

Invoice Header Show More

Identifying PO: 15
 Business Unit: Vision BU
 Supplier: Accton
 Supplier Number: 10001
 * Supplier Site: Sunnyvale
 Legal Entity: Vision
 Invoice Group:

* Number: 20181215-1
 * Amount: USD - -1.00
 * Type: Credit memo
 Description:

* Date: 15-12-2018
 * Payment Terms: Immediate
 * Terms Date: 15-12-2018
 Requester:
 Attachments: None
 Note:

Lines Correct Matched Invoices Go

3. This will show available matched invoice lines for correction. Select the line to be corrected by checking the **Correct** check-box.
4. Select **Correction Type** as "Price Correction". Enter Unit Price for correction. This should be negative as we are creating Credit/Debit memo.

Correct Matched Invoices

Search Advanced Saved Search All Matched Invoices

View Detach Allocate Distributions

Correct	* Correction Type	Line		* Amount	Match Hold	Corrected Invoice					
		Quantity	Unit Price			Item	Number	Line	Amount	Quantity	Un
<input checked="" type="checkbox"/>	Price Correction	200	-3	-600.00		MS120-48-HW	20181127-1	1	36,600.00	200	

PO 15, Line 1, Schedule 2: Details

Ordered 200	Accepted N/A	Match Basis	Quantity
Billed 200	Returned N/A	Invoice Match Option	Order
Shipped 0	Consumed N/A	Payment Terms	
Received 0	Distributions 1	Freight Terms	

Apply OK Cancel

Click **Apply** and **OK**.

5. Calculate Tax and update invoice amount with correct value.

Create Invoice: 20181215-1

Not validated Invoice Actions Save and Create Next Save Save and Close Cancel

Last Saved 27-03-2019 11:55 AM

Invoice Header Show More

Identifying PO 15 * Number 20181215-1 * Date 15-12-2018

Business Unit Vision BU * Amount USD -630.00 * Payment Terms Immediate

Supplier Accton Type Credit memo * Terms Date 15-12-2018

Supplier Number 10001 Description

Supplier Site Sunnyvale Requester

Legal Entity Vision Attachments None

Invoice Group

Note

Lines Correct Matched Invoices

Taxes

Totals

Items	Freight	Miscellaneous	Tax	Included Prepayments	Total
-600.00	0.00	0.00	-30.00	0.00	-630.00
			Withholding 0.00	Applied Prepayments 0.00	Due -630.00

6. Validate the invoice and create accounting for this invoice.

Accounting Lines: Credit memo 20181215-1

Ledger Vision US Date 15-12-2018 Status Draft

View View T-Accounts Detach




Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	Credit Memo Validated	Vision	01-000-211100-02-00000-00000	Liability	600.00	
2	Credit Memo Validated	Vision	01-000-211100-02-00000-00000	Liability	30.00	
3	Credit Memo Validated	Vision	01-000-115010-02-00000-00000	Invoice price variance		600.00
4	Credit Memo Validated	Vision	01-000-115010-02-00000-00000	Tax invoice price variance		30.00

This will decrease liability and the difference amount will be credited to invoice price variance account, as product type is **Goods**.

Following will be accounting entries if product type is **Services**:

Accounting Lines: Debit memo 20181222-1 ✕

Ledger **Vision US** Date 22-12-2018 Status Draft

View ▾  **View T-Accounts**   Detach

Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	Debit Memo V...	Vision	01-000-211100-02-00000-00000	Liability	50.00	
2	Debit Memo V...	Vision	01-000-211100-02-00000-00000	Liability	2.50	
3	Debit Memo V...	Vision	01-000-501030-02-00000-00000	Item expense		50.00
4	Debit Memo V...	Vision	01-000-501030-02-00000-00000	Nonrecoverable tax		2.50

Done

Note: For price correction, we do not enter any distribution manually, this is automatically derived from Transaction Accounting Definition.


B. Price Increase

1. Create a new payables invoice using same PO details. Select invoice type as **Standard** and enter remaining invoice details.
2. Select **Correct Matched Invoices** option and click **Go**.

Create Invoice: Invoice Actions ▾ **Save and Create Next** **Save** **Save and Close** **Cancel**

▲ Invoice Header Show More

Identifying PO: 15	* Number: 20181230-1	* Date: 30-12-2018
Business Unit: Vision BU	* Amount: USD - 100.00	* Payment Terms: Net 30
Supplier: Accton	* Type: Standard	* Terms Date: 30-12-2018
Supplier Number: 10001	Description:	Requester:
* Supplier Site: Sunnyvale		Attachments: None +
Legal Entity: Vision		Note:
Invoice Group:		

▶ Lines **Correct Matched Invoices** 

3. This will show available matched invoice lines for correction. Select the line to be corrected by checking the **Correct** check-box.
4. Select **Correction Type** as "Price Correction". Enter Unit Price for correction. This should be positive value as we are creating Standard invoice.

Correct Matched Invoices

Search Advanced Saved Search All Matched Invoices

View Detach Allocate Distributions

Correct	* Correction Type	Line			Corrected Invoice						
		Quantity	Unit Price	* Amount	Item	Number	Line	Amount	Quantity	Unit Price	UOM
<input checked="" type="checkbox"/>	Price Correction	200	5	1,000.00	MS120-48-HW	20181127-1	1	36,000.00	200	180	Ea

PO 15, Line 1, Schedule 2: Details

Ordered 200	Accepted N/A	Match Basis	Quantity
Billed 200	Returned N/A	Invoice Match Option	Order
Shipped 0	Consumed N/A	Payment Terms	
Received 0	Distributions 1	Freight Terms	

Apply OK Cancel

Click **Apply** and **OK**.

5. Calculate Tax and update invoice amount with correct value.

Invoice Header Show More

Identifying PO 15	* Number 20181230-1	* Date 30-12-2018
Business Unit Vision BU	* Amount USD - 1,050.00	* Payment Terms Net 30
Supplier Accton	Type Standard	* Terms Date 30-12-2018
Supplier Number 10001	Description	Requester
Supplier Site Sunnyvale		Attachments None
Legal Entity Vision		Note
Invoice Group		

Lines Correct Matched Invoices

View Detach Allocate Cancel Line Distributions

Distribution Budgetary Control Reference Tax Purchase Order Asset Project

* Number	* Type	* Amount	Reference	Tax	Purchase Order			Asset	Project	Task	
			Description	Tax Classification	Ship-to Location	Number	Line	Schedule	Track as Asset	Number	Task Num
1	Item	1,000.00	MS120-48-HW		Sydney	15	1	2	<input type="checkbox"/>		

Taxes

Totals

Items 1,000.00	Freight 0.00	Miscellaneous 0.00	Tax 50.00	Included Prepayments 0.00	Total 1,050.00
			Withholding 0.00	Applied Prepayments 0.00	Due 1,050.00

6. Validate the invoice and create accounting for this invoice.

Accounting Lines: Standard Invoice 20181230-1 ✕

Ledger Vision US Date 30-12-2018 Status Draft

View ▼ 📄 View T-Accounts 🗨️ 📄 Detach

Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	▶ Invoice Validat...	Vision	01-000-115010-02-00000-00000	Invoice price variance	1,000.00	
2	▶ Invoice Validat...	Vision	01-000-115010-02-00000-00000	Tax invoice price variance	50.00	
3	▶ Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		1,000.00
4	▶ Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		50.00

Done

This will increase liability and the difference amount will be debited from invoice price variance account as product type is **Goods**.

Following will be accounting entries in case of product type is **Service**:

Accounting Lines: Standard Invoice 20181220-1 ✕

Ledger Vision US Date 20-12-2018 Status Draft

View ▼ 📄 View T-Accounts 🗨️ 📄 Detach

Line	Event	Legal Entity Name	Account	Class	Accounted (USD)	
					Debit	Credit
1	▶ Invoice Validat...	Vision	01-000-501030-02-00000-00000	Item expense	100.00	
2	▶ Invoice Validat...	Vision	01-000-501030-02-00000-00000	Nonrecoverable tax	5.00	
3	▶ Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		100.00
4	▶ Invoice Validat...	Vision	01-000-211100-02-00000-00000	Liability		5.00

Done

Note: For price correction, we do not enter any distribution manually, this is automatically derived from Transaction Accounting Definition.

About Author: -

Nikhil Lodha is working with Trinamix as Principal Consultant with 11 years of experience in Oracle Techno-Functional area. He has good command on Oracle Financial Modules like AP, AR, GL, CM, FA & Taxes and technical areas like PL/SQL, shell scripting, Oracle D2K & discoverer tools. He was recognized for providing many out-of-the-box solutions for many business processes and technical components.

