

**LSU HEALTH CARE SERVICES DIVISION  
BATON ROUGE, LOUISIANA**

**POLICY NUMBER:** 2532-16  
*Accounting for Inventory-PeopleSoft Inventory Subsystem*

**CATEGORY:** Financial Services

**CONTENT:** Accounting Policy using PeopleSoft Inventory Subsystem

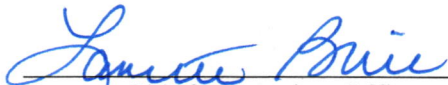
**EFFECTIVE DATE:** July 1, 2005

**REVIEWED/REVISED:** December 4, 2009

**REVIEWED:** February 22, 2011

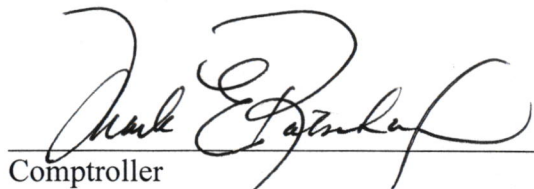
**REVIEWED/REVISED:** February 17, 2016

**INQUIRIES TO:** Mark Robichaux, Comptroller  
LSU Health Care Services Division  
Post Office Box 91308  
Baton Rouge, Louisiana 70821-1308  
Telephone: (225) 354-3771 Facsimile: (225) 354-4953



Deputy Chief Executive Officer  
LSU Health Care Services Division

2/19/2014  
Date



Comptroller  
LSU Health Care Services Division

2/17/2016  
Date

## **I. GENERAL**

It will be the policy of LSU HCSD to account for inventory costs using the PeopleSoft Inventory subsystem. This policy will apply to those PeopleSoft Inventory Business Units currently established in the PeopleSoft Financials System and those Inventory Business Units that will be established in the future in the PeopleSoft Financials System. A separate policy will apply for Non-PeopleSoft Inventory Accounting.

Specific Procedures for the configuration and setup of the PeopleSoft Inventory Business Units and the accounting structure for those IBU's will be maintained on the LSU HCSD Finance Web site at [http://www.lsuhsospitals.org/policies/public/2500-fiscal services](http://www.lsuhsospitals.org/policies/public/2500-fiscal%20services).

The PeopleSoft Inventory Business Units will maintain a Perpetual Weighted-Average Inventory system.

## **II. DEFINITIONS**

PeopleSoft Inventory Business Unit – An entity established within PeopleSoft Financials defining a location that receives and issues Items that are kept in stock within the Hospital.

Perpetual Inventory – This method of accounting for Inventory updates the Inventory Asset balance and the associated expenses perpetually, that is, the Inventory balance should, at any time, reflect the amount of inventory on hand. Every transaction is immediately recorded, updating both the Asset and the corresponding expense. A physical inventory count is done at either Fiscal Year end or at month end and compared to the system maintained balance. If necessary, accounting adjustments are made to bring the Inventory Asset account into balance with the physical count. This method is considered to focus on the Income Statement rather than a Balance Sheet. More attention is placed on keeping the Expense Accounts updated during the period or fiscal year than the Asset Balance. Then at month or year end, the Asset is adjusted to physical counts.

Weighted-Average – This method of accounting for Inventory measures the total cost of items in inventory that are available for issue in an Inventory Business Unit divided by the total number of units available for issue.

## **III. APPLICABILITY**

This policy shall apply to all divisions and facilities of the LSU HCSD.

## **IV. IMPLEMENTATION**

This policy becomes effective upon the approval and the signature of the Deputy CEO of LSU HCSD. Subsequent revisions to this policy shall become effective on the date the revised policies are approved by the Deputy CEO of LSU HCSD or designee.

**V. RESPONSIBILITY**

It shall be the responsibility of each Hospital Chief Financial Officer or Hospital Administrator or designee(s) to adhere to the procedures set forth in this policy.