



Customer
Conference

Cut the Cost Confusion in Manufacturing with Business Central

Today's Presenters

Customer
Conference



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Agenda

- Costing Methods and how they are associated with the manufacturing setup
- Material Costs for production components
- Capacity Costs for labor, machinery, and other indirect costs
- Finished Good Costs and how it is recorded to the G/L

Costing Methods & Manufacturing

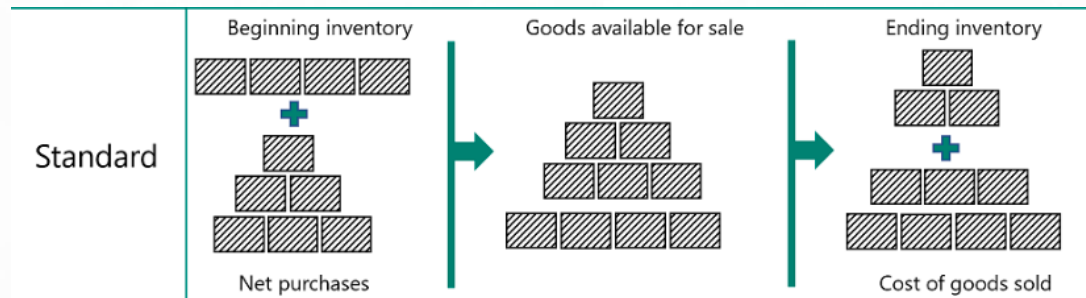
- FIFO (First In First Out)*
- Standard*
- Specific*
- Average*
- LIFO (Last In First Out)

FIFO (First- In, First-Out)

- ✓ Description:
 - ✓ An items unit cost is the actual value of any receipt of the item
- ✓ Use when:
 - ✓ Product cost is stable
 - ✓ Items with a limited shelf life because the oldest goods need to be sold before they pass their sell-by date



Standard



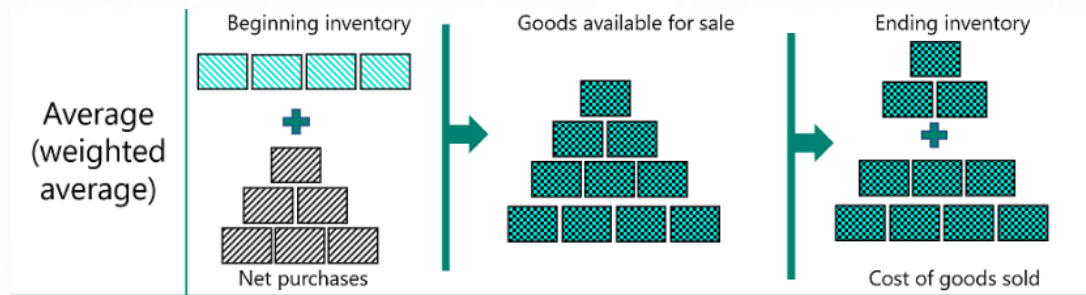
- ✓ Description:
 - ✓ Similar to FIFO
 - ✓ Inventory increases are valued at standard cost (rather than actual cost), which affects the value of the inventory decreases
- ✓ Use when:
 - ✓ Cost control is critical
 - ✓ There is discipline and staff to maintain standards
 - ✓ In repetitive manufacturing- to value to costs of direct material, labor, and manufacturing overhead

Specific

- ✓ Description:
 - ✓ An items unit cost is the exact cost at which the particular unit was received
- ✓ Use when:
 - ✓ Easily identifiable items with fairly high unit costs
 - ✓ Items that are subject to regulation
 - ✓ Items with serial numbers



Average



- ✓ Description:
 - ✓ An item's unit cost is calculated as the average unit cost at each point in time after a purchase
 - ✓ Inventory valuation- it assumes that all inventory is sold simultaneously
- ✓ Use when:
 - ✓ Product cost is unstable
 - ✓ Inventories are piled or mixed and cannot be differentiated

Flushing Methods

- Manual*
- Forward*
- Backward*
- Pick + Forward
- Pick + Backward

A white cloud-shaped logo with a dark blue banner across the middle containing the text "Customer Conference".

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* Reviewing today

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Manual

- ✓ Description:

- ✓ Posting will be done manually using production, consumption, or output journals

- ✓ Use when:

- ✓ Components can be easily separated
- ✓ Discrete Manufacturing
- ✓ Pick list is required

Forward

✓ Description:

- ✓ Automatically posts labor and components upon start of production order
- ✓ Can be used with or without Routing Link Codes
- ✓ No pick ticket required

✓ Use when:

- ✓ Components cannot be separated
- ✓ Process Manufacturing

Backward

✓ Description:

- ✓ Automatically posts labor and components upon completion of production order
- ✓ Can be used with or without Routing Link Codes
- ✓ No pick ticket required

✓ Use when:

- ✓ Process manufacturing

Material Costs & Production Bill of Materials

- ✓ Material costs- cost associated with purchased raw materials (direct or indirect)
- ✓ Use Bill of Materials (BOMs) to structure parent items that need assembled or produced by resources or machine centers
- ✓ A production BOM is the master data that defines a production item and its components

Capacity Costs & Work Centers

- ✓ Capacity Costs- cost associated with internal labor and machine cost (direct or indirect)
- ✓ Set up these costs for each work or machine center on the routing
- ✓ Set up Work Centers
 - ✓ The planned capacity of a work center consists of the availability of the assigned machine centers and the planned availability of the work center.
 - ✓ Work Centers may have various machine centers, but only 1 work center group

Finished Good Costs & The General Ledger

- Finishing production orders is an important step in completing the costing of the item produced.
- When inventory transactions are posted the changed item costs are recorded in item value entries
- Cost Posting
- Adjust Cost

Works Cited

Design Details: Costing Methods. Microsoft Docs. 29 April 2022
<https://docs.microsoft.com/en-us/dynamics365/business-central/design-details-costing-methods>.