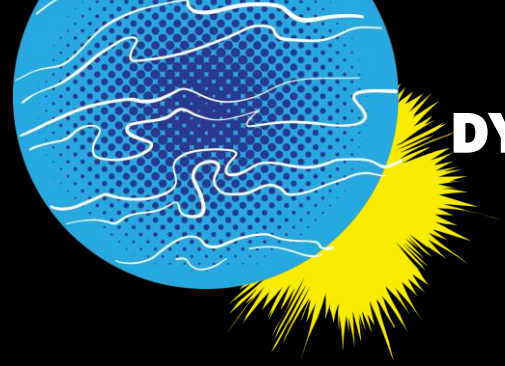
DYNAMICSCON PRESENTATION

SEPTEMBER 14-16, 2022



DYNAMICSCON PRESENTATION

Costing: Options, Impacts and Choices Explained

In Texas terms… the Good, the Bad and the Ugly

Costing: Options, Impacts and Choices

Kim Dallefeld

Microsoft Certified Trainer

Microsoft Certified Professional

BC/NAVUG Legend

BC/NAVUG All-Star

26-year BC/NAV veteran

Costing: Options, Impacts and Choices

Robb Delprado

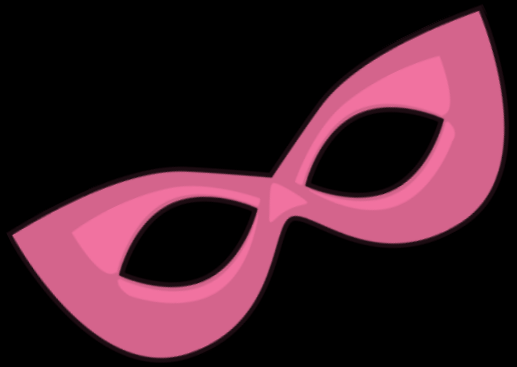
Microsoft Certified Trainer

Microsoft Certified Professional

BC/NAVUG All-Star

24-year veteran

Costing: Options, Impacts and Choices

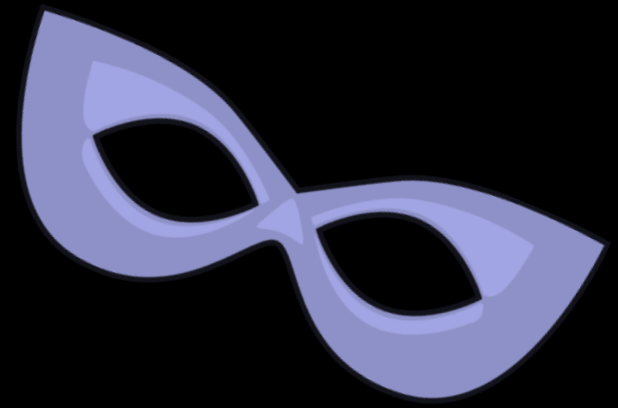


Average is Best!
Isn't it?

Standard Cost –
NoNo or YesYes?

We have Serial
Numbers – need
Specific costing!

LIFO or FIFO,
fits my
business!



Standard Cost

Standard Cost – Impacts & Choices

- **Used often in manufacturing**
- **Supposed to be used to research and adjust for variances**
- **Accounting departments struggle**
  - Best for cost accountants
- **Best used when costs are stable**
  - Today's cost increases and added freight cause high variances
  - Seeing a move to FIFO

Standard Cost – Impacts & Choices

Good reasons to choose Standard Cost

1. Need to see Purchase Price Variance

2. Compare production actuals to standard (variances)

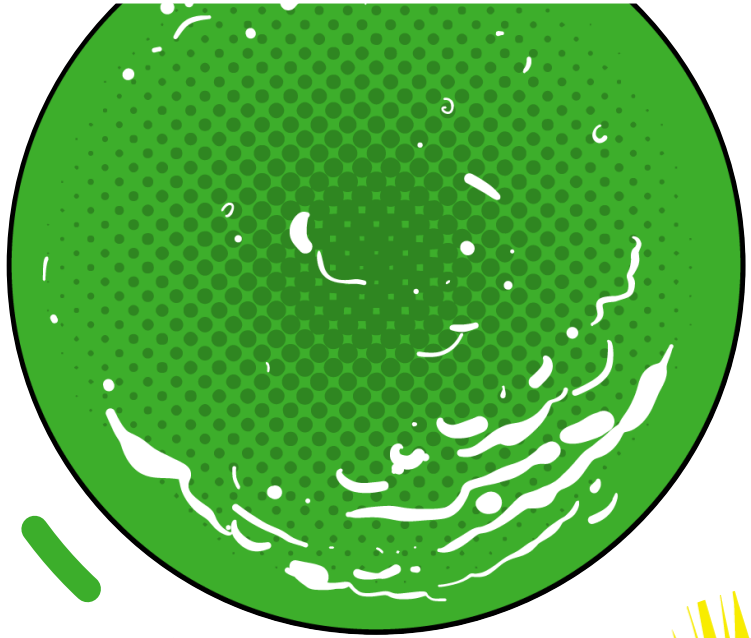
Standard Cost – Impacts & Choices

Bad reasons to choose Standard Cost

1. Need to see Purchase Price Variance
   - Available for all costing methods
   - What is this information providing the business
   - What steps are taken when reviewing the data

2. Compare production actuals to standard
   - Available on all production orders
   - What is this information providing the business
   - What steps are taken when reviewing the data

Standard Cost Demo



Demonstration to Include:

- **Purchase Order – for component 1 & 2**
  - Standard Cost 4.00 and 3.00
  - Actual Cost 2.00 and 4.00
  - Variance -2.00 and 1.00

- **Production Order – for finished item**
  - Standard Cost 10.00
  - Component (material cost 7.00, qty 1 each component 4.00 and 3.00)
  - Work Center (capacity/time cost 3.00)
  - No Capacity Variance

Standard Cost Demo

Abacus Whse Found KD | Production Orders | Sales & Purchases | Journals | Worksheets | Product Design | Capacities

Items: *Custom filtered* | Search | New | Delete | Process | Item | Prices & Discounts | Request Approval | Inventory | Attributes | More options

Views

All

TEST ITEMS CROWLEY

Filter list by:

× No.

COST*

+ Filter...

Filter totals by...

Reset filters

No.	Description	Type	Quantity on Hand	Substi... Exist	Assem... BOM	Pro BC
COSTSTDC...	Standard Cost Component 1	Inventory	0	No	No	
COSTSTDC...	Standard Cost Component 2	Inventory	0	No	No	
COSTSTDFI...	Standard Cost Finished Item	Inventory	0	No	No	ST

Details | Attachments (0)

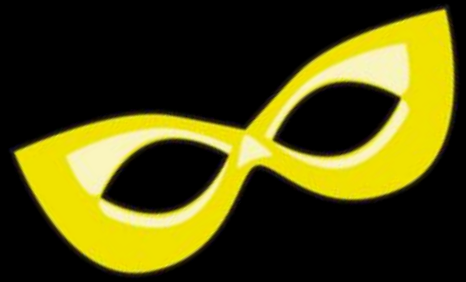
Item Details - Invoicing

Item No.	COSTSTDCOMPONENT1
Costing Method	Standard
Cost is Adjusted	Yes
Cost is Posted to G/L	Yes
Standard Cost	4.00
Unit Cost	4.00
Overhead Rate	0.00
Indirect Cost %	0
Last Direct Cost	0.00
Profit %	0
Unit Price	0.00

Item Details - Planning

Item No.	COSTSTDCOMPONENT1
Reordering Policy	
Reorder Point	0
Reorder Quantity	0
Maximum Inventory	0
Overflow Level	0
Time Bucket	
Lot Accumulation Period	

Specific Cost



Specific Cost

- **Allows you to specify a cost for each individual serialized item**
- **Items must be easily Identifiable**
  - Items with serial numbers
  - Items subject to regulation
- **Can only be used if the Item has been assigned an Item Tracking Code that requires a serial number**

Specific Cost DEMO

Demonstration to Include:

1. **Purchase Orders (two)**
   a. First PO, s/n 123-9 cost $5, quantity 1
   b. First PO, s/n 123-8 cost $6, quantity 1
   c. Second PO, s/n 124-1 cost $7, quantity 1
   d. Second PO, s/n 124-2 cost $8, quantity 1
   e. Quantity on hand 4 @ average cost of $6.50

2. **Sales Orders (one)**
   a. Sell s/n 123-9 and s/n 124-1
   b. Order cost is $5 and $7 or $12
   c. Posted cost is $12
      (1 @ $5 and 1 @ $7 = $12)
   d. Quantity on hand 1 @ $6 and 1 @ $8 = $14
      average cost $7

Specific Cost Demo

Views

All

Filter list by...

Filter totals by...

No. ↑	Description	Costing Method	Vendor Item No.	Type	Lead Time Calculation	Quantity on Hand	Substi... Exist	Assem... BOM	Item Tracking Code	Base Unit of Measure	Cost is Adj...	Unit Cost	Unit
1001	Texas Widgets	FIFO		Inventory		144	No	No		PCS	☑	5.00	
1002	Texas Two Stepping Widget	FIFO		Inventory		100	No	No		PCS	☑	50.00	
1003	Texas Size Widgets	Average		Inventory		5	No	No		PCS	☑	6.00	
1004	Custom Texas Widgets	Specific		Inventory		0	No	No	SNALL	PCS	☑	5.00	
1896-S	ATHENS Desk	FIFO		Inventory		11	No	No		PCS	☑	780.70	
1900-S	PARIS Guest Chair, black	FIFO		Inventory		0	No	No		PCS	☑	150.30	
1906-S	ATHENS Mobile Pedestal	FIFO		Inventory		5	No	No		PCS	☑	338.20	
1908-S	LONDON Swivel Chair, blue	FIFO		Inventory		3	No	No		PCS	☑	148.10	
1920-S	ANTWERP Conference Table	FIFO		Inventory		12	No	No		PCS	☑	505.40	
1925-W	Conference Bundle 1-6	FIFO		Inventory		0	No	Yes		PCS	☑	0.00	
1928-S	AMSTERDAM Lamp	FIFO		Inventory		8	No	No		PCS	☑	42.80	
1929-W	Conference Bundle 1-8	FIFO		Inventory		0	No	Yes		PCS	☑	0.00	
1936-S	BERLIN Guest Chair, yellow	FIFO		Inventory		100	No	No		PCS	☑	150.30	
1953-W	Guest Section 1	FIFO		Inventory		-49	No	Yes		PCS	☑	0.00	
1960-S	ROME Guest Chair, green	FIFO		Inventory		2	No	No		PCS	☑	150.30	
1964-S	TOKYO Guest Chair, blue	FIFO		Inventory		18	No	No		PCS	☑	150.30	
1965-W	Conference Bundle 2-8	FIFO		Inventory		-81	No	Yes		PCS	☑	0.00	
1968-S	MEXICO Swivel Chair, black	FIFO		Inventory		10	Yes	No		PCS	☑	148.10	
1969-W	Conference Package 1	FIFO		Inventory		-7	No	Yes		PCS	☑	0.00	

Open record "0"


LIFO - FIFO
Cost

LIFO – FIFO Cost

- **Economy gives one the advantage**
  - During inflation, LIFO, is Good because
    - Higher cost of goods
    - Lower balance of remaining inventory
    - Lower net income
    - Smaller tax liability
    - During inflation FIFO, is bad….will provide the opposite results
  - During deflation, FIFO provides the above advantages
    - During deflation, LIFO may work against goals

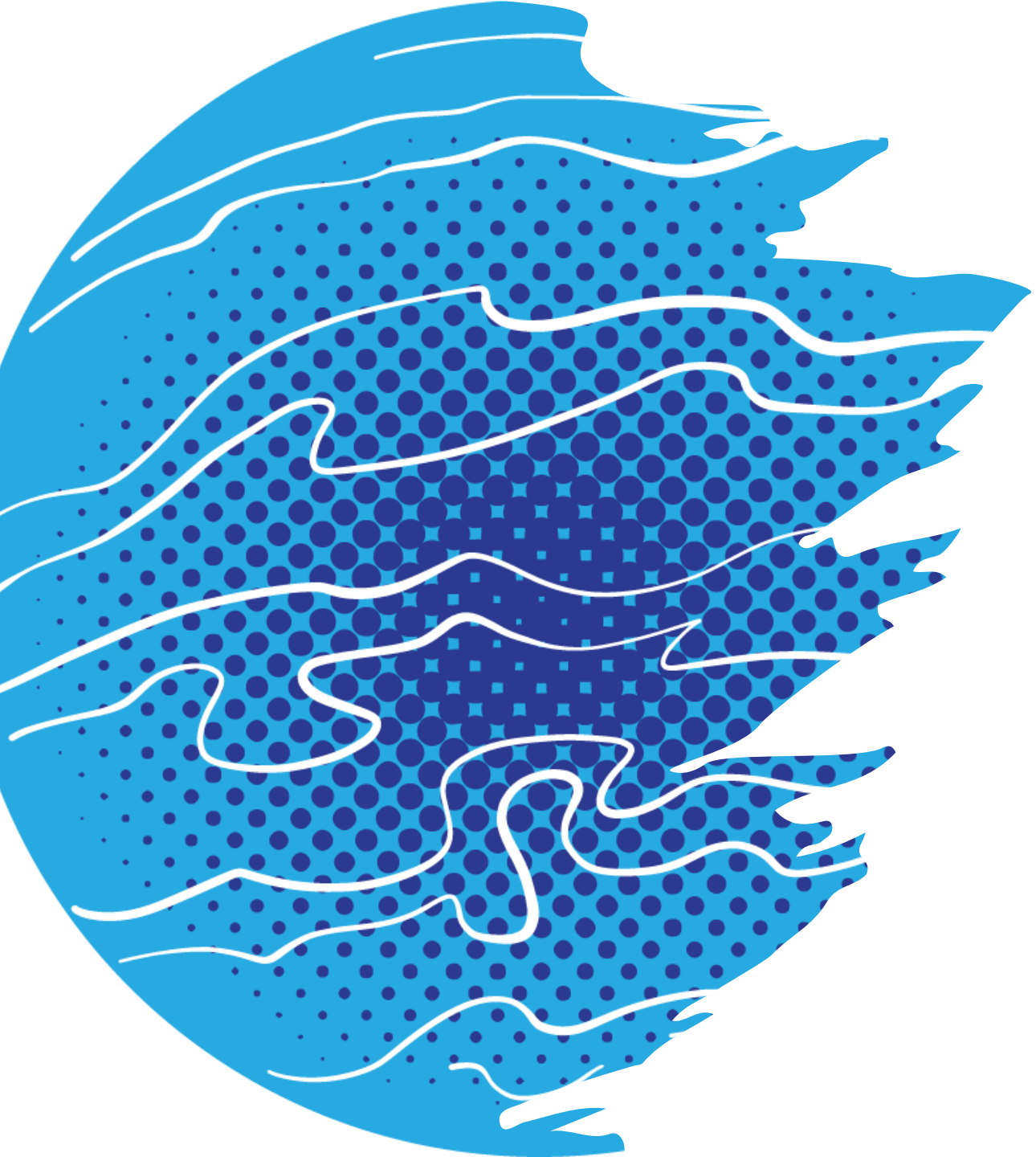
LIFO – FIFO Cost

- **The Good… Advantages**
  - Saves money and time in cost calculation
  - Ability to counter net income based on economic times
  - Simple Concepts

- **FIFO vs LIFO**
  - Most often one method provides tax advantages
  - LIFO generally means lower profit, less taxes
  - LIFO requires calculation of a LIFO Reserve
  - LIFO is GAAP acceptable, not IFRA acceptable

LIFO – FIFO Cost

- **Many manufacturers are moving to FIFO**
  - Easier for accounting staff to understand
  - Allows for a more accurate cost in a volatile market
- **FIFO is advantageous (Good) when**
  - Materials are subject to obsolescence
  - Materials may deteriorate
  - Prices are rising
- **LIFO advantageous (Good)**
  - Most accurate cost of inventory???
  - More accurate reflection of profits



FIFO DEMO

Demonstration to Include:

1. **Purchase Orders (two)**
   a. First PO, cost $5, quantity 10
   b. Second PO, cost $7, quantity 10
   c. Quantity on hand 20 @ $6 = $120

2. **Sales Orders (one)**
   a. Sell 15
   b. Order cost is $6 ea or $90
   c. Posted cost is $85
      (10 @ $5 = $50 plus 5 @ $7 = $35)
   d. Quantity on hand 5 @ $7 = $35
      ($120 less $85)

FIFO Cost Demo

Item Card

COSTFIFO · Fifo costed item

Saved

Process | Item | Prices & Discounts | Request Approval | Actions | Related | Reports | Fewer options

Item

Show less

No.	COSTFIFO	GTIN	
Description	Fifo costed item	Item Category Code	
Blocked		Service Item Group	
Type	Inventory	Automatic Ext. Text	
Base Unit of Measure	PCS	Common Item No.	
Last Date Modified	8/15/2022	Purchasing Code	

Inventory

0

Costs & Posting

Show more

Cost Details

Costing Method	FIFO
Standard Cost	0.00
Unit Cost	0.00
Net Invoiced Qty.	0
Cost is Adjusted	
Purchase Prices & Discounts	Create New...

Posting Details

Gen. Prod. Posting Group	NO TAX
Tax Group Code	NONTAXABLE
Inventory Posting Group	RESALE
Default Deferral Template	

Foreign Trade

Tariff No.	

Details | Attachments (0)

Picture

Item Attributes

Attribute	Value

(There is nothing to show in this view)

Forecast

Status *Sales forecast not available for this item.*

LIFO DEMO

Demonstration to Include:

1. **Purchase Orders (two)**
   a. First PO, cost $5, quantity 10
   b. Second PO, cost $7, quantity 10
   c. Quantity on hand 20 @ $6 = $120

2. **Sales Orders (one)**
   a. Sell 15
   b. Order cost is $6 ea or $90
   c. Posted cost is $95
      (10 @ $7 = $70 plus 5 @ $5 = $25)
   d. Quantity on hand 5 @ $5 = $25
      ($120 less $95)

LIFO Cost Demo

Item Card

COSTLIFO · Lifo Costed Item

Saved

Process | Item | Prices & Discounts | Request Approval | Actions | Related | Reports | Fewer options

Item

Show less

No.	COSTLIFO	GTIN	
Description	Lifo Costed Item	Item Category Code	
Blocked		Service Item Group	
Type	Inventory	Automatic Ext. Text	
Base Unit of Measure	PCS	Common Item No.	
Last Date Modified	8/15/2022	Purchasing Code	

Inventory

0

Costs & Posting

Show more

Cost Details

Costing Method	LIFO
Standard Cost	0.00
Unit Cost	0.00
Net Invoiced Qty.	0
Cost is Adjusted	
Purchase Prices & Discounts	Create New...

Posting Details

Gen. Prod. Posting Group	NO TAX
Tax Group Code	NONTAXABLE
Inventory Posting Group	RESALE
Default Deferral Template	

Foreign Trade

Tariff No.	

Details | Attachments (0)

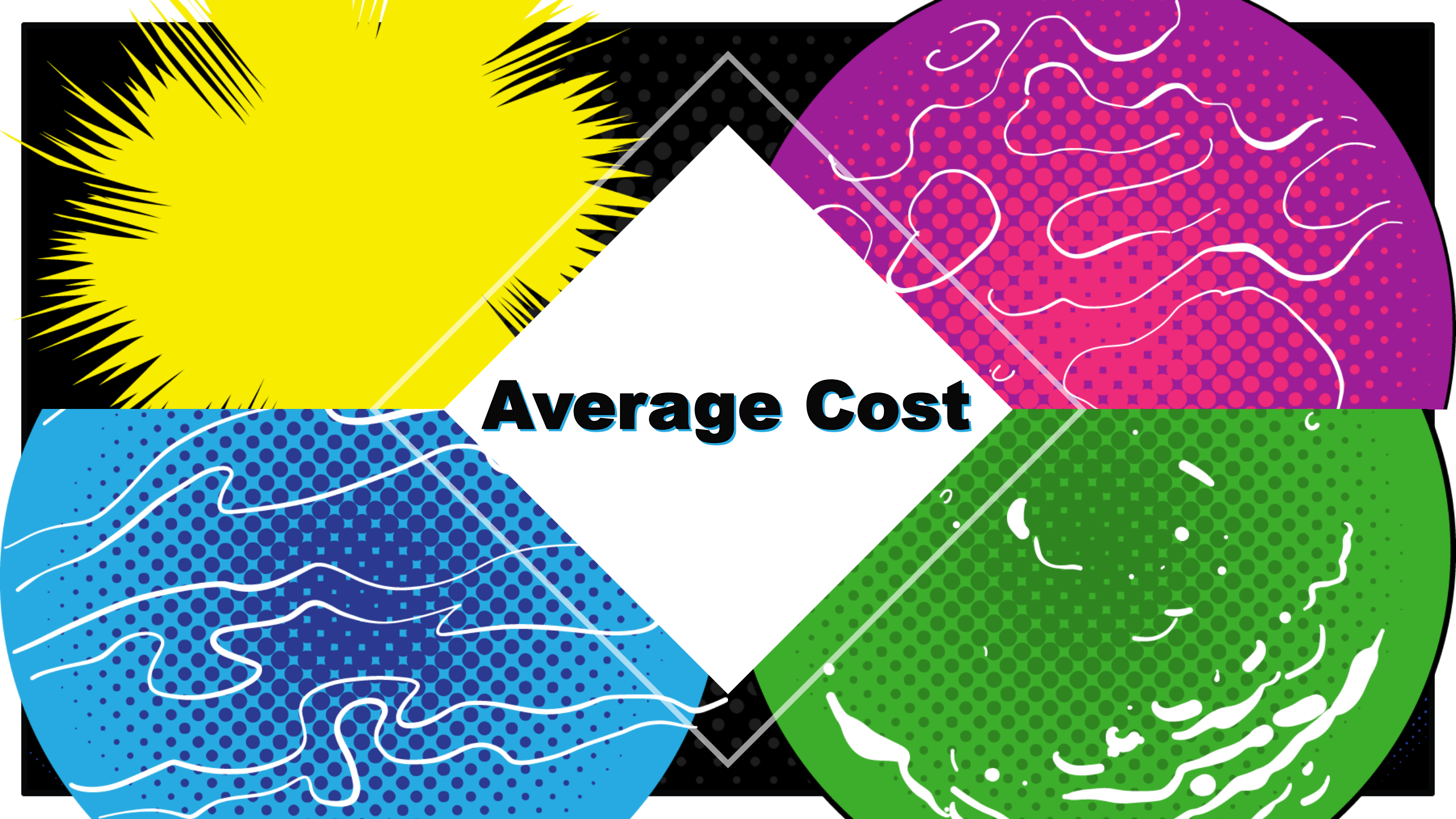
Picture

Item Attributes

Attribute	Value
(There is nothing to show in this view)	

Forecast

Status *Sales forecast not available for this item.*

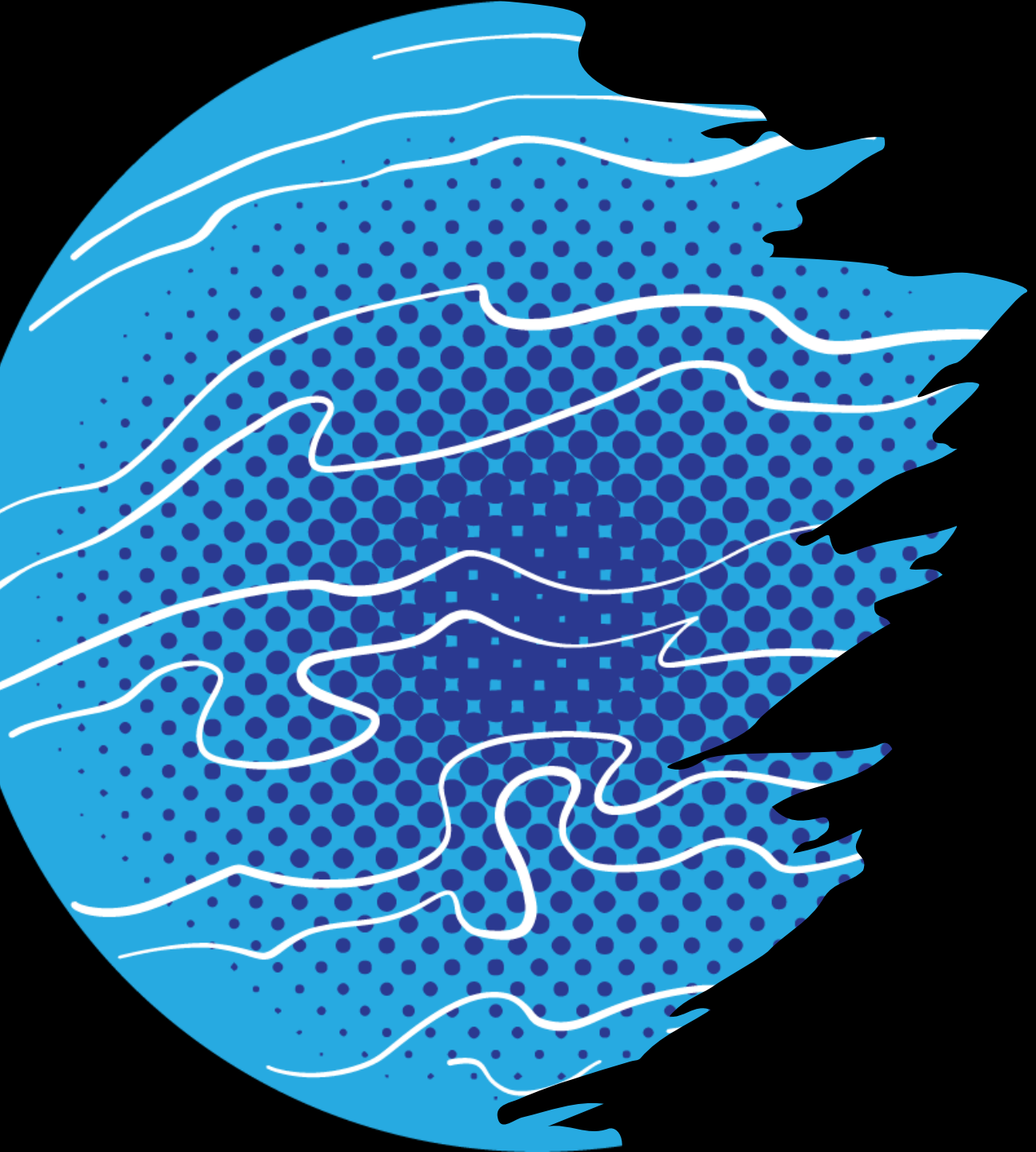

Average Cost

Average Cost

- **Companies with large volumes of very similar items**
  - The internet claims it's easy to use
  - Easy to calculate without an inventory management system
  - It's the way we always did business
- **Rather than track each item and individual costs, purchases are lumped together and averaged**
  - It smooths inventory costs during periods of price fluctuations
- **Typically used in the gas and petroleum industries**
  - Most accurate cost of inventory
  - More accurate reflection of profits

Average Cost

- **We have a robust ERP System with an inventory system**
- **Using Average Cost in Business Central will impact performance**
  - Every purchase transaction will trigger an average costing recalculation
- **Unit Costs on Sales Lines can have significant fluctuations between the time the Sales Order is filled and invoiced**
  - Sales staff may have quantity in their possession



AVERAGE COST DEMO

Demonstration to Include:

1. **Purchase Orders (two)**
   a. First PO, cost $5, quantity 10
   b. Second PO, cost $7, quantity 10
   c. Quantity on hand 20 @ $6 = $120

2. **Sales Orders (one)**
   a. Sell 15
   b. Order cost is $6 ea or $90
   c. Posted cost is $90
      (15 @ $6 = $90)
   d. Quantity on hand 5 @ $6 = $30
      ($120 less $90)

Average Cost Demo

Views
All
Filter list by...
Filter totals by...

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?
QUESTIONS AND ANSWERS

Thanks for Attending

Y’all Comeback Now Ya Hear!

DYNAMICSCON LIVE