# ESTIMATED COSTS & BOM COST ROLLUP

How accurate estimated costs support pricing, job costing, inventory value, and cost of goods sold.

## 1. WHY ESTIMATED COSTS MATTER

**1 Accurate Cost Profile**

Estimated costs are broken into Material, Labor, Subcontract, and Mfg Overhead for better pricing decisions.

**2 Supports Accurate COGS**

Labor, subcontract, and overhead are absorbed into inventory so item-level cost of goods sold is more meaningful.

**3 Improves Job Cost Comparisons**

Accurate subassembly estimated costs improve estimated job costs for comparison with actual job costs.

**4 Drives Cost Management**

Refining cycle times, shop rates, and purchased item costs keeps you focused on cost control.

## 2. IMPORTANT RULE

### Cost Rollup Does NOT Affect Inventory Value

BOM > Cost Rollup does not directly change inventory value or other accounting numbers. Inventory value for manufactured items is always based on Job Receipt costs. Timely updates do help Estimated Job Costs and Job Receipts stay closer to your objectives.

## 3. PURCHASED ITEM ESTIMATED COSTS

1. Verify default supplier prices in the MRP PO Generation screen when sending out POs.
2. After price changes, run BOM > Estimated Purchase Costs to mass replace Est Cost from the default supplier price.

## 4. MANUFACTURED ITEM ESTIMATED COSTS

**A Material Costs**

Rolled up from estimated costs of purchased items.

**B Labor & Mfg OH**

Come from Shop Rates and routing cycle times. Review shop rates periodically and refine cycle times continuously.

**C Subcontract Costs**

Come from subcontract routing sequences and can be managed in BOM > Estimated Subcontract Costs.

★ Manufactured item estimated costs are always rolled up in BOM > Cost Rollup.

## 5. CONTINUOUS REFINEMENT

Manufacturing requires constant review and feedback.

Estimated job costs influence receipt costs, inventory value, and cost of goods sold.

Run BOM > Cost Rollup regularly after supplier price, routing, shop rate, or subcontract cost updates.

**Accurate estimated costs improve pricing, strengthen job costing, and support more realistic inventory value and cost of sales.**