PRODUCT COSTING GUIDELINES

Basic guidelines for accurate costing, reliable inventory value, and meaningful cost of goods sold.

1 Assign realistic supplier prices

Assign all PO lines a realistic supplier price when you send out POs. The receipt cost becomes the item's inventory cost basis for later job issue and sales picking transactions.

Note: Any difference between the supplier invoice price and the PO receipt cost posts to Inventory Adjustments and does not retroactively correct past inventory transactions.

2 Use Standard Hours completions

Use Standard Hours completions for labor. Standard hours from routing specifications are used for job costing based on completion quantities or finished status.

Report completions as sequences are finished for timely costing and better work center queue management.

3 Perform job transactions in real time

Perform all job issues in real time and report labor as sequences are completed. This ensures all WIP costs are accounted for so finished items can be received to inventory without delay for shipment or issue to other jobs.

4 Receive finished items at a realistic cost

In Job Receipts, receive finished items only when status indicators for Sequence, Hours, Issues, and Subcon are green.

Make sure the unit cost is realistic and within an acceptable range of the estimated job cost, not distorted by an obvious error.

5 Run frequent cost rollups

Perform cost rollups at frequent and regular intervals so estimated job costs reflect current work center rates and component costs.

After supplier price changes, Mass Replace estimated purchase costs and then run a batch Cost Rollup.

6 Review shop rates monthly

Review direct labor and shop overhead variances once per month over a meaningful date range, such as three months minimum, and adjust shop rates if absorbed costs are trending away from actual costs.

7 Never adjust past costs

Never attempt to adjust past costs by reopening jobs, reversing invoices, or other corrective rework. Large variances are handled through variance accounts and should not be forced back into closed or co-mingled past costs.

8 Do not adjust Inventory by journal entry

Never make journal entry adjustments to your Inventory account. Inventory is a self-adjusting account that remains reconciled with total inventory value on hand.

9 Do not adjust WIP by journal entry

Never make journal entry adjustments to your Work in Process account. WIP is a self-adjusting account that remains reconciled with the underlying job costs.

10 Do not invent your own costing method

WIP accounting is not compatible with other costing methods. If you used a different method in a previous system, do not attempt to replicate it within DBA.

Best practice: Accurate transaction costs, timely updates, and disciplined WIP accounting produce reliable inventory value and meaningful product costing.