

## Cost Module

Companies that are in the manufacturing business need to know their production costs. The Cost Module provides a review and an evaluation of actual or anticipated cost data. It helps apply procedures that monitor the progress of manufacturing operations against authorized budgets, and take actions to achieve minimal costs. These procedures include tracking the deviation of actual from budgeted cost for a given task.

ALERE Manufacturing recognizes material costs, labor costs and fixed and variable overhead costs. Components, issued from inventory to a job, are accrued as the material costs. Hourly labor rates are assigned to labor grades and applied to jobs as labor transactions are made. While fixed overhead costs are manufacturing costs that continue even if products are not being produced, they can still be allocated to a job using multiple different methods. Variable overhead costs, other than direct labor and direct materials, that vary directly with production volume have several methods of allocating costs.

Estimating the costs to produce a product are done by entering the item, the bill of material it will use, and the route it will employ. Then, by varying the quantity to be manufactured, the inventory costs to be used (average, standard or last), and the types of overhead cost to apply, the unit costs can be predicted. Unit costs are broken down by material, labor and overhead and by total. The percent each type of cost contributes to the total is included with the estimate.

Chg	Item	Location	On Hand	Cfg	Old Std Cost	Roll Up Cost	New Std Cost	Detail
	MBBR01	<MASTER>	42.0000	YES	20.00000	39.05000	0.00000	
	MBBR01	LOC1	42.0000	YES	20.00000	39.05000	0.00000	
	MBBR02	<MASTER>	29.0000	YES	24.00000	39.05000	0.00000	
	MBBR02	LOC1	29.0000	YES	24.00000	39.05000	0.00000	
	MBCH01	<MASTER>	55.0000	YES	12.00000	7.40600	0.00000	
	MBCH01	LOC1	47.0000	YES	12.00000	7.40600	0.00000	

Material and labor costs are constantly fluctuating in the dynamic environment in which manufacturers operate. Products which are continuously in production will automatically update their inventory costs. However, products that are infrequently produced, such as new-to-inventory products, or products containing rapidly changing material costs (such as precious metals or materials subject to currency fluctuations) may require that their inventory costs be periodically updated to trigger changes to their selling prices. ALERE Manufacturing employs tools to compare inventory costs to the manufacturing costed roll up costs. Selected changes may then be done to update inventory costs. Provision has been made for concurrent general ledger postings that recognize the inventory valuation changes since changing the inventory costs may affect items with an on hand inventory.

Work in process, or WIP, are goods in various stages of completion throughout the plant and is tracked by ALERE Manufacturing. WIP can be reported based on an "As Of" date and broken down by material, labor and overhead. WIP reporting includes the ability to subdivide the costs by product class or type of work order.

A tool to find the average costs of an item is available for companies that may produce that item multiple times in the course of a month or year. The report includes information on the lowest and highest costs incurred.