The Cost module fulfills multiple functions. It monitors work in process. It measures actual versus planned costs on an order-by-order basis to help detect and correct problems with manufacturing processes. Lastly, it performs item cost roll-ups using a BOM, a route, an inventory cost, and fixed and variable overhead methods to find the predicted cost of manufacturing an item. This cost can then be used to automatically set the standard cost of the item in inventory with adjusting general ledger entries.

The following are components of the Cost module:

Overhead

Overhead consist of the costs incurred in the operation of the business that cannot be directly related to the product. ALERE recognizes fixed costs, which are costs that continue even if products are not being produced, and variable costs, which are overhead costs that vary directly with production volume.

Seven different methods can be assigned independently to define how fixed and variable costs are determined. Once



applied to an operation step, overhead costs become part of WIP and flow through to the finished goods cost.

Labor Grade

A class of labor whose training and experience makes it unique in a certain skill or craft is called a labor grade. ALERE uses labor grades to calculate projected labor costs based on an average labor rate, assign a default cost to a labor transaction, and establish the cost of overhead for labor cost drivers.

A labor grade file maintains individual employee numbers and their rate per hour. Besides providing actual job costing, this allows ALERE manufacturing to maintain an audit trail of everyone who worked on a work order.

An employee may be entered for each labor grade for which he qualifies. This allows different rates per hour to be used according to the work an employee is performing.

## Labor Grade

| Field | Value |
|---|---|
| Labor Grade | AS1 |
| Active | ☑ |
| Employee | $STANDARD |
| Description | Assembler |
| Hourly Rate | 15.000 |

Exit  Save F9  Del  Bwd  Get F8  Fwd  Add F7  Load
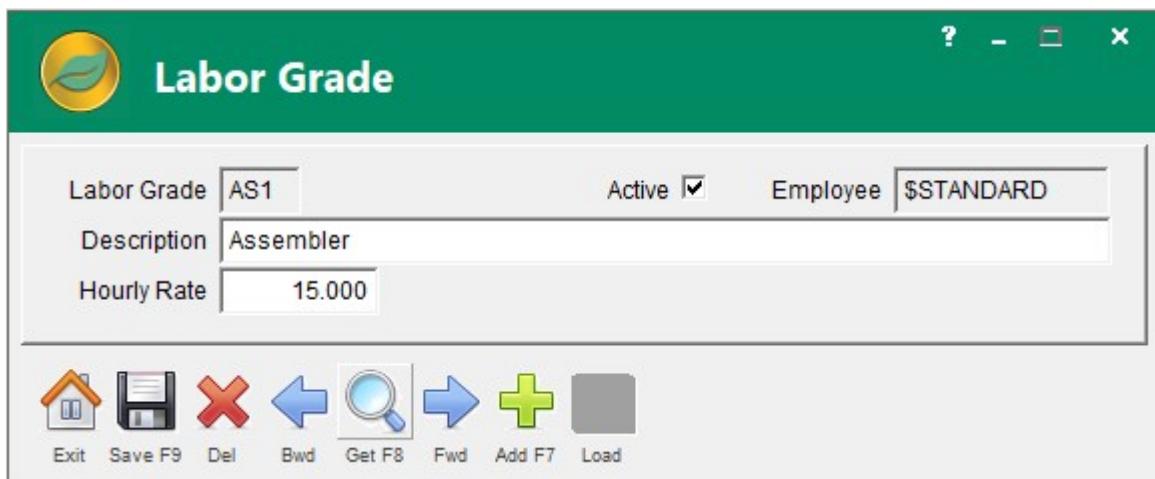
Each operation step on a Master Route can have a labor grade assigned independently for setup and for cycle time. In this manner ALERE manufacturing can distinguish the cost of setup separately from the cost of production.

Cycle time has a percent field which allows ALERE manufacturing to account for an operator running more than one work center at a time.

## Inquiry

There are three key ways of doing cost inquiries. Cost roll up provides a method of calculating the cost of bills of material by rolling up all the indented levels of a bill and including labor and overhead from the routes used to make the item. This

## Costed Roll Up

Roll Up | Errors

**Posting Options**
Distribution ID  ISHRNK

**Update Field**
◉ Standard Cost   ○ Average Cost

**Filters**
| | | | |
|---|---|---|---|
| Item Range | MBFG01 | To | MBFG10 |
| Location | LOC1 | BOM Date | 01/16/2018 |
| Product Class | BIKE | Partial Config | Include |

**Costing Options**
Method  Material/Labor/OH
Inventory Cost  Average
Cost Location  ITEM MASTER

*Complete...*

| Chg | Item | Location | On Hand | Cfg | Old Std Cost | Roll Up Cost | New Std Cost | Detail |
|---|---|---|---|---|---|---|---|---|
| ☐ | MBFG01 | LOC1 | 14.0000 | YES | 500.00000 | 591.88700 | 0.00000 | 🔍 |
| ☐ | MBFG02 | LOC1 | 9.0000 | YES | 500.00000 | 557.17000 | 0.00000 | 🔍 |
| ☐ | MBFG03 | LOC1 | 3.0000 | YES | 500.00000 | 527.72400 | 0.00000 | 🔍 |
| ☐ | MBFG04 | LOC1 | 0.0000 | YES | 500.00000 | 527.72400 | 0.00000 | 🔍 |
| ☐ | MBFG05 | LOC1 | 1.0000 | YES | 500.00000 | 481.52400 | 0.00000 | 🔍 |
| ☐ | MBFG06 | LOC1 | 4.0000 | YES | 500.00000 | 481.52400 | 0.00000 | 🔍 |

Exit  All  None  Generate  Post  Print  Export

is done because 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. 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.

Planned cost provides a way of calculating the cost of an item manufactured in various quantities across different routes. Common uses of the planned cost menu option include establishing economical lot sizing, determining optimum routes to manufacture an item and establishing a way to validate an inventory standard cost using the current routes. The planned cost function projects the material, labor and overhead costs of manufacturing an item in a specified quantity using a designated master route.

Work order cost allows a snapshot of job costs and does a comparison of those costs to saved/quoted costs. Although not as detailed as a WIP or variance report, this approach does provide a good overview on demand without printing a report.


Cost Reports

A wide range of reports are readily available. There are control reports to compare planned costs to actual costs on a work order, report on WIP costs and for finding WIP valuation for a specific date.

There are activity reports to calculate average costs, examine cost history, analyze order costs and do order variance analysis.

There are also general reports to list labor grades and document overhead methods being used by different items being manufactured.

All these reports may be viewed on a screen, printed, exported to a spreadsheet, or turned into a PDF file for distribution.