

A2000ERP ~ INVENTORY

How TO Handle Standard Costing

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Standard Cost is used when?

- Item costs are mandated by higher authorities or fixed by management for price stability reasons.
- In a manufacturing operation, where cost varies and a fixed-cost needs to be recognized.
- In a retail operation when online stock costing is normally not realistic.
- ü And in many other scenarios.

A2000 ERP handles Standard Cost as required by proper accounting standards. Sales analysis reports reflect standard cost. And in the General Ledger, it cost out the appropriate Standard Costs???

Under Product & Service Maintenance, we have options an option of Standard Cost when creating a new product.

To use Standard Costing under A2000 ERP:

Create a Posting Account

- Clarity needs a **new posting option called "Standard Cost Settings"** in Accounts Posting Setting > Other Tab
- The first account as in any Purchase module transaction, like Landed Cost Credit and Assembly Cost Credit which increases (or decrease) the stock values, will be the **Cost variance a/c**.
 - This account is normally a profit and loss type of account. Once this is done, you are ready to start transactions with Standard Costs.
 - The second account to create is the **Reval. Std Cost**, found just below the Cost Variance Acc. This will be the account the GL post to whenever a Revaluation of Standard Cost is made. In most cases, this can be the same account as cost variance a/c, but the choice to post it elsewhere is yours.

How The Posting Look Like?

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Assuming there is a purchase of an item of \$8/- (with a Standard Cost of @\$5/- in the Product Master), the accounts posting will thus look like this:

DR CR

- Stock \$5
- Creditor A/C \$8
- Purchase Accrual \$8 \$8
- Price Variance A/C \$3

When the Stock Ledger is called, the costing shows \$5/-each. When the GL listing for that stock transaction is taken, there would be a debit entry of \$5/- to tie the transaction.

This Price Variance account is auto-posted by A2000 ERP. You need not initiate anything except to ensure the Standard Cost field is properly populated.

Note: If there is a stock quantity balance, the Standard Cost Rate field in the product master cannot be edited. Only a Revaluation of Standard Cost can change the value.

Revaluation of Standard Cost

Go to Inventory – Revaluation Standard Cost to do the following entry screen:

- **Type** select IR as Revaluation transaction type.
- **Date** - Enter the Date of Revaluation
- **Reference** - Enter an appropriate reference number.
- **PDSU** - Enter the PDSU.
- **Narration** - Enter Narration for this transaction

Items - Item detail box will list ONLY Standard Cost items in stock. Others that are in FIFO or Average will not be listed.

Select All Standard Cost Items - Simply click on the button All Standard Cost Items and the screen will be populated with all items for your revalue action.

To Start Revalue - Simply enter the Reval Rate and click the REVALUATE button at the bottom of the screen to confirm it.

Note:

- Only the REVALUED COST field is opened for user to type in. Others are

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locked.

- Once entered Reval rates and SAVED, the system will post the differences to a **Reval. Std Cost control account (in Account Posting Settings)**
- The new Standard Cost will also update into the Standard d Cost field in Product & Service Master.

Reports

- Stock Ledger (Standard Cost)
- Stock Valuation (Standard Cost)
- Stock Aging Quantity
- Sales analysis reports

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