AccountMate
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Article # 1232

Technical Note: **Understanding the Inventory Maintenance Cost Fields in AccountMate**

Difficulty Level: Beginner Level AccountMate User

Version(s) Affected: AccountMate 7 for SQL and Express
AccountMate 6.5 for SQL, MSDE and LAN

Module(s) Affected: AR, SO, PO, IC, MI, RA

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DESCRIPTION

AccountMate's Inventory Maintenance function displays the cost information relevant to each one of your inventory items. It is important to understand what data these Cost fields hold and how each one relates to your transactions so that you can better manage your sales, purchases, inventory transfers, production, returns, and other inventory-related processes.

This technical note is a comprehensive discussion of the different Cost fields in the Inventory Maintenance function.

SOLUTION

The succeeding section discusses the Cost fields that you can find in the Inventory Maintenance Settings tab.

A. Standard Cost

This input field holds an item cost that the user predetermines, usually based on specifications prepared from time-and-motion studies, accounting records and other historical information.

The system uses standard cost in the following functions:

1. Inventory Cost Update – You can use the current standard cost as a basis for updating the standard cost and return cost of a range of inventory items. The system will use the item's current standard cost plus or minus a percentage or flat amount to update the item's current standard and/or return cost.

2. Warehouse Inventory Transfer – Selecting the "Inventory Transfer at Standard Cost" option in IC Module Setup will set the system to assign

the item's standard cost as the cost at which it is transferred between warehouses. When the item cost in the source warehouse is different from its transfer cost, a transfer variance results.

3. Finished Job Cost Calculation - In MI Module Setup, you have the option to use standard cost in calculating the finished job cost. You can either use the standard cost of component items and master items, or use the standard cost for master items only.

The "Standard Cost" option sets the system to use the component items' standard costs to determine the production cost, and assigns the master item's standard cost as its finished job cost. This could result in two types of manufacturing cost variances:

a. Component cost variance: this is the difference between the actual cost (i.e. FIFO, LIFO, Average or Spec ID cost) of all components used and the combined standard cost of these components.
b. Production cost variance: this is the difference between the total component costs and the standard cost of the master item.

On the other hand, the "Standard Cost for Masters Only" option sets the system to use the component item's actual inventory cost as the production cost while master items are valued based on their standard costs. This could result in a production cost variance.

B. Return Cost
This input field holds the cost that will be assigned to returned inventory items.

The system uses return cost in the following functions:

1. Inventory Cost Update – You can choose to update return cost based on the current value plus or minus a certain percentage or flat amount.

2. Create Sales Return without Invoice # – the system uses the return cost in the inventory item record to value the units returned to stock. If the Return Cost in Inventory Maintenance is zero, the system will value the returned units at zero.

C. Last Finished Cost
This read-only field displays the most recent cost of producing a parent item. It is only updated for items that you manufacture and requires the use of the Manufacturing module.

Upon the release of finished items to inventory during Post Finished Job, the system will update the Finished Job cost of the parent item.

D. Last Repair Cost
This read-only field displays the latest cost of restoring an item unit to serviceable condition. You must have the Return Authorization module for this field to be used.

Upon the receipt of vendor-repaired units, which transaction is recorded through the Receive RTV function, the system will update the Repair Cost of the item.

Note: *The Return Authorization module is not available in AccountMate 6.5 for LAN.*

E. Last Received Cost
This read-only field displays the latest purchase cost of units received from a vendor. For this field to be updated, you must have the Purchase Order module.

If the Inventory Specification module is installed and activated, the system will display a separate last received cost for each item specification. As there may be more than one specification assigned to an inventory item, the last received costs of items that have specification are displayed in the Specification detail for Item # [xxx] in Warehouse [xxx] window, which can be accessed by clicking on the Spec Detail button in the Inventory Maintenance Settings tab.

If a vendor is set up to Use Last Received Cost and an item is purchased within the Expire Days range, the system will use the last receive cost as the default unit price when you perform the Create Purchase Order function provided that no inventory vendor record has been set up for the item and vendor.

Note: *The Inventory Specification module is not available in AccountMate 6.5 for LAN.*

F. Average Cost
This read-only field displays the item's average cost in the selected warehouse. This cost is not dependent on the Cost Method assigned to the item. It is computed using the following formula:

$$\text{Average cost} = \frac{\text{Total cost of an item in a warehouse}}{\text{Total units of an item in a warehouse}}$$

A deeper understanding of the various Cost fields in the Inventory Maintenance Settings tab helps you to more effectively manage your costs and maximize your profits.