

Costing

Reducing costs to achieve higher margins

Features

- Calculate expected finished good costs, including intermediates and assemblies, based upon the cost rollup of ingredients and packaging materials, as well as labor, setup and other production costs
- Dynamically resize formulas to meet target costs
- Perform 'what-if' cost scenarios
- Compare costs for same formulas in different packaging configurations
- Reevaluate finished goods costs based on line item price-lists, special pricing and discount offers

Benefits

- Make real-time adjustments that impact costs during product development and production
- Determine the optimal batch size based upon costs per unit weight or unit volume
- Determine which packaging configurations offer the highest margins
- Reduce overall costs to achieve higher margins



Introduction

Process manufacturers can gain higher margins with a complete and accurate view of finished good costs, from the time of formulation through batch job completion. A granular view of costs at the ingredients and packaging bills of material levels allows manufacturers to quickly gain approval for new products. In addition, management can pinpoint areas of improvement, in terms of product development, production and purchasing.

Intermediate and finished goods costs, including by products, are calculated from its ingredients and packaging bills of material costs, as well as each of its associated labor, variable and static costs. Finished goods costs are dynamically recalculated whenever one of its ingredient or packaging line items is changed during product development or batch production. Drill down inquiries, interactive analysis, and side by side comparisons of formula and packaging costs provide full visibility to expected and actual costs.

Key features

Definition of Item Costs

Formulas contain ingredients and packaging bill of materials contains raw materials, for which the system maintains an associated cost for each. Finished goods costs are determined by rolling up the line item costs for both its formula and packaging bill of materials, including all costs associated to intermediates and sub-assemblies.

Individual item costs are user defined or system defined, based upon the inventory's purchase price. Costs are based on the system's item price list, business partner special prices, as well as special prices on a given date range, and will be automatically reflected in the finished goods costs.

During product development, item costs for conceptual formulas can be user defined, generating a theoretical cost of formulas, packaging bills of material and finished goods. Once formulas are active and ready for production, these costs can be derived from the actual purchase prices for the available inventory on hand.

Static and Variable Costs and Losses

Within each formula and bill of materials there are additional line items that have associated costs that contribute to the overall finished goods costs. Labor cost line items are automatically adjusted based upon the formula size. Rather than scaled proportionally, a tiered range of costs can be applied based on formula quantity. Setup charges, markups, margins and other fixed costs can be added.

Losses can be added to the formula, which will be deducted from its final cost.

Interactive Cost Analysis

The target characteristics of a formula can be defined in terms of costs or margin percentages. With a drill down view into costing, the user can perform various “what if” scenarios. Change one item and let the system readjust the quantities of other marked items to achieve the specified target value. Once achieved, one initiates the formula’s approval workflow, gets it approved, and then makes it active.

Actual Cost Calculations

When a batch job is fully closed, the system calculates the actual finished goods costs using the costs of actual quantities of ingredients and raw materials consumed, and any indirect costs incurred. The user can overwrite and add to the indirect costs, such as setup, fixed and variable costs, defined in the finished goods formula.

Cost Reporting

Standard cost inquiries and reports provide visibility to the expected and actual costs of finished goods, including co-products and by-products, as well as intermediate and sub-assemblies. Costs are provided at the summary and detailed line item level. Other reports list side-by-side comparison of the actual vs. theoretical cost for all the cost components.

About BatchMaster Software

BatchMaster Software offers a set of comprehensive, modular financial and manufacturing ERP solutions for formula-based process manufacturers. For more information, Please visit www.batchmaster.com or email your request to sales@batchmaster.com