Activity Based Costing

SOLUTION FACTSHEET

SYSPRO software facilitates calculations that assist in determining product profitability. Certain overhead costs which are typically accumulated against items by attaching elements of cost at the transition points of purchasing, manufacturing or selling, often comprise a significant portion of the total cost of a product and can impact profitability. However, traditional costing methods of loading overheads against a product according to the labor content becomes increasingly inaccurate when processing a diverse range of products, particularly where disparate overhead usage is involved. SYSPRO Activity Based Costing (ABC) allows for the accumulation and recovery of costs associated with the purchasing, manufacturing and selling of items, thereby facilitating accuracy in calculating product profitability. ABC is not another inventory costing method (e.g. Average, Standard, FIFO, LIFO and Last) but, rather, it provides a different method of calculating these costs.

ABC complements and enhances product costing by assigning costs to the business processes where they originated. You may configure costs to be fixed per batch, or based on the quantity being handled. You can recover pre-production costs such as buying, expediting and goods-in, as items are received into stock from purchase orders. You can recover manufacturing costs at the time of receipt into stock of goods from Work in Progress. The recovery of these ABC overhead costs may be over-and-above the overheads recovered using traditional methods (e.g. labor postings into Work in Progress). You can recover post-production costs, such as marketing, credit control, inspection, packing and shipping through cost of sales as the final item is invoiced.

To assist in maintaining consistency, narrative comments can be attached to elements when these are added, and a Recoveries Estimate Report is provided to calculate a divisor which you can use against estimated cost to establish a unit rate. The system facilitates a migration approach whereby you can progressively recover more overheads using the ABC driver approach and less by the traditional labor usage method. This is achieved by you setting up separate ABC costs that you can run in parallel with traditional costing methods. You can then analyze these while the company's day-to-day costing and accounting procedures remain unaffected. As confidence increases, overhead costs for the areas to be recovered via ABC can be removed from the traditional labor-based overhead rates and the system integrated with the company's accounting procedures.

Integration with SYSPRO

- Bill of Materials (Essential)
- Inventory (Essential)
- General Ledger
- Sales Orders
- Purchase Orders
- Work in Progress

Related Modules:
- Quotes and Estimates

Product Version:
SYSPRO 8

Sectors:
Manufacturing and Distribution

Industries:
- Food and Beverage
- Fabricated Metals
- Industrial Equipment and Machinery
- Automotive
- Electronics
- Packaging
- Plastics and Rubber
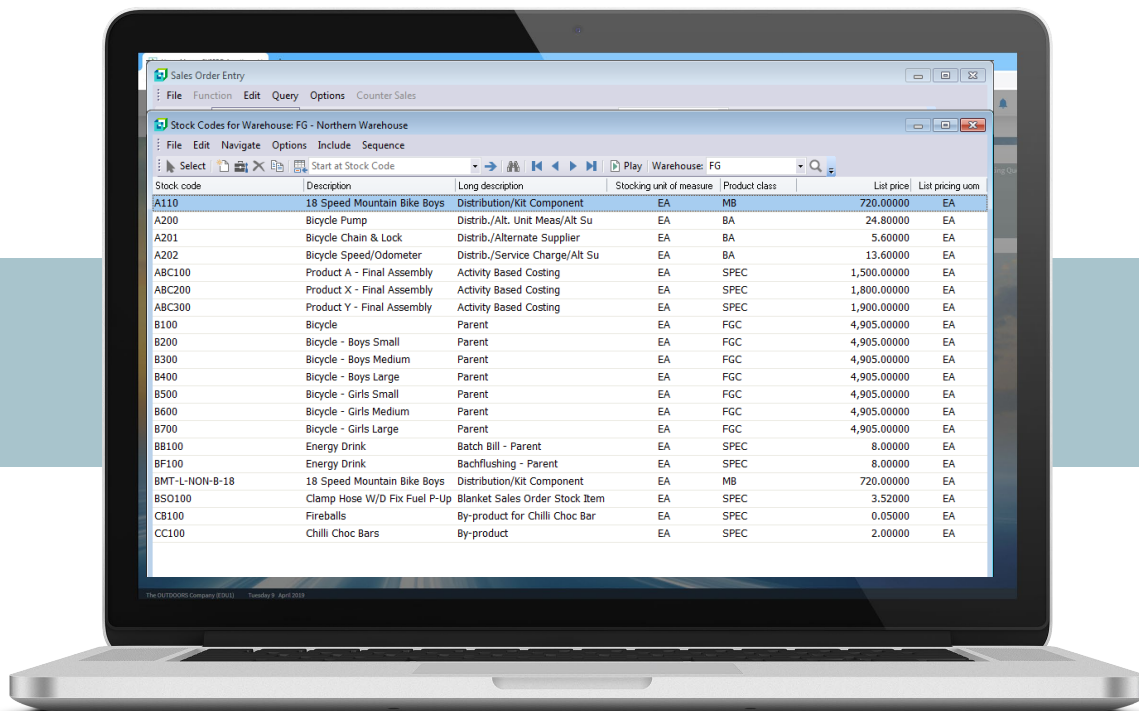
Technical Requirements:
- Windows 10+
- Internet Explorer 10+
- Or other modern browsers

The benefits of Activity Based Costing

- User-defined elements of costs attached to transition points in the purchase, production and sale of products
- Pre-production costs are apportioned as stock is received from Purchasing
- Manufacturing costs are apportioned as stock is received from Work in Progress
- Post-production costs are distributed through cost of sales as the final item is invoiced
- Calculation of single batch or item-based activities
- Phased implementation supported

Audit trails and reporting

- The ABC costing variance account is designed to accumulate rounding errors that can arise during processing of a receipt into stock
- The Recoveries Estimate Report program produces a report of the expected overhead recoveries relative to the quantity of the stock item processed
- The ABC Analysis Report program prints a report listing of all the recoveries made against various elements according to a specific ledger period or all ledger periods.

Contact Us

To learn more about our company, products and services visit www.syspro.com