LEAHY
CONSULTING

How do I set-up the Material Cost Type & Material Cost Type/Location Account codes when using the Macola Production Order Processing (POP) software?

(Prepared for customers of Leahy Consulting – updated 3-21)

This document is intended to be used by Macola customers using the Production Order Processing (POP) software. If you are using the Shop Floor Control software, please refer to our white paper for Shop Floor customers.

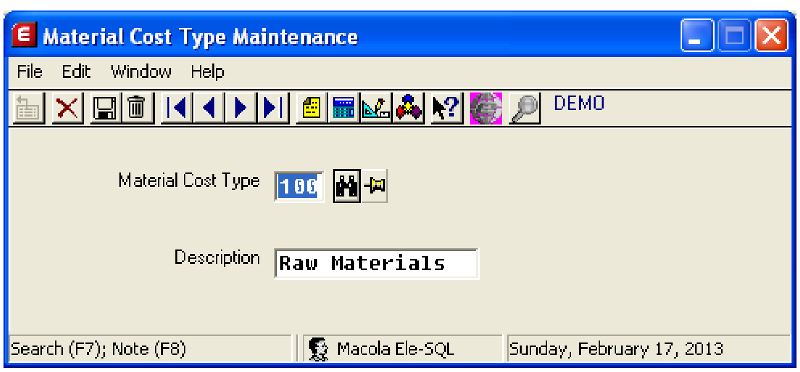
The following copyrighted Macola material was edited for readability. Please call us with questions and comments at (513) 723-8094.

Leahy Consulting Technical Support Desk

This document discusses the use of the Material Cost Types and Material Cost Type/Location Account Maintenance in the Distribution and Manufacturing modules. To view these menus, go to > Inventory Management > Maintain.

Material Cost Types

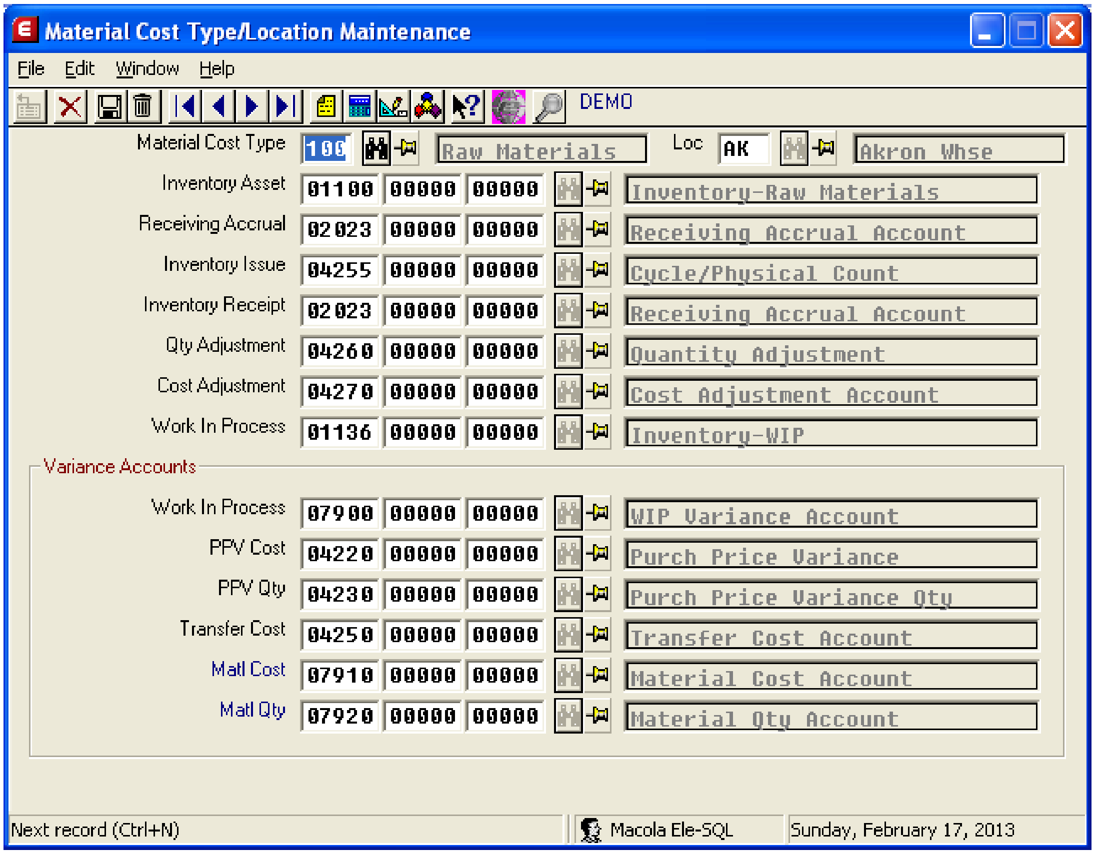
Material Cost Types segregate inventory items into classifications, for example, raw goods, work-in-process and finished goods. Each material cost type is assigned a three-digit code. The Material Cost Type is a required for each inventory item.



Material Cost Type/Location Account Maintenance

The Material Cost Type/Location Maintenance screen allows you to track inventory costs by material cost type within each location. Distributions to the General Ledger will be based on the cross reference of the transaction location and the material cost type of the item.

If a transaction occurs in which the Material Cost Type/Location accounts are set up that location, distributions will be made to those appropriate accounts. If a transaction occurs in which the cross reference is not set up in this file, the software will use the default accounts in the I/M Setup.



Type of Accounts

The following sections describe the individual accounts of the Material Cost Type/Location Maintenance. Along with the description, the table within each section describes the types of transactions that will distribute to the account, the normal distribution type (debit/credit), and the offsetting account from the transaction.

Inventory Asset Account

The Inventory Asset Account represents the value of the inventory for each material cost type and location. This account is debited as inventory is increased and credited when inventory is depleted. Types of Transactions that will distribute to the Inventory Asset Account include:

Type of transaction	Normal Distribution	Offset Distribution Account
IM Trx R=Receipt	Debit	Inventory Receipt
IM Trx I=Issue	Credit	Inventory Issue
IM Trx T=Transfer	Credit From Location, Debit To Location	Asset, Transfer Cost
IM Trx C=Cost Adj	Credit Cost Decrease, Debit Cost Increase	Cost Adjustment
IM Trx Q=Qty Adj	Credit negative adj, Debit positive adj	Quantity Adjustment
IM Phys/Cycle Count	Credit negative adj, Debit positive adj	Quantity Adjustment
OE Posting Invoices	Credit (Non Confirm Pick/Ship setting)	Cost of Goods Sold
OE Credit Memos	Debit at CM entry (not from RMA)	Cost of Goods Sold
OE Confirm Pick	Credit	Pick Offset
OE Confirm Ship	Credit	Ship Offset
OE RMA Receipt	Debit	Inventory Receipt
PO Receipt	Debit	Receiving Accrual
PO Receipt (Inspection)	Debit R/I Asset	R/I Receiving Accrual

PO R/I Disposition	Credit R/I Asset, Debit Stk. or MRB asset	See ***** below
PO MRB Disposition	Credit MRB Asset, Debit Asset	See ***** below
BOM Print Costed Bill	Credit Cost Decrease, Debit Cost Increase	Cost Adjustment
POP Release Orders [1]	Credit Asset of components	Debit WIP of parent
POP Unrelease Orders [1]	Debit Asset of components	Credit WIP of parent
POP Report Production	Debit Asset of parent [2]	Credit WIP or comp. Asset [1]
POP Disassembly	Credit Asset of parent [2]	Debit Asset of component [2]
POP Adjust Material Issue	Debit/Credit component based on change	WIP Variance of parent

[1] Depends on the value of the 'Create WIP' setting when releasing the POP order. If Create WIP = N, then no distributions will occur at release. The component asset account will be credited at reporting production. If Create WIP = W or Y, then distributions will be made as listed.
[2] Any difference between the component cost (including Value Added Costs) and the parent cost will be distributed to the WIP Variance of the parent item
* Distributions will occur to multiple accounts based on the action taken during the R/I and MRB Dispositions. The receipt at PO Receiving will distribute to the R/I Asset (Debit) and the R/I Accrual (Credit). If quantities are accepted during the R/I disposition, then the R/I Asset and R/I Accrual accounts are washed into the Asset and Accrual accounts of the stocking location, respectively. If quantities are moved to the MRB location for further review, then the R/I Asset (Credit) and R/I Accrual (Debit) are washed again, but this time the opposing distributions will go to the MRB Asset (Debit) and MRB Accrual (Credit) accounts. Quantities accepted through MRB will wash the MRB Asset (Credit) and MRB Accrual (Debit) into the Asset (Debit) and Accrual (Credit) of the stocking location, similar to accepting quantity at the R/I location. Other actions taken during the R/I or MRB Dispositions, such as Scrap, Destroy, and Return To Vendor, will result in appropriate distributions being made to each respective account as defined on page two of the Inventory Location Maintenance.

Receiving Accrual Account

The Receiving Accrual Account is credited when items are received from purchase orders until a voucher from the vendor is keyed. The Receiving Accrual offsets the distribution to the Inventory Asset account at PO receiving. This account is then washed by the Accounts Payable account when a voucher is processed against it.

Note: A change made to the Receiving Accrual Account in Material Cost Type/Location maintenance will not automatically update existing purchase orders. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
PO Receiving	Credit	Inv Asset, PPV Suspense*
AP Vouchering	Debit	A/P, PPV Qty and Cost*

* Distribution will vary depending on the Inventory Cost Method in IM Setup. PPV Suspense (from PO Setup) is only used in a Standard Cost Environment. A PPV Suspense distribution will occur for the difference between the Receipt Cost and the cost on file in the Item Location. A PO Receipt/AP Voucher in which all costs are equal will Debit the Inventory Asset and Credit the Receiving Accrual at PO Receipt. At AP Vouchering, the Receiving Accrual is debited and the Account Payable account is credited. See the PPV Cost and PPV Quantity sections for further details concerning the PPV accounts.

Inventory Issue Account

The Inventory Issue Account is debited when a miscellaneous issue transaction is generated through the Enter Inventory Transactions screen in I/M. The Inventory Asset account receives the credit from this transaction. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
IM Trx I=Issue	Debit	Inventory Asset

Inventory Receipt Account

The Inventory Receipt Account is credited when a miscellaneous receipt transaction is generated through the Enter Inventory Transactions screen in I/M or through RMA Receiving in O/E. The Inventory Asset account receives a debit from this transaction. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
IM Trx R=Receipt	Credit	Inventory Asset
OE RMA Receipt	Credit	Inventory Asset

Quantity Adjustment Account

The Quantity Adjustment Account is debited or credited when quantities are changed due to physical counts or I/M adjustment transactions, for the cost of parts times the number adjusted. Debit or credit is determined by the direction of the adjustment (increase or decrease). The offsetting entry (debit or credit) of this account posts to the Inventory Asset account. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
IM Trx Q=Quantity Adj	Debit negative adj, Credit positive adj	Inventory Asset
IM Physical/Cycle Count	Debit negative adj, Credit positive adj	Inventory Asset

Cost Adjustment Account

The Cost Adjustment Account is debited or credited when the cost of an inventory item changes. C=Cost Adjustment type transactions in Inventory Management, the Print Costed Bill process in Bill of Material, and the Roll Select Cost Master process in the Standard Costing modules will result in overall change in the inventory value of the item. These make it necessary for distributions to the Inventory Asset account and the Cost Adjustment Account. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
IM Trx C=Cost Adj	Debit reduced cost, Credit increased cost	Inventory Asset
BOM Print Costed Bill	Debit reduced cost, Credit increased cost	Inventory Asset

Work In Process (WIP) Account

The Work In Process (WIP) Account holds the value of the material, labor, and absorbed costs issued to the manufacturing order when these items are manufactured. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
POP Release Orders [1]	Debit WIP of parent	Credit Asset of components
POP Unrelease Orders [1]	Credit WIP of parent	Debit Asset of components
POP Report Production	Credit WIP [1] [2]	Debit Asset of parent [2]

[1] - Depends on the value of the 'Create WIP' setting when releasing the POP order. If Create WIP = N, then no distributions will occur at release. The component asset account will be credited at reporting production. If Create WIP = W or Y, then distributions will be made as listed.
[2] - Any difference between the component cost (including Value Added Costs) and the parent cost will be distributed to the WIP Variance of the parent item

Work In Process (WIP) Variance Account

Distributions are posted to this account if manufacturing costs differ from the cost of the parent. Types of Transactions that will distribute to the WIP Variance Account:

Type of transaction	Normal Distribution	Offset Distribution Account
POP Complete Production	Debit/Credit WIP Variance [1]	Debit parent asset, Credit WIP [1]
POP Disassembly	Debit/Credit WIP Variance [2]	Credit parent, Debit Component[2]

[1] - Depends on the value of the 'Create WIP' setting when releasing the POP order. If Create WIP = N, then no distributions will occur at release. The component asset account will be credited at reporting production. If Create WIP = W or Y, then distributions will be made as listed.
[2] - Any difference between the component cost (including Value Added Costs) and the parent cost will be distributed to the WIP Variance of the parent item

PPV Cost Account

Using Standard cost method, the Purchase Price Variance (PPV) Cost Account is used by the A/P package to accumulate differences between the dollars invoiced versus the item's standard cost. When using Average, Last, LIFO, or FIFO Cost Methods, this is the dollars invoiced versus the receipt cost. The PPV Cost will represent the dollar amount difference between the Receiving Accrual account and the Accounts Payable account when vouchered.

Note: This account is captured on the Purchase Order line item from the Material Cost Type/Location maintenance. A change made to the PPV Cost Accounts in Material Cost Type/Location maintenance will not update existing purchase orders. Types of Transactions include:

Type of transaction	Normal Distribution	Offset Distribution Account
AP Vouchering	Debit/Credit PPV Cost Account [1]	Accounts Payable Account [1]

[1] - The receiving accrual is always debited for the entire amount against the PO line item. The Accounts Payable Account is credited for the entire dollar amount vouchered. PPV Cost will be debited if the dollar amount vouchered against the PO line item is greater than the amount in Receiving Accrual. PPV Cost will be credited if the dollar amount vouchered against the PO line item is less than the amount in the Receiving Accrual.

PPV Quantity Account

The Purchase Price Variance (PPV) Quantity Account is used by the A/P package to accumulate any difference between the quantity received versus the quantity invoiced. This account will be used when the voucher quantity entered (on page two of A/P - Enter Voucher Transactions) is greater than the PO receipt quantity and the PO line item is invoiced in full.

For example, a PO line item is received for a quantity of 10 at a cost of $8 (same as cost in the Item Location). However, the line item is vouchered for a quantity of 12 at a cost of $8 each. The A/P account will be credited for $96. The Receiving Accrual will be debited for $80. The PPV Quantity will be debited for the difference, $16.

PPV Quantity will not receive distributions if the voucher quantity is less than the PO receipt quantity. This difference in quantity will remain as received but not invoiced.

Note: This account is captured on the Purchase Order line item from the Material Cost Type/Location maintenance. A change made to the PPV Quantity Accounts in Material Cost Type/Location maintenance will not update existing purchase orders. Types of Transactions include:

Type of transaction	**Normal Distribution**	**Offset Distribution Account**
AP Vouchering	Debit	Credit A/P, Debit Accrual

Transfer Cost Account

The Transfer Cost Account is debited or credited for the difference of standard costs at different locations. Any change in value for parts moved between locations is written to this account. The Transfer Cost Account for the FROM location will be debited or credited based on the difference between item location costs.

For example, an item has a cost of $3 at location AA and a cost of $3.50 at location BB. If a quantity of 100 is transferred from location AA to location BB, then the following distributions occur:

- The Inventory Asset for location AA is credited for $300.00
- The Inventory Asset for location BB is debited for $300.00
- The Inventory Asset for location BB is debited again for $50.00
- The Transfer Cost Account for location AA is credited for $50.00

Types of Transactions include:

Type of transaction	**Normal Distribution**	**Offset Distribution Account**
IM Trx T=Transfer	Debit or Credit FROM Location	Credit FROM asset, Debit TO asset

Material Cost Account

This is not used by the Macola POP software. It is best to populate this field with your ‘999’ account that should never have any entries.

Material Quantity Account

This is not used by the Macola POP software. It is best to populate this field with your ‘999’ account that should never have any entries.