Direct Labor Cost Allocation

Module Guide: Direct Labor Cost Allocation

Module Location

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Module Objective

The **Direct Labor Cost Allocation** module is used to distribute or allocate the total **direct labor cost** (which has been previously calculated) to specific production activities. This process charges labor costs to specific batches or jobs, typically represented by **Section Transfer Forms (STF)**, so that the labor cost becomes part of the **Work-in-Process (WIP)** value.

1. Main View (Allocation List)

The main page of this module displays a list of all labor cost allocation documents that have been created.

View Explanation

- **View**: This page is a history of all labor cost allocation processes. You can see the **Journal Code, Transaction Date, Allocated COGS** (Amount allocated), and **Allocation Type**.
- **Action Buttons**:
    - **[Allocate Cost]**: The primary button to start a new cost allocation process.

2. Steps to Perform Cost Allocation

Step 1: Create a New Allocation Document

From the Main View, click the **[Allocate Cost]** button to open the **Add Allocation** form.

Step 2: Define the Period and Cost Source

- On the form that appears, define the time period (**SOF Period to Finish Date**) for the production activities whose costs will be allocated.
- The system will display a list of **Section Transfer Forms (STF)** that were completed in that period. These are the "cost objects" or the destination of the cost allocation.
- The system will also display the total labor cost that needs to be allocated (based on the calculation from the **Direct Labor Cost Calculation** module for the same period).

Step 3: Define Allocation Method and Amount (Important!)

- For each relevant STF, define how the cost will be allocated. You can fill in the **Allocation Percentage** column or directly fill in the **Allocated Amount (IDR)**.
- Ensure the total cost allocated to all STFs equals the total labor cost available for allocation.

Step 4: Confirm the Allocation

After all percentages or allocation amounts are filled in, click the save/confirm button (not visible). This action will create a journal entry to move the labor cost to the WIP account associated with that

STF.

Tips & Important Notes

- This is a crucial step in manufacturing cost accounting for charging labor costs to the correct products.
- This process is usually performed at the **end of the month** after the total labor cost for the period has been calculated.
- The accuracy of this allocation affects the final WIP and COGM values.
- This module is a crucial work tool for a **Cost Accountant**.

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