

Indirect Cost Allocation

Module Guide: Indirect Cost Allocation

Module Location

PPIC > Indirect Cost Allocation

Module Objective

The **Indirect Cost Allocation** module is a **cost accounting** tool used to distribute or allocate indirect costs (overhead costs) to the **Cost of Goods Sold (COGS)** or to the value of inventory. This process is essential for ensuring that all costs related to production, beyond just direct material costs, are accurately expensed.

1. Main View (Allocation List)

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

View Explanation

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

On the form that appears, the system will display a list of transactions from the general journal that are candidates for allocation (e.g., PACKAGING MATERIAL USAGE, BANK LOAN INTEREST).

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

1. For each transaction line you want to allocate, enter the percentage or amount to be charged.
2. You can fill in the **Allocation Percentage** column or directly fill in the **Allocated Amount (IDR)**.
3. The system will calculate the **Fixed Amount (IDR)** based on the total transaction.

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 cost from the overhead expense account to the COGS or WIP Inventory account.

Tips & Important Notes

- This is an **advanced cost accounting process** that is typically performed at the **end of the month** as part of the book-closing process.

- Accurate overhead cost allocation is crucial for obtaining the true **Cost of Goods Sold (COGS)** and for valid profitability analysis.
- This module is a crucial work tool for the **Cost Accountant and Controller**.

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