Item Cost Calculation

Module Guide: Item Cost Calculation

Module Location

PPIC > Item Cost Calculation

Module Objective

The **Item Cost Calculation** module is a cost accounting tool used to calculate or "assemble" the total cost of an item. This module allows the user to calculate a product's standard cost by combining several cost components, such as the cost of materials used (**Items/Services Used**), standard costs (e.g., labor), and additional costs (e.g., transportation).

1. Main View (Calculation List)

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

View Explanation

- **View**: This page is a history of cost calculation documents. You can see the **Code** and **Item/Service Name** whose cost has been calculated.
- **Action Buttons**:
  - **[New]**: The primary button to start a new cost calculation.

2. Steps to Perform a Cost Calculation

Step 1: Create a New Document

From the Main View, click the **[New]** button to open the **Add Calculation** form.

Step 2: Define the Target Item

On the form that appears, in the **Item/Service Name** column, select the item whose cost you are going to calculate. This is the "resulting" product of the calculation.

Step 3: Detail the Cost Components

At the bottom of the form, add all the cost components that make up the target item:

1. **Items/Services Used**: In this table, add all materials or components used to make the target item, along with their **Qty** (quantity).
2. **Standard Costs**: Select and add relevant standard costs, such as **COGM_DIRECTLABOUR** (Direct Labor Cost).
3. **Additional Costs**: Add other costs that need to be allocated, such as **Transportation Cost**.

Step 4: Save the Calculation

After all cost components have been entered, click the **[Save]** button. The system will sum up all these costs to generate the final total cost (standard cost) of the target item.

Tips & Important Notes

- This module is crucial for establishing the **standard cost** for purchased items (to calculate landed cost) or for internally

produced sub-assemblies.

- The standard cost generated here will become the basis for **inventory valuation** and the **Cost of Goods Sold (COGS)** calculation.
- This is a very important module for the **Cost Accounting** team.

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