Standart Cost Settings

Module Guide: Standard Cost Settings

Module Location

Settings > Production > Standart Cost Settings

Module Purpose

The **Standard Cost Settings** module is the center of **cost accounting** within the production system. Its purpose is to define, manage, and allocate all the standard cost components that form the Cost of Goods Manufactured (COGM). This includes direct labor costs and various types of Factory Overhead (FOH) costs, such as depreciation, electricity, gas, and maintenance.?

1. Main View (Standard Cost List)

The main page displays all the standard cost components that have been defined for use in production cost calculations.

View Explanation

- **Filter**: Allows for a quick search by **Standard Cost Code**.
- **Standard Cost Table**:
  - **Standard Cost Code**: A unique code for each cost element (e.g., `COGM_DIRECTLABOUR`, `COGM_FOH_ELECTRICITY`).

    - **Standard Cost Name**: A descriptive name for the cost element.
    - **Standard Cost Type**: The category of the cost, which is either **Labour** or **FOH** (Factory Overhead).
    - **Standard Cost**: The standard value or rate for the cost (e.g., a rate per hour).
    - **Currency**: The currency used (e.g., IDR).
    - **Number of Items/Services**: Indicates to how many sections or cost centers this cost element is allocated.
- **Action Buttons**:
    - **New Standard Cost**: Opens the form to create a new cost element.
    - **Delete Standard Cost**: Deletes the selected cost element.

2. Add Standard Cost Page

This form is the core of the module, where each cost component is defined in detail, including its allocation and accounting links.

View Explanation

- **Standard Cost Type**: To select the cost category, whether **Labour** or **FOH**.

- **Standard Cost Code & Name**: The unique ID and name for the cost element.
- **Standard Cost & Standard Quantity**: To set the standard rate value and its calculation basis (e.g., per hour).
- **Section**: An important feature for **cost allocation**. Here, the user selects which production sections will be charged with this cost. A common overhead cost (like electricity) can be allocated to multiple sections at once.
- **Accounting Integration**:
  - **Cost Account**: Links this cost to the appropriate expense account in the Chart of Accounts (COA).
  - **FOH P/L Account**: The Profit & Loss account used to hold the variance (difference) between standard and actual FOH costs.
  - **Cost Center**: Links the cost to a specific Cost Center for more detailed financial reporting.

3. Steps to Create a New Standard Cost

1. From the main page, click the **New Standard Cost** button.
2. Select the **Standard Cost Type** (Labour or FOH).
3. Fill in the **Code**, **Name**, and **Standard Cost** (rate).

4. Use the **Section** allocation feature to select one or more production sections to be charged with this cost.

5. Select the appropriate **Cost Account**, **FOH P/L Account**, and **Cost Center**. This step **must** be coordinated with the accounting department.

6. Click **Save**.

4. Integrated Workflow & Business Process

- **Cost of Goods Manufactured (COGM) Calculation**: This is the main purpose of this module. When a **Work Order** is completed, the system will calculate the total production cost by accumulating:
  - Raw Material Cost (from the **Bill of Materials**).
  - Direct Labor Cost (the rate from `COGM_DIRECTLABOUR` multiplied by the actual work hours).
  - Factory Overhead Cost (the rates from various FOH costs multiplied by a relevant allocation base, such as machine hours).?
- **Variance Analysis**: By comparing the total standard cost with the actual costs incurred, management can perform **variance analysis** to identify inefficiencies or savings in the production process.?
- **Budgeting**: The standard costs set here become the basis for creating the production budget and the overhead cost

budget for the upcoming period.

5. Tips & Important Notes

- This module is the heart of your cost accounting system. The accuracy of the data here directly impacts the accuracy of the COGM, product profitability, and strategic decisions regarding sales prices.
- The process of setting standard costs and selecting accounting accounts **must** be the result of close collaboration between the Production, PPIC, and Cost Accounting teams.
- Conduct periodic reviews and updates of the standard cost rates (e.g., annually or semi-annually) to ensure they remain relevant to actual cost conditions.
- Access to this module should be highly restricted and only granted to the **Cost Controller** or authorized accounting personnel.

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