

Job Costing Process Example

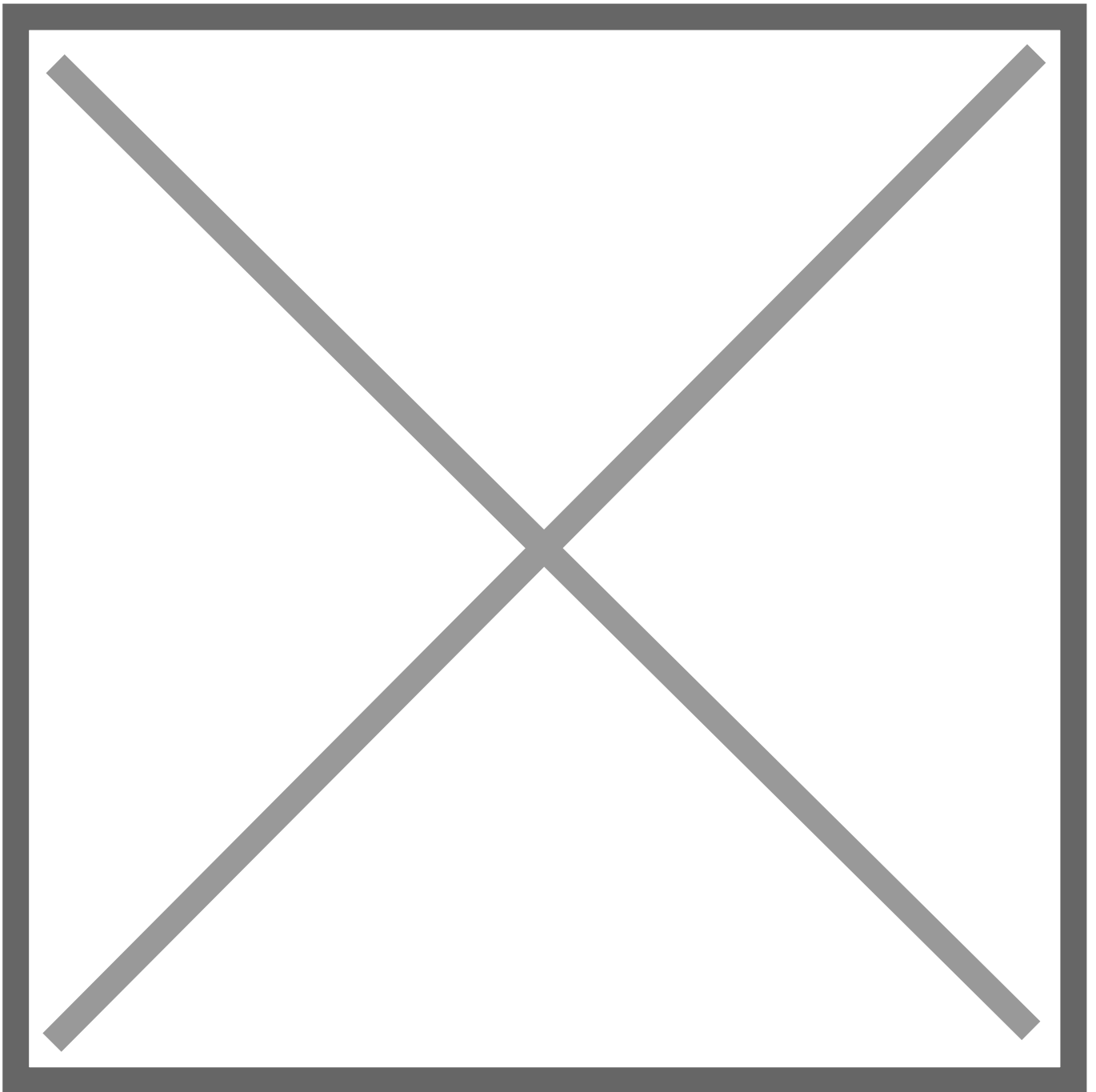
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Job Costing Process Example

There are two ways to do this job costing.

First way:

This is where on quoting you would use a service item to capture the machine selling value



You can then estimate a cost against the machine in the quoting phase. This helps as it gives you an indication of what the possible profit can be on the item.

Now you take the quote to a job.

When the quote comes in it will drop the cost price that you added in the quote section. It will hold the sales value and have a cost price of zero. The costs will be built up from the Cost to Company items being inserted on the job.

You can use the template tasks to insert a machine processes which includes all the BOMs that you have. This must be inserted as CTC (Cost to Company).

As you complete the BOMS and you add them to the job you manage each line to give you a process on the job.

When you are ready to complete job and are ready to invoice, manage the quote service line so that this will show up on the invoice.

Complete Job

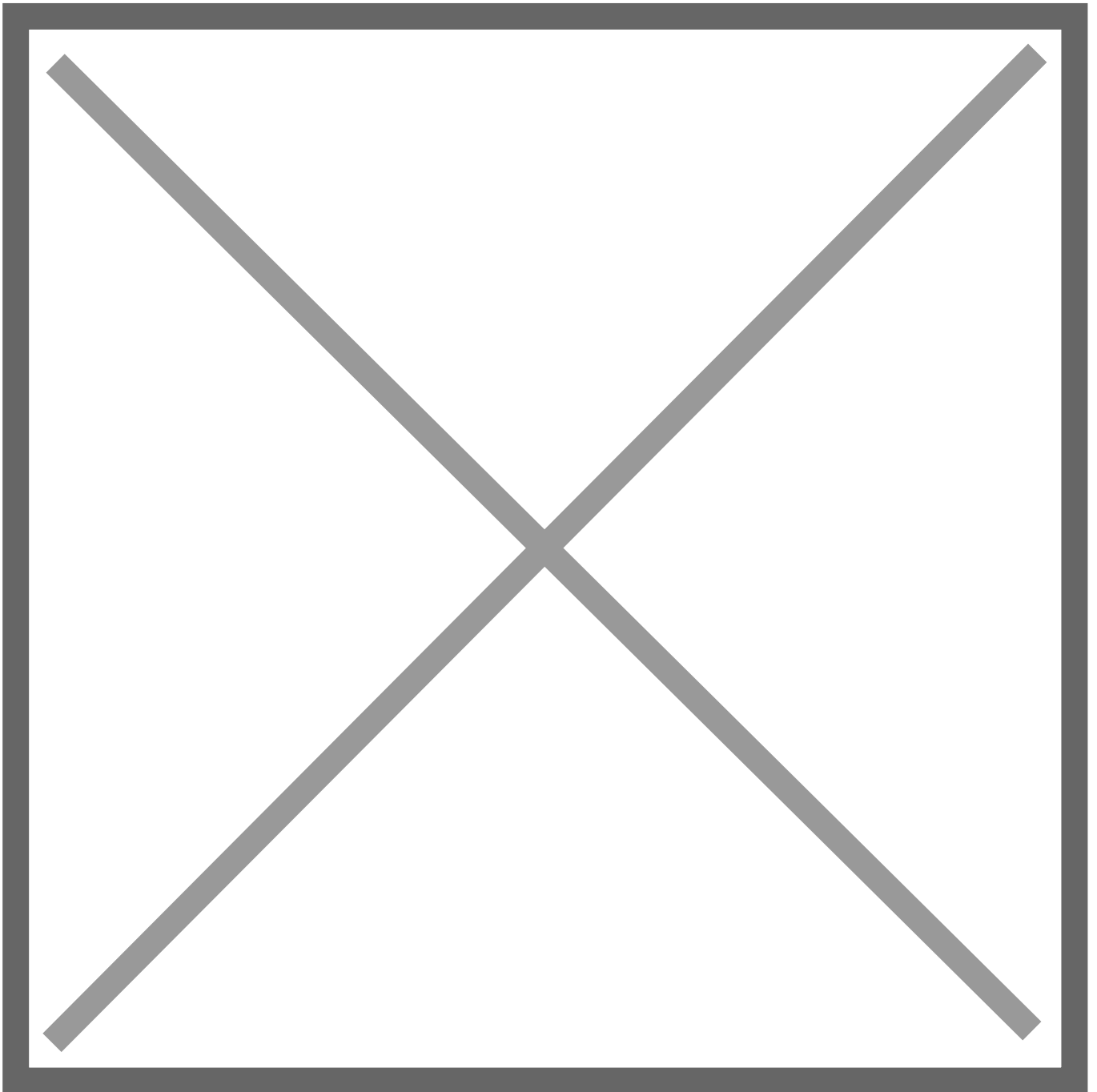
Now that the job is complete you can now invoice the whole job with the CTC items. The CTC items will not show on the invoice, but the original line of the quote will with the value.

At this stage all items will be removed out of the WIP account and posted to the Cost of sales and stock accounts.

Second Way:

Making scanning machine for stock – customer is STOCK customer – not actual customer.

In this case you will still do the service item, but at zero selling and cost



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Now you take the quote to a job.

When the quote comes in it will drop the cost price that you added in the quote section. It will hold a the sales value and have a cost price of zero. The costs will be built up from the Cost to Company items being inserted on the job.

You can use the template tasks to insert a machine processes which includes all the BOMs that you have. This must be inserted as CTC (Cost to Company).

As you complete the BOMS and you add them to the job you manage each line to give you a process on the job.

When you are ready to complete job and you will close the job and WRITE OFF STOCK and close the job.

This will post an entry to Stock (Credit) and Job Stock Adjustment (Debit) accounts. Stock will have left the system out of WIP. You will now need to see the value of the stock posting (lets say 1 550 000-00). This then would be the cost of the stock item to produce.

Step to get into stock.

Assuming 1

You will need to have a finished stock code for the machine. LETS assume for this example you will have a stock code for each completed machine which could also act as your serial number of the machine.

Create the new stock item with the stock code and put in the cost price of the item being R1 550 000-00.

Then go to stock level adjustment and add in the stock level one increase of stock item which is valued at R1 550 000-00.

When you post this it will affect Stock (Debit) and Job Stock Adjustment (Credit). This balances out your stock values, raw materials are reduced and finished good now in stock at the cost value of the stock item.

Assuming 2

Create the new stock item with the stock code which is one stock item holding quantities of various completed scanning machines.

This means that you will have to create a Production Creditor. Go and GRV the stock item which is valued at R1 550 000-00 except VAT as this is an internal transaction.

What will happen now is the Creditors Control Account (Credited) and Stock (Debited) will be updated. This balances out the stock.

Now to balance the Creditor, create a Creditors Journal Debit with prompting the Credit account. Put the value of R1 550 000-00 in and the Credit account put in the Job Stock Adjustment (Credited) Account. This will balance out the Creditors control account and the Job Stock Adjustment account to zero.

Invoicing

Now you will create a Debtors invoice for the stock item and any other additional invoicing items.

This will now do the following

Debtors Control (Debit) – R2 000 000-00

Sales (Credit) – R2 000 000-00

Vat (Credit)

Stock (Credit) – R1 550 000-00

COS (Debit) – R1 550 000-00

The stock will be reduced by the finished goods

In all the above your stock balances out but you control your costs on jobs are starting to get accurate.

JOB Costing Procedure

Job costing is divided into four main sections:

1. Quotes
2. Manage Job
3. Delivery Notes
4. Invoice

In Job Costing setups there is a section called Template Tasks

Template task setup

Job Costing> Configuration >Template Task.

Template Tasks are only available in the Job Costing Module. They allow the user to define a sort of Bill of Materials with an exception. This task which is created allows one to insert many stock items, service and custom type items into a Task. The task only takes the quantity of the items when setting up, but once inserted into a quote it will pull all cost and selling prices at that time.

The task that is created consists of many items, these items are broken up into individual lines within the job management. The customer only sees the name of the task but none of the line items.

The line items of the task has costs and selling prices which then make up the overall cost and selling of the task.

One can have tasks under tasks, it does not matter as the system will always take the lowest lever of items into the managing of the job.

The example we will use to show you how a task is setup will be the making of a motor car.

Template tasks makes it easy for the users not to understand what the components are made of. It gives the user the detail list of all the items by just selecting the main task.

To create a template task go to the Job Costing > Configuration > Template Task.

Click on the insert button to create a new task.

Give a code and Description of the task

After you have clicked on the Save and Close button, the screen to add the items appear. To add an item right click on the tree view Motor car.

In the figure below you will notice there a small window that opens up to give you some functions to add parent tasks.

The menu is divided up into Parent and items tasks. Parent tasks are names of the group of items below it.

Menu explained

Add Parent Task - Create another header for items below the main header

Add Stock Task - Creates a name of a header specifically to Stock, this task allows the user to add stock items below this header inserted.

Add Service Task - Creates a name of a header specifically to Service, this task allows the user to add service items below this header inserted.

Add Custom Task - Creates a name of a header specifically to Custom, this task allows the user to add Custom items below this header inserted.

Add Template Task - This allows one to add another Template task to be

added with all of its children items below

Delete Task - Highlight the task in the tree view to delete it

After right clicking on the tree view and then selecting the Add Stock Task option the following window comes up.

When you click on the save button in Figure 5, you will be brought back to the Template task detail with a new heading under the Main heading.

To add stock click on the "Stock required for task" header.

The sub parent account is now highlighted, in the right column this allows you to insert stock items only. To add an item click on the insert button.

Select your stock items and the quantity that is required to complete this task.

We have now added many stock items to the parent stock task.

After setting up your task click on the close button to be taken back to the Template task search screen.

Job Costing Quotes

Job costing quotes allows the user to let the quote go through 3 status levels.

- a. New Quote
- b. Search new quote
- c. Internal Approval Quote
- d. Customer Approval Quote

New Quote – This is when you create a new quote on the fly, entering the customer information and then the lines of the job. This is the same as going into the Search new quote screen and clicking on the insert button to add a new quote.

Job Costing

Go to Job Costing Module>Activity>Job New Quote search

Type in Quote number, click on search Button

Highlight one

Click on Approve Tab Button

Fill in the following: order number

Select service warehouse

Tick allow to exceed quantity value

Allow to exceed Budgeted quantity

Click on Ok

Write down Job Number on document

Go to Manage Job

Type in Job Number and click on search

Click and manage Job

Click on all Job line – Tap left

Double click on each line to manage

Labour, also fill on notes

Remember to save first

Additional Expenses – Scope Creep

Add line in with Quantity and selling Price

Click Manage and enter Quantity usage.

Job Costing Picking Slip

Go to Job Costing Module > Activity > Manage Job

Once you have search for the job to manage, highlight job and click on Manage Job.

When the window has loaded click on All Job Lines to display job lines.

There will be a tab called Picking Slip, click on the tab in the middle of the window.

The bottom tab called Picking slip will also be displayed.

Buttons explained

Add to Picking Slip – Adds a new picking slip

Print – Print the picking slip

Edit – You can edit a picking slip

Picked – Allows one to allocate quantities to the picking slip, quantities that are picked.

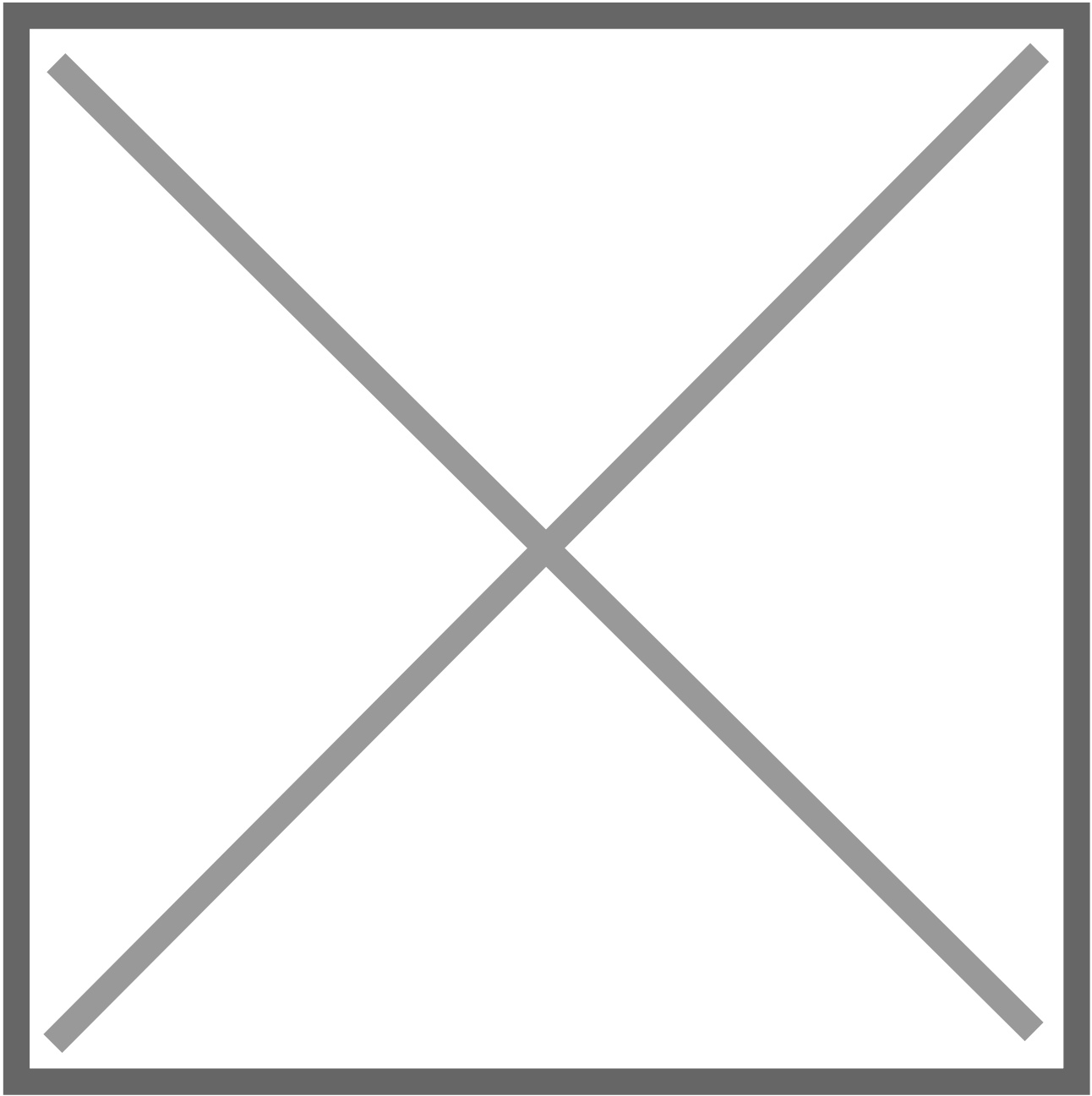
Manage Items – Allows one to manage the picking slip on the quantities picked, this moves the stock from on shelf to Job WIP.

Close – Closes the picking slip.

To add a new picking slip, click on the button called Add to Picking Slip.

Click on the Add button at the top of the window, this will allow you to create a new picking slip and allocate a picking slip number,

A new window will come up so that you can name the picking slip. Click on Save and Close.



Once the Picking slip number and name has being allocated, highlight the stock item which you want to add to the picking slip and click on the Add button.

Note:

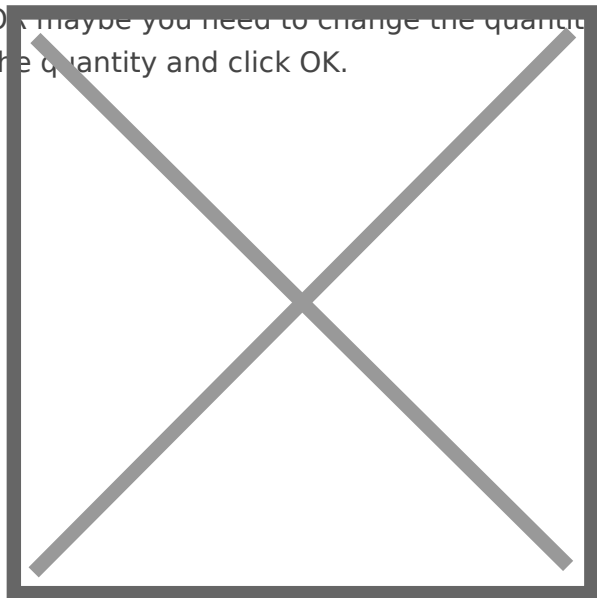
Only items which have being added to the job will appear in this section.

When you have clicked on Add button, a new window will come up with the quantity that is add on the job line. Should this be different make your change to what needs to be picked.

The stock line will move from the top column window to the bottom window.

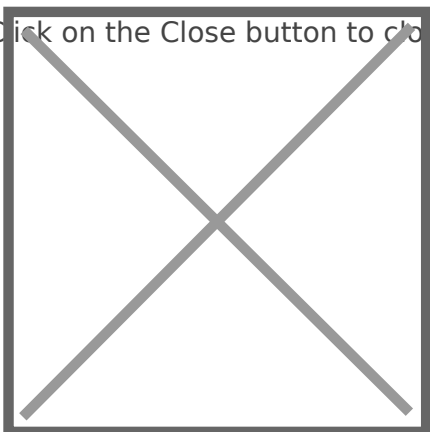
Should you wish to remove the stock item from the list highlight the item and click on the remove button

Or maybe you need to change the quantity, highlight the item and click on the Edit button. Change the quantity and click OK.



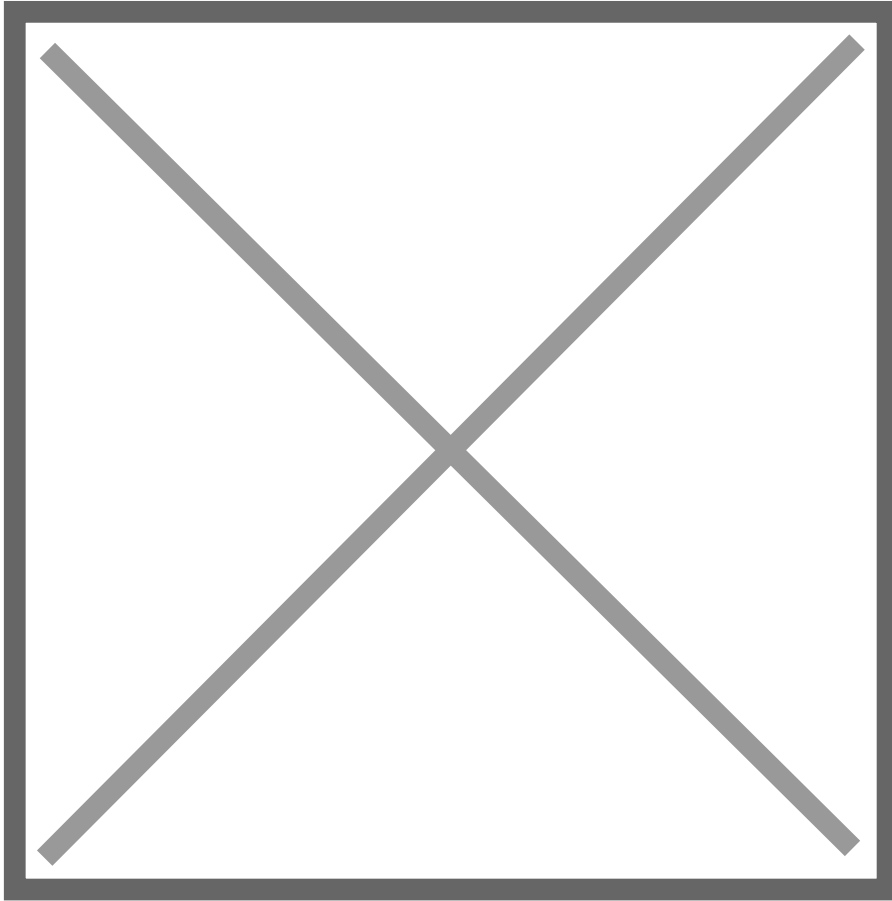
Click on the Print button to print the picking slip.

Click on the Close button to close the current window



Note:

Once the user clicks on the print button to print the document it will register the date and time of print.

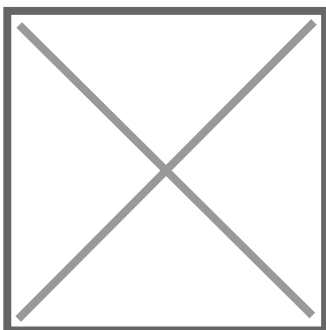


The user can Edit the picking slip again and make changes before the picking slip can be picked and managed.

Picked button

Click on the Picked button to have the stock picked, this will bring up a new window. You can click on the Select All button to select all quantities that have being picked. OR change the quantities to what has being picked.

Once the items have being picked the system will mark a date a time which has being picked.



The stock has now being picked and can be managed. Click on the Managed button to manage the items that have being picked.

Note:

Only at this stage will the stock be moved from On shelf to Job WIP.

After clicking on Manage button a window will come up to show whether there is a problem with managing items or not, then you can go back to change the picking slip quantity.

Close button

You can close a picking slip at any time except when it has being managed. When the picking slip has being managed it means the stock has already moved from on shelf to Job WIP.

Current and History search of Picking slips

Go to Job Costing Module > Activity > Picking Slip

Click on the search button to search for Picking slips that have being Created, Picked, Managed or Closed.

Selecting a Pro-Forma invoice layout from quote

Go to Job Costing Module > Activity > Job New Quote Search

Click on search button to find quote

Highlight the quote you need

Click on the Print tab at bottom of screen

Click on Print

Change the standard layout to 2 – User Choice

Click on next button

This will give you the quote layout with Pro-forma on it

Badger / Bar Code Stock Import

Service Badger

Verify Button – This button checks for any errors in the file and highlights it in red.

Save Changes – Saves the changes that have being made to the file when clicking on the Delete Item or Create CTC.

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Verify Button – This button checks for any errors in the file and highlights it in red.

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Create CTC – This goes and creates the lines in the various jobs with the budgeted value. It has not being managed as yet only created.

Close – Closes the window without saving

Sort By Error – Sorts all lines by error A-Z, it will sort the lines on the whole file should you have 500 lines it sorts all 500 lines.

If you click on the Create CTC Column – it will tick all lines which have an error and that needs the lines created in the jobs. A Quick way of putting the tick on the file, will only do the 100 viewed lines at a time. Will need to save the file for each verify.

C Quote Scope Creep

A quote is a contract between you and the customer. It is a promise that you will do the job for a certain price and within a certain time frame. It is a legal document that binds both parties.

The quote will increment the number of the quote on the job.

If the quote was QT100 and you create a scope creep quote, the number will be QT100.1