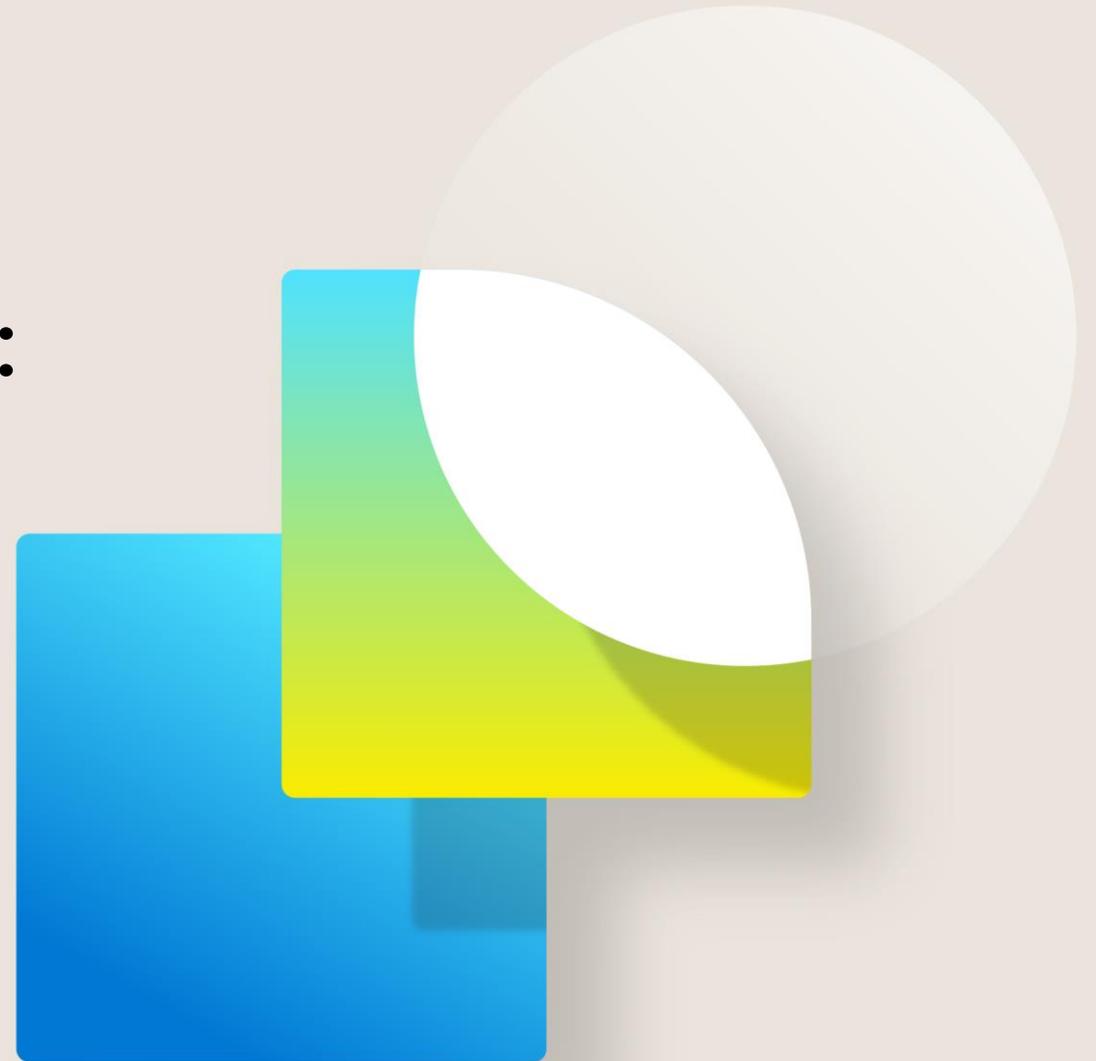




# Inventory Costing for Dynamics 365 Supply Chain Management TechTalk Series: Part 3 – Standard Cost and the Costing Sheet

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# TechTalk Series

- Inventory Accounting Setup
- Inventory Accounting Models
- Standard Cost and the Costing Sheet ←
- Manufacturing Accounting
- Inventory Closing
- Global Inventory Accounting Add-in

# Riddle of the day

What does the accountant do in his free time?



# Agenda

- Describe the benefits and terminology related to standard costing.
- Review setup required for standard costing.
- Discuss how the costing sheet is used with standard costing.
- Perform cost calculations and review results.
- Discuss other considerations for standard costing.

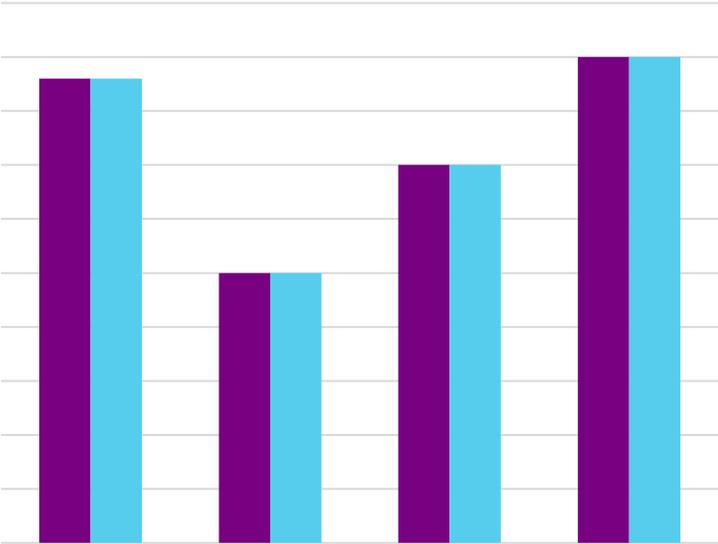
# Standard costing

Anne Krupke

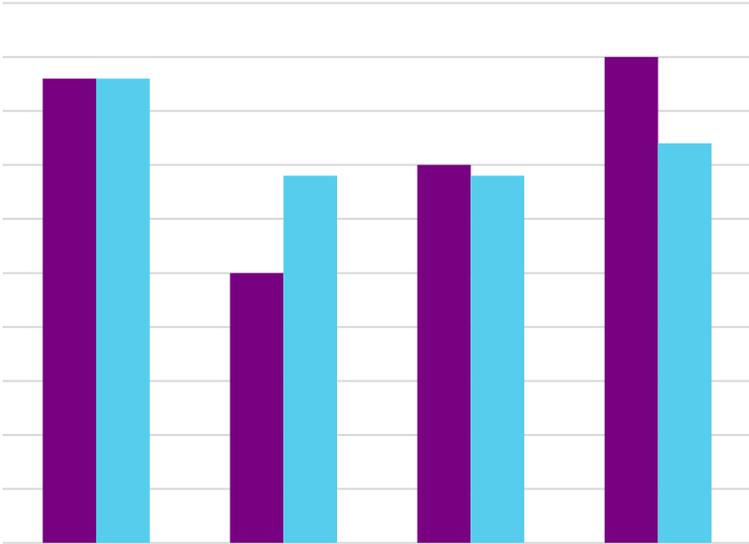


# Costing strategies

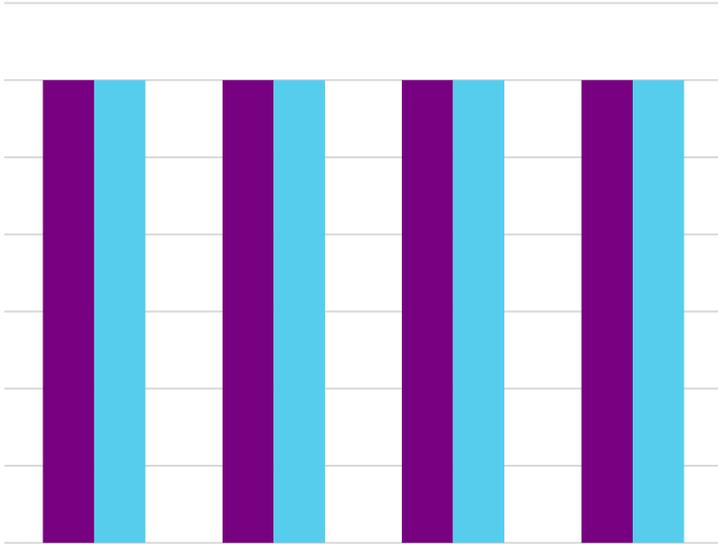
Actual Costing



Average Costing



Standard Costing



■ Receipt Cost ■ Issue Cost

# What is standard cost?



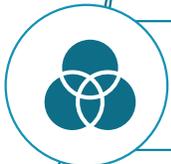
Predetermined cost used on every transaction



Based on past experience



Typically set annually

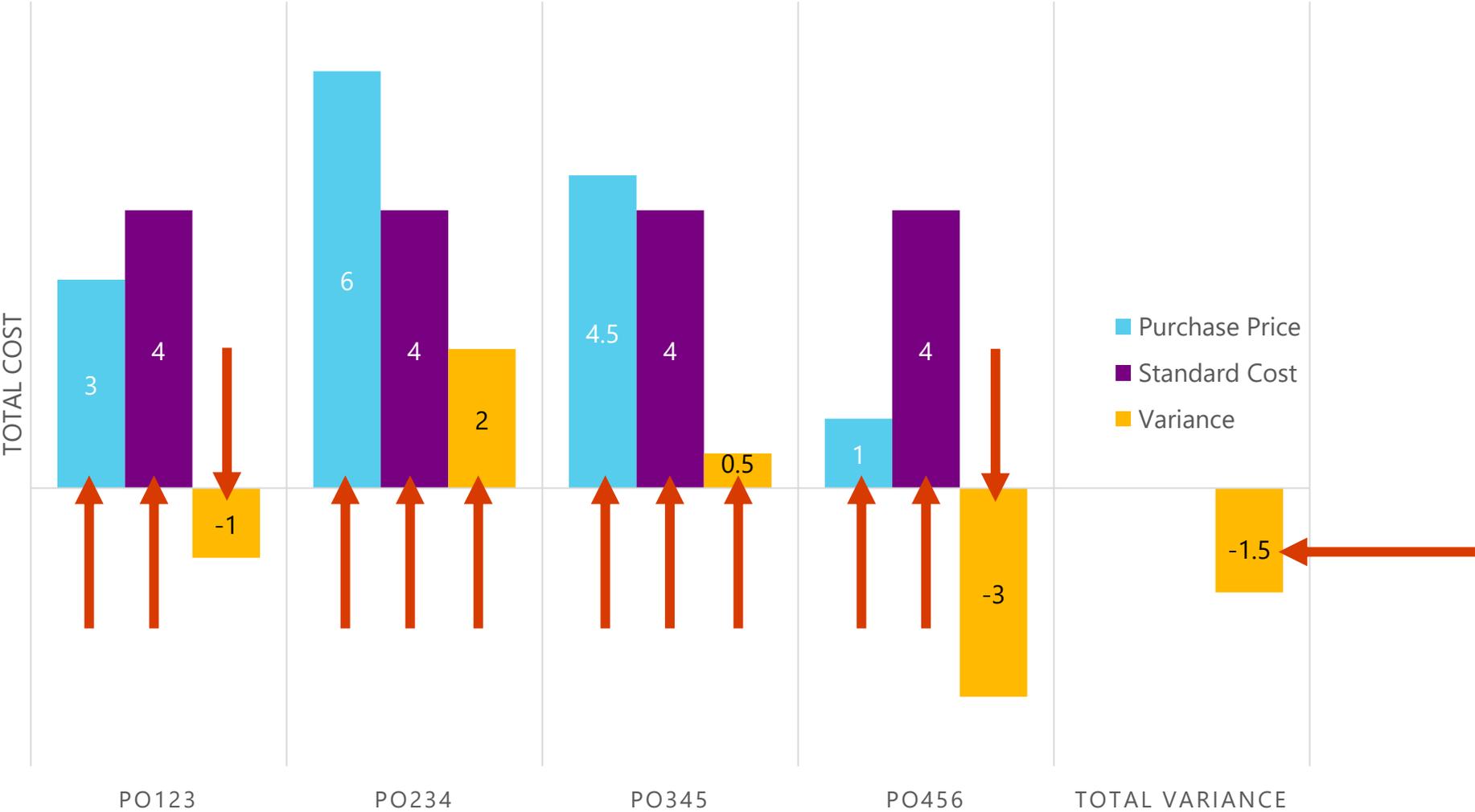


Periodically compared to actual costs



Differences in standards to actuals creates variances

# Standard cost example



# Standard cost vs other strategies



Does actual price fluctuate frequently?



Should variance be recognized in the general ledger?



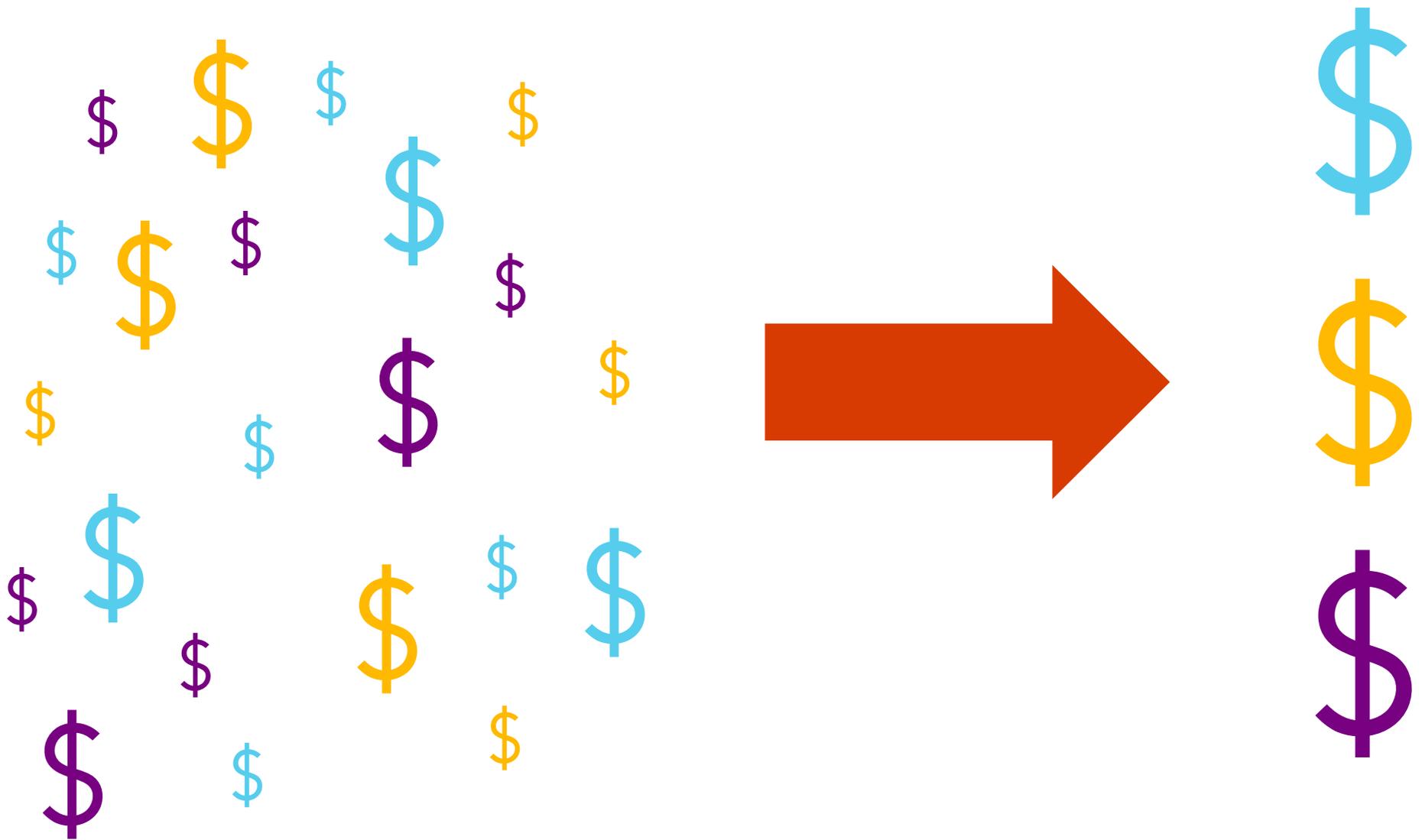
Do different items behave differently?

# The costing sheet

Rachel Profitt



# Cost analysis



# Cost groups

Standard view ▾

## Cost groups

Cost group:  Name:

### General

Cost group type:  Behavior:  Default:  No

### Profit

[+ Add](#) [Remove](#)

	Profit-setting	Profit percenta...
<input type="radio"/>	Standard	0.00
<input checked="" type="radio"/>	Profit 1	20.00

# Cost group considerations for materials



Sourcing  
strategy



Types of  
materials



Overheads

# Cost group considerations for labor



Resource Types



Resource costs



Overheads



Segmentation

# Cost group considerations for indirect cost



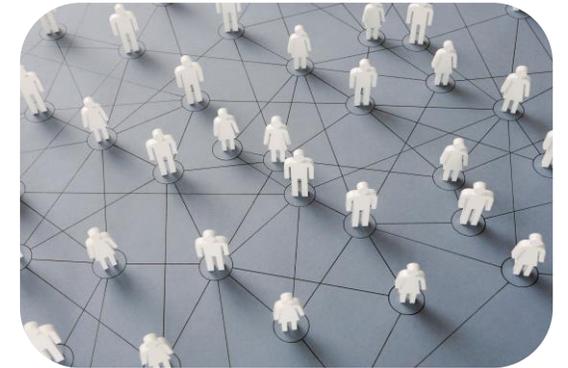
Calculation  
method



Accuracy of  
overhead rates



Build vs buy



Reconciliation

# Costing sheet facts

Defines the format of the cost groups

Only one per legal entity

Only one person can open at a time

Required for indirect costs

Must validate to check for duplicates

Is a hierarchical representation of cost groups

# Demo – Costing sheet elements

Root - Purple Pillow Company Costs

Standard view 

## Costing sheet setup

Edit **IDENTIFICATION**

Node type

Cost group

Code

COC - M1

Description

Fabirc

**SETUP**

Cost group

M1 

Cost group type

Direct materials

Behavior

# Cost activation and maintenance

Anne Krupke



# Costing version

Standard view ▾

## Costing version

Filter

Overview General Recording Calculation

Costing type	Version	Name	Block	Block activation	Last activation	Last update
Standard cost	10	2022 Standard Cost	No	No	1/20/2017	2/25/2022
Standard cost	15	2022 Standard Cost Revisions	No	Yes		
Planned cost	20	Planned Costs	No	No	1/11/2017	1/23/2017
Standard cost	30	2023 Standard Cost	No	Yes		1/15/2017

# Item prices

+ New Delete Calculate item cost View calculation details Report calculation details Cost rollup by cost group Activate pending price(s) Standard cost Log Dimensions display Options

10 : 2022 STANDARD COST | Standard view

## Item price

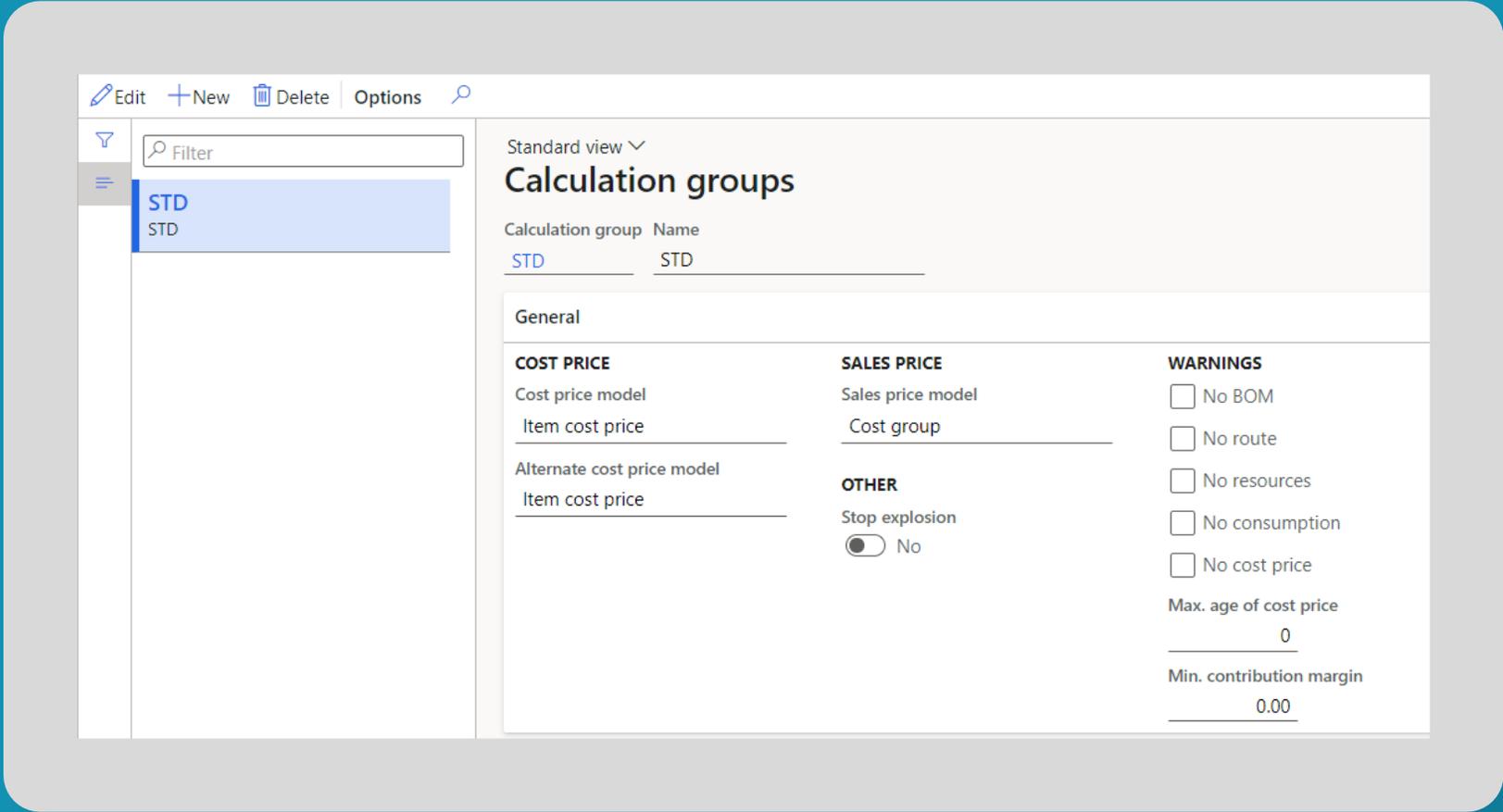
Costing type  
Standard cost

Pending prices Active prices

Filter  Show latest only

Price type	Item number	Name	Site	Price	Price quantity	Price charges	Charges quanti...	Incl. in unit price	Unit	Activation date	Blocked	Calculated	Log
Purchase price	T0004	TelevisionM12037"	4	160.00	1.00	0.00		✓	ea	12/19/2016	✓		
Purchase price	T0004	TelevisionM12037"	2	160.00	1.00	0.00		✓	ea	12/19/2016	✓		
Cost	T0004	TelevisionM12037"	1	160.00	1.00	1.00		✓	ea	12/19/2016	✓	✓	
Purchase price	T0004	TelevisionM12037"	1	160.00	1.00	0.00		✓	ea	12/19/2016	✓		
Cost	T0004	TelevisionM12037"	3	160.00	1.00	1.00		✓	ea	12/19/2016	✓	✓	
Purchase price	T0004	TelevisionM12037"	3	160.00	1.00	0.00		✓	ea	12/19/2016	✓		
Cost	T0004	TelevisionM12037"	4	160.00	1.00	1.00		✓	ea	12/19/2016	✓	✓	
Cost	P0001	AcousticFoamPanel	1	9.37	1.00		200.00	✓	ea	12/19/2016	✓	✓	
Purchase price	P0001	AcousticFoamPanel	1	9.37	1.00	0.00		✓	ea	12/19/2016	✓		
Cost	P0001	AcousticFoamPanel	4	9.37	1.00		200.00	✓	ea	12/19/2016	✓	✓	
Purchase price	P0001	AcousticFoamPanel	4	9.37	1.00	0.00		✓	ea	12/19/2016	✓		
Cost	P0001	AcousticFoamPanel	2	9.37	1.00		200.00	✓	ea	12/19/2016	✓	✓	

# Calculation groups



**Demo – Calculate an item price**

Costing version setup

Standard view 

 Filter

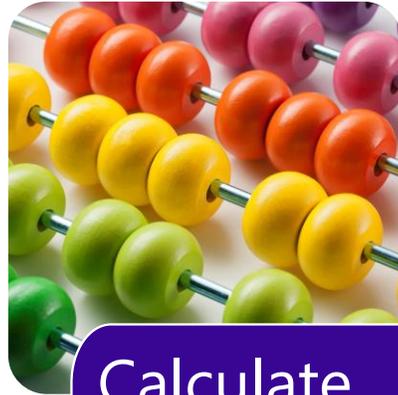
<input type="radio"/>	Costing type	Version	Name	Block	Block activation	Last activation	Last update	
<input checked="" type="checkbox"/>	Standard cost	10	2022 Standard Cost	No	No	1/20/2017	3/7/2022	
<input type="checkbox"/>	Standard cost	15	2022 Standard Cost Revisions	No	No	2/25/2022	3/2/2022	
<input type="checkbox"/>	Planned cost	20	Planned Costs	No	No	1/11/2017	1/23/2017	
<input type="checkbox"/>	Standard cost	30	2023 Standard Cost	No	Yes		2/25/2022	

# Cost price maintenance



## Review variances

- Identify inaccurate standards
- Investigate processes with high variability



## Calculate planned costs

- Simulate cost changes
- Estimate sales prices



## Review planned costs

- Find anomalies
- Correct where needed



## Calculate standard costs

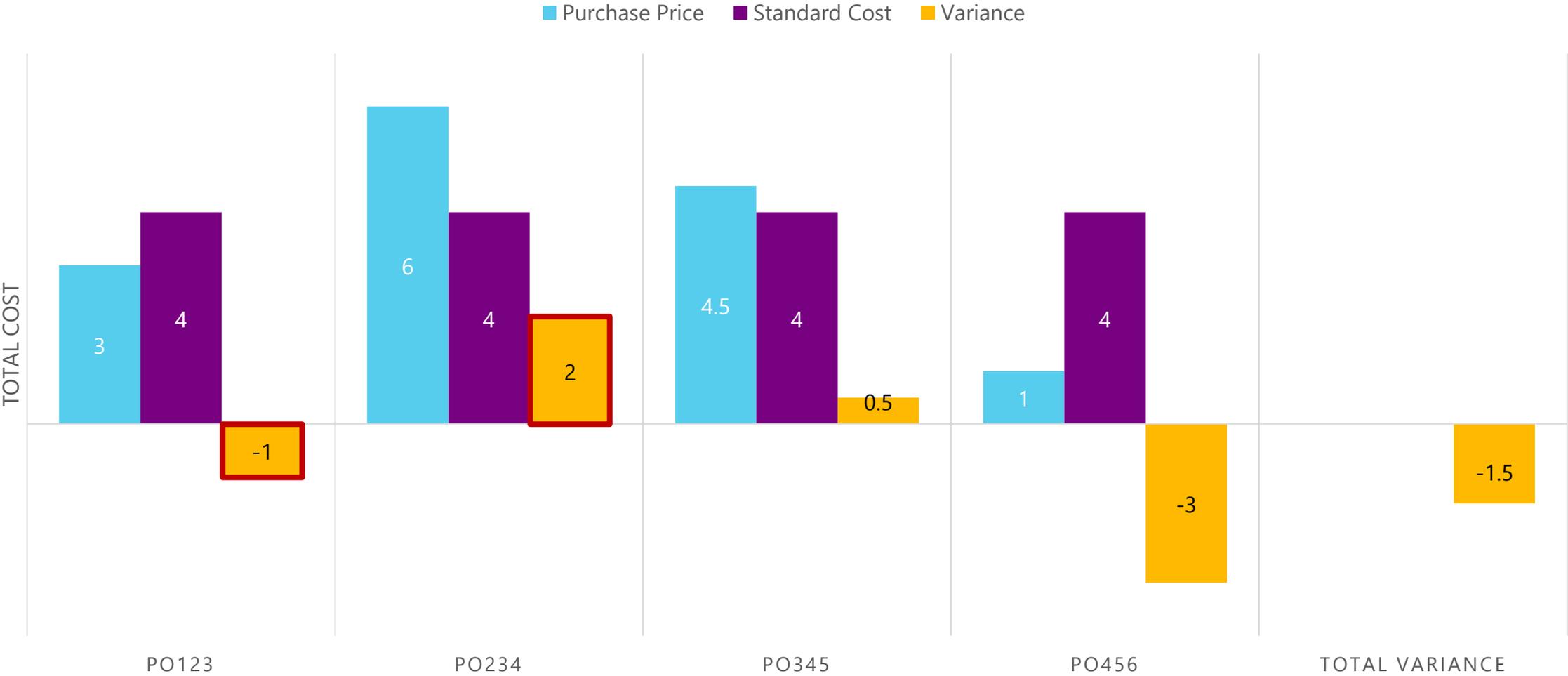
- Copy item prices
- Block costing version
- Activate costs

# Standard cost variance analysis

Rachel Profitt



# Purchase price variances



# Purchase price variance voucher example

Subledger journal | 65421 : 1003

Standard view \* ∨

<input type="text" value="Filter"/>	Accounting event	Accounting date	User							
	<input type="text" value="Original"/> <span>∨</span>	<input type="text" value="2/28/2022"/>	<input type="text" value="Admin"/>							
Subledger ...	Ledger name	Posting type	Ledger account	Transactio...	Debit	Credit	Accounting c...	Reporting ...	Accounting c...	Reporting ...
07722	USMF	Cost of purchased materials received	140200---	USD	4.00	0.00	4.00	4.00	0.00	0.00
07722	USMF	Purchase expenditure, un-invoiced	600180----	USD	6.00	0.00	6.00	6.00	0.00	0.00
07722	USMF	Purchase expenditure, un-invoiced	600180----	USD	0.00	6.00	0.00	0.00	6.00	6.00
07722	USMF	Purchase, accrual	200140---	USD	0.00	6.00	0.00	0.00	6.00	6.00
07722	USMF	Purchase price variance	510310----	USD	2.00	0.00	2.00	2.00	0.00	0.00

# Purchase price variance account

My view ∨

## Posting

Sales order   Purchase order   Inventory   Production   Standard cost variance

Select

- Purchase price variance
- Inventory cost revaluation
- Cost change variance
- Production lot size variance
- Production price variance
- Production quantity variance
- Production substitution variance
- Rounding variance

<input type="radio"/> Item code	Item relation	Cost code	Cost relation	Main account
<input type="radio"/> All		All		510310

# Demo – Variance analysis statement



< March 2022 >

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- Work items assigned to me ^
- Cash advance request : Record ret...
  - Expense reports : Record returned
  - Expense reports : Expense report a...
  - Cash advance request : Cash advan...
  - Approve travel requisition
  - Expense reports : Expense report a...

Bank management	Customer payments	Master planning
Benefits	Data management	My business processes
Budget planning	Data validation checklist	Optimization advisor
Business document management	Electronic reporting	Outbound work monitoring
Business processes for human resources	Employee self service	Outbound work planning
Business processes for payroll	Expense management	Payroll management
Cash flow forecast	Feature management	Personnel management
Cash overview - all companies	Financial analysis - all companies	Product readiness for discrete manufacturing
Cash overview - current company	Financial analysis - current company	Product readiness for process manufacturing
Compensation management	Financial period close	Product variant model definition

Variance analysis statement

Parameters

**DATE INTERVAL**

Date interval code: pp

From date: 2/1/2022

To date: 2/28/2022

**SORTING AND GROUPING**

Sorting and grouping: Item

**COLUMN HEADINGS**

Column headings: Cost group type

**DETAIL**

Detail: No

Level: Total

**VIEW**

Configuration:  No

Size:  No

Color:  No

Style:  No

Site:  No

Warehouse:  No

Location:  No

Inventory status:  No

License plate:  No

Batch number:  No

Serial number:  No

# Analyze costs for a purchase order

00000627 : ADE SUPPLY COMPANY | Standard view ∨

## Product receipt journal

Overview Lines

[View charges](#) [Inventory](#) ∨ [Unposted invoices](#) [Purchase cost transactions](#) [Purchase indirect cost](#) [Distribute amounts](#)

<input type="radio"/>	Purchase order	Line number	Item	Procurement category	Description	Site	Warehouse	Ordered	Received	Amount
<input type="radio"/>	00000627	1	COST50		Standard Cost Item	1	11	10.00	10.00	60.00

COST50 : STANDARD COST ITEM | Standard view ∨

## Cost transactions

Overview [General](#) [Costing](#) [Costing sheet](#)

<input type="radio"/>	Type	Purchase order	Item/Resource	Amount	Cost amou...
<input type="radio"/>	Purchase	00000627	COST50	39.20	
	Surcharge	00000627	% of purchase price	0.80	

# Resources and recommendations

Anne Krupke



# DO's and DON'Ts

## DO's

- ✓ Block activation after final costs are activated
- ✓ Block cost creation when calculations are complete
- ✓ Prioritize flexibility and maintainability of costing sheet
- ✓ Establish a periodic process for maintenance and update of standard costs
- ✓ Run cost calculations for large sets of items using batch processes

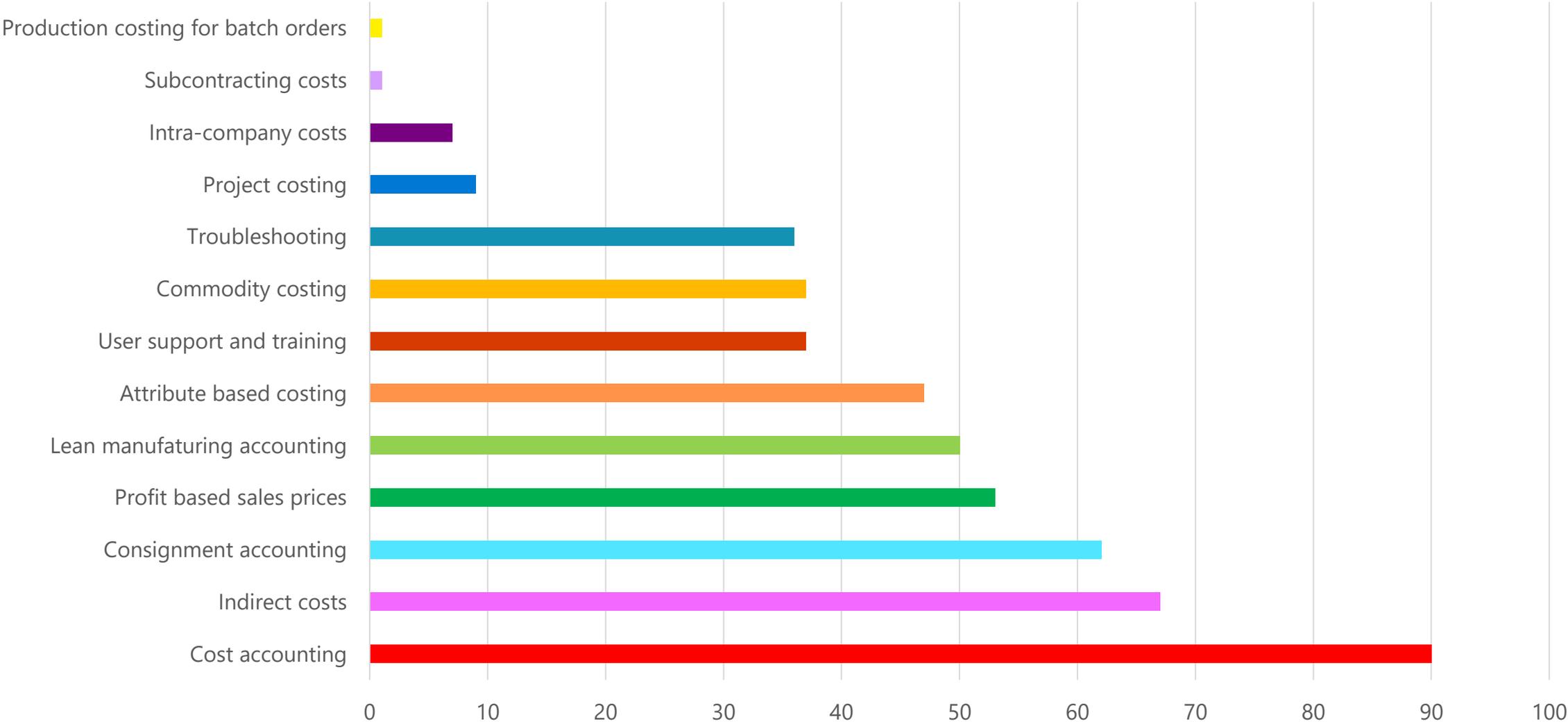
## DON'Ts

- ⊗ Implement standard cost if it is not allowed in your region
- ⊗ Use fixed receipt price as a replacement for standard cost
- ⊗ Make too many costing groups
- ⊗ Update your standard cost more frequently than necessary
- ⊗ Forget to assign cost groups to all items and resources/groups
- ⊗ Omit cost groups from the cost sheet

# Additional resources

- [Part 1: Inventory Accounting Setup in Dynamics 365 Supply Chain Management | February 15, 2022 - Microsoft Dynamics Blog](#)
- [Cost management home page - Supply Chain Management | Dynamics 365 | Microsoft Docs](#)
- [Yammer : Finance and Operations Insider Program : Cost Accounting & Cost management : All Conversations](#)
- [Ideas List \(dynamics.com\)](#)
  
- [Standard cost conversion overview - Supply Chain Management | Dynamics 365 | Microsoft Docs](#)

# Vote on additional sessions at [aka.ms/D365CostingTechTalks](https://aka.ms/D365CostingTechTalks)



**What does the accountant  
do in his free time?**

He journals!!! HAHAHA





**QUESTIONS**

Dankie Faleminderit **Shukran** Chnorakaloutioun Hvala Blagodaria  
Děkuji **Tak** Dank u **Tānan** Kiitos **Merci** Danke Ευχαριστώ A dank  
Mahalo הודות. **Dhanyavād** Köszönöm Takk Terima kasih **Grazie** Grazzi

# Thank you!

감사합니다 Paldies Choukrane Aċiū Благодарам ありがとうございます  
谢谢 Баярлалаа **Dziękuję** Obrigado Mulțumesc **Спасибо** Ngiyabonga  
Ďakujem **Tack** Nandri **Kop khun** Teşekkür ederim Дякую Хвала Diolch