

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.

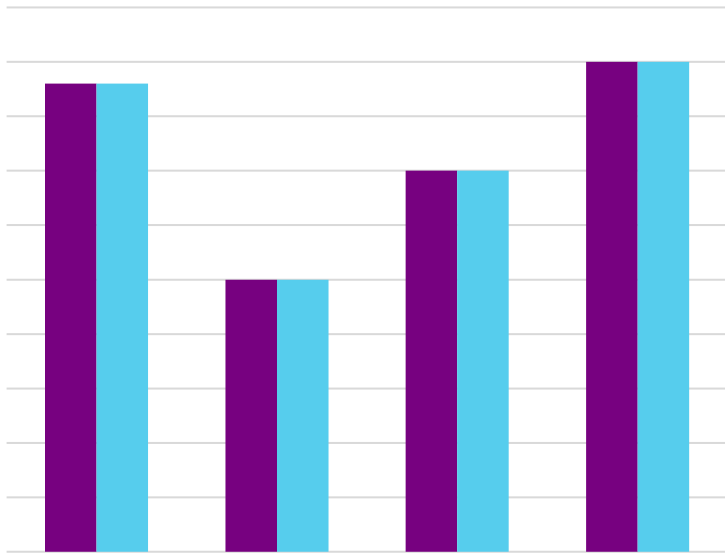
Standard costing

Anne Krupke

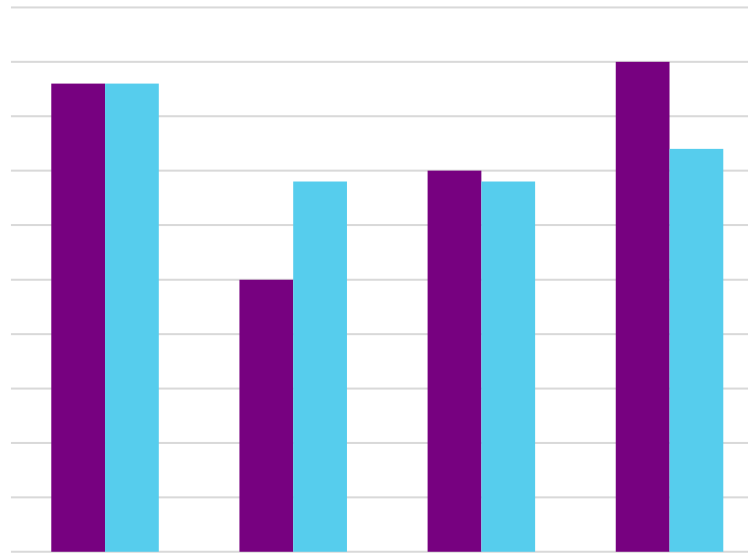


Costing strategies

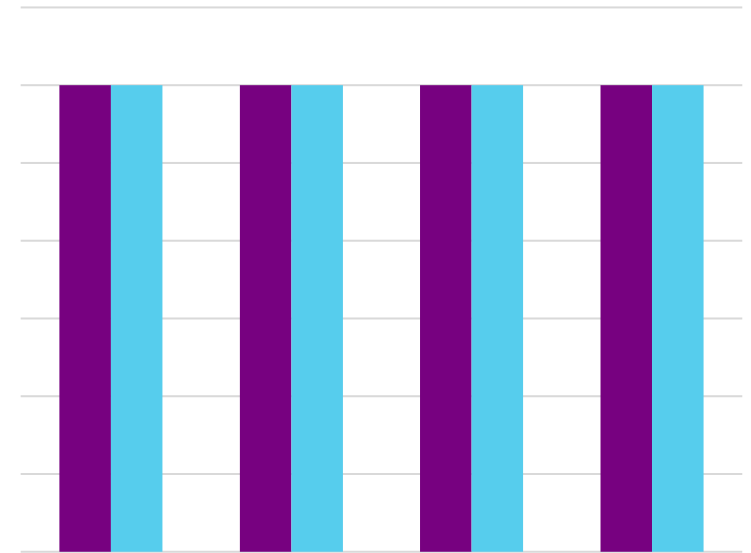
Actual Costing



Average Costing



Standard Costing



■ Receipt Cost ■ Issue Cost

What is standard cost?



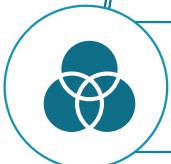
Predetermined cost used on every transaction



Based on past experience



Typically set annually

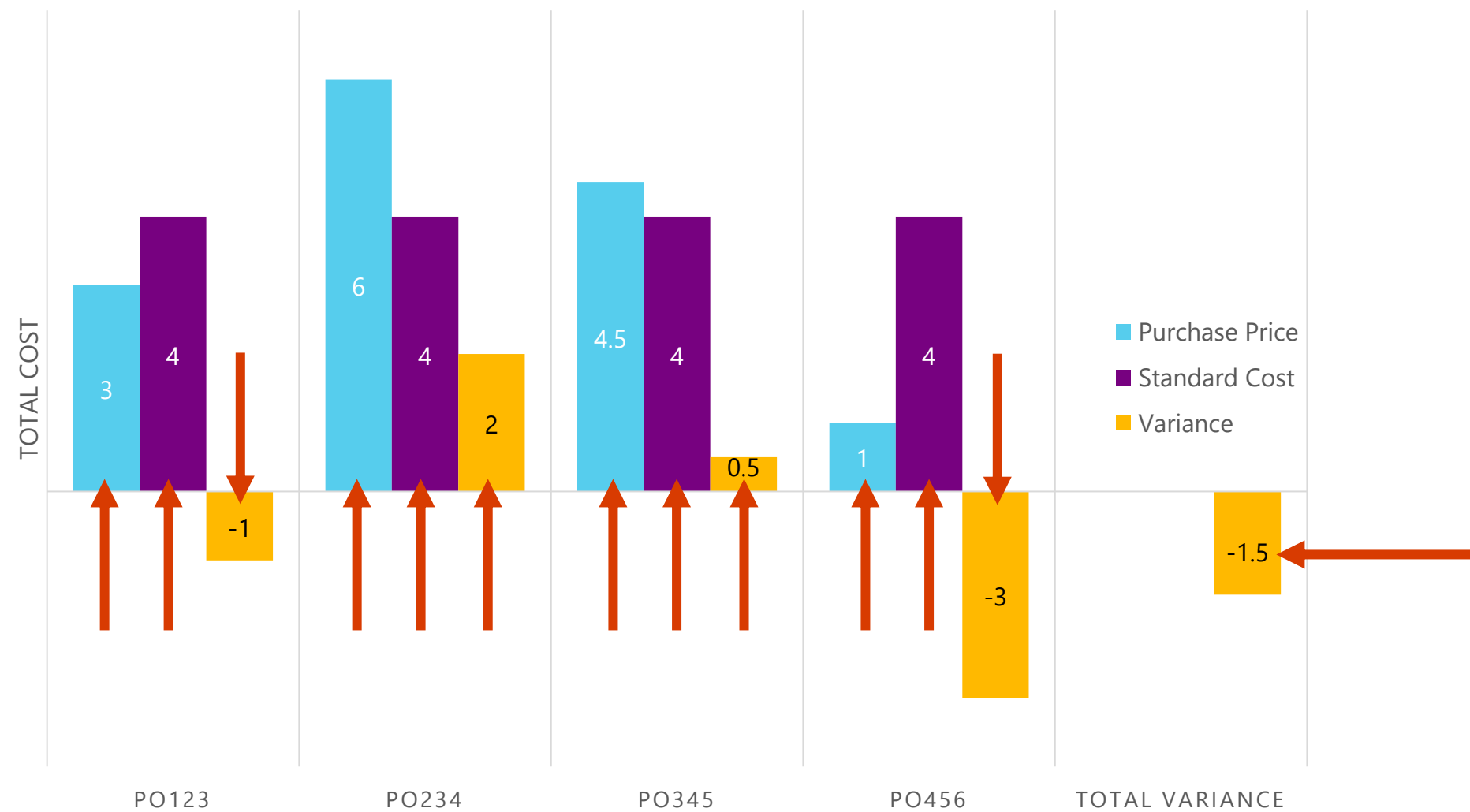


Periodically compared to actual costs



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?



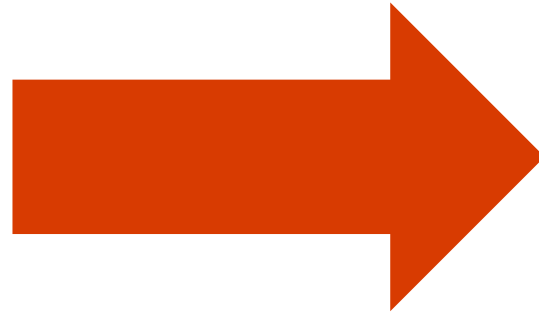
Do different items behave differently?

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



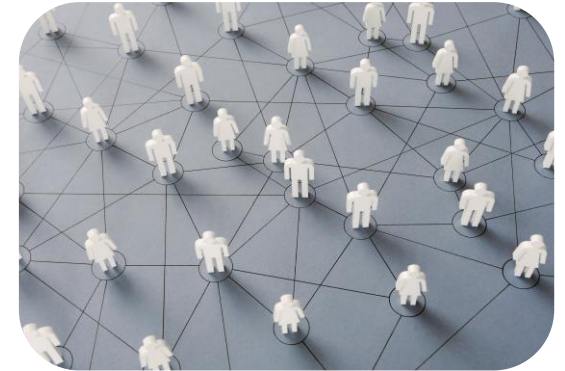
Calculation
method



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

Standard view 

Edit

Code

COC - M1

Description

Fabirc

Cost group

Cost group

M1

Cost group type

Direct materials

Behavior

Cost activation and maintenance

Anne Krupke



Costing version

The screenshot shows the 'Costing version' overview page in Dynamics 365. Red boxes highlight the following elements:

- Price dropdown menu:** Contains 'Item price', 'Cost category price', and 'Indirect cost'.
- Costing type column:** Lists 'Standard cost', 'Standard cost', 'Planned cost', and 'Standard cost'.
- Block and Block activation columns:** Shows 'No' for all entries.

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

The screenshot shows the 'Calculation groups' form in Dynamics 365. The left sidebar contains a filter bar and a list of calculation groups, with 'STD' selected. The main area is titled 'Calculation groups' and shows the 'STD' group selected. The form is divided into three sections: 'General', 'COST PRICE', and 'SALES PRICE'. The 'General' section includes a 'Name' field with 'STD' entered. The 'COST PRICE' section has fields for 'Cost price model' (set to 'Item cost price') and 'Alternate cost price model' (set to 'Item cost price'). The 'SALES PRICE' section has a 'Sales price model' field (set to 'Cost group') and an 'OTHER' section with a 'Stop explosion' toggle set to 'No'. The 'WARNINGS' section includes checkboxes for 'No BOM', 'No route', 'No resources', 'No consumption', and 'No cost price', all of which are unchecked. At the bottom, there are fields for 'Max. age of cost price' (set to '0') and 'Min. contribution margin' (set to '0.00').

Standard view ▾

Calculation groups

Calculation group Name

STD STD

General

COST PRICE	SALES PRICE	WARNINGS
Cost price model	Sales price model	<input type="checkbox"/> No BOM
<u>Item cost price</u>	<u>Cost group</u>	<input type="checkbox"/> No route
Alternate cost price model	OTHER	<input type="checkbox"/> No resources
<u>Item cost price</u>	Stop explosion	<input type="checkbox"/> No consumption
	<input checked="" type="radio"/> No	<input type="checkbox"/> No cost price
		Max. age of cost price
		<u>0</u>
		Min. contribution margin
		<u>0.00</u>

Demo – Calculate an item price

Standard view

Filter

Overview General Recording Calculation

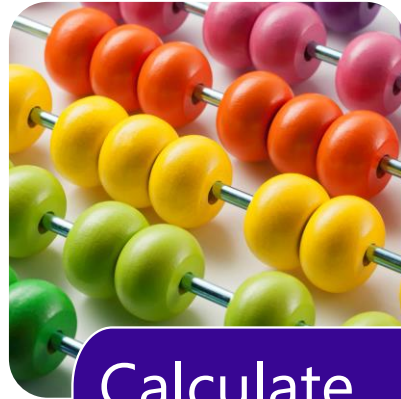
Costing type	Version	Name	Block	Block activation	Last activation	Last update
<input checked="" type="radio"/> Standard cost	10	2022 Standard Cost	No	No	1/20/2017	3/7/2022
<input type="radio"/> Standard cost	15	2022 Standard Cost Revisions	No	No	2/25/2022	3/2/2022
<input type="radio"/> Planned cost	20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

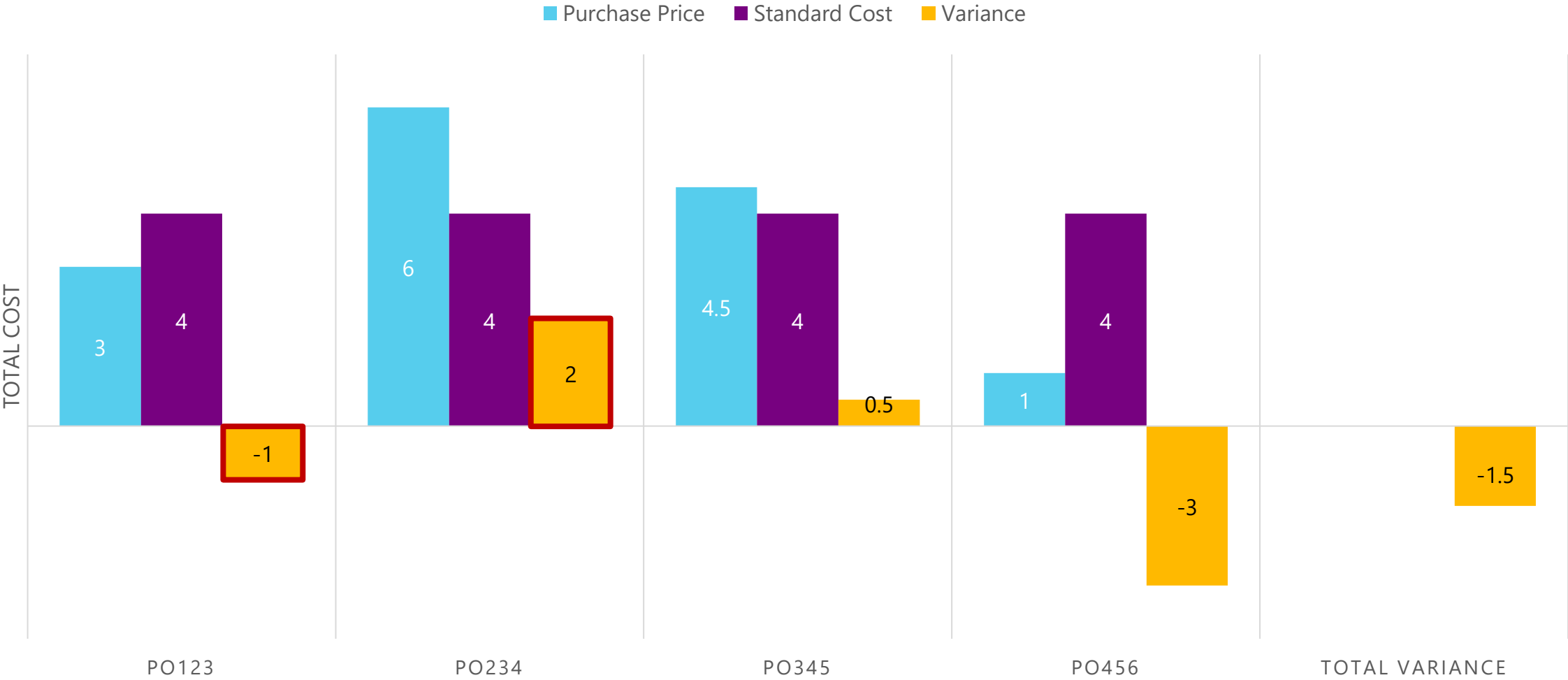
- Copy item prices
- Block costing version
- Activate costs

Standard cost variance analysis

Rachel Profitt




Purchase price variances




Purchase price variance voucher example

Subledger journal | 65421 : 1003

Standard view * 

Filter		Accounting event	Accounting date	User						
		Original	2/28/2022	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

USMF



< 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 checked="" 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 checked="" 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

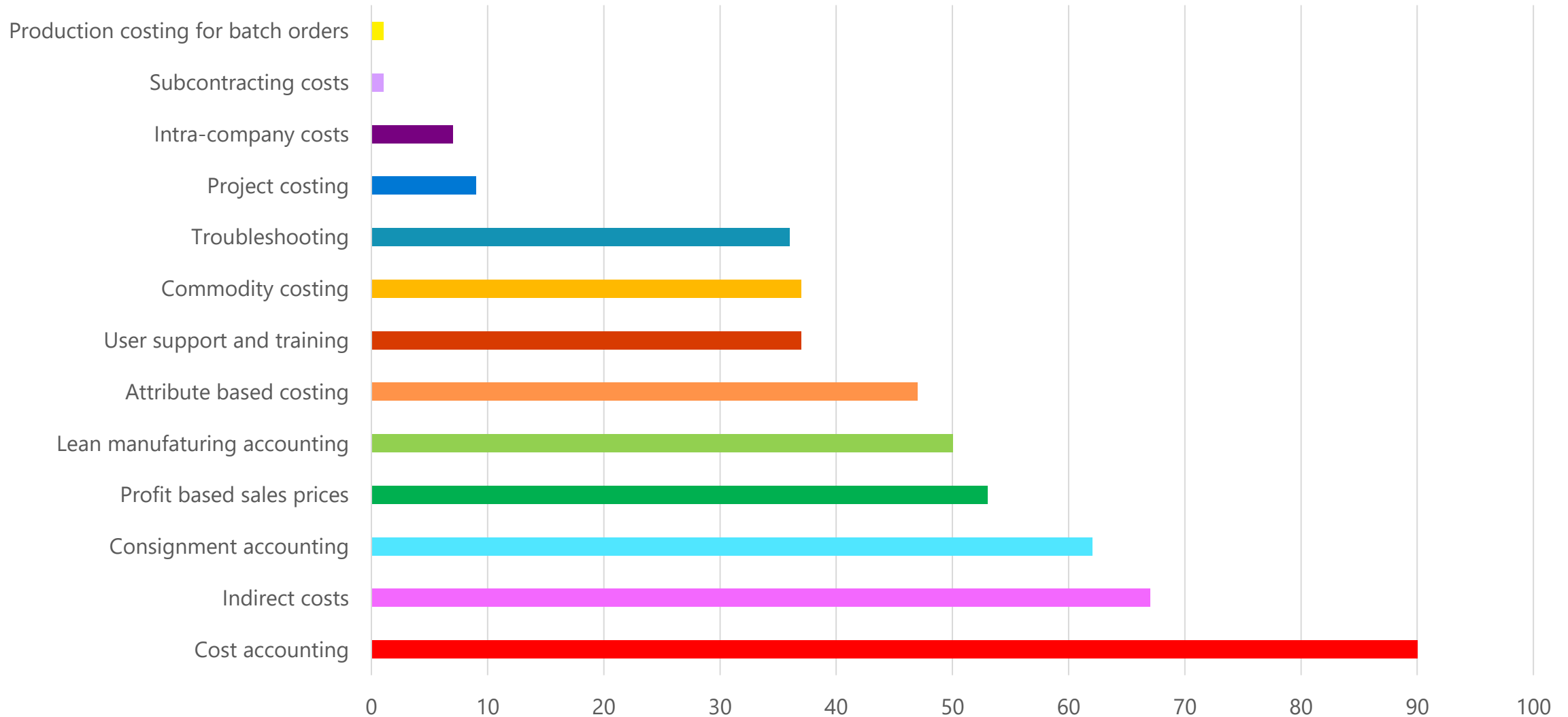
DON'Ts

- ⊗ 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



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

He journals!!! HAHAHA





QUESTIONS

Dankie Faleminderit **Shukran** Chnorakaloutioun Hvala Blagodaria

Děkuji **Tak** Dank u Tänan Kiitos **Merci** Danke Ευχαριστώ A dank

Mahalo ἡΤΙΠ. **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