

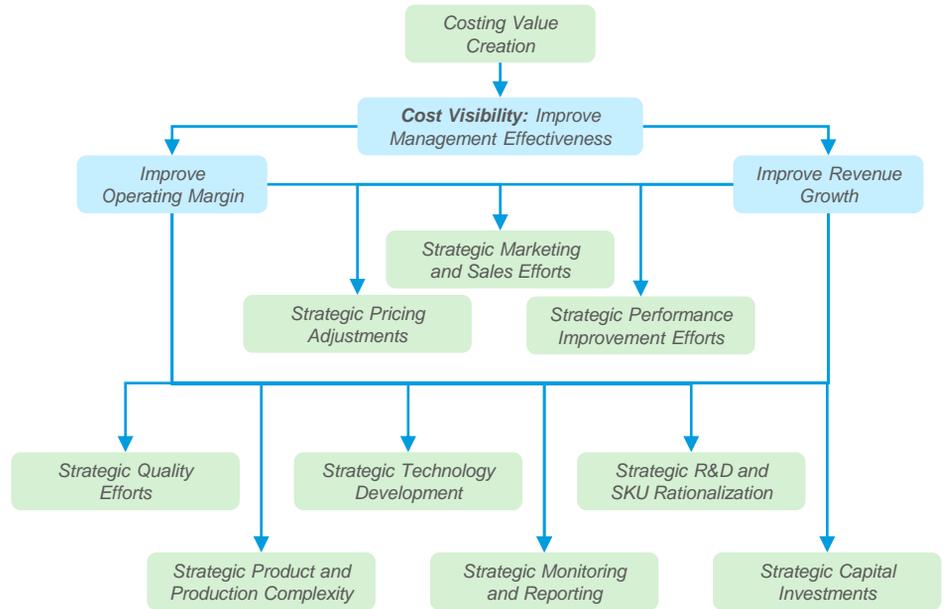
# Product Costing

## Key Benefits

- Cost Data Transformation
- Improved Management Effectiveness
- Product Cost Visibility
- Customer and Product Profitability Capabilities
- Improved Pricing Capabilities
- Pocket Margin Transparency
- Margin Improvement Visibility



A more proactive, holistic approach to product costing coupled with the utilization of a platform like Microsoft's Dynamics 365 for Supply Chain enable companies to *improve product margin and enhance management capabilities.*



## Data Structure



- Define work cells and corresponding work centers for each plant
- Develop BOM to include scrap & yields, freight in and out
- Develop routing operations to capture product movements

## Methodology



- Define costing methodology with recurring adjustments
- Set rates for labor and manufacturing burden, by item class
- Create cost pools by work center and work cell

## Cost Capture



- Implement and formalize processes to report actual production against estimates.
- Report on quality related defects with codification for type of defect
- Absorb intra-company transfer costs between facilities

## Reporting & Monitoring



- Implement and formalize management reporting

## Technology



- Define structure in alignment with core functionality
- Enable integration for costing methodology and recurring adjustments

## Product Family / Product Type

Product stratification to enable better product profitability analyses and assist in allocating costs more accurately.

## Raw Material Cost

Actual raw material **landed costs**, via a FIFO method upon consumption, presents a more accurate view of true cost

## Channel & Promotional Overhead

Labor and burden rate, by product type, built into the routing for each item to account for variation in channel requirements and value add services

## Cost of Quality & Freight

Visibility, via variances, into volume and cost of scrap, absorbed into cost of goods. Allocation of freight transfer & outbound freight by channel / product family

## FG Cost

A stable cost methodology that will enable informed business decisions

