



Product Costing — Best Practices

By Heering Ligthart

E1 W Editor's Note: There's so much to think about with product costing: the amount of detail you'll need, maintaining master data, variances...the list can go on. This article by Heering Ligthart discusses some key topics for managing Product Costing efficiently. He'll cover best practices in costing security, using "Last In" calculation, working with multiple branches, and finally recording and finding historical costs.

Introduction

I have implemented JD Edwards Manufacturing and Distribution modules at several companies and have found that there are always questions surrounding product costing setup. Cost components are essential for controllers to determine the costs for manufactured items. This raises some questions. For instance, how much detail regarding product cost do you want to keep? And how will you maintain the master data on product cost, keeping the different cost variances within boundaries and to a minimum keep the costs in line with reality?

This article highlights key topics for managing Product Costing using JDE, while keeping the costing understandable. Although the scenarios used in the article all contain a manufacturing branch with different distribution branches, most topics are applicable to distribution branches as well. While cost price programs and batches are mentioned throughout the article, they are not explained in detail. We'll cover:

- **Secure Costing:** Look for security issues, such as where and by whom costing is updated, as well as closing "back doors".
- **"Last in" Calculation:** Use Procurement master data to support the product costing.
- **Working with Several Branches:** Maintain costing by properly using batches.
- **History of Costs:** Record history and more important, find historic costs quickly and easily.

The basic Product Costing functionality has stayed the same for several versions now; thus this article applies to multiple versions of JD Edwards. The screenshots used are from JD Edwards EnterpriseOne 8.12.

Secure Costing

Companies that use the Manufacturing module get an extra dimension in Product Costing: the cost components. The Cost Revision or Cost Ledger represents a value of an item, where the Cost Components are elements of that value, like material, labor, or overhead costs. The sum of the cost components should be equal to the cost ledger of that item, which is visible in the standard Cost Components. See Figure 1.

Simulated		Manufactured		Branch/Plant	
Item Number	201.210			B0	
Unit of Measure	EA	Each		Simulated	136.4208
Cost Method	05	Future		Frozen	136.4208
Stocking Type	6	Stock End-Item		Cost Ledger	135.0000

Records 1 - 8							
Cost Type	Description	Simulated Net Added	Simulated Total	Sim Fac Code	Simulated Factor	Simulated Rate Code	Simulated Rate

Figure 1: Cost Components

When there is a difference between the cost revision and the sum of the cost components, financial variances occur between the manufacturing journal entries and the stock value. These are different from the variances generated by the WO Variance Journal Entries (R31804), which are common and a result of the manufacturing process. Differences between the F30026 and the F4105 will result in different stock value bookings from the Manufacturing module using the cost components and the logistic stock transaction using the cost revisions. In plain text, completion of item A will be done at value X and the same product is shipped out for value X+1. As a result, the stock value for "1" is lost somewhere.

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