

Product Costing...an Enabler of success?

With macs, most definitely! Price pressure is mounting, global competition is rife, quality and process improvements have been achieved in the 90's and now customers source their products from the lowest cost supplier....

What are you to do? For one, you need to be *incredibly accurate* in what your products and services are *costing*. Inaccurate cost components could cost you dearly: continued support of loss making products, revenues lost, inaccurate bids on new tenders... Bills of material need to reflect components used in the factory, input quantities need to be accurate and sufficient allowance needs to be made for component waste as well as scrap/rejects. Routings need to reflect process steps in the factory, resource and capacity requirements must be based on achievable standards based on best practice.

Mission Critical to *deeply understand the cost structure* of your products and services, not only to weed out the leaders from the laggards but also for:

- benchmarking against the competition
- identifying own strength and weaknesses
- identify source of profits

Flexibility, Speed, as circumstances change overnight, you need to *react quickly*, if forecast sales quantities change how soon can you calculate a new accurate estimate of your product cost? One hour, one day, three days, three weeks, never? "Too late, things have changed again, let's just take the budget figures"....hardly a recipe for success...

Our **Product Costing offering** for Make to Stock (MTS) as well as Make to Order (MTO) processes is the most comprehensive, integrated, flexible and responsive offering in the market. It will not take you days to recalculate your product costs for 5000 products, not even hours, only minutes. We offer a *depth of functionality* not equaled by the leading ERP systems, in fact majority of our customers are leading ERP clients...



As Prof. Robert Kaplan says, *Different costing views are necessary, therefore One Costing System is not enough*"

macs is able to offer the following Costing Systems:

Target Costing: For simulation / determining the acceptable input cost at a given market price.

Quotation Costing: What selling price do I need in order to meet a specific profit objective?

Standard Costing: Setting standards on BOM and process routings, performance targets and plant utilization within the budgeting process to derive at a business plan. Simulation of varying / alternative standards within the scenario creation process. Ability to vary planned purchase prices of materials by period

Actual Costing: Compare how actual costs deviate from standard, determine best basis for profit plan. Apply actual material prices and actual cost center activity rates.

macs Product Costing: Flexible, Adaptive, Accurate, Quick to React:

- Integration with sales and overhead costing system enabling quick turnaround of new sales forecasts into new accurate product cost estimates
- Ability to perform multiple valuations of the same product
- Ability for single material/raw material to have different forecast prices per period
- Easy change of material number possible without loss of historical data.
- Multiple Costing views whereby individually defined rates per valuation system can be applied
- Numerous Costing status' within each valuation system enabling control of releasing of new standards
- Ability to back-flush different versions of production and sales quantities
- Marginal and Full Cost determination can take place simultaneously

Product Cost Estimate		Date: 03.11.2005 18:53		
Actual 01 2005		User: MACS / Client: SBH		
01.05.2005		Page: 1		
Item Code:	AA00960 Product 4711 [A]	Standard		
Bill of Material No.:	AA00960 S1			
Routing No.:	AA00960 V2			
Costing quantity:	1.00000	Lot Size:	1,000	
Number	Description	Var. Cost	Fixed Cost	Full Cost
11	Cotton Fibres	3.79365	0.00000	3.79365
13	Process Chemicals	0.50806	0.00000	0.50806
15	Dyes	2.57106	0.00000	2.57106
17	Chemicals	1.95492	0.00000	1.95492
Material Cost		8.82769	0.00000	8.82769
01	Wages incl Benefits	1.48584	0.00493	1.49077
02	Salaries incl Benefits	0.00756	0.29100	0.29856
03	Maintenance	0.61312	0.00000	0.61312
04	Consumables	0.10317	0.00000	0.10317
10	Sundry Expenses	0.00426	0.00000	0.00426
11	Secondary Cost Elements	2.13178	2.53408	4.66586
Process Cost		4.34573	2.83001	7.17574
Manufacturing Cost		13.17342	2.83001	16.00343
ADMIN	Administration O/H	0.00000	1.22777	1.22777
SALES	Sales O/H	0.00000	0.98595	0.98595
Cost of Sales		13.17342	5.04373	18.21714

- Manufacturing cost measurement of actual versus target in repetitive manufacturing
- Detailed variance analysis – various variance categories available
 - Ensures quality Bill of Materials (BOM's) by comparing the standard and actual material quantities consumed.
 - Ensures quality Routings and processing standards being applied by back-flushing production based on standards and comparing them to the actual usage of resources.
- Product Costing integrates to Sales and Marketing Controlling enabling product contribution analysis.
- Cost Center Activity rates are automatically drawn from Cost Center Accounting module which is used for overhead management, where rate calculation takes place and the split between fixed and variable portions of the rate is determined.

Technical Requirements

- Server: Pentium Processor: > 2GHz, RAM 2GB
All relational DB's e.g. SQL Server, Oracle, Informix
Operating systems: Windows NT or Unix
- Client: Pentium Processor: >1GHz, RAM 1GB
Operating systems: Windows NT, Windows 200X, Windows XP



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