



Activity Based Costing

Objective

To associate elements of overhead cost to those products that cause them by applying the cost at the points of transition in the procurement, manufacturing and sales cycle.

The Value of Activity Based Costing

- Adopt a migration approach, recovering additional overheads according to an implementation plan
- Attach user-defined elements of costs to transition points in the purchase, production and sale of products
- Appropriate pre-production costs as stock is received from purchasing
- Apportion manufacturing costs as stock is received from Work in Progress
- Distribute post-production costs through cost of sales as the final item is invoiced
- Calculate single batch or item based activities

Matching Activity Based Costing to your business

- Define the cost elements required that are to be allocated to stock
- Assign the drive quantities for each element
- Run Activity Based Costing parallel to traditional costing during implementation
- Estimate appropriate recovering rates using system-generated estimates

Integration

- Integrates with the following modules:
 - Bill of Materials (Essential)
 - Inventory (Essential)
 - General Ledger
 - Sales Orders
 - Purchase Orders
 - Work in Progress

Audit trails and reporting

- The ABC costing variance account is designed to accumulate rounding errors that can arise during processing of a receipt into stock
- The Recoveries Estimate Report program produces a report of the expected overhead recoveries relative to the quantity of the stock item processed
- The ABC Analysis Report program prints a report listing of all the recoveries made against various elements according to a specific ledger period or all ledger periods

