

## Inventory Lot Costing and Pricing

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### **Purpose of this document**

This document explores how to record costs and associated inventory on a lot basis rather than an item basis.

**As of Ceres 4.50.00; Lot Costing is required, Item based costing is no longer available.**

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## Purpose

Due to fluctuation in costs related to purchased product, the rapid turnover of inventory, and the association of charges for product relative to the cost of those items, it is more representative for food banks to record costs and the associated charges for distribution of Inventory on a Lot basis instead of an Item basis.

Additionally, some food banks have a donor requirement to charge the Agency the exact cost for the case of purchased product. Since that cost can vary by individual Lot purchase, it is important that the exact cost must flow through to the Agency at the time the Agency Invoice is provided.

*Ceres object release 4.50.00 is required for the functionality documented in this procedure.*

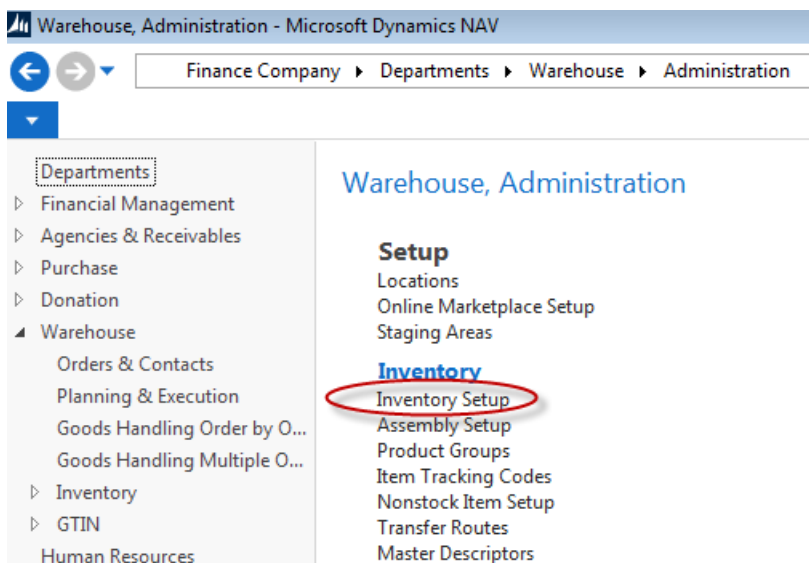
**As of Ceres 4.50.00; Lot Costing is required, Item based costing is no longer available. The rest of this procedure document describes how Lot Costing affects certain transactions.**

## Setup

Lot costing and pricing is outlined below. As lot costing is always enabled, no setup is required.

## Inventory Setup

1. The Inventory Setup form can be accessed from Departments → Warehouse → Administration → Inventory → Inventory Setup.



2. Lot Costing is always enabled and required. In addition, it is recommended that both the Automatic Cost Posting and Expected Cost Posting fields be checked, and the Automatic Cost

Adjustment field set to Always. These settings will insure that costs are as accurate as possible at the time of product distribution to an Agency.

## Inventory Setup

General			
Automatic Cost Posting:	<input checked="" type="checkbox"/>	Prevent Negative Inventory:	<input type="checkbox"/>
Expected Cost Posting to G/L:	<input type="checkbox"/>	Copy Comments Item Jnl.:	<input checked="" type="checkbox"/>
Automatic Cost Adjustment:	Always	A2H Inventory Value:	1.59
Average Cost Calc. Type:	Item	Max. Pick Labels per Item :	2
Average Cost Period:	Day	Allocated Qty Remaining Action:	
Copy Comments Order to Shpt.:	<input checked="" type="checkbox"/>	Residual Alloc. Jnl. Template:	ALLOC
Copy Comments Order to Rcpt.:	<input checked="" type="checkbox"/>	Residual Alloc. Jnl. Batch:	RESID
Outbound Whse. Handling Time:		Qty. Available Calc. Method:	All Calculation Components
Inbound Whse. Handling Time:		Pallet No. Required Default:	<input type="checkbox"/>

Selecting Automatic Cost Posting will automatically post to the inventory account, adjustment account and COGS account in the general ledger when posting items from a document or journal. Selecting Expected Cost Posting will post expected costs to interim accounts. Expected costs are a preliminary cost that you expect to appear on an invoice from a vendor.

Expected costs are posted when you receive the item, prior to Invoicing the Purchase Order. Once the actual invoice is received from the vendor, the user would adjust the Direct Unit Cost Excl. Tax to the correct amount, if necessary, and then post the Purchase Order as Invoiced.

In addition, since Lot Costing is required, it is important that the Calculate Agency Fees from field on the Agencies Receivables Setup is set to Lot. This field has been defaulted to Lot and is read only.

## Item Setup

1. In Order for Lot Costing to function as designed, serialized lots must be used. A unique Lot No. series must be assigned on each Item Card. A sample setting on the Item Tracking FastTab is shown below:

Item Tracking			
Lot Nos.:	I-LOT	UNC Handling Requirement Code :	DRY
Expiration Calculation:		FBC Product Classification:	MIX
Consume by Date Calculation:		Allocation Group No. :	TEFAP-SH0312F
Ship by Date Calculation:		Permit Web Orders:	<input type="checkbox"/>
Pallet No. Required:	<input checked="" type="checkbox"/>	Product Image URL:	
FBC Product Category Code:	TEFAP-SH	UNC Product Category Code:	TEFAP
FBC Product Type Code:	MIX	UNC Product Type Code:	16
FBC Package Type Code:	KIT	UNC Package Type Code:	KIT
FBC Storage Requirement Code:	DRY	UNC Storage Requirement Code:	DRY

▼ Show more fields

2. The values entered for Handling Fee, VAP Fee, Cost Adjustment Type & Cost Adjustment Factor will determine the Unit Fees to be calculated for each new Lot and subsequently carried forward on to an Agency Order when the product is distributed. As each new Lot is created on a Purchase Order, these values are retrieved from the Item Card and stored on the Lot Card. If these values are changed on the Item Card, the new values will be used on all new Lots created.

**Note:** Any existing Open Lots will not be updated with the new values, rather the values that were saved when the Lot was created will be used to calculate the various fees on an Agency order when those Lots are distributed.

Distribution			
Costing Method:	FIFO	VAP Fee (\$):	0.00
Cost is Adjusted:	<input type="checkbox"/>	Unit Fees:	2.40
Cost is Posted to G/L:	Yes	Value Item By:	Item
Standard Cost:	0.00	Gen. Prod. Posting Group:	EPP
Unit Cost:	9.95882	Inventory Posting Group:	EPP
USDA Value:	0.00	Net Invoiced Qty.:	3,502
Overhead Rate:	0.00	Allow Invoice Disc.:	<input checked="" type="checkbox"/>
Indirect Cost %:	0	Item Disc. Group:	
Last Direct Cost:	9.95882	Gross Weight:	24
Handling Fee (per Lb):	0.10	Item Group Code:	LIMIT-10
VAP Fee (per Lb):	0.00	Agency Unit of Measure:	CASE
Cost Adjustment Type:	Percent	UNC Handling Requirement Code :	DRY
Cost Adjustment Factor:	0.00	Servings per Base UOM:	24
Handling Fee (\$):	2.40	Fee per Serving:	0.00

# Processing Transactions

## Purchase Orders

1. The first thing to be observed when entering items on a Purchase Order using Lot Costing, is that after the Item No is entered, the Direct Unit Cost excl. Tax is populated with the largest Unit Cost of all Open Lots for this Item. This amount can be edited as necessary prior to Posting as Receive or Invoice. This cost will post to the Unit Cost on the Lot Card. Second, once the Quantity is entered, a Lot No. is automatically assigned as a result of the Setup in the previous section.

Type	No.	Description	Location Code	Pallet No.	Lot No.	Bin Code	Quantity	Unit of Measure Code	Direct Unit Cost Excl. Tax	Line Amount Excl. Tax
Item	68000	Green Beans	KAN	1305-00866	LOT-03141	06-122-C	75 CASE		10.00	750.00
Item	68000	Green Beans	KAN	1305-00867	LOT-03141	06-122-C	25 CASE		10.00	250.00

## Agency Orders

1. Once an item is entered on an Agency Order, lot selection is based on FEFO (First Expired, First Out). Depending on the setup, this selection is performed on a Warehouse Document or in the case of a Shopping Area, on the Agency Order itself when Released, as shown below.

Type	No.	Description	Desc... 2	Pack Size	Available Quantity	Location Code	Zone Code	Pallet No.	Lot No.	Bin Code	Quantity	Unit of Measure Code	Unit Fees	Unit Cost (\$)
Item	68000	Green Beans		24 / 15 oz	85	KAN	DRY	1112-08528	LOT-433...	07-118-B	30 CASE		2.40	9.95882
Item	68000	Green Beans		24 / 15 oz	85	KAN	DRY	1112-08527	LOT-433...	07-117-B	85 CASE		2.40	9.95882
Item	68000	Green Beans		24 / 15 oz	75	KAN	DRY	1305-00866	LOT-03141	06-122-C	75 CASE		2.40	10.00
Item	68000	Green Beans		24 / 15 oz	25	KAN	DRY	1305-00867	LOT-03141	06-122-C	25 CASE		2.40	10.00

2. As displayed above, multiple Lots were chosen to fulfill the Quantity entered on this Agency Order. Each Lot has a Unit Cost in the amount that was entered and posted on the original Purchase Order. In addition, the Unit Fees Excl. Tax are calculated and entered automatically based on the Lot's Unit Cost and the value of the Handling Fee, VAP Fee, Cost Adjustment Type & Cost Adjustment Factor that was retrieved from the Item Card at the time of the Lot being created on the Purchase Order, as explained above under the section, Purchase Orders.

## Journal Adjustments

1. When journal entries are being used to distribute or adjust Items and their associated Lots (Negative or Positive Adjustments including Physical Inventory, Item Journal Adjustments, and Kitting Adjustment Entries) Ceres will use the associated Lot Unit Cost to assign the Unit Cost/Amount on the Item Journal Line entry. If the User attempts to adjust the Unit Cost and Lot Costing is selected, the following message appears.
- 2.

The screenshot shows a software interface with a top navigation bar containing 'HOME', 'ACTIONS', and 'NAVIGATE'. On the right side of the bar, it says 'Finance Company - Master C'. Below the navigation bar is a ribbon with several groups of icons: 'Manage' (Delete, Post, Post and Print), 'Process' (Explode BOM, Get Standard Journals..., Dimensions), and 'Page' (Refresh, Find). A yellow warning banner at the top of the main content area reads: 'Unit Cost must be 5.00 when applicable to Lot No.=LOT-02835.' Below the banner is a 'Batch Name' dropdown menu set to 'DEFAULT'. The main area contains a table with the following columns: FBC Product Category C..., UNC Product ..., UNC Notice No., UNC Donor ID Code, Department Code, Project Code, Applies-to Entry, Unit Cost, and Unit Value. The table has two rows. The first row is 'DONATED' with 'RETAILWHSL' in the UNC Product column, '0' in the Applies-to Entry column, '0.00' in the Unit Cost column, and '0.00' in the Unit Value column. The second row is also 'DONATED' with 'RETAILWHSL' in the UNC Product column, '0' in the Applies-to Entry column, '4.95' in the Unit Cost column, and '0.00' in the Unit Value column. A red 'x' icon is visible in the 'Applies-to Entry' cell of the second row.

FBC Product Category C...	UNC Product ...	UNC Notice No.	UNC Donor ID Code	Department Code	Project Code	Applies-to Entry	Unit Cost	Unit Value
DONATED	RETAILWHSL					0	0.00	0.00
DONATED	RETAILWHSL					0	4.95	0.00

3. The message appears regardless of the Entry Type selected.

## Related Topics:

1. Agency Order Overview
2. Item Overview
3. Purchase Order Overview