Item Lot Costing and Pricing

Purpose of this document

This document explores how to record costs and associated inventory on a lot basis. 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.

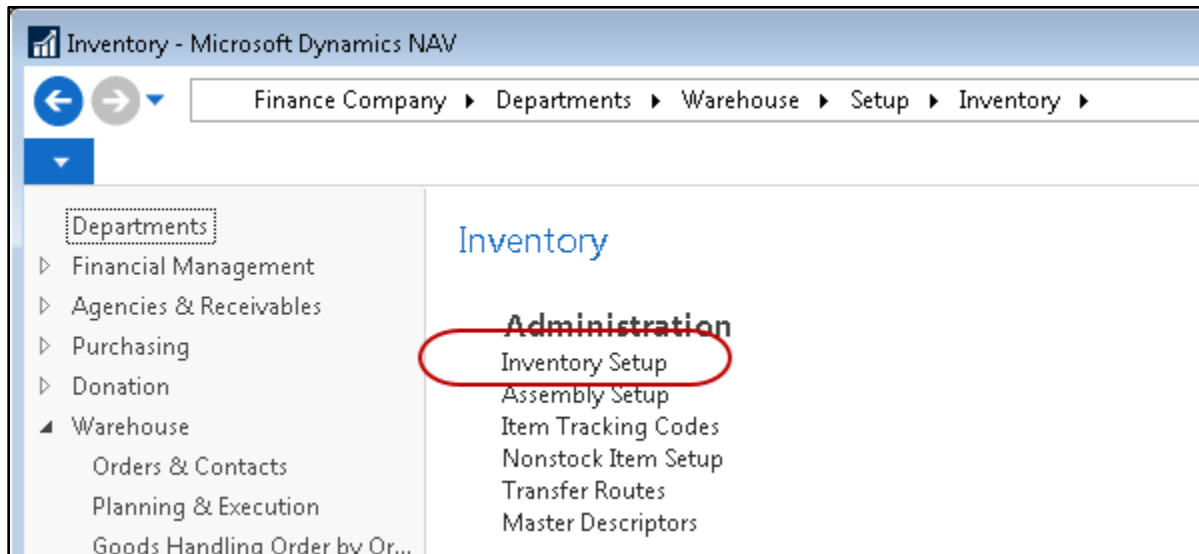*Ceres Object release 5.00.00 is required for the functionality described in this document.*

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Setup

Inventory Setup

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

2. 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.

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.

To utilize Lot Pricing, it is important that the Calculate Agency Fees from field on the Agencies Receivables Setup is set to Lot.

When changing to Lot you will receive a warning. Click 'Yes' to change the Agency Fee calcualtion mrethod.

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:

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.

Costs & Posting

Cost Details

Costing Method:	FIFO
Standard Cost:	0.00
Unit Cost:	1.38776
USDA Value:	0.00
Handling Fee (per Lb):	0.10
VAP Fee (per Lb):	0.00
Cost Adjustment Type:	Percent
Cost Adjustment Factor:	0.00
Handling Fee ($):	0.30
VAP Fee ($):	0.00
Unit Fees:	0.30
Net Invoiced Qty.:	3,663
Cost is Adjusted:	☐
Value Item By:	Item

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 last Unit Cost 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.

PO-00336 · Feeding America

General   Feeding Am

Lines

Line ▾ ⚡ Functions ▾ 🗋 Order ▾ 🔍 Find   Filter 🔻 Clear Filter

Type	No.	Description	Quantity	Location Code	Bin Code	Pallet No.	Lot No.	Lot Expiratio...	Lot Consume By Date	Lot Certificat...	Ship by Date	Tier	Height	Direct Unit Cost Excl. Tax
Item	10799P	Cereal - Cheerios	500	KAN	01-101-A ▾		LOT-04276	9/12/2020	9/19/2020		8/19/2020	10	5	9.25

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.

AO-01265 · Safehome, Inc.

General   3/12/2020 | 3/12/2020 | 4/11/2020 | Released

Lines

Line ▾ 🗋 Order ▾ 🔍 Find   Filter 🔻 Clear Filter

Type	No.	Description	Pallet No.	Ship by Date	Lot No.	Quantity	Unit of Measur...	Unit Gross Weight	Unit Fees	Line Amount Excl. Tax	Lir
Item	10799P	Cereal - Cheerios	1305-05238	8/19/2020	LOT-04274	50	CASE	11	10.64	532.00	
Item	10799P	Cereal - Cheerios	1305-05239	8/19/2020	LOT-04274	50	CASE	11	10.64	532.00	
Item	10799P	Cereal - Cheerios	1305-05240	8/19/2020	LOT-04274	50	CASE	11	10.64	532.00	
Item	10799P	Cereal - Cheerios	1305-05241	8/19/2020	LOT-04274	50	CASE	11	10.64	532.00	
Item	10799P	Cereal - Cheerios	1305-05242	8/19/2020	LOT-04274	50	CASE	11	10.64	532.00	
Item	10799P	Cereal - Cheerios	1305-05243	8/19/2020	LOT-04275	50	CASE	11	10.36	518.00	
Item	10799P	Cereal - Cheerios	1305-05244	8/19/2020	LOT-04275	50	CASE	11	10.36	518.00	
Item	10799P	Cereal - Cheerios	1305-05245	8/19/2020	LOT-04275	25	CASE	11	10.36	259.00	

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.

⊗ Unit Amount must be 9.25 when applicable to Lot No.=LOT-04275.									

Batch Name: DEFAULT ▾

	Line No. ▲	Posting Date	Entry Type	Document No.	Item No.	Description	Bin Code	Quantity	Unit of Measur...	Unit Amount
⊗		0	3/12/2020	Positive Adj...	IGJ-00310	10799P	Cereal - Cheerios	01-101-A	2	CASE	⊗ 9.27

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

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