

Costing methods in MS Dynamics

NAV XXXI. [\(Inventory Costing\)](#)

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Inventory costing overview

Why inventory accounting?

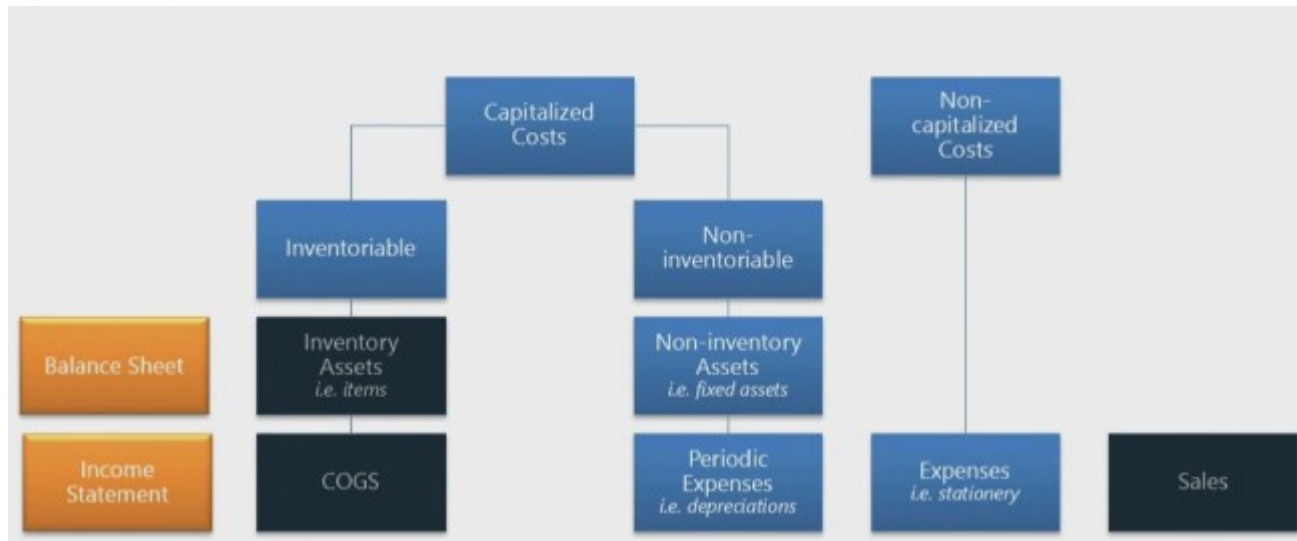


Allocate item cost to the period in which the item is sold

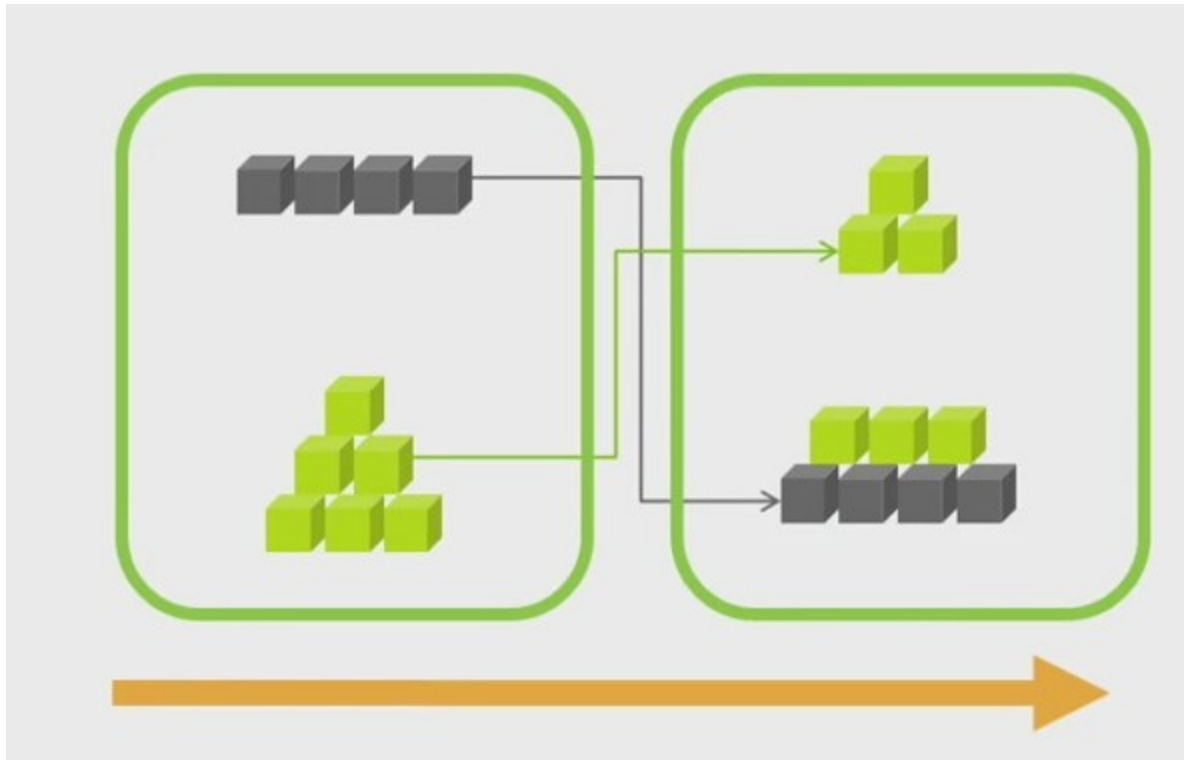
Inventory Equation



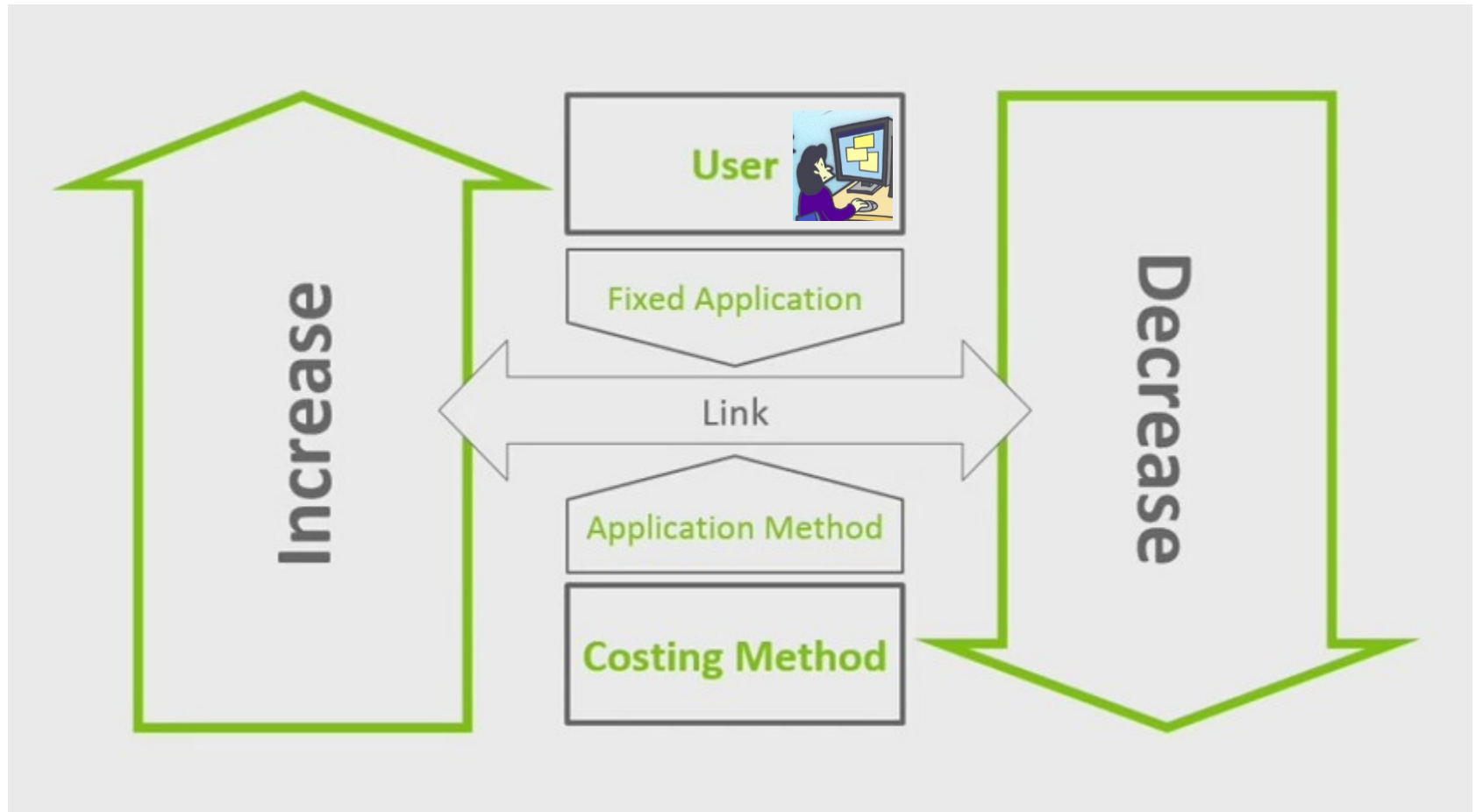
Inventory costing overview



Costing methods



Cost flow assumption



FIFO

Costing Methods

First In, First Out (FIFO)

Posting Date		Cost Amount (Actual)	Entry No.
1/1/2010		10	1
1/1/2010		20	2
1/1/2010		30	3
1/2/2010		-10	4
1/3/2010		-20	5
1/4/2010		-30	6

LIFO

Posting Date		Cost Amount (Actual)	Entry No.
1/1/2010		10	1
1/1/2010		20	2
1/1/2010		30	3
1/2/2010		-30	4
1/3/2010		-20	5
1/4/2010		-10	6

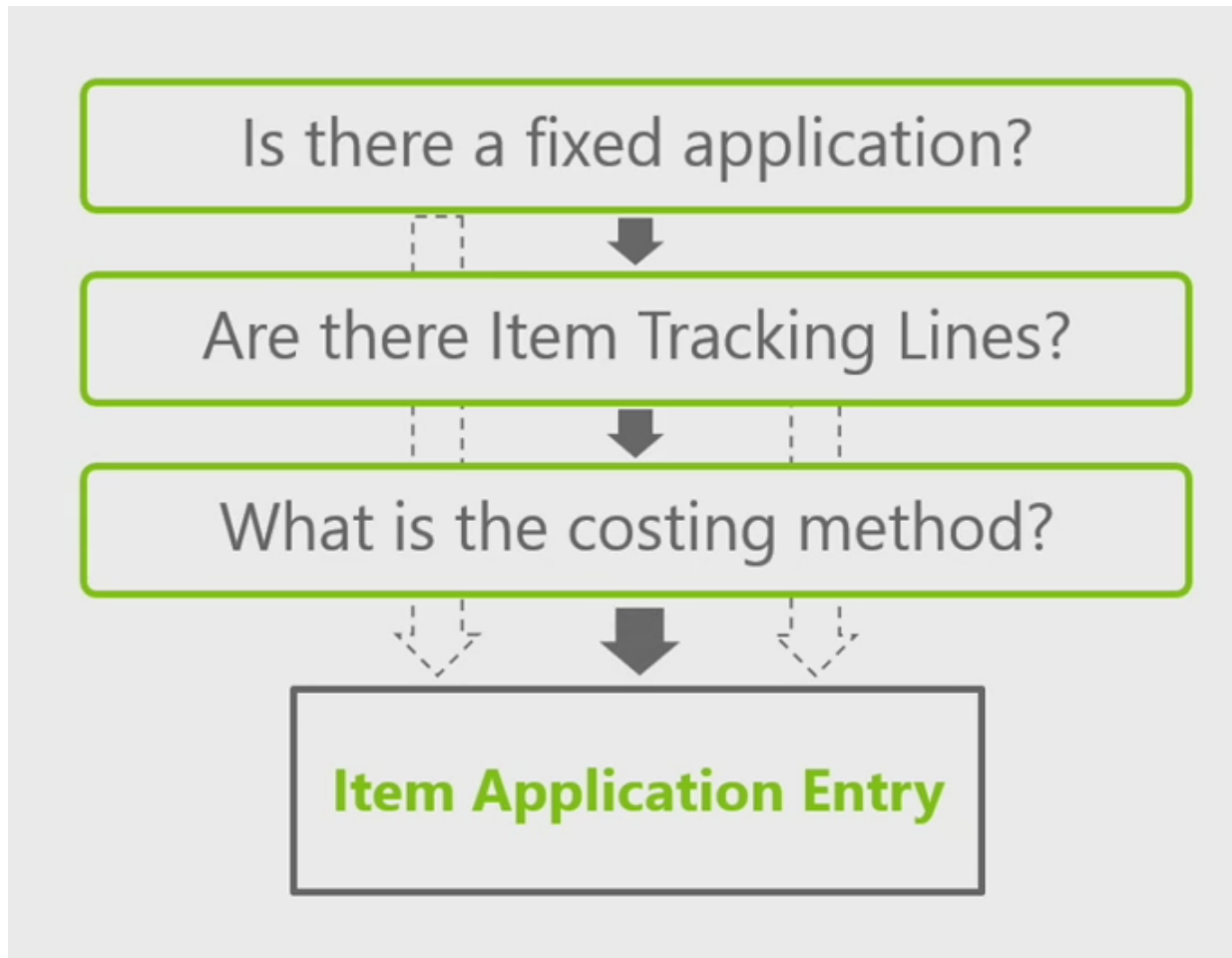
Average

Posting Date		Cost Amount (Actual)	Entry No.
1/1/2010		10	1
1/1/2010		20	2
1/1/2010		30	3
1/2/2010		-20	4
1/3/2010		-20	5
1/4/2010		-20	6

Specific (fixed application)

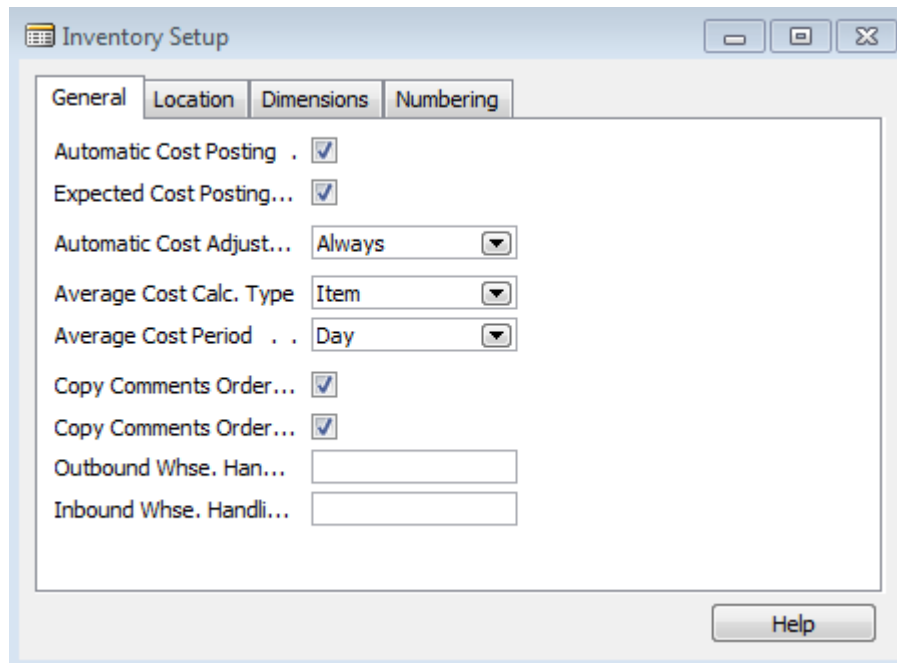
Posting Date	Cost Amount (Actual)	Entry No.	Applies-to Entry No.
1/1/2010	 10	1	
1/1/2010	 20	2	
1/1/2010	 30	3	
1/2/2010	 -20	4	2
1/3/2010	 -10	5	1
1/4/2010	 -30	6	3

Application algorithm



Setup

- Warehouse ->Setup->Inventory Setup



The screenshot shows a window titled "Inventory Setup" with a standard Windows-style title bar (minimize, maximize, close buttons). The window contains a tabbed interface with four tabs: "General", "Location", "Dimensions", and "Numbering". The "General" tab is currently selected. Below the tabs, there are several configuration options:

- Automatic Cost Posting .
- Expected Cost Posting...
- Automatic Cost Adjust... Always
- Average Cost Calc. Type Item
- Average Cost Period . . Day
- Copy Comments Order...
- Copy Comments Order...
- Outbound Whse. Han...
- Inbound Whse. Handli...

A "Help" button is located at the bottom right of the dialog box.

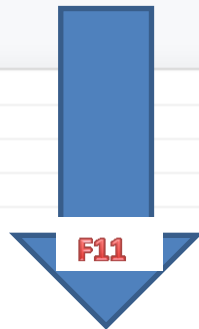
Item application entry

- Create new Item (e.g. I_FIFO1)- FIFO, zero all costs, Unit Price =60, **Gen.Prod.Posting Group=Retail**, **VAT 25**, **Inventory Posting Group=Resale**,...
- Purchase by use of item journal 3 times (Warehouse, Inventory, Item Journals, Entry Type =Purchase) : 1*10, 1*20, 1*30 and 1*40 (4 lines)-use **F8** to copy lines please !!!!

DEFAULT Default Journal - Item Journal

Batch Name DEFAULT

Posting Date	Entry Type	Document No.	Item No.	Description	Location Code	Quantity	Unit of Measure Code	Unit Amount	Amount
10.12.14	Purchase	T00005	I_FIFO1	Item FIFO1	BLUE	1	PCS	10,00	10,00
10.12.14	Purchase	T00005	I_FIFO1	Item FIFO1	BLUE	1	PCS	20,00	20,00
10.12.14	Purchase	T00005	I_FIFO1	Item FIFO1	BLUE	1	PCS	30,00	30,00
*▶ 10.12.14	Purchase	T00005	I_FIFO1	Item FIFO1	BLUE	1	PCS	40,00	40,00



The journal lines were successfully posted.



Item card

I_FIFO1 Item FIFO1 - Item Card

General Invoicing Replenishment Planning Foreign Trade Item Tracking E-Commerce Warehouse

No. I_FIFO1 Search Description . . . ITEM FIFO1

Description Item FIFO1 Inventory. 4

Base Unit of Measure . . . PCS Qty. on Purch. Order . . . 0

Bill of Materials Qty. on Prod. Order. . . 0

I_FIFO1 Item FIFO1 - Item Card

General Invoicing Replenishment Planning Fore

Costing Method FIFO

Cost is Adjusted.

Cost is Posted to G/L . . .

Standard Cost 219,50

Unit Cost 25,00

Overhead Rate 0,00

Indirect Cost % 0

Last Direct Cost. 40,00

Price/Profit Calculation. . . Profit=Price-...

Profit % 58,33333

Unit Price 60,00

$10+20+30+40=100$
 $100/4=25$



Average Cost Calculation

Expand	Document Type	Type	Valuation Date	Item No.	Unit Cost	Cost is Adjusted	Entry Type	Quantity	Cost Amount (Expected)
		Closing Entry	10.12.14	I_FIFO1	25,00	✓		4	0,00
		Increase	10.12.14	I_FIFO1	10,00		Purchase	1	0,00
		Increase	10.12.14	I_FIFO1	20,00		Purchase	1	0,00
		Increase	10.12.14	I_FIFO1	30,00		Purchase	1	0,00
		Increase	10.12.14	I_FIFO1	40,00		Purchase	1	0,00

Financial Management				As of 31.12.00		Increases (LCY)		Decreases (LCY)		As of 31.12.16		
Item No.	Description	Bill of Mater	Base Unit of Measu	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Cost Posted to G/L
	Inventory Posting Group: RE SALE											
L_FIFO1	Item FIFO1	No	PCS	0	0,00	4	100,00			4	100,00	100,00
	Inventory Posting Group Total: RE SALE				0,00		100,00		0,00		100,00	100,00
	Total				0,00		100,00		0,00		100,00	100,00

$$10+20+30+40=100$$

$$100/4=25$$

Sale with Item Journal and Fixed Application

DEFAULT Default Journal - Item Journal

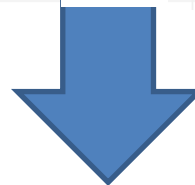
Batch Name DEFAULT

Posting Date	Entry Type	Document No.	Item No.	Description	Location Code	Quantity	Unit of Measure Code	Unit Amount	Amount	Unit Cost	Applies-to Entry
*▶ 10.12.14	Sale	T00006	I_FIFO1	Item FIFO1	BLUE	1	PCS	60,00	60,00	25,00	481

Fixed application

Item I_FIFO1 Item FIFO1 - Item Ledger Entries

Applied Entry to Adjust	Posting Date	Entry Type	Document Type	Document No.	Item No.	Lot No.	Location Code	Quantity	Invoiced Quantity	Remaining Quantity	Sales Amount (Actual)	Entry No.	Cost Amount (Actual)	Open
	10.12.14	Purchase		T00005	I_FIFO1		BLUE	1	1	1	0,00	480	10,00	✓
	10.12.14	Purchase		T00005	I_FIFO1		BLUE	1	1	1	0,00	481	20,00	✓
	10.12.14	Purchase		T00005	I_FIFO1		BLUE	1	1	1	0,00	482	30,00	✓
	10.12.14	Purchase		T00005	I_FIFO1	F11	BLUE	1	1	1	0,00	483	40,00	✓



Do you want to post the journal lines?



The journal lines were successfully posted.

Item Card

I_FIFO1 Item FIFO1 - Item Card

General Invoicing Replenishment Planning Foreign Trade Item Tracking E-Commerce Warehouse

No. I_FIFO1

Description Item FIFO1

Base Unit of Measure . . . PCS

Search Description . . . ITEM FIFO1

Inventory. 3

Qty. on Purch. Order . . . 0

Qty. on Prod. Order . . . 0

I_FIFO1 Item FIFO1 - Item Card

General Invoicing Replenishment Planning

Costing Method FIFO

Cost is Adjusted.

Cost is Posted to G/L . . .

Standard Cost 219,50

Unit Cost 26,66667

Overhead Rate 0,00

Indirect Cost % 0

Last Direct Cost 40,00

Price/Profit Calculation. . Profit=Price-...

Profit % 55,55555

Unit Price 60,00

$10+30+40=80$
 $80/3=26,66667$



Average Cost Calculation

I_FIFO1 Item FIFO1 - Average Cost Calc. Overview

Expand	Document Type	Type	Valuation Date	Item No.	Unit Cost	Cost is Adjusted	Entry Type	Quantity
▶		Closing Entry	10.12.14	I_FIFO1	26,67	✓		3
		Increase	10.12.14	I_FIFO1	10,00		Purchase	1
		Increase	10.12.14	I_FIFO1	20,00		Purchase	1
		Increase	10.12.14	I_FIFO1	30,00		Purchase	1
		Increase	10.12.14	I_FIFO1	40,00		Purchase	1
		Applied Decrease	10.12.14	I_FIFO1	20,00		Sale	-1

$$10+30+40=80$$
$$80/3=26,66667$$

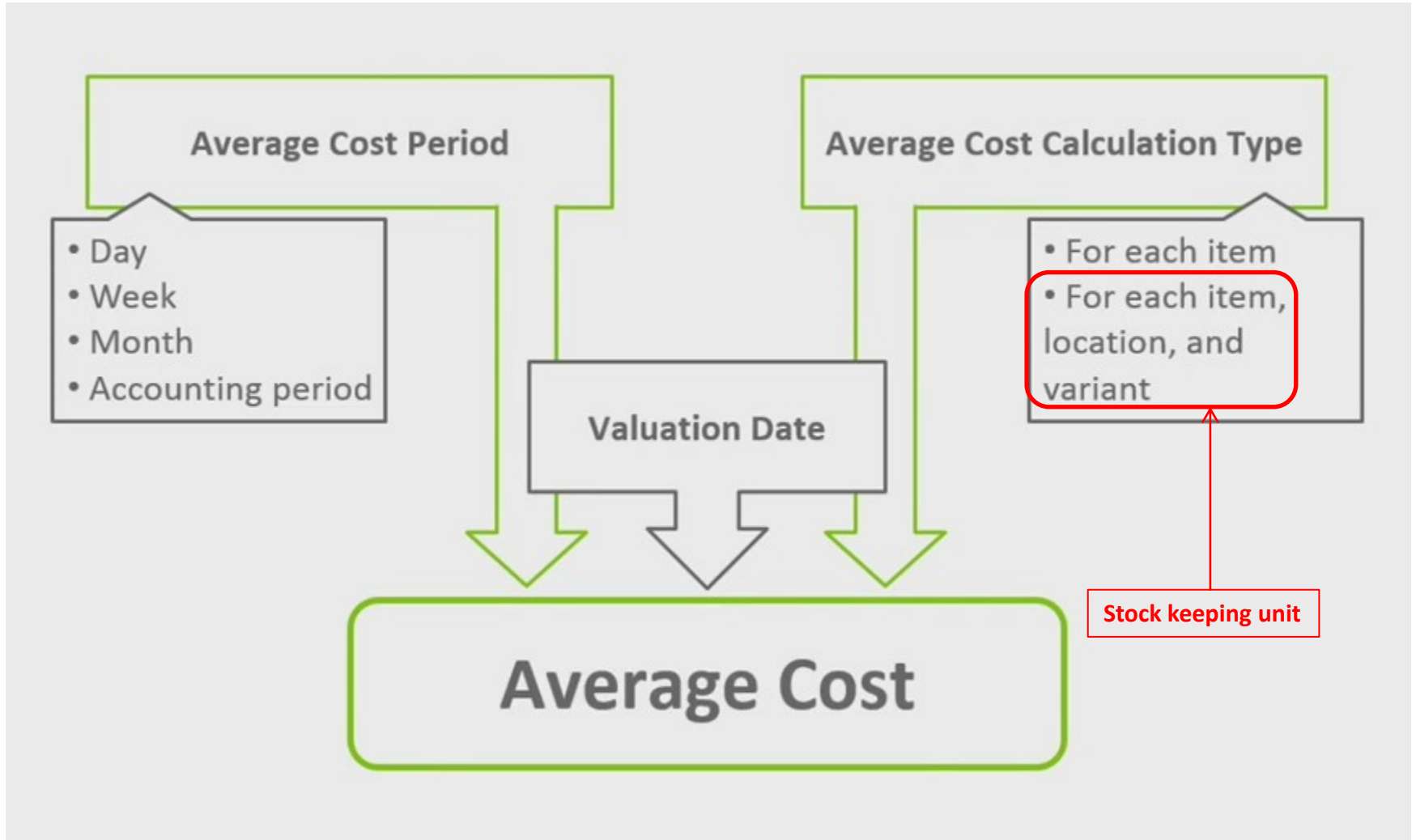
Standard

Posting Date		Cost Amount (Actual)	Entry No.
1/1/2010		15	1
1/1/2010		15	2
1/1/2010		15	3
1/2/2010		-15	4
1/3/2010		-15	5
1/4/2010		-15	6

Fixed application

Posting Date	Cost Amount (Actual)	Entry No.	Applies-to Entry No.
1/1/2010	 10	1	
1/1/2010	 20	2	
1/1/2010	 30	3	
1/2/2010	 -20	4	2
1/3/2010	 -10	5	1
1/4/2010	 -30	6	3

Average cost calculation



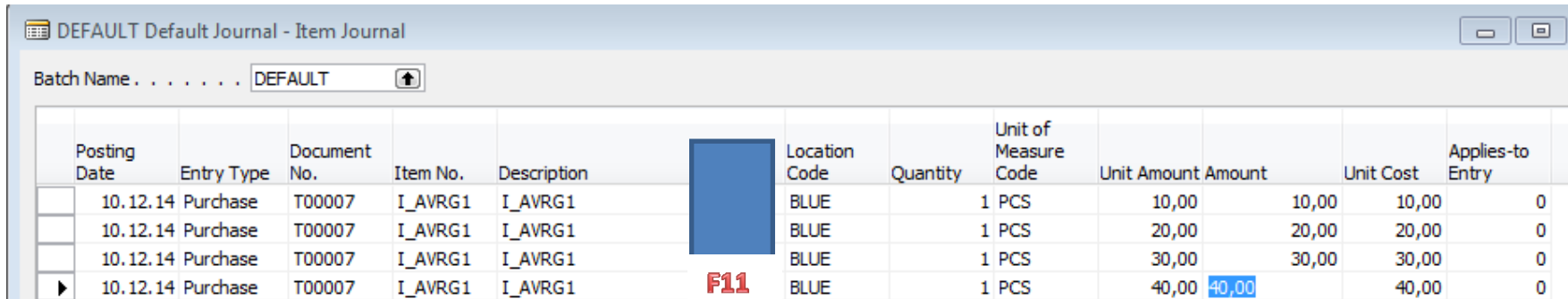
Average cost calculation

The screenshot shows the 'Inventory Setup' dialog box with the 'General' tab selected. The 'Average Cost Calc. Type' is set to 'Item' and the 'Average Cost Period' is set to 'Day'. These two settings are highlighted with a red rectangular box. Other settings include 'Automatic Cost Posting' (unchecked), 'Expected Cost Posting...' (unchecked), 'Automatic Cost Adjust...' (Never), 'Copy Comments Order...' (checked), 'Outbound Whse. Han...' (empty), and 'Inbound Whse. Handli...' (empty). A 'Help' button is located at the bottom right.

Setting	Value
Automatic Cost Posting	<input type="checkbox"/>
Expected Cost Posting...	<input type="checkbox"/>
Automatic Cost Adjust...	Never
Average Cost Calc. Type	Item
Average Cost Period	Day
Copy Comments Order...	<input checked="" type="checkbox"/>
Copy Comments Order...	<input checked="" type="checkbox"/>
Outbound Whse. Han...	
Inbound Whse. Handli...	

Item application entry-average

- Create new Item (e.g.I_AVRG1)- Costing Method=Average, zero all costs, Unit Price =60, **Gen.Prod.Posting Group=Retail**, **VAT 25**, **Inventory Posting Group=Resale**,...
- Purchase by use of item journal 3 times (Warehouse, Inventory, Item Journals, Entry Type =Purchase) : 1*10, 1*20, 1*30 and 1*40 (4 lines)-use **F8 to copy lines please !!!!**



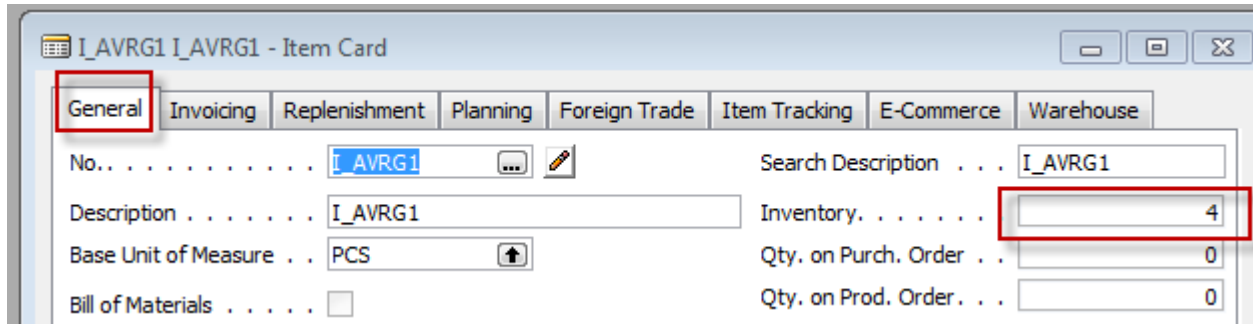
Posting Date	Entry Type	Document No.	Item No.	Description	Location Code	Quantity	Unit of Measure Code	Unit Amount	Amount	Unit Cost	Applies-to Entry
10.12.14	Purchase	T00007	I_AVRG1	I_AVRG1	BLUE	1	PCS	10,00	10,00	10,00	0
10.12.14	Purchase	T00007	I_AVRG1	I_AVRG1	BLUE	1	PCS	20,00	20,00	20,00	0
10.12.14	Purchase	T00007	I_AVRG1	I_AVRG1	BLUE	1	PCS	30,00	30,00	30,00	0
10.12.14	Purchase	T00007	I_AVRG1	I_AVRG1	BLUE	1	PCS	40,00	40,00	40,00	0



The journal lines were successfully posted.



Item Card (Costing Method=Average)



I_AVRG1 I_AVRG1 - Item Card

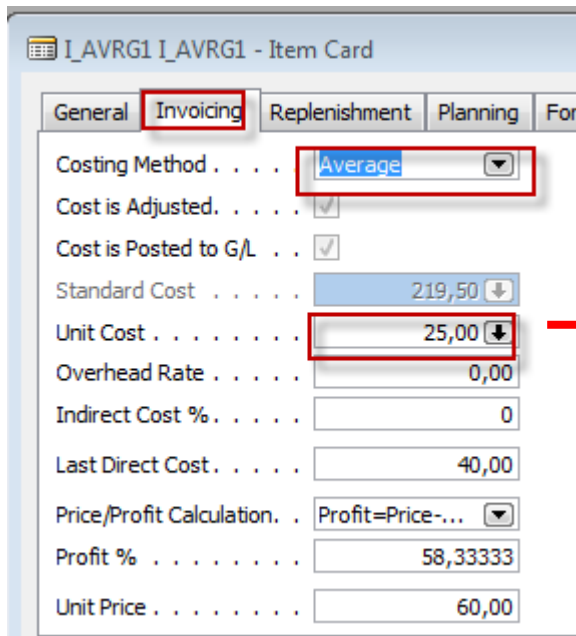
General Invoicing Replenishment Planning Foreign Trade Item Tracking E-Commerce Warehouse

No. I_AVRG1 Search Description . . . I_AVRG1

Description I_AVRG1 Inventory. 4

Base Unit of Measure . . . PCS Qty. on Purch. Order . . . 0

Bill of Materials Qty. on Prod. Order . . . 0



I_AVRG1 I_AVRG1 - Item Card

General Invoicing Replenishment Planning For

Costing Method Average

Cost is Adjusted.

Cost is Posted to G/L . . .

Standard Cost 219,50

Unit Cost 25,00

Overhead Rate 0,00

Indirect Cost % 0

Last Direct Cost 40,00

Price/Profit Calculation. . . Profit=Price-...

Profit % 58,33333

Unit Price 60,00

$10+20+30+40=100$
 $100/4=25$



Item Card (Costing Method=Average)

I_AVRG1 I_AVRG1 - Average Cost Calc. Overview

Expand	Document Type	Type	Valuation Date	Item No.	Unit Cost	Cost is Adjusted	Entry Type	Quantity
▶		Closing Entry	10.12.14	I_AVRG1	25,00	✓		4
		Increase	10.12.14	I_AVRG1	10,00		Purchase	1
		Increase	10.12.14	I_AVRG1	20,00		Purchase	1
		Increase	10.12.14	I_AVRG1	30,00		Purchase	1
		Increase	10.12.14	I_AVRG1	40,00		Purchase	1

Sales

- 1 Item without applied fixed application

DEFAULT Default Journal - Item Journal

Batch Name DEFAULT

Posting Date	Entry Type	Document No.	Item No.	Description	Location Code	Quantity	Unit of Measure Code	Unit Amount	Amount	Unit Cost	Applies-to Entry
*▶ 10.12.14	Sale	T00008	I_AVRG1	I_AVRG1	BLUE	1	PCS	60,00	60,00	25,00	0

F11

General Invoicing Replenishment Planning For

Costing Method Average

Cost is Adjusted.

Cost is Posted to G/L . .

Standard Cost 219,50

Unit Cost 25,00

Overhead Rate 0,00

Indirect Cost % 0

Last Direct Cost 40,00

See next slide

Average Cost Calculation Overview

I_AVRG1 I_AVRG1 - Average Cost Calc. Overview

Expand	Document Type	Type	Valuation Date	Item No.	Unit Cost	Cost is Adjusted	Entry Type	Quantity
▶		Closing Entry	10.12.14	I_AVRG1	25,00	✓		3
		Increase	10.12.14	I_AVRG1	10,00		Purchase	1
		Increase	10.12.14	I_AVRG1	20,00		Purchase	1
		Increase	10.12.14	I_AVRG1	30,00		Purchase	1
		Increase	10.12.14	I_AVRG1	40,00		Purchase	1
		Decrease	10.12.14	I_AVRG1	25,00		Sale	-1

Item Ledger Entries for Item I_AVRG1

Item I_AVRG1 I_AVRG1 - Item Ledger Entries

Applied Entry to Adjust	Posting Date	Entry Type	Document Type	Document No.	Item No.	Lot No.	Location Code	Quantity	Invoiced Quantity	Remaining Quantity	Sales Amount (Actual)	Entry No.	Cost Amount (Actual)	Open
	10.12.14	Purchase		T00007	I_AVRG1		BLUE	1	1	0	0,00	485	10,00	
	10.12.14	Purchase		T00007	I_AVRG1		BLUE	1	1	1	0,00	486	20,00	✓
	10.12.14	Purchase		T00007	I_AVRG1		BLUE	1	1	1	0,00	487	30,00	✓
	10.12.14	Purchase		T00007	I_AVRG1		BLUE	1	1	1	0,00	488	40,00	✓
▶	10.12.14	Sale		T00008	I_AVRG1		BLUE	-1	-1	0	60,00	489	-25,00	

End of the section XXX.

