

Costing methods in MS Dynamics

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

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Inventory costing overview

Why inventory accounting?

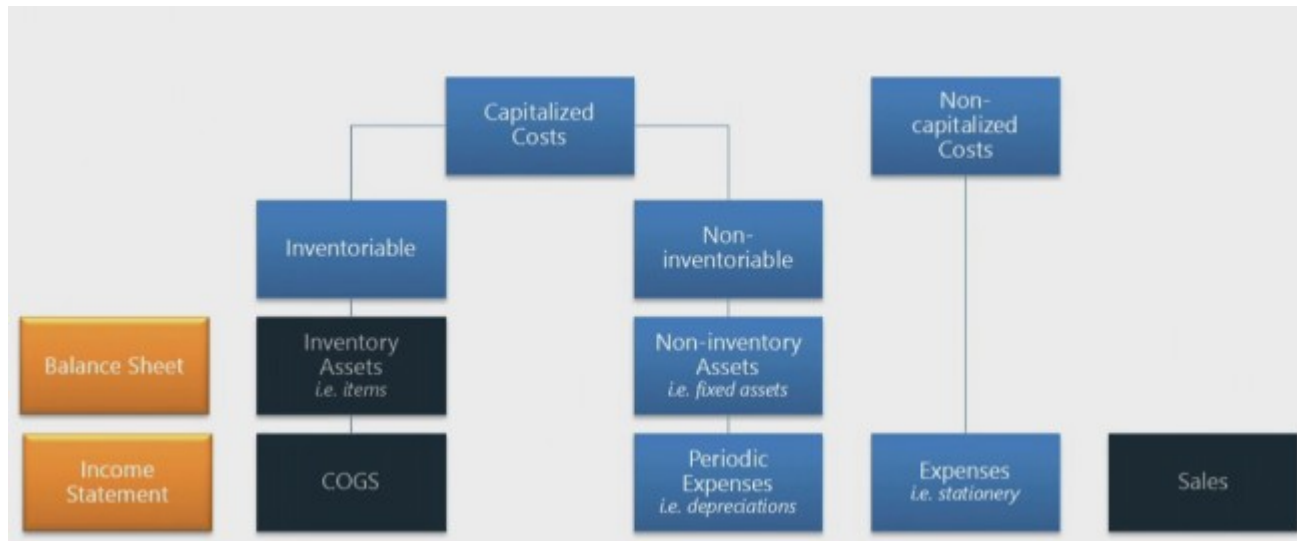


Allocate item cost to the period in which the item is sold

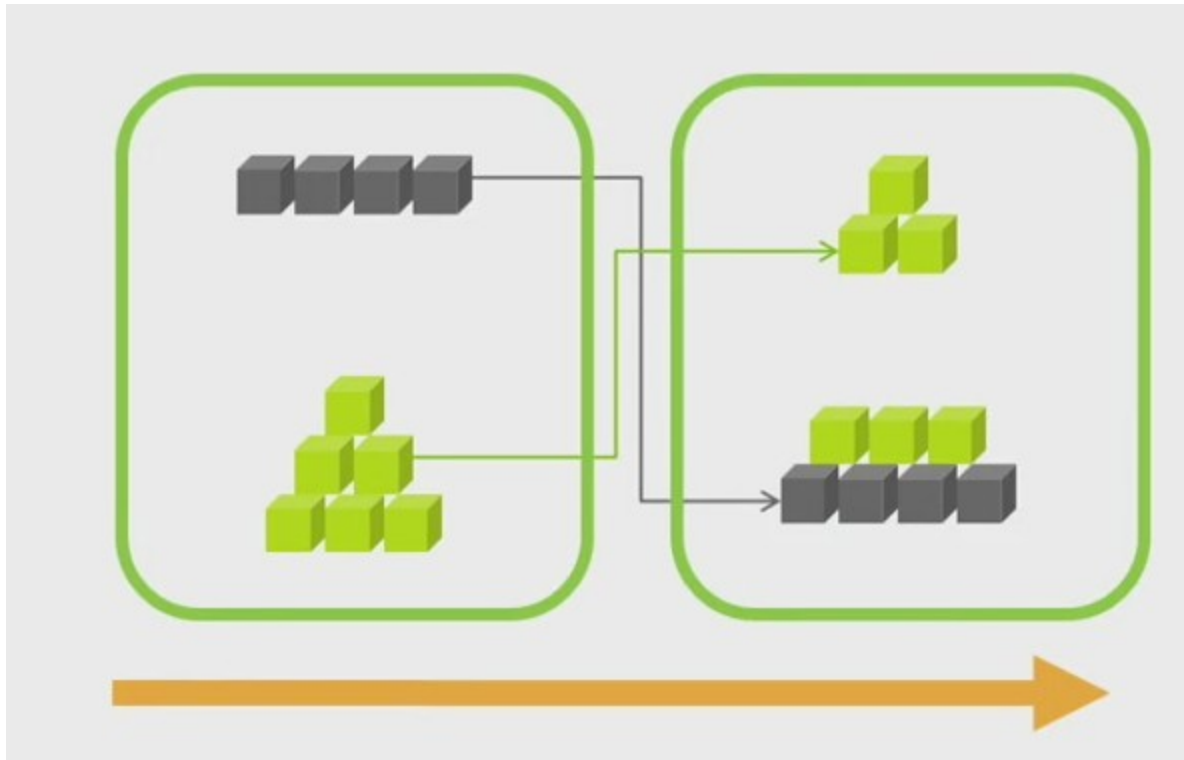
Inventory Equation



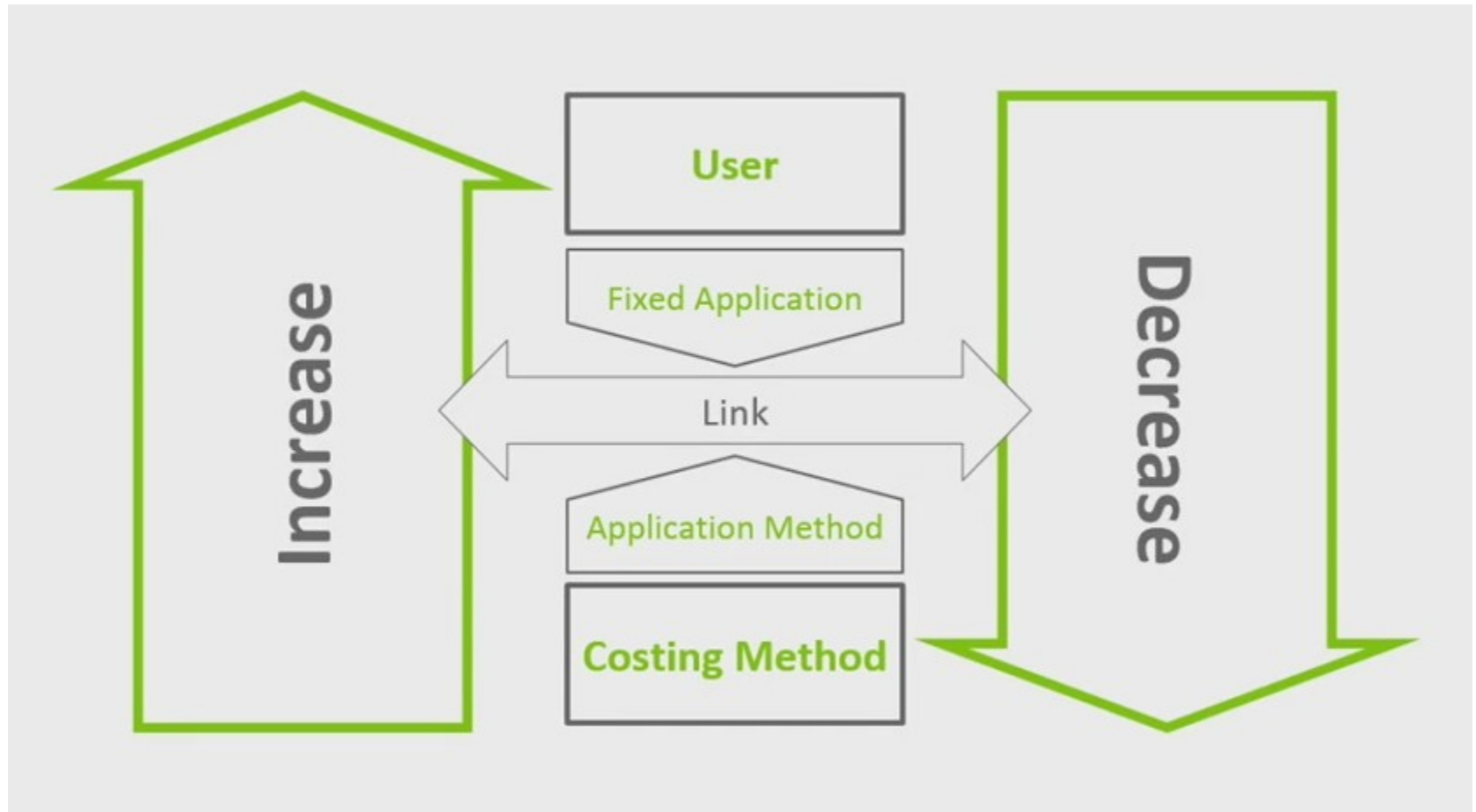
Inventory costing overview



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

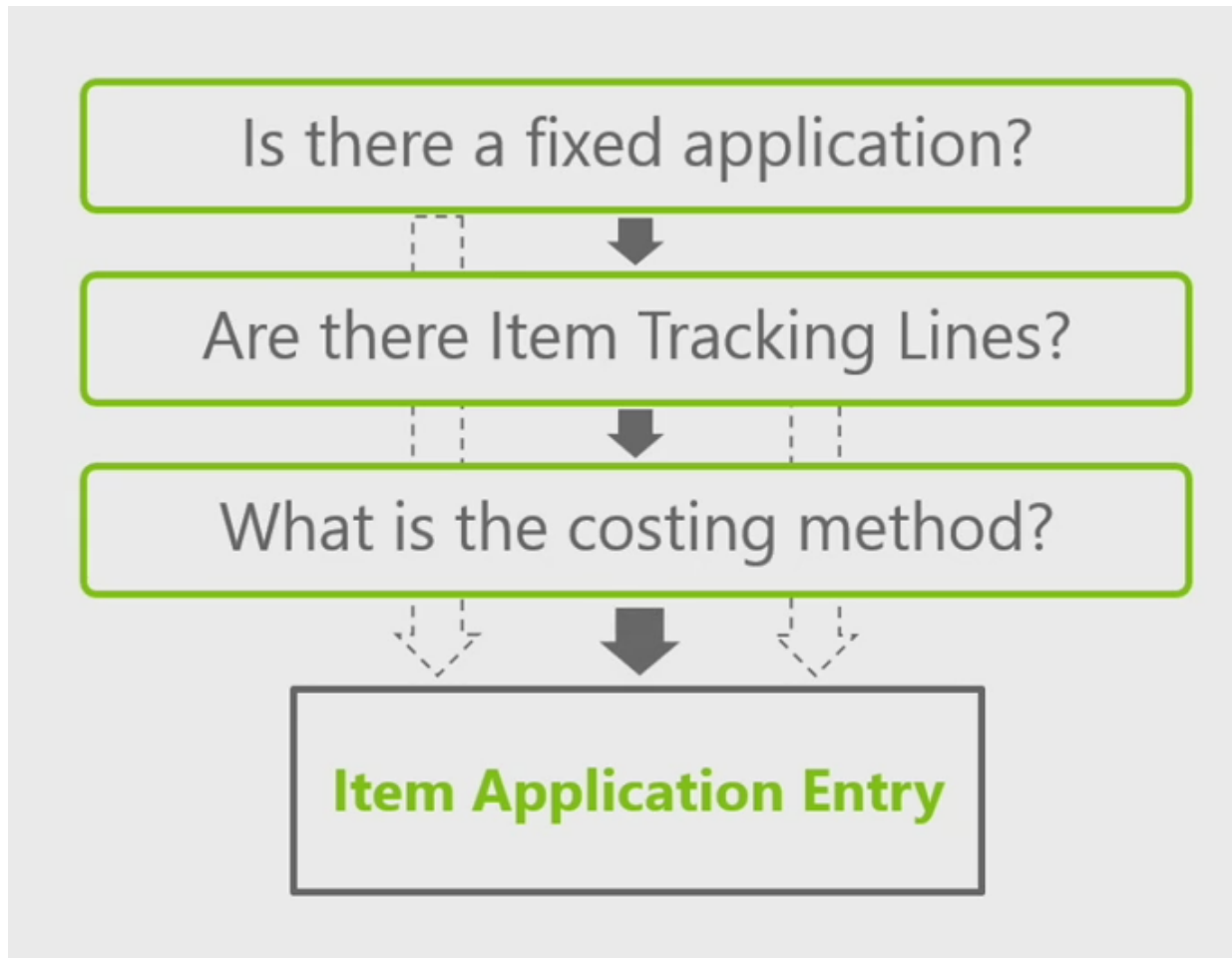
Average

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



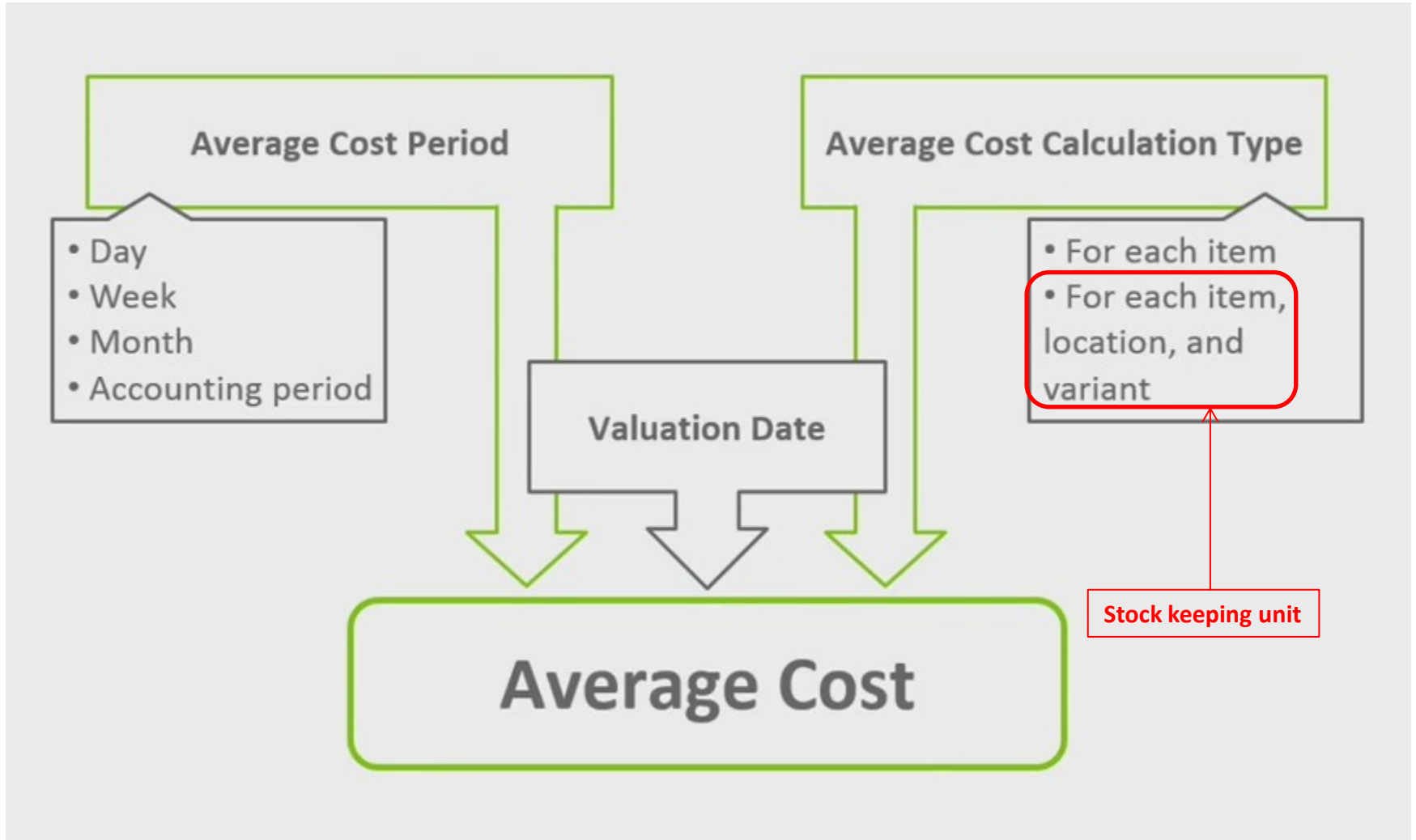
Standard

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

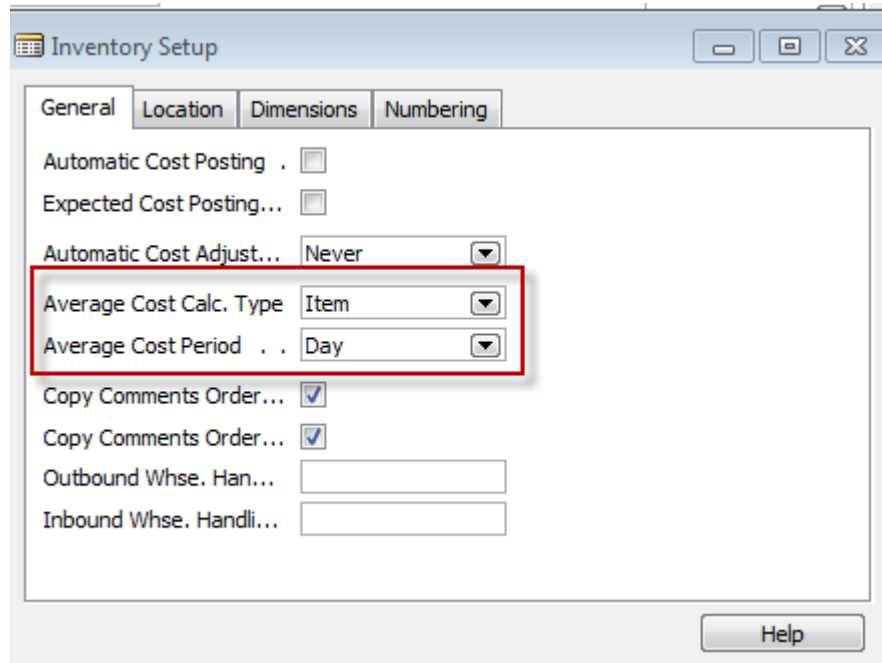
Fixed application

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...	

Average calculation per day

MBD2_AVG MAIL BOX D2 (Average) - Average Cost Calc. Overview

Expand	Type	Valuation Date	Item No.	Unit Cost	Cost is Adjusted	Entry Type	Quantity	Cost Amount (Expected)	Cost Amount (Actual)
	Closing Entry	26.01.12	MBD2_AVG	0,00	✓		0	0,00	0,00
	Increase	26.01.12	MBD2_AVG	200,00		Purchase	1	0,00	200,00
	Increase	26.01.12	MBD2_AVG	2 200,00		Purchase	1	0,00	2 200,00
	Increase	26.01.12	MBD2_AVG	220,00		Purchase	1	0,00	220,00
	Applied Dec...	26.01.12	MBD2_AVG	2 200,00		Purchase	-1	0,00	-2 200,00
▶	Applied Dec...	26.01.12	MBD2_AVG	210,00		Sale	-2	0,00	-420,00
	Closing Entry	26.02.12	MBD2_AVG	230,00	✓		3	0,00	690,00
	Increase	26.02.12	MBD2_AVG	230,00		Purchase	3	0,00	690,00
	Closing Entry	26.03.12	MBD2_AVG	247,14	✓		7	0,00	1 730,00
	Increase	26.03.12	MBD2_AVG	260,00		Purchase	4	0,00	1 040,00

Inventory Setup

General Location Dimensions Numbering

Automatic Cost Posting

Expected Cost Posting...

Automatic Cost Adjust... Never

Average Cost Calc. Type Item

Average Cost Period Day

Copy Comments Order...

Copy Comments Order...

Outbound Whse. Han...

Inbound Whse. Handl...

Help

End of the section XXXI.

