

PRODUCT COSTS

There are three different costs that are available in Harvest.

- Replacement cost: There is one ‘Replacement Cost’ for the entire company and it is updated in a number of ways:
 - Trade Service Updates (or other pricing service)
 - Multiplier Exceptions (special nets)
 - Manual changes

For multi-branch companies, the Branch Replacement Cost is available and overrides the Replacement Cost.

- Last Cost Paid (LCP): This is updated whenever the invoice for a purchase order is posted and there is a log where each change is posted. In Product Maintenance, the entries in the log are displayed with the date, vendor, invoice #, billed net, quantity, and purchase order # for each time that “last cost paid” has been updated.
- Weighted Average Cost (WAC): This is updated whenever a purchase order is received and there is a log where each change is posted, so you can trace the history of the cost. The quantity-on-hand and the current weighted average cost are weighted again the quantity received on the purchase order and the cost on the purchase order.

Example:

Quantity on hand: 20
Current WAC: \$18
Quantity received on purchase order: 100
Cost on purchase order: \$19

$$\text{New WAC} = 18 + (100 / 120) \times (19 - 18) = \$18.83$$

Last Cost Paid and Weighted Average Cost are not updated when the invoices are entered for Direct Ship Purchase Orders. Also a field is available on each purchase order line item where the operator can indicate that WAC and LCP should not be updated when that line item is received and billed. This is used when the distributor is placing a p.o. that has special pricing and they do not want it to be reflected in these costs.

These costs are used throughout the system depending on the how the parameters are set to use them in the Order Processing Parameters, Purchase Order Processing Parameters, and Transfer Parameters.

When the Value of Inventory Report (INC menu) is printed, it always prints the Replacement Cost and the operator is given the option of printing either the Weighted Average Cost or the Last Cost Paid.

The Last Cost Paid can be compared to the Replacement Cost by printing the Last Cost/Replacement Cost Report on the PRM menu. The costs between different branches can be compared using the Product Cost Variance Report on the PRM menu.

UPDATING COSTS

All of these costs can be changed manually in PRODUCT MAINTENANCE (PMM). When WAC or LCP are changed manually an entry is posted in the history log. All of the manual changes that have been made to WAC can be printed using the Manual WAC Changes Report on the PRM menu.

Replacement Cost and Order Base can also be changed using PRODUCT COST/BASE CHANGE on the Product Maintenance Menu. Note that if the items are updated routinely by a pricing service, then the entries should be made in ENTER MULTIPLIER EXCEPTIONS on the TST menu, which is described below.

The Mass Price/Cost Change program allows a user to view and change the Replacement Cost, Order Base, and Unit of Measure for items. It is used when the operator has many items where they want to change these key fields only.

Another option to change Weighted Average Cost or Last Cost Paid is to use the MAINTAIN PRODUCT COSTS/LOCATIONS also on the Product Maintenance Menu. The Maintain Product Costs/Locations program allows a user to view and change the Weighted Average Cost, Last Cost Paid, the Primary Location of the item in the warehouse and up to three overstock locations. This program does not 'tie up' an item like Product Maintenance does, so it should be used whenever the operator wants to review and change these costs or locations.

Items updated by a pricing service:

For items updated by a pricing service, use the PRS menu (PRICING SERVICE SETUP) to indicate by price groups or by commodity codes (use one method or the other per line) what multipliers should be applied to the figures from the pricing service to calculate Order Base and Replacement Cost. These are usually setup when the software is installed, but may need to be changed over time. Use the option PRODUCT PRICE/COST MULT BY PRICE GROUP to enter these by price group, and use the options PRODUCT PRICE/COST MULT BY COMMODITY CODE to enter these by commodity code. The program to use is based on how the vendor determines their multipliers. After changes are made to this table, the user must run UPDATE ITEMS PER MULTIPLIERS on this menu in order to put the changes into effect. If one line has been changed, then run the update for that one line.

For items updated by a pricing service on a routine basis, the Multiplier Exceptions can be setup to override the figures from the pricing service. These are often called “special net” from the vendor. For individual items enter the cost/base dollars figures, or the columns and multipliers, in ENTER MULTIPLIER EXCEPTIONS on the TST menu. If these figures are in an excel file, then use the program on the FL1 (File Import). After these have been entered, the user must run UPDATE MULTIPLIER EXCEPTIONS on the TST menu in order to put the changes into effect.

5. CREATE MULTIPLIER EXCEPTIONS FROM FILE

When a company gets updates from a pricing service, such as Trade Service, they may enter Multiplier Exceptions in their system. These override price changes that may be updated in the system from the pricing service. Manufacturers often make this information (special nets) available in an Excel File. This program allows the operator to create Multiplier Exceptions for items from an Excel file rather than entering them one-by-one in MULTIPLIER EXCEPTION MAINTENANCE on the TST menu. The format for the file is displayed on the screen and the file must be saved as a ‘space filled text file’ (.prn) from Excel. After these have been entered, the user must run UPDATE MULTIPLIER EXCEPTIONS on the TST menu in order to put the changes into effect.

Items NOT updated by a pricing service:

For items from vendors that are not serviced by a pricing service, use the VMF menu to update the items. See the chapter of documentation on “Vendors” for a complete description on the procedures to do this.

WAC, LCP, or Branch Replacement Cost can be updated from a spreadsheet with the program on the FL1 (File Import) menu:

9. UPDATE PRODUCT COSTS FROM VENDOR FILE

When a Manufacturer sends an excel file that contains the current cost for each item, that can be updated with this program. The costs for items can be updated with this program rather than entering them one-by-one in PRODUCT MAINTENANCE on the PMM menu. The Last Cost Paid or Weighted Avg Cost or Branch Replacement Cost can be updated. The format for the file is displayed on the screen and the file must be saved as a ‘space filled text file’ from Excel.

11. Setup Delayed Product Base/Cost Update

This program is used when you wish to setup the system to update items that are not serviced by a pricing service at a future date. Order Base, Replacement Cost, and Branch Replacement Cost can be updated.

No matter what method is used to update these figures, be sure to spot check items using PRODUCT INQUIRY on the S/I menu.