



Inventory Control and Costing

Managing your Inventory Investment

Having accurate, up-to-date on hand balances and knowing the value of your inventory are central to being able to manage your inventory investment. Ensuring that the inventory you do have is the inventory you need is critical to your success. With the tight, seamless integration that the INDUSTRIOS Inventory module offers, you can rest assured that you have the tools you need to manage your inventory and gain better control than before.

“INDUSTRIOS has helped us to reduce our lead times by 45% and improved inventory turnover by 100%.”

—Bryn Campbell, Vice-President,
Cam Tran, Inc.



The integration of the inventory master files with operations modules such as bills of material, production, purchasing, sales orders, and shipping ensures the entire company is making decisions based on the same information. Through the use of user-defined tables, inventory can be classified into groupings that make it easy to analyze and verify transactions. Ensuring that cost adjustments from the purchasing and production cycles are reflected in your inventory costs provide you with inventory valuations you can trust.

Accurate, up-to-date inventory and its cost are made possible through the INDUSTRIOS Inventory module. Inventory management and costing made simple.

Inventory Identification and Definition

The inventory master files are centric to the transactions that are processed in sales, procurement, and production modules.

Being able to quickly and easily create the inventory master files is important to ensure the information is accurate and complete.

Inventory master files can be manually created, copied and modified based on a similar item, created during sales order entry, process plan entry, or generated as a result of a quote.

Define

- Each part can be associated with a unique alphanumeric identifier. The identifier can be a maximum of 30 characters.
- Establish the requirement to track serial or lot numbers for a specific part. With each part you can determine if purchase and or sales transactions will require the serial/lot number to be referenced.
- Identify how each part will be valued for financial statement purposes. The available valuation methods include Standard, FIFO and Average.
- Revision history including effective date, status, drawing reference and notes can be associated with each item.
- Maintain cross references to customer part identifiers. Defining the customer part numbers allows for quotes and sales to be entered referencing the customer part number.
- Establish unique stocking units of measure for each item and identify dimensional information and weight for the part.
- Assign user defined fields to collect data specific to the business environment. User defined field formats can include alpha, numeric, date, time, logical, and file links that can be supported by tables and default values.
- Associate approved vendors with each item and define the lead time, ordering constraints, pricing and vendor part number reference.
- Specify which items require serial number or lot number tracking.

Classify

- Identify the tariff code and country of origin for items that are exported.
- Assign user defined Item Types to categorize inventory for reporting, physical inventory or materials planning based on the nature of the item.
- Specify the manufacturer of choice and the manufacturer's part number for purchased items.
- Define physical count cycles using Physical count days and ABC classifications.
- Group items based on the product family or commodity type.
- Identify which planners are responsible for managing the materials or production plans for each item.

Manage

- Stocking conversion factors allow you to sell, purchase or manufacture in units of measure different from how the items are stocked.
- Track purchase activity for consumable items without having to record usage transactions.
- Establish stocking constraints, minimum stock levels, re-order points and order quantity multiples for each item.
- Ensure orders and transactions are only processed for items with an appropriate status. The available statuses include: Active, No new purchases, Obsolete and De-activated.
- Easily identify how much inventory is on hand, how much is on order, how much is committed to orders and the net available balance.
- Control inventory quantities through multiple warehouse locations. Within each warehouse you can further track to specific bins using the multi-bin tracking capabilities.



Bills of Materials and Routings

Clearly defining how you manufacture or assemble the products that you sell helps to ensure that you are covering costs when defining pricing structures, minimize quality and rework issues due to misunderstandings of the requirements and planning for the appropriate materials and resources. The INDUSTRIOS Process Plan integrates the bills of materials, drawings, secondary constraints and instructions with the manufacturing router to provide a comprehensive database to manage the goods you manufacture.

Define

- Establish cost centers and define how applied costs are grouped for absorption analysis on the financial statements.
- Identify work centers used in manufacturing or assembly. Define unique efficiency factors for each work center including: run time, change over, setup and clean up.
- Secondary constraints, such as labor and tooling, can be defined and include defaults for efficiencies and costing rates.
- Create a library of standard instructions and text that can appear at various sequences on the manufacturing router.
- Use Phantoms to simplify the management of non-stocking kits.
- Control drawings and other electronic files used to communicate manufacturing or assembly instructions.
- Define identifiers for materials and outside services not managed through perpetual inventory.
- Identify raw materials, purchase components and subassemblies required at each routing sequence. Associating materials with the sequence ensures planners do not plan deliveries too early or too late.
- Associate multi-media files to easily confirm which item the process plan produces.
- Assign user-defined fields to collect data specific to the production environment. User defined field formats can include alpha, numeric, date, time, logical, and file links, and can be supported by tables and default values.

Classify

- Each sequence identifies a unique routing step in the manufacturing or assembly process. Routings can be as simple or as complex as necessary. Within each sequence on the router, associate the primary and alternate work centers, secondary constraints, resource levels, setup group, setup and runtime.
- Identify data collection requirements for work center, secondary resources and materials.
- Identify multiple versions of manufacturing routers and bills of material for a specific assembly or subassembly. Routing statuses include Preferred, Alternate, New, or Obsolete.
- Integrated with each sequence on the router are the Bills of Material, Direct Purchases, Subcontract Services, Drawings, Secondary Constraints, Phantoms and Sequence Text.

Manage

- Maintain and integrate multi-level bills of material into the routing structure.
- Identify where more than one finished item is produced using an individual router. Define cost allocations for each co-product with user defined formulas.
- Plan for expected yield losses and lot size restrictions for items on the bills of material and the manufactured or assembled item.
- Identify scheduling flow assumptions for each sequence. Options include: overlap, lag, parallel and queue.
- Easily import/export bills of material and routing steps from/to external systems.
- Verify expected costs based on routing and bills of material assumptions for single or multi-level BOM structures.
- Produce BOM Tree and Process Plan reports to quickly verify routers and bills of material before release to production.
- Manage mass updates to work centers, secondary constraints and materials.



Inventory Transaction Processing

Inventory on hand balances impact decisions made in each functional area of your organization – sales, purchasing and production. Incorrect quantities could result in buying materials you don't need, promising deliveries you cannot make, manufacturing products that are not needed or losing a sale due to out-of-stock conditions. With INDUSTRIOS, recording transactions that impact quantities on hand are easily identified, quick to record and supported by tools to ensure accuracy.

Define

- User defined inventory transaction types allow you to classify transactions and control the general ledger accounts charged.
- Item Classes allow you to define the grouping of inventory on the balance sheet which provides visibility to where your working capital is being invested.
- Cost centers identify which general ledger accounts will be used to record the absorption of overhead, labor and benefit costs.
- Identify whether time or material costs will be “backflushed” or based on actual activity.

Control

- Application settings allow you to manage exceptions such as inventory transactions with zero costs, shipping or receiving quantities greater than the order quantity and transactions that will result in a negative on hand quantity.
- Associate items to the specific warehouse and bin locations where they can be stored.
- Definition of the item class and transaction type ensures the accounting of the transactions are posted to the correct general ledger account.
- Manage the unique serial or lot tracking requirements for each item through user defined fields and transaction flags. Those responsible for processing inventory transactions must select serial/lot numbers currently available in inventory.
- Item statuses determine the transactions that can be processed. The item statuses include: Active, No new purchases, Obsolete and Deactivated.

Analyze

- Serial and lot transaction history provides a comprehensive query screen to support a complete cradle to grave analysis.
- User defined transaction codes provide the details required to support reconciliations and analyses specific to your organization.
- Transaction based inventory allows you to review on hand inventory for any date and review the supporting transactions.
- Available to Promise calculation allows you to quickly determine the current quantity on hand, when supply is planned, the source of demand and net resulting balance.

Record

- Production pick tickets can be generated for material handlers based on individual production order requirements or consolidated for a group of orders.
- Material usage transactions can be recorded for all the materials required on the job, based on sequence requirements or as each item is used on the production order.
- Record materials used on production work orders not originally in the bills of material.
- Correct on hand errors and identify cause using quantity adjustment transaction types.
- Capture scrap identified during receiving, while in stock, during the production process or at final inspection with a unique transaction type and general ledger expense account.
- Establish security restrictions to control who performs specific inventory transactions.

Go Mobile

- Process any inventory related transactions using hand held PC's.
- Easily launch paperwork and labels, update on hand quantities, carry out barcode scanning capabilities for all mobile transactions.



Physical Inventory Counts

Physical counts are necessary to verify that the quantities reported by the system agree to the physical quantities in the warehouse. However, with the INDUSTRIOS Physical Inventory Module, the excessive administration to prepare, record and analyze the count is not necessary.

Consider: No more spreadsheets to accumulate count information for data entry, eliminating the manual tracking of count tags, the ability to review and focus on significant variances before adjustments to inventory are generated, and using hand held PC's to record the physical count.

Just think of the reduction in time required to take a physical inventory and the improved level of accuracy you are going to gain!

Prepare

- Ability to classify count types based on internal processes and procedures.
- Define the transaction defaults for each count type such as: count numbering, use of count tags, transaction entry defaults and variance defaults.
- Define the snapshot defaults for each count type based on quantity, item classification or transaction definitions.
- Identify if count tags will be used to record count results.
- Define count adjustment tolerance based on dollar and/or quantity % variance.
- Determine how count adjustments will be processed.
- Control the ability to modify count criteria.
- Select items for the physical count based on item classification criteria including: locations, classes, item types, cost methods, item status, product, commodity and ABC keys.
- Select items for the physical count based on the quantity on hand.
- Restrict items to be included in the physical count based on whether transactions have been processed or not for the item, the type of transactions and the time horizon to be considered.
- Auto-schedule the creation of the physical count and snapshot based on user defined frequency.

Record

- Ability to record count results using hand held PC's with ¼ VGA screen.
- Count results can be entered manually or scanned using bar codes.
- Manage the defaults to be used when recording count results.
- Identify and generate count tags to be used.
- Count tags can be generated directly from the system using the BarTender® label program by Seagull Scientific.
- Control and identify used, not used, voided and missing tags.
- Identify and track items requiring re-count.
- Serial and Lot tracked items are identified and recorded directly as part of the count entry process.

Review & Analyze

- Review quantity and count variances prior to posting to determine if re-counts are required.
- Current and historical results included in query.
- The query criteria include count types and statuses, count dates, item snapshot criteria, quantity and cost variances.
- Query results are displayed using Microsoft Excel® allowing you to easily sort, analyze and chart the count results.
- View completed count results from the Physical Count History.
- Generate reports to support adjustments booked to the general ledger, inventory accuracy and frequency of physical counts.



Job Costing and Inventory Valuation

How much will the materials cost? What will the labor and overhead costs be if we manufacture the product using this routing? How much margin can we expect? You need the answer to these questions to determine which products to sell and for how much. The proper costing of materials, tracking of time and assignment of overhead enables you to determine the actual cost of your product and how to accurately price it.

Cost adjustments arising throughout the purchasing and production cycles can have an impact on the cost and subsequent pricing. INDUSTRIOS is designed to ensure that these adjustments flow back to inventory.

With INDUSTRIOS, the integration of the operational modules with inventory provides you with the tools you need to stay on top of costs.

Define

- Identify how each part will be valued for financial statement purposes. The available valuation methods include: Standard, FIFO and Average.
- For environments that permit on hand balances to go into an oversold position, identify how the transaction will be valued. Methods include: Standard and Last Cost.
- Work center hours are the cost driver for manufacturing overhead. Overhead rates may be unique for each work center and can differ between setup and runtime activities.
- Manufacturing overhead rates may be blended to include labor and benefits, or can just reflect the costs to run the work center.
- Labor activities are defined on the manufacturing router to manage secondary resources and segregate costs between manufacturing overhead, direct labor and labor overhead.
- Labor activity rates may be unique for each activity and can differentiate between setup and runtime labor rates.
- Labor hours or dollars can be the cost driver for labor overhead. Overhead rates may be unique for each labor activity and can differ between setup and runtime activities.
- Pay rates defined on the employee master file are used to value actual time recorded on production work orders.

Classify

- Establish cost centers and define how applied costs are grouped for absorption analysis on the financial statements.
- General Ledger account segments allow for the definition and collection of costs based on department or cost centers and support development of overhead rates and absorption analysis.
- For items valued using standard cost, the item class determines which general ledger accounts will capture manufacturing standard cost variances or purchase price variances.

Manage

- Manage exceptions such as zero cost inventory transactions with Application settings.
- Cost adjustments, such as those arising from differences between purchase order pricing and supplier invoice or production order estimates and final production costs, are automatically applied to the appropriate cost layer and uniquely identified in the system.
- Valuation reports can be generated as at any date and provide visibility to quantities on hand and the value based on user defined valuation assumptions.
- The Cost Lookup Utility available from the various purchasing screens allows the planner to quickly verify pricing history, last receipt date and quantities purchased.
- Cost estimates based on single or multi level process plans can be generated to support pricing, cost reduction initiatives or value the impact of engineering change orders.

Analyze

- Production order cost estimates provide a benchmark to monitor actual costs incurred.
- Cost estimates on production orders are broken down by cost element: materials, direct labor, labor overhead, manufacturing overhead, subcontract work and direct purchases.
- Job costs can be reviewed and verified through reports or directly from the production order using on line drill downs to supporting transaction details.
- Job cost reports support summary, detail and transaction detail formats. The summary report provides the information and calculations necessary to review and support trends in the per unit cost of manufactured items. The detail reports provide the back up necessary to determine the source of negative trends in costs.



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