

ABC Company Recommended Course of Action

ABC Company has been utilizing Vantage by Epicor for several months. During the monthly close for November 1999, it was discovered that the G/L accounts for inventory, work-in-process, and cost-of-sales did not represent realistic figures.

This situation can be credited to four contributing factors:

1. Vantage data transactions were entered out of sequence. For example, manufactured parts were stocked or shipped before all labor transactions were entered or all material issues were made. This results in a low unit cost on the manufactured parts, as all costs had not been reported before the parts were finished.
2. The cost for raw material was not calculated properly. This occurred because the costing method is set to "average" and beginning balances were entered with a zero cost. The larger the number of pieces on-hand at a zero cost, the more new receipts it will take until the unit cost is accurately calculated.
3. Vantage removes finished goods from work-in-process. ABC defines work-in-process to be any manufactured product in-house whether it is in a "ready to ship" condition or not. Product only falls out of work-in-process when it is shipped.
4. Vantage relieves inventory and transfers to cost-of-sales using a "picture in time" methodology. ABC does not relieve inventory on a shipment but assigns a cost-of-sales value to a shipment based on the status of the work-in-process on a job and subsequently on a part.

Factor #1 can be solved (or substantially improved) by more timely entry of material issues and labor transactions. Processes recommended elsewhere in this document may increase the possibility of product being stocked before all labor transactions are reported. **Implementing the shop data collection system for reporting labor and material issues is recommended.**

Factor #2 would resolve itself in time if raw material purchases are made frequently and sufficient quantities are received to offset the zero on-hand balances. However, it's not possible to determine how long it would take for a realistic average unit price to be calculated. **It is recommended that a standard unit price be used for purchased parts, and that the standard be reviewed periodically (annually or semi-annually) for accuracy. A new standard unit price could be determined by reviewing Vantage's purchase order activities.**

Factors #3 & #4 have a systemic impact on how ABC uses Vantage. Vantage will not update work-in-process nor cost-of-sales G/L accounts as ABC requires. However, it is important that Vantage be the source of all information needed to support the proper maintenance of those accounts. **It is recommended that ABC disable the Vantage Inventory update to G/L and use the journal entry feature of Vantage to update the affected G/L accounts. The information needed to create the journal entries will be provided through a series of reports generated from Vantage data files. To provide the necessary data and enhance the effective utilization of Vantage, ABC should follow the recommended procedures that are contained within this document.**

Reference A – Sample of proposed WIP & COS detail report

Quote Management

Recommendation	Result	Notes/Reference
Don to continue working with Epicor to resolve VB form issue	Calculation of appropriate unit quantity	Involvement by MSS upon customer request
Enter routings and bills-of-material as templates from which quotes can be developed	Faster input of quote methods of manufacture on similar products	
<p>Notifications of dates passed</p> <p>Look at using global alerts and sending messages from Vantage via e-mail</p>	Quoter can be notified that follow-up date has been reached; if the quote has expired, and/or that certain check points have been reached.	Reference 1-1

Sales Order Management

Recommendation	Result	Notes/Reference
Continue to code sales order releases as "Make"	Creates job suggestions	<i>Reference 2-1</i>
Careful with how far out in future to place sales order releases because of changes that come along	Job suggestions are to far in future to respond	
Close out old sales orders		Are normally closed out automatically as you process shipments on the system

Job Management

Recommendation	Result	Notes/Reference
Link jobs to sales orders where possible	Allows use of Vantage trackers to view SO status for customer support. Provides visibility into sales order allocation of work-in-process parts.	
Number jobs by using the sales order/ line/ release. If there is more than one sales order/ line/ release on a job use "next job". If job is being made to stock use "next job".	Makes a consistent frame of reference regarding orders throughout ABC. Easy to identify sales order demand to job that is filling it.	Reference 3-1 and 3-1A
Create receipts from manufacture for ALL finished material through count and pack	Number of finished parts will be known. Shipping will be performed consistently from inventory	(see Inventory Management) Reference 3-2
Update Demand Link Detail to reflect new source of shipping	Properly allocate finished parts. Update source of parts on the shipping screen (lessens chance of errors on shipments)	This must be done consistently as material is received into stock from jobs and before shipments are made. Not updating this information will result in improper part allocation, misleading results on the <i>time-phased material report</i> and default to shipment from job on the shipping screen Reference 3-3 and 3-3A

Job Management continued...

Recommendation	Result	Notes/Reference
Prior to month-end, create transactions to return any unused material to stock	Properly calculate work-in-process material	Reference 3-4
After month-end reporting, create transactions to re-issue any unused material to the job	Required to properly show on-hand inventory balances of raw material	Reference 3-4 and 3-4A Modify Daily Sheet Issue form to identify "out-in" transactions
Close job when the lot number equal to the job is no longer on-hand	Removes job from WIP/COS reports. Deletes any open purchase order suggestions.	(See Inventory Management) Recommend Report Writer report be developed to show lots with zero on-hand balances
Data-entry person should run a Labor Edit report and match against production cards for accuracy	More accurate labor detail records that are used for determining job labor costs, WIP and COS.	Reference 3-5
Shop data-entry will eliminate late labor reporting for costing as parts are stocked faster and more efficiently	More accurate and timely information for determining job labor and material costs, WIP and COS	Requires quote from Epicor and more hardware

Inventory Management

Recommendation	Result	Notes/Reference
Set purchased parts to “stocked”	Properly calculate allocated amounts as seen in part tracker screen	Reference 4-1
Physically inventory parts in ready-to-ship and finished goods locations--determine job of origination where possible. Create inventory adjustments to update on-hand balances.	Correct on-hand balances of finished goods	Decision required on proper sequence between this step and following step Reference 4-2
Set manufactured parts lot track to “yes”. Run report of stocked parts and unknown lots. Perform inventory adjustments to assign parts to correct lot.	Supporting data for creating WIP and COS reports.	We will have to use a “standard” cost when determining COS for parts whose jobs cannot be determined or for which the job costs are incorrect. Account for these parts in WIP/COS reports. Reference 4-1
Create receipts from manufacture for ALL finished material through count and pack	Supporting data for creating WIP and COS reports.	See Job Management Reference 4-3
Use the job number as the lot number for all receipt from manufacture transactions	Supporting data for creating WIP and COS reports.	Reference 4-3

Inventory Management continued...

Recommendation	Result	Notes/Reference
If desired, set up different warehouses and/or bins to differentiate ready-to-ship from finished goods	More accurate definition of where parts are physically located and in what condition (ready to ship vs. finished goods)	Using multiple warehouses and bins can be difficult to maintain. This may be an item for future consideration.
Set purchase parts to "standard" cost and update standard unit price	Resolves issue regarding having set purchased parts costing method to "average". Will provide more accurate WIP and COS costs.	Reference 4-4
Set manufactured parts to "standard" cost. Use "standard" cost on any unknown lots and update standard unit price.	Supporting data for creating WIP and COS reports	Needed for those parts in inventory that cannot be traced back to a job or for which the job costs are inaccurate. Reference 4-4

Purchase Management

Recommendation	Result	Notes/Reference
Close open jobs to eliminate purchase suggestions	Accurate purchase suggestions that truly reflect requirements. Less opportunity for shortages of raw material. More manageable WIP/COS reports.	See Job Management Reference 5-1
Review left-over suggestions for validity (open jobs that do not have issues)	Same as above	
Review feasibility of using "standard" cost on purchased items and update where appropriate	Accurate material costs on COS and WIP reports. Accurate calculation of raw material inventory (not yet WIP).	(See Inventory Management) Reference 5-2

Shipping / Receiving

Recommendation	Result	Notes/Reference
Discontinue shipping from jobs and ship from inventory	Supporting data for creating WIP and COS reports. Accurately reflect finished goods inventory.	Decision will be needed on whether to alter packing slip and CERT to only print a summary line. (Recommend letting multiple lines print). Reference 6-1
Use lot numbers on each shipment from stock	Supporting data for creating WIP and COS reports	Decision will be needed on whether to alter packing slip and CERT to only print a summary line. (Recommend letting multiple lines print). Reference 6-1
Use Scheduled Shipment report for shipment from inventory	Shipping is provided a view of prioritized shipping requirements	 Reference 6-2
Need to clean-up the old shipments that are showing on Scheduled Shipment report	Reliability of scheduled shipment data	

Accounts Receivable

Recommendation	Result	Notes/Reference
Run A/R Invoice Edit List and review before posting	Accurate update of G/L accounts for A/R	<i>Reference 7-1</i>
Run G/L report after posting and present to George for verification	Accurate update of G/L accounts for A/R. Ability to see where journal entries may be needed.	<i>Reference 7-2</i>

Accounts Payable

Recommendation	Result	Notes/Reference
Run Invoice Edit List and review before posting	Accurate update of G/L accounts for A/P	Reference 8-1
Run G/L report after posting and present to George for verification	Accurate update of G/L accounts for A/R. Ability to see where Journal Entries may be needed.	Reference 8-2