

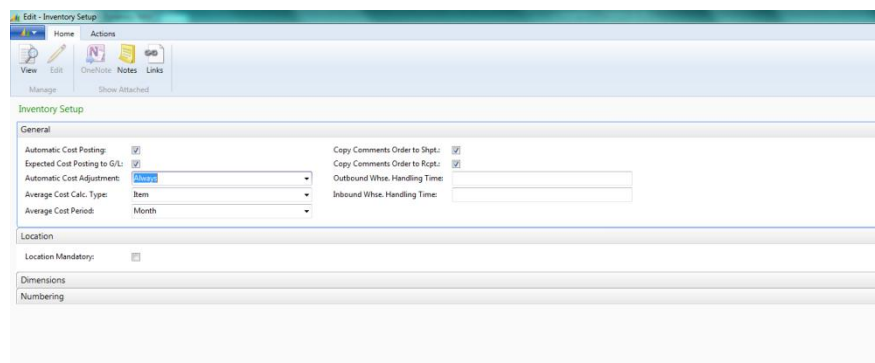
Dynamics Consultants Limited

Inventory Costing in Microsoft Dynamics NAV 2013 – Step-by-Step Guide

25 April 2013

Microsoft Dynamics NAV 2013 offers a variety of costing methods to accurately record and cost individual stock transactions and provide an accurate up-to-the minute valuation of your stock balances. The following worked example shows how NAV 2013 does this.

First we need to complete some small setup steps as shown below:



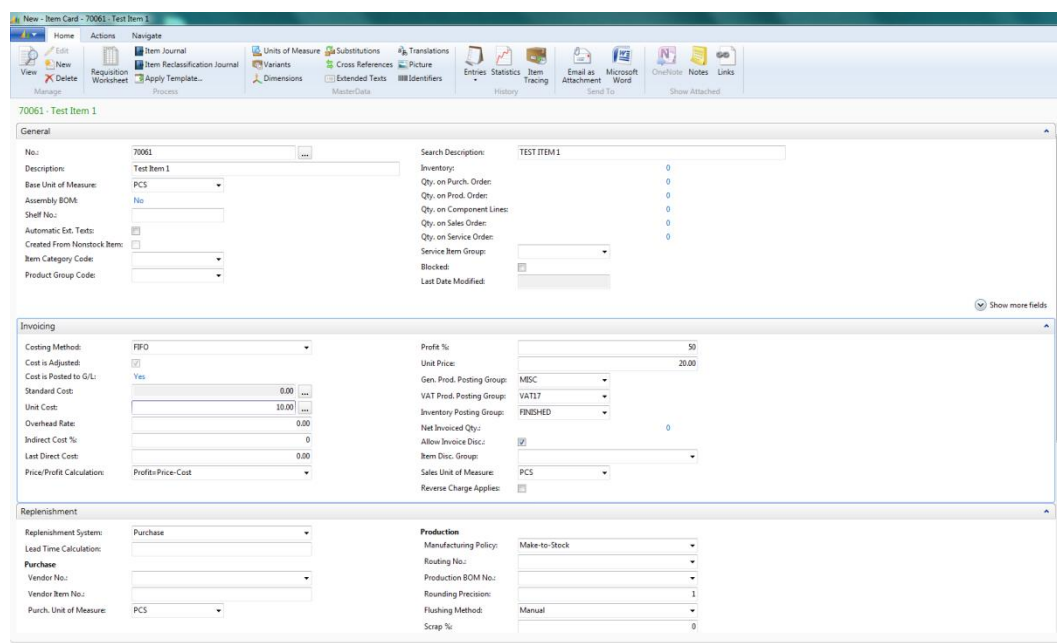
Edit - Inventory Setup

General

Automatic Cost Posting: ☒
Expected Cost Posting to G/L: ☒
Automatic Cost Adjustment: ☐
Average Cost Calc. Type:
Average Cost Period:
Copy Comments Order to Shpt.: ☒
Copy Comments Order to Rcpt.: ☒
Outbound Whse. Handling Time:
Inbound Whse. Handling Time:
Location
Location Mandatory: ☐
Dimensions
Numbering

The settings indicate that we want costs to be posted to the accounting ledgers as soon as stock transactions are posted. We also want to use Expected Costs, i.e., costs are posted to the ledger when stock is received or shipped rather than when it is invoiced.

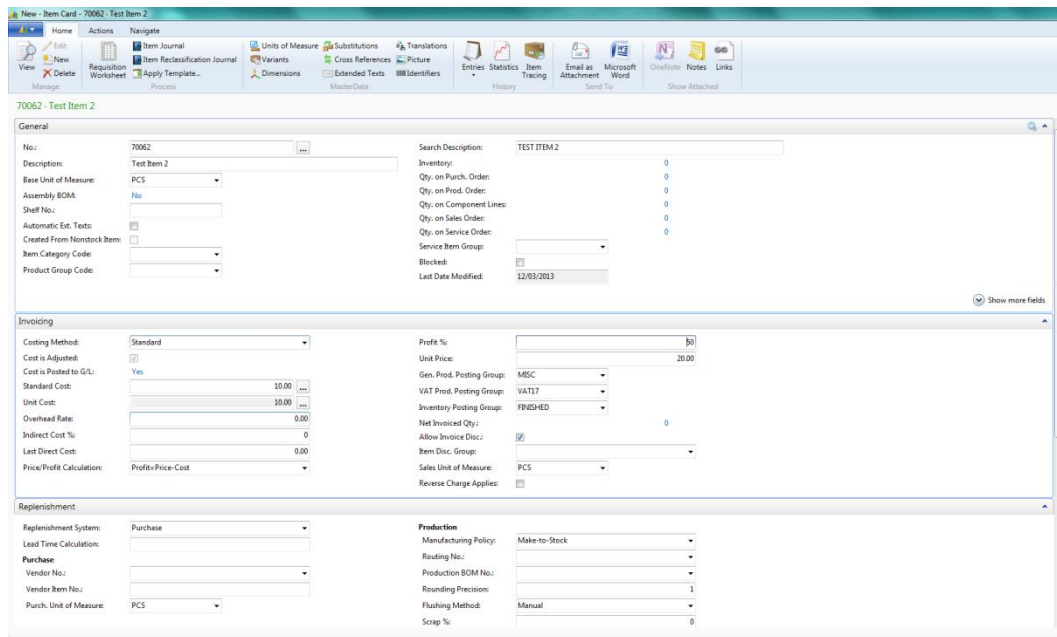
We will use two stock items, one (item 70061) is costed using FIFO, while the other (item 70062) is standard-costed. Both have an initial stock cost of £10 per unit. The item records in NAV will look something like the ones in the screenshots below:



New - Item Card - 70061 - Test Item 1

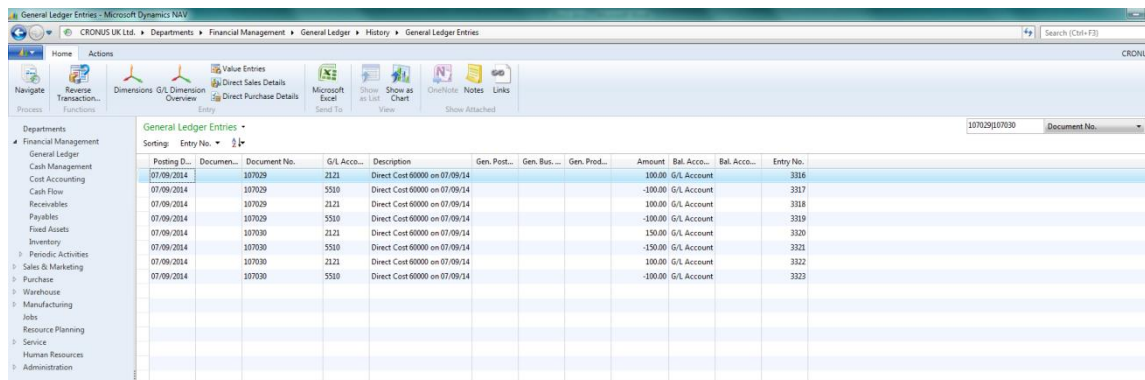
General

No.: 70061
Description: Test Item 1
Base Unit of Measure: PCS
Assembly BOM: No
Shelf No.:
Automatic Est. Texts: ☐
Created From Nonstock Item: ☐
Item Category Code:
Product Group Code:
Search Description: TEST ITEM 1
Inventory: 0
Qty. on Purch. Order: 0
Qty. on Prod. Order: 0
Qty. on Component Lines: 0
Qty. on Sales Order: 0
Qty. on Service Order: 0
Service Item Group:
Blocked: ☐
Last Date Modified:
Invoicing
Costing Method: FIFO
Cost is Adjusted: ☒
Cost is Posted to G/L: Yes
Standard Cost: 0.00
Unit Cost: 10.00
Overhead Rate: 0.00
Indirect Cost %: 0
Last Direct Cost: 0.00
Price/Profit Calculation: Profits/Price-Cost
Profit %: 50
Unit Price: 20.00
Gen. Prod. Posting Group: MSC
VAT Prod. Posting Group: VAT17
Inventory Posting Group: FINISHED
Net Invoiced Qty.: 0
Allow Invoice Disc.: ☒
Item Disc. Group:
Sales Unit of Measure: PCS
Reverse Charge Applies: ☐
Replenishment
Replenishment System: Purchase
Lead Time Calculation:
Purchase
Vendor No.:
Vendor Item No.:
Purch. Unit of Measure: PCS
Production
Manufacturing Policy: Make-to-Stock
Routing No.:
Production BOM No.:
Rounding Precision: 1
Flushing Method: Manual
Scrap %: 0



Next, we need to purchase some stock of the items. These will be two separate purchases of 10 of each item making 20 in all. The first order has a unit cost of £10 per item while the second order has a purchase cost of £15 per item.

We can now receive the items into stock without invoicing the order. As we set the Inventory Setup for Expected Cost Posting, this generates the following postings to the General Ledger:



Posting Date	Document No.	G/L Account	Description	Gen. Post.	Gen. Bus.	Gen. Prod.	Amount	Bal. Acc.	Bal. Acc.	Entry No.	Entry Date
07/09/2014	107029	2121	Direct Cost 60000 on 07/09/14				100.00	G/L Account		3316	
07/09/2014	107029	5510	Direct Cost 60000 on 07/09/14				-100.00	G/L Account		3317	
07/09/2014	107029	2121	Direct Cost 60000 on 07/09/14				100.00	G/L Account		3318	
07/09/2014	107029	5510	Direct Cost 60000 on 07/09/14				-100.00	G/L Account		3319	
07/09/2014	107030	2121	Direct Cost 60000 on 07/09/14				150.00	G/L Account		3320	
07/09/2014	107030	5510	Direct Cost 60000 on 07/09/14				-150.00	G/L Account		3321	
07/09/2014	107030	2121	Direct Cost 60000 on 07/09/14				100.00	G/L Account		3322	
07/09/2014	107030	5510	Direct Cost 60000 on 07/09/14				-100.00	G/L Account		3323	

The postings are to an interim stock account and a corresponding Stock Received Not Invoiced account. At the moment, the costs correspond to the values shown on each purchase order line.

We can now sell some of our stock (15 of each item in this case) as in the Sales Order below. We will deliver and invoice this at the same time. This will produce the following stock cost entries:

View - Value Entries

HomeActionsNavigate

Navigate

Show as List

Show as Chart

OneNote

Notes

Links

Process

View

Show Attached

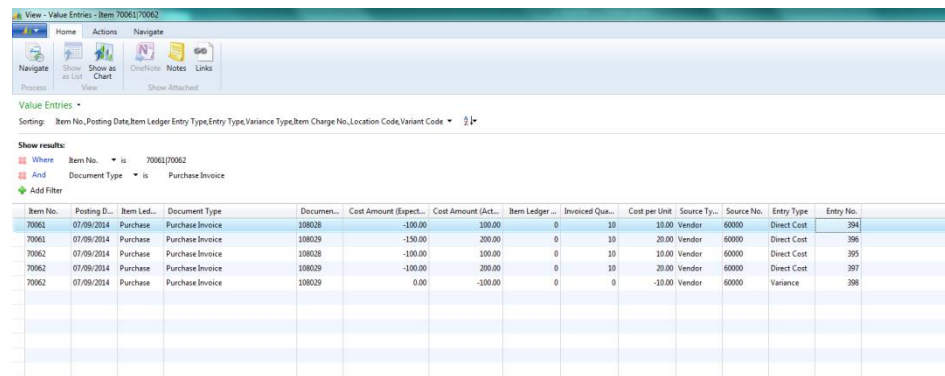
Value Entries

Sorting: Document No. ▾ 1/2

Item No.	Posting D.	Item Led.	Document	Document	Sales Amount	Cost Amount	Cost Amount	Item Ledger	Valued Qty.	Invoiced Qty.	Cost per Unit	Source Ty.	Source No.	External D.	Order Type	Entry No.
70061	07/09/2014	Sale	Sales Invoice	103022	300.00	0.00	-187.50	-15	-15	-15	12.50	Customer	30000			381
70062	07/09/2014	Sale	Sales Invoice	103022	300.00	0.00	-150.00	-15	-15	-15	10.00	Customer	30000			382
70061	07/09/2014	Sale	Sales Invoice	103022	0.00	0.00	12.50	0	-15	0	-0.83333	Customer	30000			383

The second entry relates to item 70062, i.e. 15 x £10. The first and third entries relate to the item 70061 and net to £175 which is made up of 10 items at £10 and 5 at £15, which are the values on the purchase orders for these items. In each case, the stock accounts will have been credited and the Cost of Goods Sold debited with these amounts.

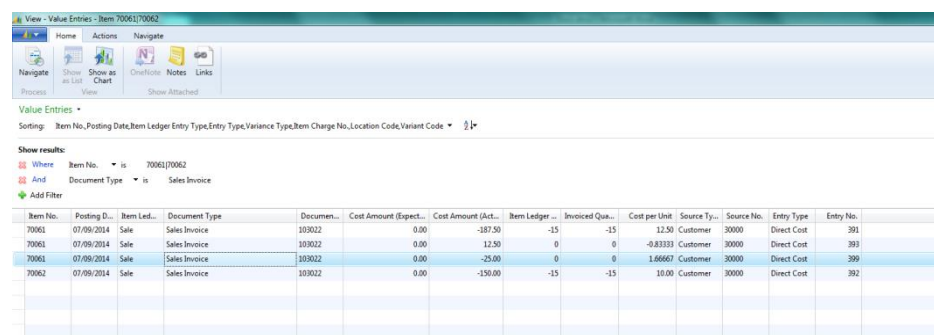
We will now invoice the two purchase orders but at a cost of £20 per item for each item on the second of the two orders. This will generate the following cost entries:



Item No.	Posting Date	Item Ledger	Document Type	Document No.	Cost Amount (Expected)	Cost Amount (Actual)	Item Ledger	Invoiced Quantity	Cost per Unit	Source Type	Source No.	Entry Type	Entry No.
70061	07/09/2014	Purchase	Purchase Invoice	108028	-100.00	100.00	0	10	10.00	Vendor	60000	Direct Cost	394
70061	07/09/2014	Purchase	Purchase Invoice	108029	-150.00	200.00	0	10	20.00	Vendor	60000	Direct Cost	396
70062	07/09/2014	Purchase	Purchase Invoice	108028	-100.00	100.00	0	10	10.00	Vendor	60000	Direct Cost	395
70062	07/09/2014	Purchase	Purchase Invoice	108029	-100.00	200.00	0	10	20.00	Vendor	60000	Direct Cost	397
70062	07/09/2014	Purchase	Purchase Invoice	108029	0.00	-100.00	0	0	-10.00	Vendor	60000	Variance	398

The first thing to note is the negative figures in the Cost Amount (Expected) column. These have the effect of reversing out the entries that were created when the stock was received. The costs of item 70061 are those on the purchase orders but item 70062 had a variance adjustment to bring the item cost back to the standard cost of £10 per item. The ledger entries for these transactions are to debit the stock account and credit a Direct Cost Applied account. In addition, the purchase ledger will be credited and the Purchases and, if applicable, VAT ledgers will be debited.

As the purchase costs have been changed from those at the time the sales transactions were invoiced, the costs of those sales now need to be adjusted. The highlighted entry below will be generated:



Item No.	Posting Date	Item Ledger	Document Type	Document No.	Cost Amount (Expected)	Cost Amount (Actual)	Item Ledger	Invoiced Quantity	Cost per Unit	Source Type	Source No.	Entry Type	Entry No.
70061	07/09/2014	Sale	Sales Invoice	103022	0.00	-187.50	-15	-15	12.50	Customer	30000	Direct Cost	391
70061	07/09/2014	Sale	Sales Invoice	103022	0.00	12.50	0	0	-0.83333	Customer	30000	Direct Cost	393
70061	07/09/2014	Sale	Sales Invoice	103022	0.00	-25.00	0	0	1.66667	Customer	30000	Direct Cost	399
70062	07/09/2014	Sale	Sales Invoice	103022	0.00	-150.00	-15	-15	10.00	Customer	30000	Direct Cost	392

The item 70062 entries will remain unchanged, but an additional cost of £25 for item 70061 has been created representing the five of that item shipped which cost an additional £5 per item.

The stock valuation of the remaining stock of each item is shown below:

Print Preview

Inventory Valuation

1 of 1 of 1 > < 100% Find Next

18 March 2013
Page 1
DC Martin creates

Inventory Valuation
GR00005 188 110

This report includes entries that have been posted with expected costs.
Item No.: 70061, 70062

Inventory Posting Group Name			As of		Increases (LCY)		Decreases (LCY)		As of 02/09/14		Cost Posted to GL
Item No.	Description	Base Unit	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
FINISHED											
70061	Test Item 1	PCS	0	0.00	20	300.00	15	200.00	5	100.00	100.00
70062	Test Item 2	PCS	0	0.00	20	200.00	15	150.00	5	50.00	50.00
FINISHED				0.00		500.00		350.00		150.00	150.00
Expected Cost Included				0.00		500.00		350.00		150.00	150.00
Total				0.00		500.00		350.00		150.00	150.00
Expected Cost Included Total				0.00		500.00		350.00		150.00	150.00

The Unit Cost of item 70061 is based on the five remaining items which cost £20 each. The Unit Cost for item 70062 is simply the standard cost of the item.