



Manufacturing Information Systems, Inc.  
P.O. Box 795, Woodstock, Vermont 05091  
Tel. 802/457-4600 Fax 802/457-4602  
www.misysinc.com & www.accpacmanufacturing.com

## **Job Tracking with MISys/2000**

Many companies need some facility for measuring and tracking the cost of the jobs on which they work. While not appropriate for businesses that do not build a product, the MISys/2000 Manufacturing System provides all the job costing features contract manufacturers, assembly houses, and many job shops really need.

To perform effective job costing, most companies need to track:

- The cost of purchases made for a job.
- The cost of all material used on a job.
- The cost of labor and supplies allocated to the job.
- The cost of scrap incurred on the job.

With this raw data in hand, management can insure profitability by analyzing:

- Standard costs - what the job should have cost based on standard material costs.
- Projected costs - what the job should have cost based on proposed job-specific changes to the standard.
- Actual costs - what the job really cost considering unplanned scrap, savings and overruns.
- Variance of standard vs. projected and actual costs for the job.

Certain features of the MISys/2000 Manufacturing System, when used in conjunction with ACCPAC for Windows accounting, allow management to collect detailed job costs and perform highly accurate job cost analyses.

### **Identifying Jobs.**

MISys/2000 uses jobs to accumulate the cost of all the inventory transactions you can make. The MISys/2000 Master Files desktop allows you to setup a job, complete with a description and specific accounting implications. Whenever you process job-related transactions in the MISys/2000 system, the program accumulates job "details" in a related table. At any time, analyzing the job activity, including costs for a specific job, is just a matter of processing the correct job detail table.

### **Cost-Based Sales Quotations**

Especially when profit margins are low, creating a sales quotation based on up-to-date material/labor costs is critically important. MISys/2000 maintains precise costs for all raw materials and resources, and it rolls these costs up into higher level assemblies. Therefore, any change at the raw material (or labor) level is accurately reflected through the cost of subassemblies to the finished good. Using standard, average, or recent costs, and a desired markup factor, MISys/2000 is able to create a sales quotation worksheet which accurately reflects the current cost of the item's components.

### **Purchasing for a Job**

Companies wishing to track job costs often begin by purchasing material specifically for the job, although this is not necessary in every situation. MISys/2000 facilitates this by allowing you to identify a job in each detail of any purchase order you create. Like jobs, purchase order details are maintained in a table linked to the PO header. Not all details have to be associated with the same job; you may find it

efficient to purchase for many different jobs at once. Analyzing the purchases made for a specific job is a simple matter - the report query just searches the table of PO details for the job-related information you want.

### Tracking Production Costs

In a manner similar to its handling of purchase orders, MISys/2000 allows you to associate a job with a manufacturing order. Therefore, production costs associated with the manufacturing order can always be related to the jobs on which you work. It would be rare, but possible, to have just one manufacturing order for a job. Usually a job has many related manufacturing orders, resulting from the many subassemblies which must be made to produce the finished good item. MISys/2000 allows you to link such subassembly manufacturing orders as children of the parent order. This insures that all the production costs associated with the manufacturing order(s) are accumulated for the appropriate job.

### Establishing Standard Costs

When a manufacturing order is first created, MISys/2000 copies the bill of materials to the order, recording the standard cost of the manufacturing order. This sets the cost of the job excluding any modifications. While modifications almost always occur, the standard cost is useful as a point of comparison for actual costs.

### Allocating Extra Costs

While the manufacturing order accumulates the cost of the "standard" components it requires, most companies (especially job shop operations) find that the cost of the job can be significantly influenced by the "extras" - often to the point of making the job unprofitable. Before work commences, a manufacturing order is usually modified to some extent. Standard components that are not needed for the specific job are removed, thus reducing the cost of the job as indicated by the manufacturing order. Non-standard components are added, allowing MISys/2000 to instantly adjust the job cost upward. By adding extras to the manufacturing order - including labor, supplies, substitution and replacement parts - you can maintain an accurate "projected" cost of the job.

### Updating Actual Costs

When production is started, MISys/2000 uses the manufacturing order to record stock transfers that result in additional entries in the job's detail table. As work proceeds, replacement components may be required. The costs of these items also appear in the job detail table and thus drive up the cost. Variable labor is usually the single most unpredictable "extra" that can be accumulated in the job cost. MISys/2000 offers great flexibility for handling labor, breaking it down by department, or even by worker. Extra labor can be allocated to the manufacturing order. Or, job tickets can be collected and the "actual" labor recorded against the job.

### Analyzing Cost Variances

As a job costing tool, the MISys/2000 manufacturing order serves to document the cost of a particular phase of a job. It records:

- 1) What the job would cost had no modifications been made to the manufacturing order.
- 2) What the job would cost had the modifications been sufficient to complete the job.
- 3) What the job actually cost considering the "extras" that were added to the manufacturing order after production started.

If there is more than one manufacturing order for the job, looking at the cost of a particular manufacturing order gives only a partial answer to the question "what did this job actually cost?" There are two ways to get at the total picture: by evaluating manufacturing costs or evaluating job costs.

### Evaluating Manufacturing Costs

Each manufacturing order analyzes the standard, projected, and actual costs for that particular order, including specific cost variances. Manufacturing costs and production efficiencies can be produced by analyzing and reporting on a range of manufacturing orders for a specific job.

### Evaluating Job Costs

The progress cost of the job can be determined by analyzing the job detail table that accumulates all manufacturing order-driven stock transfers. Standard MISys/2000 job cost reports break this information down in various ways.

### Job Cost Accounting

MISys/2000 supports the segmented accounting provided by ACCPAC for Windows General Ledger. The setup of MISys/2000 includes optionally defining a segment code for each job. When stock transfers are charged to a job, with or without a manufacturing order, the manufacturing subledger will include transactions to a corresponding account segment related to that job. By interfacing MISys/2000 with ACCPAC for Windows General Ledger, a thorough analysis of job costs and manufacturing performance can be achieved in your company's financial statements.