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Costing

One of the fundamental steps in the accounting and inventory management workflows of LightSpeed is accurate costing. It is essential to understand how LightSpeed handles its various costs for Products, including Raw Costs, Cost Averaging, and Pricing Level Costs. This information is necessary in calculating sales and inventory reports, profit margins, and accounting exports.

Cost vs. Raw Cost

The **Cost** of your Product is set in the Product card in the **Supplier Cost Grid**, and is set for each Supplier you map to the Product.

To add a cost to your Product, click the "+" icon in the *Info* tab of the Product card. Choose the *Supplier* that you're mapping from the pop-up menu, enter the *Supplier Code* (the code that your Supplier uses to identify the Product in their system), and the **Raw Cost**. The Raw Cost you enter should be the amount you pay in the Supplier's currency. In most cases, this will be the same currency as the one you use, and therefore, the Raw Cost will equal the Cost. If your Supplier's currency is different than your default currency, the Raw Cost will not equal the Cost.

Term	Definition
Cost	The amount that you pay when you order a Product from your Supplier
Default Cost	The amount that you pay when you order a Product from your default Supplier
Raw Cost	The cost of a Product in the currency of the Supplier you buy it from.
Cost Average	The average cost of the entire quantity of a Product you have in stock.
Pricing Level Cost	The unique cost you set that is associated to a particular Pricing Level.

Costing Definitions



You cannot enter the Cost directly – it must be an automatic calculation from Raw Cost. Click *Save*.

It is the Cost, and not the Raw Cost, that is used in sales reports and appears as the cost in sales documents. It is the Raw Cost that appears as the cost on Purchase Orders and Supplier Invoices. Remember, if your Supplier uses the same currency as you do, this number should be the same.

Costs	Supplier	Supplier Code	Raw Cost	Currency	Cost
-	Projekka	ACT-557	21.58	US : 1.00	21.58
+	Ferris Ltd.	KJDFS	21.22	US : 1.00	21.22
Selling Price		29.99	28.04% margin	Minimum Margin	0.00 %

Product Profile Supplier Cost Grid

Cost Average

While the cost entered on a Purchase Order will be the Raw Cost of the Product, the **value** of that Product when it is received will be the Cost in your default currency, and will affect the **Cost Average**. The Cost Average is the value of your **existing** inventory.

EX: For example, if you receive 10 widgets at a cost of \$10, and then another 10 at a cost of \$20, you will have 20 widgets with a Cost Average of \$15. It is the Cost Average that is used when you sell a Product on an Invoice.

When you add a Product to a Quote, Order, or SRO, the Cost that is used is the cost of your default Supplier. However, once you save an Invoice that has been created from one of these documents, the Cost automatically is replaced with the Cost Average.

Pricing Level Cost

Each Product can have up to ten alternate prices, called **Pricing Levels**, and each of these Pricing Levels can have their own unique Cost. To allow entry of a unique Pricing Level Cost, go to **Tools >Setup >Pricing Levels**, and select both checkboxes. The *Pricing Levels can be selected per Line Item* checkbox allows your users to access alternate prices and costs for Products (provided they have been set in the Product card), and the *Pricing Levels set the Cost in addition to the Selling Price* checkbox enables the option to set the unique Pricing Level Cost for a particular Pricing Level.

When you add a Product that has at least one Pricing Level entered to any sales document, an indicator arrow will appear beside the regular Selling Price. Clicking this arrow displays the Pricing Levels and any costs associated with these levels. Choosing a Pricing Level that has a unique Cost will use this cost as the Cost for the document, **even if it is an Invoice**. In other words, accessing a Pricing Level Cost on an Invoice precludes the substitution of the Cost Average when the Invoice is saved.

Pricing Level Setup

Using Pricing Levels

Having different selling prices for products for different customer groups can be accomplished using Pricing Levels. You can name up to five Pricing Levels, which you can then assign to Customer Categories in the Customer Categories Setup.

Customers assigned these Customer Categories will receive the selling price specified for the pricing level in the Product window of a product.

Pricing Levels

- Loyalty: Use Regular Cost
- Education: Use Regular Cost
- Government: Use Regular Cost
- Bulk: Use Pricing Level Cost
- Pricing Level E: Use Regular Cost
- Pricing Level F: Use Regular Cost
- Pricing Level G: Use Regular Cost
- Pricing Level H: Use Regular Cost
- Apple Exchange: Use Pricing Level Cost
- Apple Warranty: Use Pricing Level Cost, Use Regular Cost

Pricing Levels set the Cost in addition to the Selling Price

Pricing Levels can be selected per Line Item

Pricing Level added to Line Item description: Off

Save

Pricing Levels Setup

Reporting

Costing is an essential factor in sales, commission, and inventory valuation reports. Depending on the report, however, different costs are used, and are outlined in the table here.

Category	Report	Costing
Sales	Gross Profit	<i>Cost Average</i> at time of sale
Inventory	All Reports except Inventory History Reports	<i>Current Cost Average</i>
Inventory History	All Reports	<i>Cost and Cost Average</i> at time of entry
Product	General By Default Supplier	<i>Default Cost</i>
Commission by Profit	All Reports	<i>Cost Average</i> at time of sale

Costs in Reporting

Intelligence

Similarly, the reports in *Intelligence* use various costs as well. See the adjoining table.

Category	Costing
Products	<i>Cost Average</i> at the time of sale
Quotes	<i>Cost</i>
Invoices	<i>Cost Average</i> at the time of sale
Sales	<i>Cost Average</i> at time of sale
Inventory	<i>Current Cost Average</i>

Costs in Intelligence

Documents

To understand costing on your reports and accounting exports, you must understand what costs are used on the various documents created in LightSpeed, including Quotes, Orders, Invoices, Purchase Orders, and Supplier Invoices.

Document	Cost Used
Quote	<i>Default Cost (Pricing Level Cost will override)</i>
Order	<i>Default Cost (Pricing Level Cost will override)</i>
SRO	<i>Default Cost (Pricing Level Cost will override)</i>
Invoice	<i>Default Cost</i> will appear when Product is added, but will be replaced by <i>Cost Average</i> when Invoice is saved. However, <i>Pricing Level Cost</i> will override if a <i>Pricing Level</i> is chosen.
Purchase Order	Cost of the Supplier attached to the PO
Supplier Invoice	The cost from the original Purchase Order

Document Costing

Set Selling Prices

LightSpeed's *Set Selling Prices* feature allows you to make batch changes to the prices or costs of subsets of your Products based on criteria you set.

The **Default Cost**, **Default Raw Cost**, and **Pricing Level Costs** can be used to set your criteria – methods you can use to isolate subsections of your Products in order to apply “Actions” to them.


In the *Actions* section, you can set the Cost of any Supplier by se-

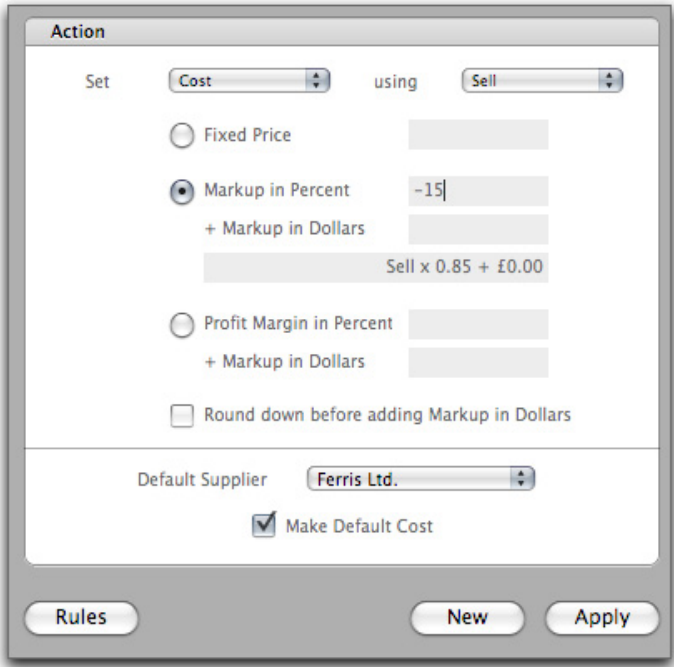
lecting *Cost* in the first pop-up menu of the Action section. However, doing this **requires** you to choose which Supplier's cost you are affecting.

When setting an action in *Set Selling Prices*, you have many choices as to which cost on which to base your calculation – regular **Cost**, **Pricing Levels Costs**, or the **Cost Average**.

EX: For example, you could **set** the Cost of a Product you purchase from Ferris Ltd. based on 15% less than the Selling Price (ie. discount from MSRP). See image.

EX: For example, using the criteria “Cost Price Level A is greater than 350” will result in all your Products that have a Pricing Level A Cost of more than \$350 ready to have an action applied to them.

 It is necessary to set a Supplier when changing the Cost (as above), or you will create a second cost line in the Product card that has no Supplier.



Set Selling Prices

Accounting Exports

The costs that are included with the files that are exported in LightSpeed's accounting exports files (**Tools > Export to MYOB or Tools > Export to QuickBooks**) are the costs on the relevant documents.

File	Cost Used
Invoices	The cost saved in the invoice (see Documents table above)
Purchasees	The cost saved in the Supplier invoice (see Documents table, above)
Inventory Adjustements	Cost Average or the cost edited during the adjustment

Costs used in Accounting Exports

Troubleshooting

You can find additional costing tools at **Tools > Utilities > Troubleshooting**

1 Inventory at Zero Cost

Displays a list of Products that were received or adjusted at a cost of zero, and give you the opportunity to “fix” those transactions by replacing the current Cost Average.

2 Cost Averaging

The *Recalculate Cost Average* button enables you to repair any erroneous Cost Averages.