

## Article # 1180

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### Technical Note: Costing Hierarchy in the Purchase Order Module

**Difficulty Level:** Intermediate Level AccountMate User

**Version(s) Affected:** AccountMate 10 for SQL and Express  
AccountMate 9 for SQL, Express and LAN  
AccountMate 8 for SQL, Express and LAN  
AccountMate 7 for LAN

**Module(s) Affected:** PO

**Posting Date:** 10/25/2017

### DESCRIPTION

AccountMate offers various costing features which control the costs that it uses as defaults during creation of purchase orders and purchase quotes. Depending upon how AccountMate is set up, each costing feature will provide a default unit cost on items entered on a purchase order (PO).

This TechNote discusses the available costing options and illustrates the priority that AccountMate uses to determine what unit cost will be provided as the default for each PO line item.

### SOLUTION

AccountMate follows a definite priority scheme that controls the default unit cost for each PO line item. The following are the default unit cost types used by AccountMate, listed according to their priority in the hierarchy:

1. **Inventory Vendor Price**

The Inventory Vendor Price is the price provided by the vendors from whom you are purchasing goods. This price is set up in the **Inventory Vendor Maintenance** function. You can set up several vendor records for an inventory item or designate all inventory items as supplied by a single vendor. Refer to the Online Help for more information about these two options, as well as other pieces of information about the **Inventory Vendor Maintenance** function.

Once you have set up an inventory vendor record for an item, AccountMate will use the default vendor price and vendor you specified in **Inventory Vendor Maintenance**. You can also create multiple inventory vendor records for a single inventory item for different vendor prices. When you create a PO, AccountMate chooses from among the inventory vendor records the best vendor price; then, uses it as the default unit cost for the inventory item. The best vendor price is the

system-calculated lowest vendor price after taking into consideration each of the vendor prices, the item's unit of measurement, and the vendor currency in multi-currency transactions.

**Note:** *The best vendor price rule applies only to purchase orders created using the **Create Purchase Order by Item, Create Purchase Order by Sales Order** and **Create Purchase by Reorder Quantity** functions.*

*If you are using the **Create Purchase Order by Vendor** function, the default unit cost is the amount offered by the vendor for whom you are creating the purchase order. If the vendor is not one of those specified in the inventory vendor record, the next order in the hierarchy is followed.*

You can also set up a default vendor by marking the **Default** checkbox in the **Inventory Vendor Maintenance ► Vendor** area. The default vendor is your preferred vendor regardless of the vendor price it is offering for the item.

AccountMate uses the vendor price offered by the default vendor for purchase orders created using the **Create Purchase Order by Item, Create Purchase Order by Sales Order**, and **Create Purchase Order by Reorder Quantity** functions.

## 2. **Last Received Cost**

Marking the **Use Last Received Cost** option in **Vendor Maintenance ► Settings** tab configures AccountMate to use the last received cost as the default unit cost when PO is created for that vendor. You should have no inventory vendor records set up for the item for which you desire to use the last received cost; otherwise, AccountMate will use the best vendor price though you activated the **Use Last Received Cost** option. Refer to the Online Help for more information about this setting and other details about the **Vendor Maintenance** function.

## 3. **Average Cost**

AccountMate uses the inventory item average cost as the default unit cost if the inventory item does not have an inventory vendor price and the vendor from whom the purchase is made was not set up to use the last received cost. The average cost is used regardless of the cost method assigned to the item.

## 4. **Zero**

If the PO line item Inventory Maintenance record is newly created with no transactions yet and has no assigned inventory vendor price, the default unit cost is zero.

The following are sample scenarios to illustrate the above discussion:

Inventory Item: BRACKET

Inventory Vendor Record:

<u>Vendor#</u>	<u>Vendor Price</u>
AFF1	\$15
CBA32	\$25
CLF32	\$20

Inventory Cost Method: FIFO  
Next FIFO Cost: \$10  
Average Cost: \$18

Record of Latest Purchases:

<u>Vendor#</u>	<u>Received Date</u>	<u>Unit Cost</u>
AFF1	10/10/17	22
CBA32	08/01/17	25
CLF32	09/01/17	20

Vendor Settings:

AFF1 - Use Last Received Cost option activated; Expire Days = 30  
CBA32 - Use Last Received Cost option activated; Expire Days = 30  
CLF32 - Use Last Received Cost option not activated

***Scenario 1***

When PO is created on October 31, 2017 using the **Create Purchase Order by Item** function, the default vendor is AFF1 and the default unit cost is \$15, which is the best vendor price.

***Scenario 2***

If no inventory record was set up, the three vendors default unit costs are AFF1 ► \$22, CBA32 ► \$25, and CLF32 ► \$18 as displayed on the PO dated August 31, 2017 using the **Create Purchase Order by Item** function.

***Scenario 3***

If no inventory vendor record was set up and the last received cost option was not activated in all three vendor records, the default unit cost for each vendor is \$18 on the PO created on August 31, 2017 using the **Create Purchase Order by Item** function.

Understanding how AccountMate's costing hierarchy affects the PO module will help you properly set up inventory and vendor records so that you can take full advantage of AccountMate's default costing design.

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